

FRANCHISE DISCLOSURE DOCUMENT



Koibito Franchise, LLC
an Arizona limited liability company
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Koibito Franchise, LLC offers franchises for the operation of a fast-casual restaurant that features poke bowls.

The total investment necessary to begin operation of a Koibito Poke restaurant ranges from \$273,300 to \$502,150. This includes \$35,000 that must be paid to us.

Area developers must commit to open a minimum of 3 restaurants. The total investment necessary to begin operation of an area development franchise (for the right open between 3 and 10 restaurants) ranges from \$333,300 to \$772,150. This includes \$95,000 to \$305,000 that must be paid to us.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 8776 E. Shea Blvd., Suite 106-104, Scottsdale, Arizona 85260 or by phone at (480) 597-3252.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's 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: August 17, 2023 (Amended August 18, 2023)

How to Use this Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation and/or litigation only in Arizona. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Arizona than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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MICHIGAN

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “we,” “us” and “the Company” mean Koibito Franchise, LLC - the franchisor. “You” means the person who buys a Koibito Poke franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company.

For purposes of this Disclosure Document, a “Restaurant” refers to a Koibito Poke restaurant, and may refer to Restaurants operated by us, our affiliates, you or other franchisees.

Corporate Information

Koibito Franchise, LLC is an Arizona limited liability company organized on April 10, 2019 under its original name, Koi Franchise, LLC. We changed our legal name to Koibito Franchise, LLC in December 2019. Our principal business address is located at 8776 E. Shea Blvd., Suite 106-104, Scottsdale, Arizona 85260 and our telephone number is (480) 597-3252. Our agents for service of process are disclosed in EXHIBIT "A" (in registration states) and EXHIBIT "B" (for other states). We do not do business under any names other than “Koibito Franchise, LLC” and “Koibito Poke”.

Business History

We have offered franchises for (a) Restaurants since August of 2019 and (b) Area Representative Businesses (described below) since June of 2021. We have never offered franchises in any other line of business. We are not engaged in any business other than offering franchises for Restaurants and Area Representative Businesses and administering the franchise system. We have never directly owned and operated a Restaurant or an Area Representative Business. However, as a franchisor we provide many of the same services as an Area Representative.

Franchises for Area Representative Businesses are offered under a separate Disclosure Document. As of December 31, 2022, we have sold 1 franchise for an Area Representative Business. This franchise was sold to our Chairman and Chief Executive Officer. A franchisee that operates an Area Representative Business is referred to as an “Area Representative”. Area Representatives provide a variety of services, including:

- soliciting, screening and recruiting prospective Restaurant franchisees;
- developing, training, servicing and supporting Restaurant franchisees with the development and operation of Restaurants; and
- inspecting and monitoring Restaurants for compliance with our standards and requirements.

Area Representatives provide these services within a defined development territory. In exchange for these services, we pay each Area Representative commissions based on fees we collect from franchisees located in their development territory. Area Representatives are also required to establish and operate at least 1 Restaurant. Area Representatives operate under the same trademarks licensed to Restaurant franchisees. If you purchase a franchise within an Area Representative’s development territory, the Area Representative may provide you with certain initial and ongoing training, support and other assistance. Our current Area Representatives are listed in EXHIBIT "G".

Predecessors, Parents and Affiliates

We do not have any predecessors.

Our parent company is Finance Concepts, LLC. Our parent company’s principal business address is located at 3104 E. Camelback Road, #2147, Phoenix, Arizona 85016.

We do not have any affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

Description of Franchised Business

The franchise offered under this Disclosure Document is for a Koibito Poke restaurant, which is a fast-casual restaurant that features poke bowls and sells chicken bowls and various approved non-alcoholic beverages. Koibito Poke restaurants boast high quality fish with fresh quality toppings and a variety of proprietary sauces. Franchisees may (but need not) offer and sell beer, wine, sake and other approved alcoholic beverages. In our experience, the costs associated with offering alcoholic beverages are very high compared to the additional revenues generated from the sales. Koibito Poke restaurants serve dine-in and take-out customers and also offer delivery and catering services.

Each Restaurant is licensed the right to use certain logos, service marks and trademarks we designate from time to time, including the trademark “Koibito Poke” and associated logo (collectively, the “Marks”). The “Marks” also includes our distinctive trade dress used to identify our Restaurants or the goods and services they sell, whether now in existence or created in the future.

Each Restaurant is operated in accordance with a distinct system we developed (the “System”). Some of the distinctive characteristics of our System include:

- distinctive interior and exterior design, décor, color schemes, graphics, fixtures and furnishings
- business formats
- proprietary sauces
- high quality fish delivery distribution chain to ensure freshness
- operational and customer service standards and procedures
- advertising and marketing strategies and programs
- techniques, methods and procedures
- standards and specifications
- operating system

The operational aspects of a Restaurant are included in our confidential Brand Standards Manual (the “Manual”).

You must sign the form of franchise agreement attached to this Disclosure Document as EXHIBIT "C" (the “Franchise Agreement”). The franchised business you operate is referred to as your “Business” or your “Restaurant”. We will license you the right to develop and operate your Restaurant using our Marks, our System and the support, guidance and other methods and materials we provide. You must develop and operate your Restaurant in strict compliance with all terms and conditions in the Franchise Agreement and Manual.

Area Development Rights

If you satisfy our criteria for multi-unit developers, we may (but need not) offer you the right to enter into an Area Development Agreement in the form attached to this Disclosure Document as EXHIBIT "D" (an “ADA”). The ADA grants you the right and obligation to develop, open and operate multiple Restaurants within a defined “development territory” according to a predetermined “development schedule”. You must develop, open and operate all of the Restaurants identified in the development schedule. We only grant area development rights to franchisees who commit to develop, open and operate a minimum of 3 Restaurants. You sign a separate franchise agreement for each Restaurant you develop under the ADA. Each franchise agreement will be our then-current form of franchise agreement, which may differ from the current Franchise Agreement attached to this Disclosure Document.

Market and Competition

The target market for Koibito Poke customers includes health-conscious members of the general public. You will compete with other fast-casual restaurants, fast food outlets and sushi themed stores (including other poke-

themed restaurants). Some of these businesses are independently owned and operated while others are regional or national chains. Some of our competitors operate under a franchise model. The restaurant industry is developed, highly competitive and well established. Sales are not seasonal.

Laws and Regulations

You must comply with all local, state and federal laws that apply to businesses generally, including laws governing discrimination and sexual harassment in the work place, minimum wage, smoking in public areas as well as EEOC and OSHA standards. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. Building codes and requirements vary in different jurisdictions and it is important for you and your architect to be aware of and comply with all local laws.

You must comply with federal, state and local health and sanitation laws and licensure requirements applicable to food establishments, including laws that require food handlers to have certain inoculations and/or food service permits. Health laws are intended, in part, to reduce food borne illnesses and may cover such issues as:

- requiring employees to take a test and obtain a license as a food service worker
- having accessible sinks and bathrooms for certain size establishments
- inspections for cleanliness and sanitation standards, including equipment cleaning, food storage and packaging, ingredients utilized, refrigeration requirements, etc.

Because Koibito Poke restaurants serve fish as a core menu item, there may be additional requirements for storage, handling, preparation and disposal of fish. The United States Department of Agriculture and the Food and Drug Administration regulate the manufacture, labeling and distribution of food products. There may also be local ordinances and regulations governing food storage, preparation and serving.

The Food and Drug Administration regulates menu labeling for retail food establishments that are part of a chain of 20 or more locations operating under the same name, regardless of ownership. Many states have enacted similar state laws governing menu labeling and disclosure of nutritional content. Some state and federal laws impose general requirements or restrictions on advertising containing false or misleading claims or health and nutrient claims on menus, such as “low calorie” or “fat free”.

If you choose to offer alcoholic beverages at your Restaurant, you must obtain a liquor license and comply with all state and local laws regulating businesses that serve alcoholic beverages.

The Payment Card Industry Data Security Standard (“PCI”) requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

There may be other local, state and/or federal laws or regulations that apply to your Restaurant. We strongly suggest you investigate these laws before buying this franchise.

ITEM 2 BUSINESS EXPERIENCE

Todd Stottlemire – Chairman and Chief Executive Officer

Todd Stottlemire has served as our Chairman since December 2019 and our Chief Executive Officer since December 2019. For the past 5 years, Mr. Stottlemire has been self-employed in Scottsdale, Arizona as a consultant, high performance coach, author and co-founder of a private equity fund.

John Young – President

John Young has served as our President since March 2022. He previously served as our Chief Operating Officer from December 2020 to March 2022. From August 2019 to December 2020, he served as a Franchise Consultant to us. From June 2007 to present, he has served as a Partner for Elite Dining Group, LLC in Phoenix

Arizona. From September 2011 to June 2017, he served as a Partner for TK Northwest Holdings in Phoenix, Arizona.

Lynette Hall – Director of Training

Lynette Hall has served as our Director of Training since August 2019. From January 2004 through the present, she has been self-employed in Meridian, Idaho as a business consultant.

Rocco Lents – Director of Business Development

Rocco Lents has served as our Director of Business Development since January 2022. From March 2021 to January 2022, he served as our Chief Revenue Officer. From May 2016 to present, he has also been employed by Lents Property LLC as a Sales Assistant in Mesa, Arizona.

Madison Stottlemire – Chief Operating Officer

Madison Stottlemire has served as our Chief Operating Officer since January 2023, previously serving as our General Manager and Vice President (June 2021 to January 2023) and our Social Media Director (August 2020 to June 2021). From May 2018 to August 2020, she was employed at our affiliate-owned Restaurant in Scottsdale, Arizona as: (a) an Assistant Manager (January 2019 to August 2020); and (b) a cashier (May 2018 to December 2018). Ms. Stottlemire was a student prior to May 2018.

Daniel Morgan – Field Coordinator

Daniel Morgan has served as our Field Coordinator since January 2023, previously serving as a Manager from June 2022 to January 2023. From May 2014 to June 2022, he was employed at a Chipotle restaurant in Scottsdale, Arizona as: (a) a Service Manager (September 2015 to June 2022); and (b) a Kitchen Manager (May 2014 to September 2015).

Area Representatives

The names and business experience of our Area Representatives is disclosed in EXHIBIT "G".

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

EXHIBIT "G" includes any litigation that is required to be disclosed with respect to our Area Representatives.

ITEM 4 BANKRUPTCY

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

EXHIBIT "G" includes any bankruptcy information that is required to be disclosed with respect to our Area Representatives.

ITEM 5 INITIAL FEES

Initial Franchise Fee

You pay us a nonrefundable \$30,000 initial franchise fee when you sign the Franchise Agreement. We currently offer the following discounts:

Military Discount: We offer a \$10,000 discount for active duty service members or honorably discharged veterans from any branch of the United States military. The discount is available only if each of the following requirements are met:

- the active duty service member or honorably discharged veteran, as applicable, maintains a 51% or greater ownership interest in the franchise (or a 51% or greater ownership interest in the entity that is the

franchisee, if the franchisee is a legal entity)

- before signing the Franchise Agreement, you provide us with a copy of the qualifying individual's active duty I.D. or form DD-214, reflecting his or her military status

First Responder Discount: We offer a \$5,000 discount for first responders (police officers, firemen, paramedics, etc.). The discount is available only if the first responder maintains a 51% or greater ownership interest in the franchise (or a 51% or greater ownership interest in the entity that is the franchisee, if the franchisee is a legal entity).

Area Representative Commission: If you are an Area Representative, you pay the standard \$30,000 initial franchise fee but we rebate 50% of the initial franchise fee to you as your commission, with the net effect that you pay a \$15,000 initial franchise fee.

The initial franchise fee is uniformly imposed.

Grand Opening Marketing Fee

You pay us a nonrefundable \$5,000 grand opening marketing fee when you sign the Franchise Agreement. We use these funds to implement your grand opening marketing campaign. We credit any unused portion of the grand opening marketing fee against your local marketing fee (described in Item 6 of this Disclosure Document). The grand opening marketing fee is uniformly imposed.

Development Fee

If you purchase area development rights, you pay us a nonrefundable development fee when you sign the ADA. The development fee is calculated as \$30,000 multiplied by the total number of Restaurant you commit to develop under the ADA. Area developers must commit to open a minimum of 3 Restaurants. You do not pay us any additional initial franchise fees under the Franchise Agreements you sign pursuant to the ADA. Development fees are uniformly imposed.

ITEM 6 OTHER FEES

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Royalty Fee	6% of weekly Gross Sales ²	Day of week we specify (currently Wednesday)	You must send us weekly reports of Gross Sales unless you use a system we designate allowing us to independently generate reports of your Gross Sales. Our current reporting period runs from Monday through Sunday.
Brand Fund Fee	1% of weekly Gross Sales ² (not currently assessed)	Same as royalty fee	See Note 3.
Local Marketing Fee	1% of weekly Gross Sales ²	Same as royalty fee	See Note 4.
Training Fee	Up to \$100 per person per day	10 days after invoice	See Note 5.
Conference Registration Fee	Up to \$500 per person	10 days after invoice	See Note 6.
Technology Fee	Varies (currently \$10 per month for each email address beyond 3)	10 days after invoice	See Note 7.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Online Portal Purchases	Varies depending on item purchased	At time of purchase	In the future, you may purchase proprietary sauces and seasonings and other inventory items, plastic ware and operating supplies through our online portal. Payments are made to the third-party supplier of the item purchased.
New Product or Supplier Testing	Cost of testing (up to \$500 per test)	10 days after invoice	This covers the costs of testing new products or inspecting new suppliers you propose.
Renewal Fee	\$5,000	At time you sign Renewal Agreement	None.
Transfer Fee	\$10,000 (under both Franchise Agreement and ADA)	Before transfer	Payable when you transfer or sell your franchise. No charge if franchise transferred to an entity you control or for certain transfers of ownership interests between existing owners. If the buyer is found by a broker we engage, you must also reimburse us for all commissions we pay to the broker.
Fines	Up to \$500 per incident	Upon demand	Payable if you fail to comply with a mandatory standard or operating procedure (including timely submission of required reports) and do not cure within the time period we require. We may impose an additional fine for every 48 hours the non-compliance issue remains uncured after we impose the initial fine. We will deposit all fines into the brand fund (once established).
Reimbursement of Insurance Costs	Amount of expenses we incur (including premiums)	10 days after invoice	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us.
Reinspection Fee	All costs we incur to travel to and inspect your Restaurant	10 days after invoice	Payable if we inspect your Restaurant to determine if you remedied (a) a health or safety issue identified by a government agency or (b) breach of system standards we bring to your attention.
Audit Fee	Actual cost of audit (including travel and lodging expenses for audit team)	10 days after invoice	Payable if audit (a) reveals you understated Gross Sales by 3% or more or (b) is necessary because you fail to send us required information or reports in a timely manner.
Late Fee	Lesser of 18% of amount past due or highest rate allowed by applicable law	10 days after invoice	The highest interest rate allowed by law in California for late payments is 10% annually.
Management Fee	Commercially reasonable rate (up to \$300 per day plus expenses)	10 days after invoice	If you default under the Franchise Agreement or the Managing Owner dies, we can designate a temporary manager to manage your Restaurant until you cure the default or find a replacement Managing Owner, as applicable.
Indemnification	Amount of our damages, losses or expenses	10 days after invoice	You must indemnify and reimburse us for any damages, losses or expenses we incur due to the operation of your Restaurant or your breach of the Franchise Agreement.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Attorneys' Fees and Costs	Amount of attorneys' fees and costs we incur	Upon demand	You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of the Franchise Agreement or other agreement with us or our affiliates.

Notes:

1. All fees are imposed by and payable to us. All fees are nonrefundable and uniformly imposed except as otherwise disclosed above. You must sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "F") permitting us to electronically debit your designated bank account for all amounts owed to us and our affiliates (other than the initial franchise fee). You must deposit all Gross Sales into the bank account and ensure sufficient funds are available for withdrawal before each due date. You must pay us all taxes that are imposed upon us or that we are required to collect and pay by reason of the furnishing of products, intangible property (including trademarks) or services to you
2. "Gross Sales" means all gross sums you collect from all goods and services you sell, plus all other sums you collect from the operation of your Business, including any advertising revenues, sponsorship fees or business interruption insurance proceeds. "Gross Sales" includes the full retail value of "free" or "discounted" items provided to employees or customers that are not part of an approved promotional campaign. "Gross Sales" does not include:
 - revenues you collect and later refund to the customer
 - sales or use taxes you pay to a government agency
 - tips or other gratuities paid to and retained by employees

The Manual may include policies governing the manner in which proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales. The Manual may also provide details on the calculation of Gross Sales relating to qualifying purchases and redemptions by members under a customer loyalty program.
3. We have established and currently administer a brand and system development fund to promote public awareness of our brand and improve our System. You have no voting rights pertaining to the administration of the fund, the creation and placement of the marketing materials or the amount of the required contribution.
4. In addition to your grand opening marketing fee and brand fund fees, you pay us a weekly local marketing fee equal to 1% of your Gross Sales. We use the local marketing fee to conduct advertising, marketing and other promotional activities on your behalf within your local market. However, we will not impose the local marketing fee until we achieve a minimum concentration of Restaurants in a given market and provide you with at least 30 days' notice. Until that time, you must directly spend 1% of your Gross Sales on approved local marketing and advertising to promote your Restaurant (you pay the suppliers directly rather than paying us).
5. We do not charge a training fee for (a) our pre-opening initial training program; or (b) any system-wide refresher or additional training conducted at our headquarters or an affiliate-owned Restaurant. We may charge you a training fee of up to \$100 per person per day for:
 - each person that attends initial training after you open (such as a new Managing Owner or manager)
 - any person who retakes training after failing a prior attempt
 - any remedial training we require based on your operational deficiencies
 - each person to whom we provide additional training that you request

If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). You are responsible for all expenses and costs your

trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee our then-current initial training fee.

6. We may hold periodic national or regional conferences to discuss business and operational issues affecting Koibito Poke franchisees. Attendance is mandatory, but we will not require attendance at more than 1 conference during any calendar year. You are also responsible for all expenses and costs the conference attendees incur, including wages, travel and living expenses.
7. You must acquire and utilize all information and communication technology systems that we specify from time to time (the “Technology Systems”). The “technology fee” includes all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based on changes to the Technology Systems or the prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts you pay directly to third-party suppliers for any component of the Technology Systems. At no additional fee, we provide each franchised Restaurant with 3 Koibito email addresses. If you require more than 3 Koibito email addresses for a Restaurant, you must pay us a technology fee not to exceed \$10 per additional email address per month. We do not currently impose any other technology fee.

ITEM 7 ESTIMATED INITIAL INVESTMENT

Table A: Estimated initial investment for the purchase of a single Restaurant.

YOUR ESTIMATED INITIAL INVESTMENT (SINGLE RESTAURANT)				
TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$30,000	Lump sum	At time you sign Franchise Agreement	Us
Food, Lodging & Travel (2 people while training)	\$300 to \$4,000	As incurred	During training	Hotels, restaurants and airlines
Lease Deposit & 3 Months’ Rent ³	\$14,000 to \$30,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Build Out & Improvements ⁴	\$100,000 to \$250,000	As incurred	Before opening	Architects, contractors, suppliers
Signage ⁵	\$4,700 to \$10,000	Lump sum	Before opening	Suppliers
Decorating, Furniture & Fixtures	\$6,000 to \$10,000	As incurred	Before opening	Suppliers
Computer and POS System ⁶	\$2,500 to \$3,800	Lump sum	Before opening	Suppliers
Kitchen Equipment ⁷	\$26,000 to \$35,000	Lump sum	Before opening	Suppliers
Other Equipment ⁸	\$1,000 to \$2,000	As incurred	Before opening	Suppliers
Small Wares	\$3,000 to \$3,750	As incurred	Before opening	Suppliers
Initial Supply of Inventory ⁹	\$13,000 to \$19,000	Lump sum	Before opening	Suppliers
Uniforms	\$1,200 to \$1,600	As incurred	Before opening	Suppliers
Grand Opening Marketing Fee ¹⁰	\$5,000 to \$7,500	Lump sum	At time you sign Franchise Agreement	Us

YOUR ESTIMATED INITIAL INVESTMENT (SINGLE RESTAURANT)				
TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Liquor License (optional) ¹¹	\$0 to \$10,000	As incurred	Before opening	State and city departments
Utility Deposits, Business Licenses & Other Prepaid Expenses	\$1,000 to \$3,000	As incurred	Before opening	Utility companies and government agencies
Professional Fees	\$1,500 to \$5,500	Lump sum	Before opening	Lawyers, attorneys & accountants
Insurance (3-months' premium)	\$750 to \$2,000	Lump sum	Before opening	Insurance companies
Additional Funds ¹² (3 months after opening)	\$63,350 to \$75,000	As incurred	As incurred	Suppliers and employees
Total Estimated Initial Investment ¹³	\$273,300 to \$502,150			

Table B – Estimated initial investment for the purchase of area development rights.

YOUR ESTIMATED INITIAL INVESTMENT (AREA DEVELOPMENT – ASSUMES PURCHASE OF 3 TO 10 RESTAURANTS)				
TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee ¹⁴	\$90,000 to \$300,000	Lump sum	At time you sign ADA	Us
Initial Investment to Open 1 st Restaurant	\$243,300 to \$472,150	This is the total estimated initial investment in Table A above less the initial franchise fee that is included in the development fee		
Total Estimated Initial Investment	\$333,300 to \$772,150			

Notes:

1. We do not offer direct or indirect financing for any of these items. No fees paid to us are refundable. We are unaware of any fees paid to third-party suppliers that are refundable, although your landlord may refund your security deposit at the end of the lease if you do not damage the property or default.
2. If you qualify for the military discount discussed in Item 5, we discount the initial franchise fee to \$20,000.
3. This estimate assumes you lease your premises. Rent varies depending on the size of the premises, its location, landlord contributions and the requirements of individual landlords. We anticipate most Restaurants will range in size from 900 to 1,400 square feet with rent ranging from \$3,500 to \$7,500 per month. However, your actual rent may vary significantly above or below this range depending on your area and local market conditions. For example, you may face significantly higher rent in areas such as New York City, San Francisco or Boston. Landlords typically require security deposits equal to 1- or 2-months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The total estimated initial investment shown in the chart above includes 1 month's security plus 3 months' rent. If you wish to own rather than lease the premises for your restaurant, you must receive our prior written approval, which we will not unreasonably withhold. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost

4. The cost of leasehold improvements and build-out vary widely based upon a number of factors, including the size and condition of the premises, whether or not there are any existing leasehold improvements and whether the landlord will contribute to the cost of the improvements. These costs can also be affected by the prevailing wage rate in your local market and local demand for construction services.
5. You must purchase and install the signage we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances, exterior signage may be prohibited due to applicable zoning or use restrictions.
6. You must purchase or lease the computer and POS system we require. The cost varies depending on whether you have 1 or 2 POS stations.
7. This estimates your cost to purchase kitchen equipment, including a freezer, refrigerator, dishwasher, ice machine, cooking equipment, beverage coolers, beverage dispenser, commercial kitchen sinks, stainless steel work tables, refrigeration prep tables, etc.
8. This estimates your cost to purchase your TVs, menu display monitors, phone system and alarm system.
9. You must offer for sale at your Restaurant all merchandise and retail items we specify. You must maintain a reasonable supply of these items at your Restaurant at all times. The estimate in the chart above represents the cost for an initial supply of these items.
10. We do not require that you spend any money on your grand opening marketing activities other than the grand opening marketing fee paid to us. However, you may spend more on your grand opening marketing activities at your discretion. The minimum grand opening marketing fee is \$5,000.
11. You have the option, but not the obligation, to offer alcoholic beverages at your Restaurant. We estimate the typical cost to obtain a liquor license will range from \$2,000 to \$10,000. Some states or municipalities limit the number of available liquor licenses. If this occurs in your state or municipality, you may not be able to obtain a liquor license or you may be required to pay a grossly inflated amount to acquire a liquor license. The estimate in this Item 7 presumes there is an adequate supply of liquor licenses available in your state and municipality. The low estimate assumes you choose not to offer alcoholic beverages at your Restaurant.
12. This estimates your expenses during the first 3 months of operation, including payroll costs (excluding any wage or salary paid to you), utilities, advertising expenses, inventory replenishment, technology fees and other miscellaneous expenses and required working capital. Your initial 3 months of rent is separately stated in the table above. These figures are estimates based on our past experience franchising and operating (through our affiliates) Restaurants.
13. We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your Restaurant.
14. The low estimate assumes you commit to develop 3 Restaurants (which requires a development fee of \$90,000) while the high estimate assumes you commit to develop 10 Restaurants (which requires a development fee of \$300,000).

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source Restricted Purchases and Leases - Generally

You must purchase or lease certain “source restricted” goods and services for the development and operation of your Business. By “source restricted,” we mean the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). The Manual includes our specifications and list of suppliers. We notify you of changes to our specifications or supplier list by email, written notice, telephone, updates to the Manual, bulletins or other means of communication.

Supplier Criteria

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon request, we will provide you with any objective specifications pertaining to our evaluation of a supplier, although certain important subjective criteria (e.g., product appearance, taste, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you want to purchase or lease a source restricted item from a non-approved supplier, you must send us a written request for approval and submit all additional information we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier's facilities. We will notify you of our decision within 60 days after we receive your request for approval and all additional information and samples we require. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to meet any of our then-current criteria. We will notify you in writing if we revoke our approval of any suppliers. You must reimburse us for all costs we incur in reviewing products and suppliers you propose.

Current Source Restricted Items

We estimate that nearly 80% of the total purchases and leases that will be required to establish your Business and 90% of your ongoing operating expenses will consist of source restricted goods or services, as further described below:

Lease

We do not review the terms of your lease. However, if you lease the premises for your Restaurant, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to the Franchise Agreement as ATTACHMENT "D". You must hire a real estate attorney to review the terms of your lease. You may use our recommended real estate attorney who will provide this service for between \$800 and \$1,200 or you may hire a real estate attorney of your choosing.

Architectural Services

We provide prototype plans for a Koibito Poke restaurant. You must hire an architect to modify and adapt these plans to conform to your premises and comply with all local ordinances, building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must submit the final plans to us for approval. Your architect and contractor must be appropriately licensed and bonded (if required by applicable law). We may require that you use one of our designated architects (if licensed in your state). If we do not require that you utilize an architect we designate, then we must approve the architect you select.

Construction of Restaurant

You must construct and equip your Restaurant according to the approved plans as well as the standards and specifications contained in the Manual.

Signage

All of your exterior signage must meet our standards and specifications. You may purchase signage from our recommended supplier or from any other supplier of your choosing.

Fixtures, Furnishings and Décor

All of your fixtures, furnishings and décor must meet our standards and specifications and be purchased from approved or designated suppliers.

Kitchen Equipment

You must purchase kitchen equipment that meets our standards and specifications. You must purchase certain kitchen equipment only from suppliers we approve or designate. You may purchase other kitchen equipment from any suppliers of your choosing.

Small Wares

You must purchase small wares that meet our standards and specifications. You may purchase these items from any supplier of your choosing.

Computer Equipment and POS System

Your computer and POS system must meet our standards and specifications. You may purchase your computer from any supplier of your choosing. You must purchase your POS system (and related equipment) exclusively from our designated supplier. You must ensure your credit card processing is compatible and able to interface with our designated POS system.

Operating Supplies

You must purchase certain operating supplies that meet our standards and specifications. You may purchase these items from any supplier of your choosing.

Inventory

All of your inventory must meet our standards and specifications. You must purchase these items only from approved or designated suppliers. You may not utilize any inventory items we have not approved.

Uniforms

Your employees must wear the uniforms we require. You must purchase these uniforms from a designated or approved supplier.

Marketing Materials and Services

All marketing materials must comply with our standards and requirements. We must approve your marketing materials prior to use. You must purchase branded marketing materials only from us or other suppliers we designate or approve. You must exclusively use us to implement your grand opening and local marketing campaigns (we may contract with third-party suppliers to fulfill these services).

Delivery Services

You may only provide delivery service to customers using a third-party delivery service approved by us in advance. Alternatively, we may allow you to provide delivery service yourself.

Insurance Policies

You must obtain the insurance coverage we require from time to time (whether in the Franchise Agreement or in the Manual). You must purchase these policies from a carrier with an A.M. Best's rating of A or better. The required coverage currently includes:

Policy Type	Minimum Coverage
“All risk” Property Insurance	Replacement Value
Comprehensive General Liability Insurance	\$1,000,000 per occurrence and \$2,000,000 in the aggregate
Automobile Liability Insurance	\$1,000,000 per occurrence and \$2,000,000
Commercial Umbrella Insurance	\$1,000,000 per occurrence

Policy Type	Minimum Coverage
Business Interruption Insurance	At least 6 months
Employer's Liability Insurance	As required by law
Worker's Compensation Insurance	As required by law
Landlord-Required Insurance	As required by lease

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive 10 days' prior written notice of the termination, expiration, cancellation or modification of the policy.

Purchase Agreements

We will try to negotiate relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you may purchase these items at the discounted prices we negotiate (less any rebates or other consideration paid to us). We may also purchase items in bulk and resell them to you at our cost plus a reasonable markup.

As of the date of this Disclosure Document, we have negotiated an agreement (including pricing terms) with our recommended real estate attorney who has agreed to review leases for franchisees for between \$800 and \$1,200. You are not required to use this attorney. We have also negotiated pricing discounts for other goods and services for franchisees but do not have any formal agreements in place for these purchases.

Currently there are no purchasing cooperatives, although we may establish them in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing we negotiate.

Franchisor Revenues from Source Restricted Purchases

We are currently the exclusive supplier for grand opening and local marketing services and we may generate revenues from these purchases. We reserve the right to designate ourselves or an affiliate as an approved or designated supplier for other goods or services in the future. There are no approved or designated suppliers in which any of our officers owns an interest. No persons affiliated with us are currently an approved (or the only approved) supplier.

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases and leases. We have no obligation to pass them on to you or use them in any particular manner. As of the issuance date of this Disclosure Document, we do not have any relationships with suppliers that involve rebates, payments or other material benefits based on franchisee purchases or leases. Our area representatives do not receive any rebates, payments or other material benefits from suppliers based on franchisee purchases or leases.

During the fiscal year ended December 31, 2022, neither we nor any of our affiliates received any revenues from franchisee purchases or leases from designated or approved suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement (FA), Area Development Agreement (ADA) and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA: Section 7.1 & 7.2	Item 7 & Item 11
	ADA: Section 4.2	

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
b. Pre-opening purchases/leases	FA: Section 7.3, 11.4 & 15.1	Item 5, Item 7, Item 8 & Item 11
	ADA: Not Applicable	
c. Site development and other pre-opening requirements	FA: Section 7.3 & 7.4	Item 6, Item 7 & Item 11
	ADA: Section 4.2	
d. Initial and ongoing training	FA: Section 5	Item 6 & Item 11
	ADA: Not Applicable	
e. Opening	FA: Section 7.4	Item 11
	ADA: Section 4.1	
f. Fees	FA: Section 4.2, 5.7, 6.3, 8.4, 10.1, 10.2, 11.4, 11.6, 11.12, 13, 15.1, 16.2 & 19.2	Item 5 & Item 6
	ADA: Section 5 & 7.2	
g. Compliance with standards and policies/Brand Standards Manual	FA: Section 6.1, 7.1, 7.3, 10.4, 11 & 17.1	Item 11
	ADA: Section 4.2	
h. Trademarks and proprietary information	FA: Section 17	Item 12 & Item 14
	ADA: Section 2	
i. Restrictions on products/services offered	FA: Section 11.3	Item 16
	ADA: Not Applicable	
j. Warranty and client service requirements	FA: Section 11.10	Not Applicable
	ADA: Not Applicable	
k. Territorial development and sales quotas	FA: Not Applicable	Item 12
	ADA: Section 4.1	
l. Ongoing product/service purchases	FA: Section 11.4	Item 8
	ADA: Not Applicable	
m. Maintenance, appearance and remodeling requirements	FA: Section 11.5 & 11.7	Item 11
	ADA: Not Applicable	
n. Insurance	FA: Section 15.1	Item 6 & Item 7 & Item 8
	ADA: Not Applicable	
o. Advertising	FA: Section 10	Item 6, Item 7 & Item 11
	ADA: Not Applicable	
p. Indemnification	FA: Section 18	Item 6
	ADA: Not Applicable	
q. Owner's participation/management/staffing	FA: Section 8	Item 11 & Item 15
	ADA: Not Applicable	
r. Records/reports	FA: Section 15.2 & 15.3	Item 6
	ADA: Not Applicable	
s. Inspections/audits	FA: Section 16	Item 6 & Item 11
	ADA: Not Applicable	
t. Transfer	FA: Section 19	Item 17

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
	ADA: Section 7	
u. Renewal	FA: Section 4	Item 17
	ADA: Section 4.4	
v. Post termination obligations	FA: Section 21	Item 17
	ADA: Not Applicable	
w. Non-competition covenants	FA: Section 14	Item 17
	ADA: Not Applicable	
x. Dispute resolution	FA: Section 22	Item 17
	ADA: Section 9	
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	FA: ATTACHMENT "E"	Item 15
	ADA: Not Applicable	

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

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

Before you open your Restaurant, we will:

1. License you the Marks necessary to begin operating your Restaurant. (Section 2)
2. Consent to the location, and approve the build-out and design, of your Restaurant. See Section below entitled "Site Development" for more information. (Sections 7.1, 7.3 & 7.4)
3. Provide access to the Manual, which will help you establish and operate your Restaurant. See Section below entitled "Manual" for more information. (Section 6.1)
4. Provide our written specifications for the goods and services you must purchase to develop, equip and operate your Business and a list of approved and/or designated suppliers for these goods and service. We do not deliver or install any of the items that you purchase. (Section 11.2)
5. Implement your grand opening marketing plan in exchange for the grand opening marketing fee. See Section below entitled "Advertising and Marketing" for more information. (Section 10.2)
6. Provide an initial training program. See Section below entitled "Training Program" for more information. (Section 5)

During the operation of your Business, we will:

1. Provide ongoing guidance and recommendations to improve the operation of your Business. (Section 6.4)
2. Provide periodic training programs. See Section below entitled "Training Program" for more information. (Section 5)
3. Conduct local advertising and marketing of your Restaurant in exchange for the local marketing fee. See Section below entitled "Advertising and Marketing" for more information. (Section 10.2)

4. License you the right to utilize the Koibito Poke App to accept orders and facilitate the implementation of our rewards program. See Section below entitled “Computer System” for more information. (Section 6.2)
5. Maintain a corporate website to promote our brand and host a local webpage with information about your Restaurant. See Section below entitled “Computer System” for more information. (Section 6.7 & 10.4(d))

During the operation of your Business, we may, but need not:

1. Administer the brand and system development fund. See Section below entitled “Advertising and Marketing” for more information. (Section 10.1)
2. Conduct periodic field visits to provide onsite consultation, assistance and guidance pertaining to the operation and management of your Restaurant. (Section 6.5)
3. Develop branded merchandise and retail items for sale at Restaurants. (Section 6.9)
4. Negotiate purchase agreements with suppliers to allow you to purchase certain goods or services at discounted prices. We may also purchase items in bulk at discounted prices and resell them to you at our cost plus shipping and a reasonable markup. (Section 6.8)
5. Hold periodic national or regional conferences to discuss business and operational issues affecting franchisees, including industry changes, new services and/or merchandise, marketing strategies and the like. (Section 5)
6. Create a franchise advisory council. See Section below entitled “Advisory Council” for more information. (Section 12)
7. Upon your request, provide additional training or assistance (either at our headquarters or at your Restaurant). See Section below entitled “Training Program” for more information. (Section 5)

We do not provide area developers with any support under their ADA.

Training Program (Section 5)

We provide an initial training program for the Managing Owner (defined in Item 15) and your initial management personnel. These individuals must successfully complete initial training to our satisfaction before you open your Restaurant. However, there is no specific period of time after signing or before opening that training must be completed. You may send other owners and employees to initial training, but it is not required.

The initial training program includes approximately 4 days of classroom training at our corporate headquarters located in Scottsdale, Arizona (or at any other location we designate) and an additional 6 days of on-site training at our designated training facility (currently an affiliate-owned Restaurant in Arizona). We also provide up to 10 days of onsite training at your Restaurant prior to opening. Onsite training is a formal training program where we monitor your operations and assist you with the opening of your Restaurant. Before we commence onsite training, you must have a fully trained manager and at least 3 other employees on your staff.

Currently, we intend to offer the initial training program at least quarterly assuming sufficient demand.

The initial training program consists of the following:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Administrative	4	0	Corp Office / Training Location
Ordering and Inventory	2	2	Corp Office / Training Location
Cost Controls	1	1	Corp Office / Training Location

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Personnel	2	0	Corp Office / Training Location
Employee Training	2	2	Corp Office / Training Location
Marketing	4	0	Corp Office / Training Location
Customer Service	2	2	Corp Office / Training Location
POS	2	6	Corp Office / Training Location
Operational Checklists	2	6	Corp Office / Training Location
Customer Complaints	2	0	Corp Office / Training Location
App	2	0	Corp Office / Training Location
Safety Program	3	1	Corp Office / Training Location
Products	0	8	Corp Office / Training Location
Prep	0	18	Corp Office / Training Location
Assembly	0	8	Corp Office / Training Location
Total	28	54	

Training Materials

For classroom training, the training materials include the Manual and presentations. You will not be charged an additional fee for any training materials.

Instructors

Our current instructors include Madison Stottlemire, John Young, Rocco Lents, Lynette Hall, Larry Raskin, Todd Stottlemire and Daniel Morgan. Our instructors may be assisted by various staff members, including the manager and other staff at our designated training facility and various field personnel.

Madison Stottlemire is our General Manager and Vice President. She has been with us since 2018. She was employed at our affiliate-owned Restaurant in Scottsdale, Arizona from May 2018 to June 2021, serving as a cashier and Assistant Manager. For a period of time, she also served as our Social Media Director. She has a total of 6 years of experience in the field.

John Young is our President. He co-founded Samurai Sam's Teriyaki Grill in 1994, which was sold in 2003 with more than 70 locations open (and many more under development). He has been with us since 2019. John has a total of 29 years of experience in the restaurant field, including with us, Titled Kilt and Samurai Sam's.

Rocco Lents is our Chief Revenue Officer. He has been with us since 2021. He spent several years in the technology sales field prior to joining Koibito Poke. He is a graduate of the award winning Cisco System Sales Academy in Raleigh, North Carolina. This included a focus on outcome selling and sales development strategies. At Koibito Poke, Rocco has focused on developing innovative strategies to increase location sales which include corporate events, school lunch accounts, and on-site catering. He has a total of 2 years of experience in the field.

Lynette Hall has served as our Director of Training since August 2019. From January 2004 through the present, she has been a Training and Operations Consultant for various franchise organizations, domestic and international. With more than 16 years of experience in Human Resources coupled with her certifications in food safety and prior operations history, she is a subject matter expert able to support our growing brand.

Larry Raskin joined us in 2020. He has been a business and leadership development expert for 37 years. He has been a mentor and advisor to many successful entrepreneurs and has held roles including Vice President of Sales to Vice President of Global Leadership Development. His ability to effectively teach, train and develop systems

for success has generated extraordinary levels of sales during his career.

Todd Stottlemire has been with us since December 2019 and currently serves as our Chief Executive Officer. He has 4 years of experience in the restaurant industry (all with us). He has authored 2 books focusing on personal and professional development, and has been retained to train and coach executive teams of several companies throughout North America.

Daniel Morgan has been with us since 2022 and currently serves as our Field Coordinator. Daniel has worked in the restaurant business since 2013, including holding various positions with Chipotle prior to joining us, including as a Kitchen Manager and most recently Service Manager. He has a total of 10 years in the restaurant industry.

Any other instructors will have at least 1 year of experience with Koibito Poke.

Ongoing Training

From time to time, we may require that your Managing Owner and management personnel attend system-wide refresher or additional training courses.

Any new Managing Owner or manager you appoint must successfully complete our initial training program before assuming responsibility for the management of your Restaurant.

If we inspect your Restaurant and determine you are not operating in compliance with the Franchise Agreement and/or the Manual, we may require that your Managing Owner and management personnel attend remedial training that addresses your operational deficiencies.

You may also request that we provide additional training (either at corporate headquarters or at your Restaurant). We are not required to provide this additional training.

Training Fees and Costs

We do not charge additional training fees for (a) the pre-opening initial training we conduct or (b) any system-wide refresher or additional training we conduct. You must pay us a training fee of up to \$100 per person per day for:

- each person that attends initial training after you open (such as a new Managing Owner or manager)
- any person who retakes training after failing a prior attempt
- any remedial training we require based on your operational deficiencies
- each person to whom we provide additional training that you request

If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). You are responsible for all expenses and costs your trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee our then-current initial training fee for the training program we conduct.

Manual (Section 6.1, 11.2 & 24.8)

We will provide you with access to our Manual in text or electronic during the term of your Franchise Agreement. The Manual may include, among other things:

- a description of the authorized goods and services that you may offer and sell, including approved menu items and beverages, catering and delivery services
- specifications, operating procedures, and quality standards, including policies and procedures for catering and delivery services;
- reporting and insurance requirements

- specifications for the design and layout of a Koibito Poke restaurant
- policies and procedures pertaining to any gift card program or membership program that we establish
- policies and procedures pertaining to marketing and advertising
- policies and procedures relating to data ownership, protection, sharing and use
- a list of (a) the goods and services (or specifications for goods and services) you must purchase to develop and operate your Restaurant and (b) any designated or approved suppliers for these goods and services

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. All mandatory provisions contained in the Manual are binding on you. We can modify the Manual at any time, but the modifications will not alter your status or fundamental rights under the Franchise Agreement. Any modification to the Manual is effective at the time we notify you of the change. However, we may provide you with a reasonable period of time to implement certain changes (for example, implementing new software or technology). The Manual is confidential and remains our property. The Manual contains a total of 200 pages. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as EXHIBIT "E".

Site Development (Section 7.1, 7.2, 7.3, 7.5 & 11.7)

Restaurants typically range in size from 900 to 1,400 square feet. We do not select the site for your Restaurant and we do not purchase the premises and lease it to you. You must obtain our consent to a site you propose for your Restaurant within 120 days after signing the Franchise Agreement. If you fail to do so, we may terminate your Franchise Agreement.

Your Restaurant must be located within the Site Selection Area identified in Part B of ATTACHMENT "B" to the Franchise Agreement (the "Site Selection Area") and conform to our minimum site selection criteria. You must send us a complete site report for your proposed site. The site report must include: (a) all demographic, commercial and other information we require; (b) a copy of your proposed lease; and (c) detailed photographs and/or recorded video of the interior and exterior of the building.

We will use our best efforts to notify you whether we consent, or do not consent, to sites you propose within 30 days after we receive a complete site report and all supplemental information and materials we request. We will be deemed to have withheld our consent if we do not issue our written consent within the 30-day period. In reviewing a proposed site, we consider factors such as:

- parking
- ingress and egress
- size, condition and characteristics of the building
- traffic counts
- general location
- existence and location of competitive businesses
- general character of the neighborhood
- local demographic information
- various economic indicators

Our consent to a site is not a representation that your site will be successful. It only means that the site meets our minimum site selection criteria.

If you sign an ADA, we must consent to the location of each restaurant to be developed under our then-current site selection criteria.

If we issue our consent for your site before signing the Franchise Agreement, we will list the address of your designated site in Part D of ATTACHMENT "B" to the Franchise Agreement. If we do not issue our consent to your site before signing the Franchise Agreement, we will send you a Site Acceptance Notice (in the form attached to the Franchise Agreement as ATTACHMENT "C") within 30 days after we consent to your site. The Site Acceptance Notice will list the address of the designated site for your Restaurant.

We do not review the terms of your lease. If you would like for us to do so, you must sign a release of all claims relating to any advice or guidance we provide. Regardless, if you lease the premises for your Restaurant, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to the Franchise Agreement as ATTACHMENT "D". The terms of the Lease Addendum are designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease. If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may either (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord) or (b) require that you find a new site for your Restaurant. You must hire a real estate attorney to review your lease.

We provide generic prototype plans for a Koibito Poke restaurant. You must hire a licensed and bonded architect to prepare initial design plans and detailed construction plans in compliance with our prototype plans. The architect must ensure these plans comply with all local ordinances, building codes, permit and lease requirements and restrictions applicable to the premises. You must submit the final plans to us for approval. Once approved, you must construct and equip your Restaurant according to the approved construction plans and the requirements of the Manual. Once approved, you must construct and equip your Restaurant according to the approved construction plans and the requirements of the Manual. You must purchase (or lease) and install the Technology Systems, equipment, fixtures, signs and other items that we require.

You must remodel and make all improvements and alterations to your Restaurant that we reasonably require from time to time to reflect our then-current standards and specifications. However, we will not require you to significantly remodel your facility more than once during any 5-year period except as a condition to renewal or transfer. You may not remodel or significantly alter your premises without our prior approval.

Advertising and Marketing (Section 10)

You must participate at your own expense in all advertising, promotional and marketing programs that we require. You are not required to participate in an advertising cooperative.

We will also provide you with certain advertising and marketing support as further discussed below. There is currently no franchisee advertising council that advises us on marketing and advertising matters.

Grand Opening Marketing

You must pay us a grand opening marketing fee of \$5,000. We will use these funds solely for purposes of implementing your grand opening marketing campaign. If any portion of the grand opening marketing fee is not utilized, we will apply such unused portion to your local marketing fee described below.

Local Marketing Assistance From Us

After opening, we may require that you pay us a weekly local marketing fee equal to 1% of your Gross Sales. We use this fee to conduct advertising, marketing and other promotional activities on your behalf within your local market. Some local marketing may benefit other Restaurants located within your market or in an adjacent market. We may provide the marketing services ourselves or we may contract with third-parties to provide these services. We have complete discretion in determining the content, concepts, materials, media, endorsements, frequency and placement and all other matters pertaining to any of these marketing services. We will not impose the local marketing fee (or provide the local marketing services described above) until we achieve a minimum

concentration of Restaurants in a given market and provide you with at least 30 days' notice. We may in the future establish a local Marketing Committee made up of franchisees in the local market.

We may create and make available to you advertising and marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet, in which case you must arrange for printing the materials and paying all printing costs. Alternatively, we may enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase.

We will provide reasonable marketing consulting, guidance and support throughout the franchise term on an as needed basis.

Local Marketing By You

Until such time that we require you to begin paying us the local marketing fee, you must directly spend 1% of your Gross Sales on approved local marketing and advertising to promote your Restaurant (you will pay the suppliers directly rather than paying us). We will measure your compliance on a rolling 6-month basis, meaning as long as your average monthly expenditure on local advertising over the 6-month period equals or exceeds 1% of Gross Sales, you are deemed in compliance even if your expenditure in any given month is less than 1% of Gross Sales.

You may develop your own advertising and marketing materials and programs, provided we approve them in advance. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved. We have 10 days to review and approve or disapprove advertising and marketing materials and programs you submit for approval. Our failure to approve them within the 10-day period constitutes our disapproval.

Website, Social Media and Digital Advertising

We will provide you with a webpage that will be linked to our website. Your webpage will list certain information about your Restaurant (such as address, contact information and hours of operation). Except for the webpage we provide, you may not (a) develop, host, or otherwise maintain a website or other digital presence relating to your Restaurant (including any website bearing any of our Marks); or (b) utilize the Internet to conduct digital or online advertising or otherwise engage in ecommerce.

As part of your local marketing fee, we will conduct (or cause to be conducted) certain social media marketing to promote your Restaurant. You will have certain administrative access rights to the social media marketing pertaining to your Restaurant but we will control all content. You may not engage in any other social media marketing without our prior written approval, which we may withhold in our sole discretion. If we do grant approval, you can market your Restaurant through approved social media channels, subject to the following requirements:

- you may only conduct social media utilizing the social media platforms that we approve
- you must strictly comply with our social media policy (as revised from time to time)
- you must immediately remove any post we disapprove (even if it complies with our social media policy)
- we may require that you utilize a supplier we designate for social media marketing services
- you must provide us with full administrative rights to your social media accounts
- we will own all of your social media accounts

Gift Card and Loyalty Programs

We may require that you participate in a gift card or other customer loyalty program in accordance with our policies and procedures. In order to participate, you may be required to purchase additional equipment, software

and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. We have the right to determine how the proceeds from the sale of gift cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards. You must follow all of our policies regarding any gift card or loyalty program we establish.

Brand and System Development Fund

We have established and currently administer a brand and system development fund to promote public awareness of our brand and improve our System. We may use the fund to pay for any of the following in our discretion:

- developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs
- conducting and administering promotions, contests or giveaways
- expanding public awareness of the Marks
- public and consumer relations and publicity
- brand development
- sponsorships
- charitable and nonprofit donations and events
- research and development of technology, products and services
- website development and search engine optimization
- development of an ecommerce platform
- development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys
- conducting market research
- changes and improvements to the System
- the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts
- collecting and accounting for contributions to the fund
- preparing and distributing financial accountings of the fund
- any other programs or activities we deem appropriate to promote or improve the System
- direct and indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities (including salary, benefits and other compensation of any of our, and any of our affiliate's, officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above)

We direct and have complete control and discretion over all advertising programs paid for by the fund, including the creative concepts, content, materials, endorsements, frequency, placement and media used for the programs. Advertising may be local, regional or national in coverage and utilize digital, print, television, radio, billboard or any other media we deem appropriate. The fund will not be used to pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as "franchises available" and one or more pages on our website may promote the franchise opportunity.

Once we establish the fund, you must contribute 1% of Gross Sales. We will deposit into the fund all: (a) fund contributions paid by you and other franchisees; and (b) fines paid by you and other franchisees. Any company-owned Restaurant will contribute to the fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the fund, any company-owned Restaurant that is established or acquired after the modification may contribute to the fund utilizing the modified amount or

timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.

All monies deposited into the fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. An unaudited financial accounting of the operations of the fund will be prepared annually and made available to you upon request. During the fiscal year ended December 31, 2022, we did not spend any monies from the brand and system development fund.

We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the fund. The fund is not a trust and we have no fiduciary obligations with respect to our administration of the fund.

We have not established the fund as of the issuance date of this Disclosure Document. Once established, we may discontinue the fund at any time upon at least 30 days' prior notice.

Advisory Council (Section 12)

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions in good faith, but would not be bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a member of the council as long as you are not in default under the Franchise Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Any Restaurant operated by us or our affiliates would also be a member of the council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We would have the power to form, change or dissolve the advisory council in our discretion.

Computer System (Section 11.4, 11.5, 11.6, 15.3 & 16.1)

You must purchase and use all Technology Systems we designate from time to time. Our required Technology Systems may include computer systems, point-of-sale system, webcam systems, telecommunications systems, security systems, music systems, and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

One component of our Technology Systems is your computer and point-of-sale system. We currently require that franchisees purchase and use the Clover POS system, which consists of the following components:

- 1 Station with pivotal touch screen
- 1 Flex hand-held device with self-contained screen and printer
- 1 cash drawer with printer and RF Reader
- 1 laptop with recent version of Microsoft Office
- 1 printer
- Homebase App (for scheduling)
- Gift Card App (for gift card program)

You and your customers will also use the Koibito App (Hazlnut). You will also need the Cuboh. We may change the components of the Technology Systems from time to time, including your computer system.

Email Addresses

We will provide you with email addresses for use with your Business. You and your management personnel must exclusively use the email addresses we provide for all communications with us, customers, suppliers and other persons relating to your Business. You may not use any email address we provide for any purpose unrelated to your Restaurant. We will own the email addresses and accounts but allow you to use them during the term of your Franchise Agreement.

How Computer System Is Used

The Clover system is used to:

- process credit card and payment transactions
- process gift card transactions
- track sales
- track inventory (optional feature)
- generate sales reports
- manage employee shifts and payroll
- manage your customer database (including implementation of loyalty programs and marketing)

Your laptop and printer are used for general business purposes, including email communications, accessing our online store, calculating tips and printing employee checks.

The Koibito App (Hazlnut) works with the POS system to integrate mobile ordering, marketing and our rewards program.

Cuboh integrates DoorDash, Grubhub and Uber Eats directly through our POS system, eliminating the need to have individual tables for each platform.

Fees and Costs

We estimate the cost of your computer and POS system will range from \$2,500 to \$3,800 depending on whether you purchase 1 or 2 stations. The following table lists the estimated ongoing fees and costs:

TECHNOLOGY SYSTEMS – ONGOING FEES AND COSTS			
Program/Item	Monthly Fee	Annual Fee	To Whom Paid
Clover (Licensing Fee)	\$87	\$1,044	Third-Party Supplier
Cuboh	\$80	\$960	Third-Party Supplier
Koibito App (Hazlnut)	\$150	\$1,800	Third-Party Supplier
Additional Email Accounts (3 provided at no charge)	Up to \$10 per email address*	Up to \$84 per email address	Us

* You pay us a technology fee for certain software, technology and related services that we provide. We currently do not charge a technology fee unless you need more than 3 Koibito email addresses for a Restaurant (in which case we may charge you a monthly technology fee of up to \$10 per month for each additional email address you require).

Maintenance, Support, Updates and Upgrades

As part of the monthly licensing fee: (a) Clover provides all required maintenance, support, updates and

upgrades to the POS software; (b) Cuboh provides all required maintenance, support, updates and upgrades for Cuboh; and (c) Hazlnut provides all required maintenance, support, updates and upgrades for the Koibito App.

Except as otherwise disclosed above: (a) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer or POS system; and (b) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer or POS system.

Collection and Sharing of Data

The Clover system collects and stores sales data, credit card information, employee data, and customer names and contact information. We have independent unlimited access to the data collected through your POS system and there are no contractual limits imposed on our access. We will not have independent access to information entered into your general business-purpose computer, although we may access that information as part of an inspection.

We will own all data collected relating your operations and customers. We will grant you a license to use this data solely for purposes of operating your Restaurant. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws as well as our data processing and data privacy policies set forth in the Manual from time to time. You must also comply with the standards established by PCI-DSS to protect the security of credit card information.

Computer System Maintenance and Changes

You must maintain the computer system in good condition at your cost. We may require that you upgrade or update your computer system and other Technology Systems to conform to our then-current specifications. There are no contractual limitations on the frequency or cost of these updates or upgrades.

Opening Requirements (Section 7.4)

We anticipate a typical franchisee will open his or her Restaurant within 6 to 12 months after signing the Franchise Agreement. Factors that may affect this time include:

- the amount of time needed to find an approved site
- protracted lease negotiations with your landlord
- the amount of time needed to secure financing, insurance, licenses and permits
- the condition of your building and extent of required upgrades, remodeling and renovations
- construction delays due to labor or materials shortages, inclement weather or other reasons
- delayed delivery or installation of equipment and fixtures
- the amount of time needed to comply with zoning requirements and other laws and regulations
- the amount of time needed to complete training
- the amount of time needed to hire and train your staff

You may not open your Restaurant prior to receipt of our written authorization to open. We will not issue our authorization to open until all of the following conditions are met:

- the initial trainees successfully complete the initial training program
- you purchase all required insurance policies and provide us with evidence of coverage
- you obtain all required licenses, permits and other governmental approvals
- we review and approve the construction, build-out and layout of your Restaurant

Unless we agree to the contrary, you must open your Business within 1 year after signing the Franchise Agreement. We may terminate the Franchise Agreement if you fail to open by this deadline.

ITEM 12 TERRITORY

Location of Your Business

The Franchise Agreement grants you the right to operate one Restaurant at a site we must consent to in advance. You must identify a location for your Restaurant within the Site Selection Area.

You may relocate your Restaurant with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must (a) locate your new Restaurant within the Site Selection Area (but outside of any territory associated with another Koibito Poke restaurant); (b) comply with our then-current site selection and development requirements; and (c) open your new Restaurant and resume operations within 30 days after closing your prior location.

Your Territory (Franchise Agreement)

You will receive a territory that will be identified in Part E of ATTACHMENT "B" to your Franchise Agreement. The minimum sized territory is the area within a 1 mile radius from the location of the Restaurant. However, we intend to grant larger territories (up to a maximum of 5 miles) for restaurants that are not located in densely populated urban areas. Upon renewal, we reserve the right to modify the boundaries of your territory in accordance with our then-current territory guidelines and criteria.

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.

Although we do not grant exclusive territories, we do grant you certain territorial protections. Specifically, we will not develop or operate, or authorize a third party to develop or operate, a Restaurant using our Marks that is physically located within your territory during the term of your Franchise Agreement except as otherwise permitted below with respect to Captive Venues. We also will not provide, or authorize a third party to provide, catering or delivery services within your territory during the term of your Franchise Agreement.

Your Territory (ADA)

If you sign an ADA, we will grant you a protected development territory. All Restaurants you open under the ADA must be located within your development territory. A development territory typically consists of a geographic area that coincides with the boundaries of a municipality, such as a city, county or state. There is no specific minimum or maximum size for a development territory. In determining the size of your development territory, we primarily consider the number of Restaurants you commit to develop.

You will not receive an exclusive development 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.

Although we do not grant exclusive development territories, we do grant you certain territorial protections. Specifically, we will not develop or operate, or authorize any person (other than you) to develop or operate, another Restaurant using our Marks that is physically located within your development territory during the term of the ADA except: (a) for any Restaurants that are located within your development territory as of the date you sign the ADA (either open, under construction or for which a Franchise Agreement has been signed); and (b) as otherwise permitted below with respect to Captive Venues.

You must sign a separate Franchise Agreement for each Restaurant you develop under the ADA. We must consent to the location of each Restaurant you develop according to our then-current site selection criteria. We identify your development territory, the development fee and the development schedule in the ADA at least 7 days before you sign it.

Limitations on Your Territorial Protections

We reserve the right to develop and operate, and authorize third parties to develop and operate, Restaurants that are located within Captive Venues, including Captive Venues located in your territory and development
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territory, if applicable. A “Captive Venue” means a non-traditional outlet for a Restaurant that is located within, or is a part of, another establishment or facility that consumers may visit for a purpose other than dining at a Restaurant. Examples include Restaurants located within:

- hotels or apartment buildings
- hospitals
- college campuses or universities
- travel hubs such as airports, train stations, bus stations or cruise terminals
- stadiums or sporting arenas
- shopping malls
- entertainment/theme parks
- similar types of establishments

Alternative Channels of Distribution

We reserve the right to sell, or license others to sell, competitive or identical goods or services (whether under the Marks or under different trademarks) through Alternative Channels of Distribution, including within your territory and development territory, if applicable. An “Alternative Channel of Distribution” means any channel of distribution other than retail sales made to customers while present at a Restaurant or through delivery or catering services. Examples of Alternative Channels of Distribution include:

- sales through direct marketing, such as over the Internet or through catalogs or telemarketing
- sales through retail stores that do not operate under the Marks, such as grocery stores
- sales made at wholesale
- sales through kiosks or mobile trailers.

You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.

Restrictions on Your Sales and Marketing Activities

You can market and advertise outside of your territory and development territory, if applicable, as long as you comply with all of the policies and procedures set forth in the Manual governing extra-territorial marketing.

You may not market or sell through Alternative Channels of Distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) either within or outside of your territory or development territory, if applicable. You may not market on the internet or conduct social media except to the extent provided in Item 11 under the Section entitled “Advertising and Marketing”.

You must comply with any minimum advertised pricing policy we establish from time to time.

There are no other restrictions on your right to solicit customers, whether from inside or outside of your territory and development territory, if applicable.

Minimum Performance Requirements

Your territorial protections under your Franchise Agreement do not depend on achieving a certain sales volume, market penetration or other contingency.

If you sign an ADA and fail to satisfy your development schedule by establishing the minimum number of Restaurants within the required period of time, we may terminate your ADA and you will lose the territorial protections associated with your development territory.

Additional Franchises and Territories

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises, other than your right and obligation to develop multiple Restaurants within your development territory if you sign an ADA.




Competitive Businesses Under Different Marks

Neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered at a Restaurant. However, we reserve the right to do so in the future.

ITEM 13 TRADEMARKS


We grant you the right to operate a franchise under the name “KOIBITO POKE” and logo shown on the cover page of this Disclosure Document. By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your Restaurant or the products or services you sell. We may change the trademarks you may use from time to time (including by discontinuing use of the Marks listed in this Item 12). If this happens, you must change to the new trademark at your expense.

Our affiliate, Koibito Holdings, LLC (“Koibito Holdings”), owns the following trademarks registered on the Principal Register at the United States Patent and Trademark Office (USPTO):

REGISTERED MARKS		
Mark	Registration Number	Registration Date
KOIBITO POKE	6042988	April 28, 2020
	6048072	May 5, 2020
	6326588	April 20, 2021
	6326601	April 20, 2021

Koibito Holdings also applied to register the following trademarks on the Principal Register at the United States Patent and Trademark Office based on actual use:

UNREGISTERED MARKS		
Mark	Serial Number	Application Date

	97299381	March 7, 2022
REEL FOOD REAL PEOPLE	Not Applicable (we claim common law protection)	Not Applicable

We do not have a federal registration for the Marks in the table above labeled “Unregistered Marks”. Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark. If our right to use any of these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits have been filed and we intend to file all renewals by the required renewal date.

On September 2, 2019, we entered into a License Agreement (the “License Agreement”) with Koibito Holdings. Under the terms of the License Agreement, Koibito Holdings granted us the right to use the Marks in the Koibito Poke System and to sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms. Koibito Holdings is permitted to terminate the License Agreement only if we declare bankruptcy or become insolvent, if we and Koibito Holdings mutually agree to terminate the License Agreement or if we breach Koibito Holdings’ quality control standards and fail to cure the breach within a 60-day cure period. If the License Agreement is terminated, the agreement states that all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. Except as discussed above, no agreements limit our right to use or sublicense the use of the Marks.

You must follow our rules when using the Marks. You cannot use our name or mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Koibito Poke name relating to the sale of any product or service that we have not authorized.

You must notify us immediately when you learn about an infringing or challenging use of the Marks. We will take the action we think appropriate. We are not required to take any action if we do not feel it is warranted. We may require your assistance, but you may not control any proceeding or litigation relating to our Marks. You must not directly or indirectly contest our or Koibito Holdings’ right to the Marks.

We will indemnify you against, and reimburse you for: (a) all damages for which you are held liable in any judicial or administrative proceeding arising out of your use of the Marks in strict compliance with the Franchise Agreement and Manual; and (b) all costs you reasonable incur in defending against any such claim brought against you in any proceeding in which you are named as a party. Our indemnification obligation will only apply if you notify us of the claim or proceeding in a timely manner and you are in full compliance with the Franchise Agreement and Manual.

Except as disclosed above, the Franchise Agreement does not require that we: (a) protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (b) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our marks or if the proceeding is resolved in a manner that is unfavorable to you.

There are currently no: (a) effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; (b) pending infringements, oppositions or cancellations; or (c) pending material litigation matters involving any of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise.

Although we have not filed an application for copyright registration for the Manual, our website or our marketing materials, we do claim a copyright to these items.

During the term of your Franchise Agreement, we will allow you to use certain confidential and proprietary information (some of which may constitute “trade secrets”) relating to the development, marketing and operation of a Restaurant. Examples include:

- architectural plans, drawings and specifications for a prototype Koibito Poke restaurant
- site selection criteria
- recipes
- methods and techniques
- standards and specifications
- policies and procedures
- supplier lists and information
- marketing strategies
- merchandising strategies
- financial information
- information comprising the System

We will own all operational and customer data relating to your Restaurant and you must treat this data as confidential and proprietary. We license you the right to utilize this data during the term of your Franchise Agreement. We consider all information in the Manual to be confidential.

We provide you with access to our confidential information through our Manual, training programs and other periodic support and guidance. You may use this information solely for purposes of developing, marketing and operating your Restaurant in compliance with the terms of the Franchise Agreement and Manual. You may not disclose our confidential information to any person (other than your employees on a need to know basis) without our prior permission.

You must promptly notify us if you discover any unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You may not control any proceeding or litigation alleging the unauthorized use of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements known to us at this time.

All ideas, improvements, inventions, marketing materials, and other concepts you develop relating to the operation of your Business will be owned by us.

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

You must designate an owner who will have overall responsibility for the management and operation of the Restaurant (the “Managing Owner”). The Managing Owner must:

- be approved by us
- successfully complete all training programs we require
- dedicate full-time efforts to the Restaurant (unless you hire a manager)
- at all times hold at least a 20% ownership interest in the franchise (or the entity that is the franchisee under the Franchise Agreement) unless we waive this requirement

The Managing Owner is not required to provide onsite management of your Restaurant as long as a trained manager is onsite. Any new Managing Owner you appoint must successfully complete our then-current initial training program before becoming involved with the supervision, management or operation of the Restaurant.

You may hire one or more managers to assist the Managing Owner with the onsite management and supervision of your Restaurant. Any person you hire as a manager must: (a) successfully complete all training programs we require; and (b) sign the Brand Protection Agreement attached to the Franchise Agreement as ATTACHMENT "G". At all times during normal business hours, either the Managing Owner or a trained manager must be present at your Restaurant to provide onsite management and supervision. The Managing Owner must monitor and supervise the activities of each manager to ensure the Restaurant is operated in accordance with the Franchise Agreement and the Manual. You may also hire assistant managers who would report to the Managing Owner or your designated manager. We do not require that the manager own any equity interest in the franchise.

All of your employees and other agents or representatives who may have access to our confidential information must sign the Confidentiality Agreement attached to the Franchise Agreement as ATTACHMENT "H". If you are an entity, each owner (i.e., each person holding an ownership interest in you), and in certain states the spouse of each owner, must sign the Franchise Owner Agreement attached to the Franchise Agreement as ATTACHMENT "E".

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We must approve all goods and services you sell. You have the option, but not the obligation, to offer certain approved alcoholic beverages at your Restaurant. You must offer all other goods and services we require. You may not sell any goods or services we have disapproved. At any time, we may change the goods and services you sell and you must comply with the change.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement (FA), Area Development Agreement (ADA) and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of the franchise term	FA: Section 4.1	Term is equal to 10 years.
	ADA: Section 2	Term expires on opening of last franchise to be developed under development schedule.
b. Renewal or extension of the term	FA: Section 4.1 & 4.2	If you meet our conditions for renewal, you can enter into 2 consecutive successor franchise agreements. Each renewal term will be 5 years, for a total maximum term of 20 years.
	ADA: Section 4.4	No renewal rights.
c. Requirements for you to renew or extend	FA: Section 4.1 & 4.2	You must: not be in default; give us timely notice; sign then-current form of franchise agreement and related documents (e.g., Franchise Owner Agreement, Brand Protection Agreement, etc.); sign general release (subject to state law); pay renewal fee; remodel Restaurant and upgrade furniture, fixtures and equipment to then-current standards; and extend lease for duration of renewal term. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
	ADA: Section 4.4	You may not renew or extend the term of the ADA.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
d. Termination by you	FA: Section 20.1	You can terminate only if we fail to cure a material default within the cure period.
	ADA: Section 8	You can terminate under any grounds permitted by law.
e. Termination by us without cause	FA: Section 20.4	We can terminate without cause if you and we mutually agree to terminate.
	ADA: Not Applicable	Not applicable
f. Termination by us with cause	FA: Section 20.2 & 20.3	We can terminate if you default.
	ADA: Section 8	We can terminate if you default.
g. "Cause" defined - curable defaults	FA: Section 20.2 & 20.3	You have 10 days to cure any monetary default. You have 30 days to cure any other default (other than defaults described below under "non-curable defaults").
	ADA: Section 8	You have 30 days to cure any default, other than defaults described below under "non-curable defaults."
h. "Cause" defined - non-curable defaults	FA: Section 20.2	The following defaults cannot be cured: failure to successfully complete training; failure to obtain our consent to site or open in timely manner; insolvency, bankruptcy or seizure of assets; abandonment of franchise; failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; 2 nd underreporting of any amount due by at least 3%; unauthorized transfers; unauthorized use of our intellectual property; violation of brand protection covenant; breach of Franchise Owner Agreement by owner or spouse; termination of your lease due to your default; or termination of any other agreement between you and us or an affiliate due to your default. However, the termination of an ADA due to your default is not grounds for termination of any Franchise Agreement that is otherwise in good standing.
	ADA: Section 8	You cannot cure any default relating to the termination of a franchise agreement based on your default. Any termination of a franchise agreement is a default under the ADA allowing us to terminate without cure period.
i. Your obligations on termination/non-renewal	FA: Section 21.1	Obligations include: remove trade dress and alter premises to eliminate any resemblance to a Koibito Poke restaurant; cease use of intellectual property; return Manual and branded materials; assign telephone numbers, listings and domain names; cancel fictitious names; and pay amounts due (also see "r", below).
	ADA: Not Applicable	The ADA does not impose any specific obligations on you after it is terminated or expires.
j. Assignment of contract by us	FA: Section 19.1	No restriction on our right to assign.
	ADA: Section 7.1	No restriction on our right to assign.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
k. "Transfer" by you – definition	FA: Section 19.2 & <u>Attachment A</u> (definition of "Transfer")	Includes transfer of contract or assets, or ownership change.
	ADA: Section 1 (definition of "Transfer") & 7.2	Includes transfer of contract or assets, or ownership change.
l. Our approval of transfer by you	FA: Section 19.2, 19.3 & <u>Attachment A</u> (definition of "Permitted Transfer")	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an existing owner, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
	ADA: Section 1 (definition of "Permitted Transfer"), 7.2 & 7.3	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an existing owner, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	FA: Section 19.2	Transferee must: meet our qualifications; successfully complete training (or commit to do so); obtain required licenses and permits; and sign then-current form of franchise agreement for remainder of term (or at our option, take assignment of existing franchise agreement). You must: be in compliance with Franchise Agreement; assign lease (if applicable); remodel Restaurant and upgrade furniture, fixtures and equipment to then-current standards (or get commitment from transferee to do so); pay transfer fee; and sign general release (subject to state law) and subordination agreement. We must notify you that we do not intend to exercise our right of first refusal.
	ADA: Section 7.2	Transferee must meet our qualifications, successfully complete training (or commit to do so) and sign then-current form of area development agreement for remainder of term (or at our option, take assignment of existing ADA). You must: be in compliance with all Franchise Agreements and ADA; assign all Franchise Agreements to same purchaser unless we agree to contrary (or at our option, purchaser must sign then-current form of franchise agreement); comply with transfer provisions under Franchise Agreements; pay transfer fee; and sign general release (subject to state law). We must notify you that we do not intend to exercise our right of first refusal.
n. Our right of first refusal to acquire your business	FA: Section 19.5	We can match any bona fide, arms-length offer for your Business.
	ADA: Section 7.5	We can match any bona fide, arms-length offer for your area development rights.
o. Our option to purchase your business	FA: Section 21.2	We have option to purchase your Business at the expiration or termination of the Franchise Agreement.
	ADA: Not Applicable	We may not purchase your area development rights unless you attempt to transfer your rights to a third-party purchaser.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
p. Your death or disability	FA: Section 19.4	Within 180 days, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers. We may designate manager to operate Restaurant prior to transfer.
	ADA: Section 7.4	Within 180 days, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers.
q. Non-competition covenants during the term of the franchise	FA: Section 14.2 & 14.3	No involvement in competing business; comply with non-disclosure covenants.
	ADA: Not Applicable	The ADA does not impose any noncompetitive covenants.
r. Non-competition covenants after the franchise is terminated or expires	FA: Section 14.2, 14.4 & 21.1	No involvement for 2 years in competing business at your Restaurant, within 5 miles of your Restaurant, or within 5 miles of any other Koibito Poke restaurant; comply with non-disclosure covenants; cease use of intellectual property.
	ADA: Not Applicable	The ADA does not impose any noncompetitive covenants.
s. Modification of the agreement	FA: Section 24.3 & 24.8	Requires writing signed by both parties (except for unilateral changes to Manual or unilateral reduction of scope of restrictive covenants by us). Other modifications primarily to comply with various states laws.
	ADA: Section 11.6	Requires writing signed by both parties. Other modifications primarily to comply with various states laws.
t. Integration/merger clause	FA: Section 24.8	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.
	ADA: Section 11.6	Only the terms of the ADA and its attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document and ADA may not be enforceable. Nothing in the ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
u. Dispute resolution by arbitration or mediation	FA: Section 22	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
	ADA: Section 9	Subject to state law, all disputes must be mediated before litigation.
v. Choice of forum	FA: Section 22	Subject to state law, all mediation and litigation must take place in county where we maintain our principal place of business (currently, Maricopa County, Arizona) at time dispute arises.
	ADA: Section 9	Subject to state law, all mediation and litigation must take place in county where we maintain our principal place of business (currently, Maricopa County, Arizona) at time dispute arises.
w. Choice of law	FA: Section 24.1	Subject to state law, Arizona law governs.
	ADA: Section 11.1	Subject to state law, Arizona law governs.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, and/or affiliate-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise 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 performance at a particular location or under particular circumstances.

As of December 31, 2022, there were 6 Koibito Poke restaurants in operation, including 3 owned and operated by an affiliate of ours (“Affiliate Restaurants”) and 3 owned and operated by franchisees (“Franchised Restaurants”). All 3 Affiliate Restaurants were open the entire 2022 calendar year, and all 3 Franchised Restaurants opened after January 1, 2022. One of the Franchised Restaurants was previously operated as an Affiliate Restaurant until we sold it to a franchisee in September 2022, and we have categorized this Restaurant as a Franchised Restaurant based on ownership at the end of the measuring year.

This financial performance representation includes data from 2 Affiliate Restaurants that were open the entire 2022 calendar year (“Reporting Group”). We excluded data from the 2,500 square foot Affiliate Restaurant that was open all of 2022 because it is materially larger than the franchised restaurant offered under this Disclosure Document (which range in size from 900 to 1,400 square feet). We have also excluded data from the 3 Franchised Restaurants, which were not open the entire 2022 calendar year. Details regarding the 2 Affiliate Restaurants included in the Reporting Group are listed in the table below:

Affiliate Restaurants in the Reporting Group		
Restaurant	Opening Date	Current Size (approximate)
Affiliate Restaurant 1	February 2018	1,800 square feet
Affiliate Restaurant 2	May 2018	1,310 square feet

Franchisees must pay royalty fees (6% of Gross Sales), local marketing fees (1% of Gross Sales) and contribute Franchise Disclosure Document (2023)

to the brand fund fees (1% of Gross Sales). The Affiliate Restaurants do not pay royalty fees or local marketing fees. However, they contribute to the brand and system development fund on the same basis as other franchisees. The Affiliate Restaurants derive between 15% and 20% of Gross Sales from a charitable program called Koibito Cares. Under this program, Koibito Cares purchases meals from the Affiliate Restaurants and gifts them to schools, hospitals, and other deserving or needy individuals. This program is not currently available to Franchised Restaurants. The Affiliate Restaurants included in this financial performance representation offer similar goods and services, and face a similar degree of competition, as the franchised business offered under this Franchise Disclosure Document. Except as otherwise noted above, we are aware of no material differences between the Affiliate Restaurants included in the Reporting Group and the franchised business offered under this Disclosure Document.

The information in the tables below is a historical financial performance representation for the Reporting Group for 2022 calendar year. The financial information for the Affiliate Restaurants was prepared from internal accounting records and reports of our Affiliates. The numbers have not been audited but we have no reason to doubt their accuracy.

Gross Sales and Selected Expenses as a Percentage of Gross Sales For the Affiliate Restaurants in the Reporting Group January 1, 2022 to December 31, 2022		
	Affiliate Restaurant 1	Affiliate Restaurant 2
Gross Sales	100%	100%
Cost of Goods Sold	32.9%	32.3%
Labor	21.44%*	22.15%*
Franchise Related Adjustments (illustration only)	Royalty Fee	6.00%
	Local Marketing	1.00%
Adjusted Gross Sales Less Selected Expenses (illustration only)	38.66%	38.55%

* Labor costs for Affiliate Restaurants 1 and 2 include manager salary (see Note 1, *Labor*).

Notes:

- For purposes of the table above, the following defined terms have the meanings given to them below:

“*Gross Sales*” means all gross sums collected from all goods and services sold, plus all other sums that are collected from the operation of the Restaurant, including any advertising revenues, sponsorship fees or business interruption insurance proceeds. “Gross Sales” also includes the full retail value of “free” or “discounted” items provided to employees or customers that are not part of an approved promotional campaign. “Gross Sales” does not include: (a) revenues collected and later refund to a customer; (b) sales or use taxes paid to a government agency; or (c) tips or other gratuities paid to and retained by employees.

“*Cost of Goods Sold*” includes costs of food, beverage, supplies, plastic ware, bowls and lids.

“*Labor*” includes the hourly wages paid to employees as well as payroll processing fees and payroll taxes. For Affiliate Restaurant 1, it includes manager salary of 6.97% of Gross Sales and assistant manager salary of 1.7% of Gross Sales. For Affiliate Restaurant 2, it includes manager salary of 6.39% of Gross Sales and assistant manager salary of 0.4% of Gross Sales.

- The “Franchise Related Adjustments” in the table for Affiliate Restaurants include our addition of a

royalty fee (6% of Gross Sales) and local marketing (1% of Gross Sales) to reflect fees and costs incurred by a franchisee. Affiliate Restaurants contribute to the brand and system development fund on the same basis as other franchisees. The illustrative adjustments of subtracting a royalty fee and local marketing in the table above present financial projections. These projections are based on historical information. In making the Franchise Related Adjustments, we assumed that any additional expenses would not have a direct or indirect material effect on revenue or other expenses. Any change to this assumption would require material alterations to the projections.

3. “Adjusted Gross Sales Less Selected Expenses” is calculated as Gross Sales minus Cost of Goods Sold, Labor, and Franchise Related Adjustments. It does not include or account for any of the following expenses that a franchisee may incur, including: marketing or advertising expenses; rent and occupancy expenses; licenses/permits; delivery fees; equipment rental worker’s compensation; insurance; janitorial; laundry; menu board; merchant accounts; point of sales system expenses; maintenance/pest control; or utilities. It also does not include or account for non-operating and other expenses like interest, federal taxes, depreciation and amortization.

Some Koibito Poke restaurants have sold this amount. Your individual results may differ. There is no assurance you’ll earn as much.

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

Other than the preceding financial performance representation, Koibito Franchise, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting the franchisor at 8776 E. Shea Blvd., Suite 106-104, Scottsdale, Arizona 85260 or by phone at (480) 597-3252, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2020 TO 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	3	+3
Company-Owned	2020	5	4	-1
	2021	4	4	0
	2022	4	3	-1
Total Outlets	2020	5	4	-1
	2021	4	4	0
	2022	4	6	+2

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR YEARS 2020 TO 2022**

State	Year	Number of Transfers
Total	2020	0
	2021	0
	2022	0

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Arizona	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Missouri	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Nevada	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2020 TO 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	1	3
Totals	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	1	3

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	2	0
Missouri	2	2	0
Nevada	0	2	0

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2022

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
North Carolina	1	1	0
Total	3	7	0

The Company-Owned outlets referred to in the tables above refer to the restaurants operated by our affiliates.

Our fiscal year ends on December 31st. A list of all current Koibito Poke franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2022. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

There are no (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Audited financial statements for Koibito Franchise, LLC for the fiscal years ended December 31, 2022, December 31, 2021 and December 31, 2020 are attached to this Disclosure Document as EXHIBIT "H". In addition, an unaudited balance sheet as of June 30, 2023 and an unaudited profit and loss statement from January 1, 2023 through June 30, 2023 are attached to this Disclosure Document as EXHIBIT "H".

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Area Development Agreement
- EXHIBIT "I" Franchisee Disclosure Questionnaire (**Questionnaire may not be signed or used if the franchisee resides within, or the franchised business will be located within, a franchise registration state**)
- EXHIBIT "J" General Release
- EXHIBIT "K" State Addenda and Agreement Riders

Attachments to Franchise Agreement

- ATTACHMENT "C" Site Acceptance Notice
- ATTACHMENT "D" Lease Addendum
- ATTACHMENT "E" Franchise Owner Agreement
- ATTACHMENT "F" ACH Authorization Form
- ATTACHMENT "G" Brand Protection Agreement
- ATTACHMENT "H" Confidentiality Agreement

ITEM 23 RECEIPT

EXHIBIT "M" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<p><u>CALIFORNIA</u> Commissioner of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><u>INDIANA</u> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><u>MICHIGAN</u> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor Lansing, MI 48913 (517) 335-7567</p> <p><u>MINNESOTA</u> Commissioner of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101-3165 (651) 539-1500</p> <p><u>NEW YORK</u> New York Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street New York, NY 10005 (212) 416-8222 <u>Agents for Service of Process:</u> New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231</p> <p><u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, 5th Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p> <p><u>RHODE ISLAND</u> Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p>	<p><u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p> <p><u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 <u>Agents for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219</p> <p><u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI 53703 (608) 261-9555</p>
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EXHIBIT "B"

TO DISCLOSURE DOCUMENT

FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

Finance Concepts, LLC
3104 East Camelback Road #2147
Phoenix, Arizona 85016

In states listed in EXHIBIT "A", the additional agent
for Service of Process is listed in EXHIBIT "A"

EXHIBIT "C"
TO DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

[See Attached]



KOIBITO POKE FRANCHISE AGREEMENT

FRANCHISEE: _____
DATE: _____

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ATTACHMENTS

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ATTACHMENT "B"	Deal Terms
ATTACHMENT "C"	Site Acceptance Notice
ATTACHMENT "D"	Lease Addendum
ATTACHMENT "E"	Franchise Owner Agreement
ATTACHMENT "F"	ACH Authorization Form
ATTACHMENT "G"	Brand Protection Agreement
ATTACHMENT "H"	Confidentiality Agreement

KOIBITO POKE FRANCHISE AGREEMENT

This Koibito Poke Franchise Agreement (this “Agreement”) is entered into as of _____, 202__ (the “Effective Date”) between Koibito Franchise, LLC, an Arizona limited liability company (“we” or “us”) and _____, a(n) _____ (“you”).

1. **DEFINITIONS.** Capitalized terms used in this Agreement are defined either in the body of this Agreement or in ATTACHMENT "A". For capitalized terms that are defined in the body of this Agreement, ATTACHMENT "A" lists the Sections of this Agreement in which such terms are defined.
2. **GRANT OF FRANCHISE.** We hereby grant you a license to own and operate a Koibito Poke restaurant (your “Business” or your “Restaurant”) using our Intellectual Property from a single location that we confirm meets our minimum standards and specifications. As a Koibito Poke franchisee, you will establish and operate a fast-casual restaurant under the name “KOIBITO POKE” that features poke and chicken bowls. You will serve dine-in and take-out customers and also offer delivery and catering services. We may limit the area in which you may provide these services, but you are currently prohibited from providing these services outside of your Territory. We may implement policies and procedures governing delivery and catering services and you must follow all such policies and procedures. These policies and procedures may be included in the Manual. We reserve all rights not expressly granted to you.
3. **TERRITORIAL RIGHTS AND LIMITATIONS.** We will grant you a protected territory consisting of the geographic area described in Part E of ATTACHMENT "B" (your “Territory”). By protected, we mean that during the Term we will not develop or operate, or grant a franchise or license to a third party to develop or operate, a Koibito Poke restaurant that is physically located within your Territory, except as otherwise provided in this Section with respect to Captive Venues. During the Term, we also will not provide, or grant a franchise or license to a third party to provide, catering or delivery services within your Territory. We reserve the right to develop and operate, or grant franchises or licenses to third parties to develop and operate, Koibito Poke restaurants in Captive Venues that are located in your Territory. We also reserve the right to sell, or grant franchises or licenses to third parties to sell, competitive or identical goods or services (including under the Marks) through Alternative Channels of Distribution, irrespective of whether the sales take place in your Territory.
4. **TERM AND RENEWAL.**
 - 4.1. **Generally.** The term of this Agreement will begin on the Effective Date and expire 10 years thereafter (the “Term”). If this Agreement is the initial franchise agreement for your Business, you may enter into a maximum of two (2) successor franchise agreements (each, a “Successor Agreement”) as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting Koibito Poke franchises as of the expiration of the Term or renewal term, as applicable. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Agreement. Each renewal term will be five (5) years, for a maximum total term of 20 years. You will have no further right to operate your Restaurant following the expiration of the final renewal term unless we grant you another franchise in our sole discretion. If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement as well as your remaining renewal rights, if any.
 - 4.2. **Renewal Requirements.** In order to enter into a Successor Agreement, you and the Owners (as applicable) must:
 - (i) notify us in writing of your desire to enter into a Successor Agreement not less than 180 days nor more than 270 days before the expiration of the Term or renewal term, as applicable;
 - (ii) not be in default under this Agreement or any other agreement with us or any affiliate of

ours at the time you send the renewal notice or the time you sign the Successor Agreement;

- (iii) sign the Successor Agreement and all ancillary documents we require franchisees to sign;
- (iv) sign a General Release;
- (v) pay us a \$5,000 renewal fee;
- (vi) remodel your Restaurant to comply with our then-current standards and specifications;
- (vii) have the right under your lease to maintain possession of your premises for the duration of the renewal term; and
- (viii) take any additional action that we reasonably require.

If we elect not to renew or offer you the right to renew, we will send you a written notice of non-renewal at least 180 days prior to the expiration date, which shall set forth the basis for our decision not to renew or offer you the right to renew. Our failure to send you a notice of non-renewal at least 180 days prior to the expiration date shall constitute our offer to renew your franchise in accordance with, and subject to, the renewal terms and conditions set forth above. If you have any objections to our notice of non-renewal, including any dispute as to the basis for our decision not to renew, you must send us a written notice of objection that sets forth the basis for your objections. Your notice of objection must be sent to us no later than 30 days after you receive our notice of non-renewal. Your failure to send us a written notice of objection during such 30-day period shall constitute your agreement to the non-renewal of your franchise.

- 4.3. Interim Term.** If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as: (a) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights; or (b) continued on a month-to-month basis (the “Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

Except as otherwise permitted by this Section 4, you have no right to continue to operate your Restaurant following the expiration of the Term.

5. TRAINING AND CONFERENCES

- 5.1. Initial Training Program.** The Managing Owner and all of your employees that we specify must attend and successfully complete our initial training program before you open your Restaurant. Part of our initial training program will be completed at our headquarters, an affiliate-owned Koibito Poke restaurant or any other location we designate. In addition, we will send a representative to your Restaurant to provide up to 10 days of on-site training and assistance relating to the grand opening of your Restaurant. Before we commence onsite training, you must have a fully trained manager and at least three (3) other employees on your staff.
- 5.2. Initial Training For New Owners/Managers.** If you hire a new manager or appoint a new Managing Owner after we conduct our pre-opening initial training program, the new manager or Managing Owner, as applicable, must attend and successfully complete our then-current initial training program.
- 5.3. Periodic Training.** We may offer periodic refresher or additional training courses for your Owners and management team. Attendance at these training programs is mandatory.

- 5.4. **Additional Training Upon Request.** Upon your written request, we may, but need not, provide additional assistance or training to you at a mutually convenient time.
- 5.5. **Remedial Training.** If we conduct an inspection of your Restaurant and determine that you are not operating your restaurant in compliance with this Agreement and/or the Manual, we may, at our option, require that your Managing Owner and management personnel attend remedial training that is relevant to your operational deficiencies.
- 5.6. **Conferences.** We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting Koibito Poke restaurants. Attendance at these conferences is mandatory. We will not require attendance at more than one (1) conference during any calendar year.
- 5.7. **Training Fees and Expenses.** We will provide our pre-opening initial training program for your Managing Owner and management personnel at no additional charge. We also do not charge a training fee for any system-wide refresher or additional training that we conduct at our headquarters or at an affiliate-owned Koibito Poke restaurant. You must pay us a training fee of up to \$100 per person per day for: (a) each person that attends our initial training program after you open your Restaurant (such as new Managing Owners or managers); (b) any person who must retake training after failing to successfully complete training on a prior attempt; (c) any remedial training that we require based on your operational deficiencies; and (d) each person to whom we provide additional training that you request. We may charge you a conference registration fee of \$500 for each person who attends, or that we require to attend, a conference. If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). You are responsible for all expenses and costs that your trainees incur for training or attending conferences, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee our then-current initial training fee for the training program we will conduct. All training fees and expense reimbursements are due 10 days after invoicing.

6. OTHER FRANCHISOR ASSISTANCE.

- 6.1. **Manual.** During the Term, we will provide you with access to our confidential Brand Standards Manual (the “Manual”) in text or electronic form. The Manual will help you establish and operate your Restaurant. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.
- 6.2. **Koibito App.** We will provide an App that will allow your customers to order online, including for dine-in, takeout and delivery. The App will also implement our rewards program. The cost of the App is included as part of your technology fee described in Section 11.6. We may modify and/or discontinue the App, in our sole discretion, upon at least 30 days’ prior written notice.
- 6.3. **Purchasing Portal.** After opening your Restaurant, we may (but need not) require that you order your inventory items, plastic wares and certain other consumables and operating supplies through our online portal. We may discontinue this portal at any time in our sole discretion.
- 6.4. **General Guidance.** Based upon our periodic inspections of your Restaurant or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Business.
- 6.5. **Field Visits.** We have the right, but not the obligation, to conduct periodic field visits for purposes of providing onsite consultation, assistance and guidance pertaining to the operation and management of your Restaurant. We may prepare and provide you with a report detailing any problems or concerns observed during the field visit together with required or suggested changes or improvements to address or resolve such problems or concerns. You must implement all required changes or improvements in the time and manner we specify.

- 6.6. **Marketing Assistance.** As further described in Section 10.1 and Section 10.3, we will administer the brand and system development fund and provide you with other marketing assistance during the Term.
- 6.7. **Website.** We will maintain a website for Koibito Poke restaurants that will include the information about your Restaurant that we deem appropriate. We may modify the content of and/or discontinue the website at any time in our sole discretion. Throughout the Term, we will also provide you with your own local webpage that will be linked to our main website. Your webpage will include localized information about your Restaurant, such as location and hours of operation. We will own the website (including your webpage) and domain name at all times.
- 6.8. **Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and our franchisees. If we succeed in negotiating a purchase agreement, we will arrange for you to be able to purchase the goods directly from the supplier at the discounted prices that we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup.
- 6.9. **Merchandise and Retail Items.** We may, but need not, develop Koibito Poke branded merchandise and retail items for sale at your Restaurant. If we develop any of these items, you agree to maintain a reasonable inventory of these items at your Restaurant at all times.

7. ESTABLISHING YOUR RESTAURANT

- 7.1. **Site Selection.** You agree to locate and obtain our consent to the premises from which you will operate your Restaurant within 120 days after the Effective Date. The premises must be located within the Site Selection Area identified in Part B of ATTACHMENT "B" (the "Site Selection Area") and conform to our minimum site selection criteria. You must send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes that we may reasonably require) for your proposed site. We have the right to consent to or reject all proposed sites in our commercially reasonable judgment. We will use our best efforts to review and issue our consent or disapproval of a proposed site within 30 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written consent within the 30-day period. If we have consented to the site for your Restaurant prior to execution of this Agreement, then the address of your site will be listed in Part D of ATTACHMENT "B". If we have not consented to the site for your Restaurant prior to execution of this Agreement, then within 15 days after we consent to your site, we will send you the Site Acceptance Notice that will identify the site for your Restaurant. Within five (5) business days after we send you the Site Acceptance Notice, you must sign and date the franchisee acknowledgment section of the Site Acceptance Notice and send us a copy for our records. Our consent to the site in the Site Acceptance Notice shall be deemed immediately effective and binding on you at the time we issue such notice, regardless of whether you sign and/or send us the signed acknowledgment. Our consent to the site indicates only that we believe the site meets our minimum criteria. It does not constitute a representation or warranty that the site will be profitable or will meet your expectations.
- 7.2. **Lease.** If you lease the premises for your Restaurant, you must use your best efforts to ensure your landlord signs the Lease Addendum attached to this Agreement as ATTACHMENT "D". If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement we may either: (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord); or (b) require that you find a new site for your Restaurant. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records. You must engage the services of a licensed real estate attorney to review your lease. You have the option, but not the obligation, to engage the services of one of our recommended real estate attorneys who will provide this service on a discounted flat fee basis.

- 7.3. **Construction.** We will provide you with prototype plans for a Koibito Poke restaurant. You must hire a licensed and bonded architect to prepare the initial design plans for the construction of your Restaurant and leasehold improvements. We must approve the design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans. The architect must ensure that the construction plans: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all federal, state and local ordinances, building codes, permit and lease requirements and restrictions applicable to the premises, including, without limitation, the Americans with Disabilities Act. You must submit the final construction plans to us for approval. Our review is limited to ensuring that the construction plans are consistent with our system standards. Once approved, you must, at your sole expense, construct and equip the premises according to the approved construction plans as well as the specifications contained in the Manual. You must also purchase (or lease) and install the equipment, fixtures, signs and other items that we require. You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we developed and the value of the franchise.
- 7.4. **Opening.** You must open your Restaurant to the public within one (1) year after the Effective Date. You may not open your Restaurant before: (a) successful completion of the initial training program by your Managing Owner and management personnel; (b) you purchase all required insurance; (c) you obtain all required licenses, permits and other governmental approvals; and (d) we provide our written approval of the construction, build-out and layout of your Restaurant. You must send us a written notice identifying your proposed opening date at least 30 days before opening. We may conduct a pre-opening inspection of your Restaurant and you agree to make any changes we require before opening. BY VIRTUE OF OPENING YOUR BUSINESS, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR PRE-OPENING OBLIGATIONS TO YOU.
- 7.5. **Relocation.** You may relocate your Restaurant with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (b) locate your new Restaurant within the Site Selection Area (but outside of any territory associated with another Koibito Poke restaurant); (b) comply with Sections 7.1 through Section 7.4 of this Agreement with respect to your new Restaurant (excluding the one-year opening period); and (c) open your new Restaurant location and resume operations within 30 days after closing your prior Restaurant location.

8. MANAGEMENT AND STAFFING.

- 8.1. **Owner Participation.** You acknowledge that a major requirement for the success of your Restaurant is the active, continuing, and substantial personal involvement and hands-on supervision by your Managing Owner. The Managing Owner must at all times be actively involved in the operation of the Restaurant on a full time basis and provide on-site management and supervision unless you delegate management functions to a manager. In that event, the Managing Owner will remain responsible for supervising and overseeing the manager(s) to ensure the Restaurant is operated in accordance with this Agreement and the Manuals. Any new Managing Owner that we approve must successfully complete the initial training program. The Managing Owner must at all times hold at least a 20% ownership interest in the franchise (or the franchisee Entity if the franchisee is an Entity).
- 8.2. **Managers.** You may hire one or more managers to assume responsibility for the daily on-site management and supervision of your Restaurant, but only if: (a) the manager successfully completes the initial training program; (b) the manager signs a Brand Protection Agreement; and (c) the Managing Owner agrees to assume responsibility for the on-site management and supervision of your Restaurant if the manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement manager. The Managing Owner or a trained manager must be on-site at the Restaurant at all times during normal hours of operation.

8.3. Employees. You must determine appropriate staffing levels for your Business to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Business. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day to day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole responsibility and authority for all employment related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. We will not provide you any advice or guidance on these matters. You must require that your employees review and sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-the-house area explaining your franchise relationship with us and that you (and not we) are the employee's sole employer. We may prescribe the form and content of this notice.

8.4. Interim Manager. We have the right, but not the obligation, to designate an individual of our choosing (an "Interim Manager") to manage your Restaurant if either: (a) your Managing Owner ceases to perform the responsibilities of a Managing Owner (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Managing Owner within 30 days; or (b) you are in material breach. The Interim Manager will cease to manage your Restaurant at such time that you hire an adequate replacement Managing Owner who has completed training or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to compensate the Interim Manager at a rate that we establish in our commercially reasonable discretion (not to exceed \$300 per day plus reimbursement of expenses). The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

9. FRANCHISEE AS ENTITY. If you are an Entity, you represent that Part A of ATTACHMENT "B" includes a complete and accurate list of all of your Owners. Upon our request, you must provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation. All Owners of the Entity (whether direct or indirect) and their spouses must sign a Franchise Owner Agreement, the current form of which is attached as ATTACHMENT "E".

10. ADVERTISING & MARKETING.

10.1. Brand and System Development Fund.

- (a) Administration. We intend to establish and administer a brand and system development fund to promote public awareness of our brand and improve our System. We may use the fund to pay for any of the following in our sole discretion:
- (i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs;
 - (ii) conducting and administering promotions, contests or giveaways;
 - (iii) improving public awareness of the Marks;

- (iv) public and consumer relations and publicity;
- (v) brand development;
- (vi) sponsorships;
- (vii) charitable and non-profit donations and events;
- (viii) research and development of technology, products and services;
- (ix) website development and search engine optimization;
- (x) development of an ecommerce platform;
- (xi) development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys;
- (xii) conducting market research;
- (xiii) changes and improvements to the System;
- (xiv) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts;
- (xv) collecting and accounting for contributions to the fund;
- (xvi) preparing and distributing financial accountings of the fund;
- (xvii) any other programs or activities we deem appropriate to promote or improve the System; and
- (xviii) direct or indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities, including salary, benefits and other compensation of any of our (and any of our affiliate's) officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above.

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any of the foregoing marketing or advertising activities. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund. A financial accounting of the operations of the fund, including deposits into and disbursements from the fund, will be prepared annually and made available to you upon request. In terms of marketing activities paid for by the fund, we do not ensure that these expenditures in or affecting any geographic area are proportionate or equivalent to the fund contributions by franchisees operating in that geographic area or that any franchisee benefits directly or in proportion to their fund contributions. Once established, we reserve the right to discontinue the fund at any time in our sole discretion upon at least 30 days' prior notice

- (b) Contributions. On each weekly royalty payment due date, you must pay us a brand and system development fund fee equal to 1% of your Gross Sales. We will deposit into the fund all: (i) fund contributions paid by you and other franchisees; and (ii) fines paid by you and other franchisees (but only fines that we impose after the fund has been established).

10.2. Local Marketing by Us. Upon execution of this Agreement, you must pay us a grand opening fee in the amount of \$5,000 (or such higher amount agreed upon by you and reflected in Part C of ATTACHMENT "B") that we will use solely for purposes of implementing your grand

opening marketing campaign. If any portion of the grand opening marketing fee is not utilized, we will apply such unused portion to your local marketing fee (described below). In addition to the grand opening marketing fee and your contributions to the brand and system development fund, you will pay us a weekly local marketing fee in an amount equal to 1% of your Gross Sales. The local marketing fee is due on each royalty payment due date. The local marketing fee will be used by us to conduct advertising, marketing and other promotional activities on your behalf within your local market. You understand and agree that some local marketing may benefit other Koibito Poke restaurants that are located within your market or in an adjacent market. We may provide the marketing services ourselves or we may contract with one or more third-party companies who will provide these services. We have complete discretion in determining the content, concepts, materials, media, endorsements, frequency and placement and all other matters pertaining to any of these marketing services. However, we will not impose the local marketing fee until we achieve a minimum concentration of Koibito Poke restaurants in a given market and provide you with at least 30 days' notice. Until that time you must directly spend 1% of your Gross Sales on approved local marketing and advertising to promote your Restaurant (you will pay the suppliers directly rather than paying us).

10.3. Other Marketing Assistance From Us. We may create and make available to you advertising and other marketing materials for your purchase. We may use the brand and system development fund or the local marketing fee to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

10.4. Your Marketing Activities.

- (a) Generally. Although you are encouraged to engage in your own local advertising, you are not required to spend any minimum amount on local advertising to promote your Restaurant beyond the fees and fund contributions described in Section 10.1 and Section 10.2. However, you agree to participate at your own expense in all advertising, promotional and marketing programs that we require. You also agree to comply with any gift card and/or customer loyalty program that we establish, the specific terms of which may be set forth in the Manual.
- (b) Standards for Advertising. All advertisements and promotions that you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of others. You must comply with any minimum advertised pricing policy we establish from time to time. You must follow any policies we establish from time to time governing a franchisee's right to engage in marketing or advertising outside of the franchisee's territory.
- (c) Approval of Advertising. Prior to use, we must approve all advertising and marketing materials and programs you intend to use, including all advertising and marketing materials we did not prepare or previously approve (and including materials we prepare or approve and you modify). We must also approve the media you intend to use. You may not use any advertising materials, programs or media we have not approved (including materials, programs or media we previously approved and later disapprove). We have 10 days to review and approve advertising and marketing materials and programs you submit for approval. Our failure to issue our approval within the 10-day period constitutes our disapproval.
- (d) Internet and Websites. As part of your local marketing fee, we will conduct (or cause to

be conducted) certain social media marketing to promote your Restaurant. You will have certain administrative access rights to the social media marketing pertaining to your Restaurant but we will control all content. You may not engage in any other social media marketing without our prior written approval, which we may withhold in our sole discretion. If we grant approval to conduct advertising and marketing utilizing social media, you may do so subject to the following requirements:

- (i) you only utilize social media platforms we approve;
- (ii) you strictly comply with our social media policy (as revised from time to time);
- (iii) you immediately remove any post we disapprove (even if it complies with our social media policy);
- (iv) you use any supplier we designate for social media marketing;
- (v) you provide us with full administrative rights to your social media accounts; and
- (vi) we retain ownership of all social media accounts relating to your Restaurant.
- (vii) we retain ownership of all social media accounts relating to you.

Without our prior approval, which we may withhold in our sole discretion, you may not:

- (i) develop, host, create or otherwise maintain a website or other online or digital presence in connection with your Restaurant, including any website bearing our Marks;
- (ii) conduct digital or online advertising or marketing; or
- (iii) engage in ecommerce.

11. OPERATING STANDARDS.

11.1. Generally. You agree to operate your Business: (a) in a manner that will promote the goodwill of the Marks; and (b) in full compliance with our standards and all other terms of this Agreement and the Manual.

11.2. Brand Standards Manual. You agree to establish and operate your Restaurant in accordance with the Manual. The Manual may contain, among other things:

- (i) a description of the authorized goods and services you may provide and sell, including approved menu items and beverages, catering and delivery services;
- (ii) specifications, operating procedures and quality standards, including policies and procedures pertaining to catering and delivery services;
- (iii) reporting and insurance requirements;
- (iv) specifications for the design and layout of a Koibito Poke restaurant;
- (v) policies and procedures pertaining to marketing and advertising;
- (vi) policies and procedures pertaining to gift card and membership programs;
- (vii) policies relating to data ownership, protection, sharing and use; and
- (viii) a list of (a) the goods and services (or specifications for goods and services) you must purchase to develop and operate your Business and (b) any designated or approved

suppliers for these goods or services.

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. The modifications will become binding at the time we notify you of the modification (subject to any “grace period” we provide to implement the change). All mandatory provisions contained in the Manual (whether they are included now or in the future) are binding on you.

- 11.3. Authorized Goods and Services.** You agree to offer all goods and services that we require from time to time in our commercially reasonable discretion. You must offer all food and beverage items that we specify. However, you have the option, but not the obligation, to offer beer, wine, sake and other approved alcoholic beverages at your Restaurant (although we do not recommend offering alcoholic beverages due to the additional costs as compared to the additional revenues). If you choose to offer alcoholic beverages, you will be responsible for obtaining any necessary liquor license or similar permit and obtaining liquor liability insurance. You must also offer all merchandise and other retail items that we specify. You must offer dine-in, take-out, delivery and catering services. You may not offer delivery or catering services outside of your Territory. You must follow all policies and procedures in the Manual with respect to catering and delivery services. All delivery and catering services must be conducted either by you or by a third-party delivery service approved by us in advance. You may not offer any other goods or services in connection with your Restaurant without our prior written permission. You may not use your Restaurant or permit your Restaurant to be used for any purpose other than offering the goods and services that we authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of the franchise or this Agreement.
- 11.4. Suppliers and Purchasing.** You agree to purchase or lease all products, supplies, equipment, services and other items specified in the Manual from time to time. If required by the Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliate). You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of Koibito Poke restaurants, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon franchisee purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier’s name and qualifications and provide any additional information that we request. We will approve or reject your request within 60 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 60-day period. You must reimburse us for all costs and expenses that we incur in reviewing a proposed supplier within 10 days after invoicing.
- 11.5. Equipment Maintenance and Changes.** You agree to maintain all of your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period that we reasonably prescribe.
- 11.6. Technology Systems.**

- (a) Generally. You must acquire and utilize all information and communication technology systems that we specify from time to time, including, without limitation, computer systems, point-of-sale system, webcam systems, telecommunications systems, security systems, music systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems (collectively referred to as the “Technology Systems”). The Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, security, information storage, retrieval and transmission, customer information, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose that we deem appropriate. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.
- (b) Use and Access. You must utilize your Technology Systems in accordance with the Manual. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure that your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to enable us to have independent and unlimited access to the operational data collected through your Technology Systems, including information regarding your Gross Sales for purposes of calculating fees owed. Upon our request, you agree to provide us with the user IDs and passwords for your Technology Systems, including upon termination or expiration of this Agreement.
- (c) Disruptions. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.
- (d) Fees and Costs. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third-party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs, you agree to: (i) pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon request, enter into a license agreement with us (or our affiliate) in a form we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. We may also enter into master agreements with third-party suppliers relating to any components of the Technology Systems and charge you for all amounts we pay to these suppliers based on your use of their software, technology, equipment, or services. The “technology fee” includes all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based on changes to the Technology Systems or prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts you pay directly to third-party suppliers for any component of the Technology Systems. At no additional charge, we provide up to three (3) email addresses per franchisee per Restaurant. If you require more than three (3) email addresses, we may charge you a technology fee which would not exceed \$10 per additional email address per month. The technology fee is due 10 days after invoicing or as otherwise specified by us from time to time.

- 11.7. Remodeling and Maintenance.** You agree to remodel and make all improvements and alterations to your Restaurant that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. However, we will not require that you engage in any significant remodeling more than once during any five (5) year period, except as a condition to you renewing or transferring your franchise. You may not remodel or significantly alter your premises without our prior written approval, which will not be unreasonably withheld. However we will not be required to approve any proposed remodeling or alteration if the same would not conform to our then-current specifications, standards or image requirements. You agree to maintain your Restaurant in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (a) thorough cleaning, repainting, redecorating of the interior and exterior of the Restaurant at the intervals we may prescribe (or at such earlier times that such actions are required or advisable); and (b) interior and exterior repair of the Restaurant as needed. You agree to comply with any maintenance, cleaning or facility upkeep schedule that we prescribe from time to time.
- 11.8. Gift Cards and Loyalty Program.** We offer gift cards for products and services that may be redeemed at any Koibito Poke restaurant. We may sell these gift cards on our website. You may offer gift cards at your Restaurant with our approval. You must honor all gift cards, even if the customer purchased the gift card from our website or from another Koibito Poke restaurant. We have the right to determine how the amount of the gift cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards. We may require that all funds from gift card purchases be deposited directly into an account that we control for future distribution in accordance with our then-current gift card revenue allocation policy. We will establish policies as to the allocation of the proceeds from the sale of gift cards between the restaurant where the gift card was purchased and the restaurant where the gift card was redeemed. You agree to comply with all policies and procedures that we specify from time to time with respect to our gift card program. We may also establish other customer loyalty programs and you must participate in all such programs in the manner we require.
- 11.9. Hours of Operation.** You must keep your Restaurant open during all minimum hours of operation that we specify in the Manual from time to time (subject to any conflicting requirements of your landlord). You must establish specific hours of operation and submit those hours to us for approval.
- 11.10. Customer Complaints.** If you receive a customer complaint, you must follow the complaint resolution process that we specify to protect the goodwill associated with the Marks.
- 11.11. Quality Assurance Programs.** For quality control purposes, we may (a) periodically inspect your Restaurant in accordance with Section 6.5 or Section 16.1; and/or (b) engage the services of a “mystery shopper” or quality assurance firm to inspect your Restaurant. Restaurant inspections may address a variety of issues, including customer service, food safety, sanitation, inventory rotation, etc. You must fully cooperate with all inspections. We may implement a scoring system pursuant to which each Restaurant receives a “grade” or “score” based on the results of the inspection. Your failure to achieve a passing grade or score constitutes a default under this Agreement. You must take all actions we specify within the period of time we prescribe in order to rectify any non-compliance issues revealed during an inspection.
- 11.12. Failure to Comply with Standards.** You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a failure to comply with our standards or operating procedures (including, without limitation, failure to provide required reports in a timely manner) and you fail to correct the non-compliance within the period of time we require, then, in addition to any other remedies available to us under this Agreement, we may impose a

fine of up to \$500 per occurrence. We may impose an additional fine for every 48 hours the same non-compliance issue remains uncured following our imposition of the initial fine

12. FRANCHISE ADVISORY COUNCIL. We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We will consider all suggestions from the advisory council in good faith, but we are not bound by any such suggestions. The advisory council will be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council. You will have the right to be a member of the advisory council as long as you are not in default under this Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you will be entitled to all voting rights and privileges granted to other members of the council. Each member will be granted one vote on all matters on which members are authorized to vote.

13. FEES

13.1. Initial Franchise Fee. You agree to pay us a \$30,000 initial franchise fee in one lump sum at the time you sign this Agreement (or, if applicable, any discounted initial franchise fee specified in an area development agreement signed by you and us). We currently offer a 33.3% discount (i.e., \$10,000 based on our current \$30,000 initial franchise fee) to individuals who are either active duty service members or honorably discharged veterans from any branch of the United States military. In order to qualify: (a) the active duty service member or honorably discharged veteran, as applicable, must maintain at least a 51% ownership interest in the franchise (or at least a 51% ownership interest in the entity that is the franchisee, if the franchisee is a legal entity); and (b) you must provide us with a copy of the qualifying individual's active duty I.D. or form DD-214, reflecting his or her military status, before the Franchise Agreement is signed. We current offer a \$5,000 discount to individuals who are first responders (police, paramedics, etc.). In order to qualify, the first responder must maintain at least a 51% ownership interest in the franchise (or at least a 51% ownership interest in the entity that is the franchisee, if the franchisee is a legal entity). The initial franchise fee is fully earned by us and non-refundable once this Agreement has been signed. If you are currently a Koibito Poke area representative franchisee, your "net" initial franchise fee will be \$15,000 after receipt of your commission on the initial franchise fee.

13.2. Royalty Fee. On the day of each week that we specify, you agree to pay us a royalty fee equal to 6% of your Gross Sales received during the prior reporting period. As of the Effective Date, your royalty payment due date is Wednesday and the reporting period runs from the beginning of business each Monday through the close of business each Sunday.

13.3. Other Fees and Payments. You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in this [Section 13](#). You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon goods or services that you sell or based upon goods or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Agreement).

13.4. Late Fee. If any sums due under this Agreement have not been received by us when due (or there are insufficient funds in your Account to cover any sums owed to us when due) then, in addition to those sums, you must pay us a late fee of \$100 plus default interest on the amounts past due at the rate equal to the lesser of 18% per annum (pro-rated on a daily basis), or the highest rate permitted by applicable law. If no due date has been specified by us, interest begins to run 10 days after we bill you. We will not impose a late fee for any amounts paid pursuant to [Section 13.5](#) if, but only to the extent, sufficient funds were available in your Account to be applied towards the payments at the time the payments became due. However, we may impose a late fee for any amounts we are unable to reasonably determine due to your failure to furnish us

with a report required by Section 15.3 within the required period of time or record sales in a timely manner, in which case we may assess a late fee on the entire amount that was due. This Section 13.4 shall not constitute our agreement to accept payments after their due date or to extend credit to you.

13.5. Method of Payment. Before opening you must send us a completed and fully executed ACH Agreement. We will electronically debit the banking account you designate (the “Account”) for all amounts owed to us and our affiliates (other than the initial franchise fee) on the applicable due date. You must sign any other documents required by us or your bank to enable us to debit your Account for amounts owed. You must deposit all revenues you generate into the Account and ensure sufficient funds are available for withdrawal before each payment due date. If there are insufficient funds in your Account, any excess amounts you owe will be payable upon demand, together with any late charge imposed pursuant to Section 13.4.

13.6. Application of Payments. We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

14. BRAND PROTECTION COVENANTS.

14.1. Reason for Covenants. You acknowledge the Intellectual Property and the training and assistance we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise system.

14.2. Our Know-how. You and the Owners agree to:

- (i) refrain from using the Know-how in any business or capacity other than the operation of your Restaurant pursuant to this Agreement;
- (ii) maintain the confidentiality of the Know-how at all times;
- (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how;
- (iv) refrain from making unauthorized copies of documents containing any Know-how; and
- (v) stop using the Know-how immediately upon the expiration, termination or Transfer of this Agreement (and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement must stop using the Know-how immediately at the time he or she ceases to be an Owner).

14.3. Unfair Competition During Term. You and your Owners agree not to unfairly compete with us during the Term by engaging in any of the following activities (“Prohibited Activities”): (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (b) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (c) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to a competitor.

14.4. Unfair Competition After Term. You and your Owners agree not to engage in any Prohibited Activities during the Post-Term Restricted Period, other than having an interest in a Competitive Business that is not located within, and does not provide competitive goods or

services to customers who are located within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business permitted by this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

- 14.5. Family Members.** The Owners acknowledge they could circumvent the purpose of Section 14 by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). The Owners also acknowledge it would be difficult for us to prove whether they disclosed the Know-how to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 14 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses the Know-how. However, the Owner may rebut this presumption by furnishing evidence conclusively showing the Owner did not disclose Know-how to the family member.
- 14.6. Employees and Others Associated with You.** You must ensure all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Business who may have access to our Know-how, and who are not required to sign a Brand Protection Agreement, sign and send us a Confidentiality Agreement before having access to our Know-how. You must use your best efforts to ensure these individuals comply with the terms of the Brand Protection Agreements and Confidentiality Agreements, as applicable, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses we incur in enforcing a Brand Protection Agreement or Confidentiality Agreement, as applicable, including reasonable attorneys' fees and court costs.
- 14.7. Covenants Reasonable.** You and the Owners acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; (b) our use and enforcement of covenants similar to those described above with respect to other Koibito Poke franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Business; and (c) you and the Owners have sufficient resources, business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 14 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**
- 14.8. Breach of Covenants.** You and the Owners agree that failure to comply with the terms of this Section 14 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of Section 14 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to any other relief available at equity or law, and your sole remedy in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of Section 14.

15. YOUR OTHER RESPONSIBILITIES

- 15.1. Insurance.** For your protection and ours, you agree to maintain the following insurance policies:

- (i) “all risk” property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Restaurant, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost;
- (ii) comprehensive general liability insurance (including liquor liability) against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Restaurant, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate;
- (iii) automobile liability and property damage insurance covering all loss, liability, claim or expense of any kind whatsoever resulting from the use, operation, or maintenance of any automobiles or motor vehicles, owned, leased, or used by you, or your officers, directors, employees, partners or agents, in the operation of your Business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate;
- (iv) commercial umbrella insurance with minimum liability protection of \$1,000,000 combined single limit per occurrence;
- (v) worker’s compensation insurance and employer’s liability insurance as required by law; and
- (vi) any other insurance that we specify in the Manual from time to time.

You agree to provide us with proof of coverage prior to opening, within 10 days of any renewal of a policy, and at any other time on demand. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Business. All insurance policies must endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive 10 days prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days’ notice to you, we may increase the minimum liability coverage amount of any policy and/or require different or additional types of insurance, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur.

15.2. Books and Records. You agree to prepare and maintain at your Restaurant for at least five (5) years after their preparation, complete and accurate books, records, accounts and tax returns pertaining to your Business. You must send us copies of your books and records within seven (7) days of our request.

15.3. Reports. You must provide us with weekly reports of Gross Sales (due on each royalty payment due date) unless you are using a system that we designate that allows us to independently generate reports of your Gross Sales. You also agree to prepare all other reports that we require in the form and manner that we require. You agree to send us a copy of any report required by this Section upon request. If you miscalculate Gross Sales, you must notify us of the error no later than the end of the next Gross Sales reporting period. Otherwise, you will not be entitled to any refund or credit of any fees paid to us based upon the Gross Sales previously reported. If we

require that you purchase a computer and/or automated cash management system that allows us to electronically retrieve information concerning your sales transactions, you agree that we will have the right to electronically poll your computer and/or automated cash management system to retrieve and compile information regarding the operation of your Business.

- 15.4. Financial Statements.** Within 90 days after the end of each calendar year, you must prepare a balance sheet for your Business (as of the end of the calendar year) and an annual statement of profit and loss and source and application of funds. All financial statements must be: (a) verified and signed by you certifying to us that the information is true, complete, and accurate; (b) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles; and (c) submitted in any format that we reasonably require. We have the right to require that your financial statements be audited by a certified public accountant if you have previously submitted to us materially inaccurate financial statements. You agree to send us a copy of any financial statement required by this Section upon request. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.
- 15.5. Legal Compliance.** You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Restaurant and operate and manage your Restaurant in full compliance with all applicable laws, ordinances, rules and regulations. If you offer alcoholic beverages at your Restaurant, you will be responsible for obtaining a liquor license. You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.
- 15.6. Ownership and Protection of Data.** We will exclusively own all data pertaining to your customers and business operations, whether collected by you, us or a third-party engaged by you or us. We hereby grant you a license to utilize such data solely for purposes of operating your Business in compliance with this Agreement. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must adhere to applicable privacy laws with respect to data, which if compromised, could have a negative impact on our image or consumer confidence. You agree: (a) to comply with all applicable data protection laws as well as our data processing and data privacy policies as set forth in the Manual from time to time; and (b) upon our request, to sign any data processing and/or data privacy agreement required by any applicable data protection law or otherwise required by us (including, but not limited to, any Joint Controllers Data Processing Agreement). You further agree to:
- (i) obtain, maintain and adhere to all applicable compliance standards established by PCI-DSS;
 - (ii) establish appropriate administrative, technical and physical controls consistent with law and PCI-DSS to preserve the security and confidentiality of any credit card information, in any form whatsoever, that it stores, processes, transmits, or comes in contact with;
 - (iii) promptly notify us if you suspect that there is, or has been, a security breach or potential compromise of any such credit card information;
 - (iv) provide us with updates regarding the status of PCI-DSS, which update may be through a completed PCI AOC (Attestation of Compliance), PCI-DSS SAQ (Self-Assessment Questionnaire) or other method mutually agreed; and
 - (v) promptly notify us of any noncompliance PCI-DSS requirements to discuss your remediation efforts and timeline.

16. INSPECTION AND AUDIT

16.1. Inspections. For quality control purposes and to ensure compliance with this Agreement, we (or our representative) may enter your Restaurant, evaluate your operations and inspect or examine your books, records, accounts and tax returns. We will determine the scope of the inspection, which may include, among other things:

- (i) examining and copying your books, records, accounts and tax returns;
- (ii) accessing your computer system and retrieving data (you hereby agree to provide us with access upon request);
- (iii) inspecting and testing your equipment;
- (iv) monitoring and speaking with your staff;
- (v) sampling and testing your food;
- (vi) evaluating the physical condition of your Restaurant for cleanliness, sanitation and state of repair; and
- (vii) contacting your landlord and customers.

We may conduct the inspection at any time and without prior notice. During the inspection, we (or our representative) will use reasonable efforts to minimize any interference with the operation of your Restaurant. You and your employees must cooperate and not interfere with the inspection. You consent to us accessing your computer system and retrieving any data we deem appropriate in connection with the inspection. We will bear the cost of any inspection other than an inspection conducted by us in order to determine whether you have remedied: (a) any health or safety issue identified by a government agency; or (b) any breach of our system standards that we bring to your attention. You must reimburse us for all costs we incur in conducting an inspection to determine if you have remedied a health or safety issue identified by a government agency or a breach of our system standards that we bring to your attention.

16.2. Audit. We have the right, at any time, to have an independent audit made of your books and financial records. You must fully cooperate with us and any third parties we hire to conduct the audit. If an audit reveals an understatement of any amount owed to us, you must immediately pay us all additional fees you owe together with any late fee imposed pursuant to Section 13.4. Each audit will be performed at our cost unless the audit: (a) is required due to your failure to provide information we request, preserve records or file reports as required by this Agreement; or (b) reveals an understatement of Gross Sales by at least 3%, in which case you must reimburse us for the cost of the audit, including all reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due 10 days after invoicing. We shall not be deemed to have waived our right to terminate this Agreement by accepting reimbursements of our audit costs.

17. INTELLECTUAL PROPERTY

17.1. Ownership and Use of Intellectual Property. You acknowledge that: (a) we (and/or our affiliates) are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (c) your right to use the Intellectual Property is limited to a license granted by us to operate your Restaurant during the Term pursuant to, and only in compliance with, this Agreement, the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manual governing

your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

- 17.2. Changes to Intellectual Property.** We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights or the Know-how. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days at your expense. We will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.
- 17.3. Use of Marks.** You agree to use the Marks as the sole identification of your Restaurant; provided, however that you must identify yourself as the independent owner of your Business in the manner we prescribe. You may not use the Marks in any modified form or as part of a corporate or trade name or with any prefix, suffix, or other modifying words, designs or symbols (other than logos licensed to you by this Agreement). You agree to: (a) prominently display the Marks in the manner we prescribe on or in connection with any advertising, promotional materials, posters, displays, receipts, stationery and forms we designate to give notice of trade and service mark registrations and copyrights; and (b) obtain any fictitious or assumed name registrations required by applicable law. You may not use the Marks in signing any contract, lease, check, negotiable instrument or other agreement or in any manner likely to confuse or result in liability to us for any indebtedness or obligation of yours.
- 17.4. Use of Know-how.** We will disclose the Know-how to you in the initial training program, the Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms of this Agreement in the development and operation of your Restaurant. You acknowledge that the Know-how is proprietary and is disclosed to you solely for use in the development and operation of your Restaurant during the Term.
- 17.5. Improvements.** If you conceive of or develop any improvements or additions to the marketing, method of operation or the services or products offered by a Koibito Poke restaurant (collectively, "Improvements"), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate a Koibito Poke restaurant, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a Koibito Poke restaurant.
- 17.6. Notification of Infringements and Claims.** You must immediately notify us of any: (a) apparent infringement of any of the Intellectual Property; (b) challenge to your use of any of the Intellectual Property; or (c) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.
- 18. INDEMNITY.** You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with:

- (i) the marketing, use or operation of your Restaurant;
- (ii) the breach of any Definitive Agreement committed by you or your Owners or affiliates;
- (iii) the breach of any agreement with a third party committed by you or your Owners or affiliates;
- (iv) any Claim relating to taxes or penalties assessed by any Governmental Authority against us that are directly related to your failure to pay or perform functions required of you under this Agreement;
- (v) libel, slander or disparaging comments made by you or any of your Owners, officers, employees or independent contractors regarding the System, a Restaurant or an Indemnified Party;
- (vi) any labor, employment or similar type of Claim pertaining to your employees (including Claims alleging we are a joint employer of your employees) or our relationship with you or your Owners (including Claims alleging we are an employer of you and/or any of your Owners); or
- (vii) any actions, investigations, rulings or proceedings conducted by any Governmental Authority (including the United States Department of Labor, Equal Employment Opportunity Commission or National Labor Relations Board) relating to your employees.

You and your Owners must immediately notify us of any Claim or proceeding described above. The Indemnified Parties shall have the right, in their sole discretion to: (a) retain counsel of their choosing to represent them with respect to any Claim; and (b) control the response thereto and the defense thereof, including the right to enter into an agreement to settle the Claim. You may participate in such defense at your expense. You must fully cooperate and assist the Indemnified Parties with the defense of the Claim. You must reimburse the Indemnified Parties for all of their costs and expenses in defending such Claim, including court costs and reasonable attorneys' fees, within 10 days of receipt of an invoice itemizing such costs and expenses.

Provided that you are not in default under this Agreement or any other agreement with us, we will indemnify you and your Owners and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any Claim asserted against you and/or your Owners based upon the violation of any third party's intellectual property rights caused by your use of our Marks in strict compliance with the terms of this Agreement and the Manual. You must promptly notify us of any such Claim and fully cooperate with us in the defense of such Claim.

19. TRANSFERS

19.1. By Us. This Agreement and the franchise is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement.

19.2. By You. You understand that the rights and duties created by this Agreement are personal to you and the Owners and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Because this is a personal services contract, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

- (i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a Koibito Poke restaurant and otherwise meets all of our then applicable standards for

franchisees;

- (ii) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate;
- (iii) all of the owners of the transferee have successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid us the training fee for each new person who must attend training);
- (iv) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area;
- (v) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Business;
- (vi) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;
- (vii) you remodel your Restaurant to comply with our then-current standards and specifications or you obtain a commitment from the transferee to do so;
- (viii) you or the transferee pay us a \$10,000 transfer fee to defray expenses that we incur in connection with the Transfer (if the transferee is found by a broker we engage, you must also reimburse us for all commissions we pay to the broker, which amount shall be in addition to the transfer fee);
- (ix) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;
- (x) you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement;
- (xi) we do not elect to exercise our right of first refusal described in Section 19.5; and
- (xii) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

19.3. Permitted Transfers. You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior written notice; and (b) upon our request, cause any Entity that was originally the franchisee under this Agreement to sign a corporate guarantee in the format we require in order to secure the performance of the new franchisee Entity's financial obligations under this Agreement and all related agreements. You and the Owners (and the transferee) agree to sign all documents we reasonably request to effectuate and document the Permitted Transfer.

19.4. Death or Disability of an Owner. Upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days. Any assignment to a third party will be subject to all of the terms and conditions of Section 19.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement or otherwise operating the Business in the manner required by this Agreement and the Manual for a continuous period

of at least three (3) months.

19.5. Our Right of First Refusal. If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the interest in your Business or the ownership interest in you for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 19.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

20. TERMINATION

20.1. By You. You may terminate this Agreement if we materially breach this Agreement and fail to cure the breach within 90 days after you send us a written notice specifying the nature of the breach. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 21 and all other obligations that survive the expiration or termination of this Agreement.

20.2. Termination By Us Without Cure Period. We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:

- (i) if the Managing Owner fails to satisfactorily complete the initial training program in the manner required by Section 5.1;
- (ii) if you fail to obtain our consent to your site within the time period required by Sections 7.1;
- (iii) if you fail to open your Restaurant within the time period required by Section 7.4;
- (iv) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
- (v) if your Business, or a substantial portion of the assets associated with your Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy;
- (vi) if you abandon or fail to operate your Restaurant for three (3) consecutive business days, unless the failure is due to an event of force majeure or another reason that we approve;
- (vii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner

that is required to operate the Business, even if you or the Owner still maintain appeal rights;

- (viii) if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime or (b) is subject to any material administrative disciplinary action or (c) fails to comply with any material federal, state or local law or regulation applicable to your Business;
- (ix) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;
- (x) if you manage or operate your Restaurant in a manner that presents a health or safety hazard to your customers, employees or the public;
- (xi) if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the franchise;
- (xii) if you fail to pay any amount owed to us or an affiliate of ours within ten (10) days after receipt of a demand for payment;
- (xiii) if you underreport any amount owed to us by at least three percent (3%), after having already committed a similar breach that had been cured in accordance with Section 20.3;
- (xiv) if you make an unauthorized Transfer;
- (xv) if you make an unauthorized use of the Intellectual Property;
- (xvi) if you breach any of the brand protection covenants described in Section 14;
- (xvii) if any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement;
- (xviii) if the lease for your premises is terminated due to your default; or
- (xix) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default (other than an area development agreement).

20.3. Additional Conditions of Termination. In addition to our termination rights in Section 20.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 20.3, we may suspend performance of any of our obligations under this Agreement until you fully cure the breach.

20.4. Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

21. POST-TERM OBLIGATIONS.

21.1. Obligations of You and the Owners. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (i) immediately cease to use the Intellectual Property;
- (ii) pay us all amounts you owe;
- (iii) comply with all covenants described in Section 14 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;

- (iv) return all copies of the Manual, or any portions thereof, and return or destroy all signs, vehicle wraps, brochures, advertising and promotional materials, forms and other materials bearing the Marks, Copyrights or other identification relating to a Koibito Poke restaurant, unless we allow you to transfer such items to an approved transferee;
- (v) cancel all fictitious or assumed name registrations relating to your use of any Marks;
- (vi) alter the interior and exterior of the premises to the extent necessary (or to the extent we require) to prevent any further resemblance to or connection with a Koibito Poke restaurant or our System, including, without limitation, repainting the exterior and interior with new colors, removing trade dress, fixtures and décor items associated with a Koibito Poke restaurant, removing all signage and discontinuing use of approved wall décor items and window decals; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Business;
- (vii) notify all telephone companies, listing agencies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Restaurant; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (viii) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

21.2. Right to Purchase Facility and Assets.

- (a) Generally. Upon the termination or expiration of this Agreement, we shall have the right, but not the obligation, to purchase your Restaurant and/or its assets at fair market value as ascertained by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the effective date of the termination or expiration of the Agreement (the “Appraisal Date”). We will notify you of the specific items that we wish to purchase (the “Acquired Assets”). We may also require that you assign your lease to us at no additional charge.
- (b) Selecting Qualified Appraisers. You and we each shall appoint an appraiser with experience appraising businesses comparable to your Business in the United States (a “Qualified Appraiser”). This appointment of the appraisers shall be made within 30 days after the Appraisal Date by giving written notice to the other party of the name and address of the Qualified Appraiser. If either of us fails to appoint a Qualified Appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If each of us shall have appointed a Qualified Appraiser within the 30-day period, then within 30 days after that the two (2) Qualified Appraisers shall appoint a third (3rd) Qualified Appraiser. If the two (2) Qualified Appraisers fail to agree on the appointment of a third (3rd) Qualified Appraiser within the 30-day period, then a third (3rd) Qualified Appraiser shall be appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application by either us or you. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so.
- (c) Information for Appraisal. You must furnish to the Qualified Appraisers a copy of your current financial statements, as well as your financial statements for the prior three (3)

years (or the period of time that you have operated your Business, if less than three (3) years), together with the work papers and other financial information or other documents or information that the Qualified Appraisers may request. The Qualified Appraisers shall take into account the other information and factors that they deem relevant, but the Qualified Appraisers shall be instructed that there shall be no consideration of goodwill in the determination of fair market value.

- (d) Appraisal Process. Within 60 days after the appointment of the third Qualified Appraiser, the three (3) Qualified Appraisers shall appraise the Appraised Assets at fair market value without taking into account any value for goodwill (the “Appraised Value”). If the three (3) Qualified Appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined by the agreement of the three (3) Qualified Appraisers. If two (2) of the three (3) Qualified Appraisers agree on a single value, these two (2) Qualified Appraisers shall issue a joint report, and the dissenting Qualified Appraiser may (but need not) issue a separate report, and the value determined by agreement of the two (2) Qualified Appraisers who shall agree shall be the Appraised Value. If none of the Qualified Appraisers are able to agree on a single value, each Qualified Appraiser shall issue a report setting forth the value determined by him or her, and the average of the two values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any Qualified Appraiser, each Qualified Appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any Qualified Appraiser is made with knowledge of the values determined by the other Qualified Appraisers. If there shall be only a single Qualified Appraiser (because you or we failed to appoint a Qualified Appraiser within the time provided), then the Appraised Value shall be the value determined by the single Qualified Appraiser.
- (e) Cost of Appraisal. You and we shall equally bear the cost of the appraisal.
- (f) Closing. Once the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us. We may deduct from the Appraised Value all amounts owed to us and our affiliates under this Agreement, any promissory note, and any other agreement between you and us or between you and our affiliates.

22. DISPUTE RESOLUTION. The parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the validity, enforcement or interpretation of this Agreement or issues relating to the offer and sale of the franchise or the relationship between the parties (a “Dispute”) to mediation before a mutually-agreeable mediator prior to litigation, unless the Dispute involves an alleged breach of Section 14 or Section 17. Any mediation shall take place in the county in which we maintain our principal place of business at the time the mediation begins (currently, Maricopa County, Arizona). If the Dispute is not successfully resolved by mediation within 90 days after either party makes a demand for mediation or the Dispute involves an alleged breach of Section 14 or Section 17, either party may file a lawsuit in any state or federal court of general jurisdiction in the county in which we maintain our principal place of business at the time the lawsuit is filed (currently, Maricopa County, Arizona) and we and you irrevocably submit to the jurisdiction of such courts and waive any objection either of us may have to either the jurisdiction or venue of such courts. If we or you must enforce this Agreement in a judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF

MONIES OWED OR A VIOLATION OF SECTION 14 OR SECTION 17) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

23. YOUR REPRESENTATIONS. YOU HEREBY REPRESENT THAT:

- (i) YOU RECEIVED: (A) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS, WITH ALL MATERIAL TERMS FILLED IN, AT LEAST SEVEN (7) CALENDAR DAYS BEFORE YOU SIGNED THIS AGREEMENT; AND (B) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (i) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (ii) SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY;
- (ii) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; AND
- (iii) WE MAY NEGOTIATE TERMS OR OFFER CONCESSIONS TO OTHER FRANCHISEES AND WE HAVE NO OBLIGATION TO OFFER YOU THE SAME OR SIMILAR NEGOTIATED TERMS OR CONCESSIONS EXCEPT TO THE EXTENT REQUIRED BY APPLICABLE LAW.

24. GENERAL PROVISIONS

- 24.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of Arizona (without reference to its principles of conflicts of law), but any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.
- 24.2. Relationship of the Parties.** You understand and agree that nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.
- 24.3. Severability and Substitution.** Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (a) the court may modify such promise or covenant to the minimum extent necessary to make such promise

or covenant enforceable; or (b) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

- 24.4. Waivers.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure; (c) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Koibito Poke franchisees; or (d) the acceptance by us of any payments due from you after breach of this Agreement.
- 24.5. Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request.
- 24.6. Force Majeure.** Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances. Notwithstanding the foregoing, “force majeure” will not: (a) relieve you of any payment obligations under this Agreement; or (b) excuse, or apply with respect to, any breaches resulting from an epidemic or pandemic of a contagious illness or disease or resulting from any economic or financial changes caused by such epidemic or pandemic.
- 24.7. Binding Effect.** This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section 15.1 and the Indemnified Parties are intended third party beneficiaries under this Agreement with respect to Section 15.1 and Section 18, respectively.
- 24.8. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 11.2 AND SECTION 24.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. In addition, our issuance of the Site Acceptance Notice attached hereto as ATTACHMENT "C" shall be deemed to amend this Agreement to identify the site for your Restaurant, regardless of whether you countersign and/or return the Site Acceptance Notice. Any email or other informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a)

waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) 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.

- 24.9. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (a) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (b) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (d) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.
- 24.10. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.
- 24.11. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section 13, Section 14, Section 16, Section 18, Section 21, Section 22 and Section 24.
- 24.12. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.
- 24.13. Time of Essence.** Time is of the essence in this Agreement and every term thereof.
- 24.14. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.
- 24.15. Notice.** All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days prior written notice):

YOU: As set forth in Part A of ATTACHMENT "B"

US: Koibito Franchise, LLC
8776 E. Shea Blvd., Suite 106-104
Scottsdale, Arizona 85260

Notice shall be considered given at the time delivered by hand, or one (1) business day after sending by fax, email or comparable electronic system, or three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

* * *

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

Koibito Franchise, LLC, an Arizona limited liability company

By: _____

Name: _____

Its: _____

YOU (If you are an entity):

_____,
a(n) _____

By: _____

Name: _____

Its: _____

YOU (If you are not an entity):

Name: _____

Name: _____

Name: _____

Name: _____

ATTACHMENT "A"
TO FRANCHISE AGREEMENT

DEFINITIONS

“*Account*” is defined in Section 13.5.

“*ACH Agreement*” means our form of ACH Authorization Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "F".

“*Acquired Assets*” is defined in Section 21.2.

“*Agencies*” is defined in Section (vii).

“*Agreement*” is defined in the Introductory Paragraph.

“*Alternative Channels of Distribution*” means all channels of distribution other than retail sales made to customers from a Koibito Poke restaurant or catering or delivery services, including, but not limited to: (a) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (b) sales through retail stores that do not operate under the Marks, such as grocery stores; (c) sales made at wholesale; and (d) sales through kiosks or mobile trailers.

“*Appraisal Date*” is defined in Section 21.2.

“*Appraised Value*” is defined in Section 21.2.

“*Brand Protection Agreement*” means our form of Brand Protection Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "G".

“*Business*” is defined in Section 2.

“*Captive Venues*” means non-traditional outlets for Koibito Poke restaurants that are located within, or are a part of, another establishment or facility that consumers may visit for a purpose other than eating at a Koibito Poke restaurant. Examples of Captive Venues include Koibito Poke restaurants that are located in hotels, apartment buildings, hospitals, college campuses or universities, airports, train stations, bus stations, cruise terminals, stadiums or sporting arenas, shopping malls, or within other similar types of establishments.

“*Claim*” or “*Claims*” means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

“*Competitive Business*” means any restaurant that competes with a Koibito Poke restaurant and generates, or is reasonably expected to generate, at least 20% of its revenues from the sale of poke (including revenues from on-site sales as well as revenues from catering and delivery services).

“*Confidentiality Agreement*” means our form of Confidentiality Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "H".

“*Copyrights*” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Koibito Poke franchisees to use, sell or display in connection with the marketing and/or operation of a Koibito Poke restaurant, whether now in existence or created in the future.

“*Dispute*” is defined in Section 22.

“*Effective Date*” is defined in the Introductory Paragraph.

“*Entity*” means a corporation, partnership, limited liability company or other form of association.

“*General Release*” means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities.

“*Gross Sales*” means all gross sums collected by you from all goods and services sold in connection with your Restaurant, together with any other revenue or monies derived in connection with your Business, including any advertising revenues, sponsorship fees or business interruption insurance proceeds and the value of any bartered goods or services. “Gross Sales” also includes the full retail value of “free” or “discounted” items provided to employees or customers that are not part of an approved promotional campaign. “Gross Sales” does not include: (a) revenues you collect and later refund to the customer; (b) any sales or use taxes that you pay to a government agency; or (c) tips or other gratuities paid to and retained by employees. From time to time, we may establish policies governing the manner in which the proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales.

“*Improvements*” is defined in Section 17.5.

“*Indemnified Party*” or “*Indemnified Parties*” means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements.

“*Interim Manager*” is defined in Section 8.4.

“*Interim Term*” is defined in Section 4.3.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Koibito Poke restaurant, including, but not limited to, methods, techniques, specifications, procedures, policies, recipes, supplier and vendor information, marketing strategies and information comprising the System and the Manual.

“*Losses and Expenses*” means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

“*Managing Owner*” means the Owner that you designate and we approve who is primarily responsible for the daily on-premises management and supervision of the Business.

“*Manual*” is defined in Section 6.1.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Koibito Poke restaurant, including “Koibito Poke,” and any other trademarks, service marks or trade names that we designate for use in a Koibito Poke restaurant. The term “Marks” also includes any distinctive trade dress used to identify a Koibito Poke restaurant, whether now in existence or hereafter created.

“*Marketing Campaign*” is defined in Section 10.1(a).

“*Owner*” or “*Owners*” means any individual who owns a direct or indirect ownership interest in the franchise or the Entity that is the franchisee under this Agreement. “Owner” includes both passive and active owners.

“*Permitted Transfer*” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by the Managing Owner that results in the Managing Owner holding less than a 20% ownership interest in the franchise; and/or (b) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.

“*Post-Term Restricted Period*” means, with respect to you, a period of two (2) years after the termination, expiration or Transfer of this Agreement; provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the “*Post-Term Restricted Period*” means, with respect to you, a period of one (1) year after the termination, expiration or Transfer of this Agreement. “*Post-Term Restricted Period*” means, with respect to an Owner, a period of two (2) years after the earlier to occur of (a) the termination, expiration or Transfer of this Agreement or (b) the Owner’s Transfer of

his or her entire ownership interest in the franchise or the Entity that is the franchisee, as applicable; provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the “*Post-Term Restricted Period*” means, with respect to an Owner, a period of one (1) year after the earlier to occur of (a) the termination, expiration or Transfer of this Agreement or (b) the Owner’s Transfer of his or her entire ownership interest in the franchise or the Entity that is the franchisee, as applicable.

“*Prohibited Activities*” is defined in Section 14.3.

“*Qualified Appraiser*” is defined in Section 21.2.

“*Restaurant*” is defined in Section 2.

“*Restricted Territory*” means the geographic area within: (a) your Territory (and including your Restaurant premises); and (b) a five (5) mile radius from all other Koibito Poke restaurants (including the restaurant premises) that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post-Term Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “*Restricted Territory*” means the geographic area within your Territory (and including your Restaurant premises).

“*Site Selection Area*” is defined in Sections 7.1.

“*Successor Agreement*” is defined in Section 4.1.

“*System*” means our distinct system for the operation of a Koibito Poke restaurant, the distinctive characteristics of which include: the Marks; distinctive interior and exterior design, décor, color schemes, graphics, fixtures and furnishings; business formats; proprietary sauces; high quality fish delivery distribution chain to ensure freshness; operational and customer service standards and procedures; advertising and marketing strategies and programs; techniques, methods and procedures; standards and specifications; and operating system.

“*Technology Systems*” is defined in Section 11.6.

“*Term*” is defined in Section 4.1.

“*Territory*” is defined in Section 3.

“*Transfer*” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of this Agreement, the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

“*We*” or “*us*” is defined in the Introductory Paragraph.

“*You*” is defined in the Introductory Paragraph.

ATTACHMENT "B"
TO FRANCHISE AGREEMENT

DEAL TERMS

DEAL TERMS

A. Franchisee Details.

Name of Franchisee: [_____]

Is the franchisee one or more natural persons signing in their individual capacity? **Yes:** ____ **No:** ____

Type of Entity and State of Formation* (if applicable): [_____]

** If the franchisee is a business entity, each natural person holding a direct or indirect ownership interest in the business entity, and spouse of each such person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each natural person holding a direct or indirect ownership interest in the franchise (or the franchisee business entity if applicable) along with a description of their ownership interest.

Owner's Name	% Ownership Interest	Direct or Indirect (if indirect, include description of nature of interest)

Notice Address: [_____]

B. Site Selection Area.

The Site Selection Area referenced in the Franchise Agreement shall consist of the following geographic area: [_____]

The Site Selection Area is not your territory and there are no protections associated with this area.

C. Designated Site.

We hereby consent to the site listed below for the operation of your Koibito Poke restaurant.

Address: [_____]

** If the site for your Restaurant has not been approved by us at the time the Franchise Agreement is signed, then we will send you a Site Acceptance Notice in accordance with Section 7.1 listing the address of your designated site.*

D. Territory.

Your Territory will consist of the geographic area within a [] mile radius from the location of your Restaurant.

ATTACHMENT "C"
TO FRANCHISE AGREEMENT
FORM OF SITE ACCEPTANCE NOTICE

[See Attached]

SITE ACCEPTANCE NOTICE

Koibito Franchise, LLC (“we” or “us”) is issuing this Site Acceptance Notice (this “Notice”) to _____ (“you”), effective _____, 202____, in connection with the Koibito Poke Franchise Agreement (the “Franchise Agreement”) that we executed with you on _____, 202____. The purpose of this Notice is to confirm our consent to the site you have proposed for your Restaurant premises.

Approved Address:

Pursuant to Section 7.1 of the Franchise Agreement, we hereby consent to the site listed below for the operation of your Restaurant:

* * *

By signing below, you and we agree that the address identified in this Notice shall be the site for your Restaurant established and operated pursuant to the Franchise Agreement. You acknowledge and agree that our acceptance of the site you have proposed is in no way a representation by us that your site will be successful. Rather, our acceptance of the site you propose merely indicates that the site meets our minimum standards and requirements.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your site. Our designation of your site, as set forth in this Notice, shall be binding upon you effective as of the effective date listed in the first paragraph in this Notice, as the site for your Restaurant.

Franchisor

Franchisee

Koibito Franchise, LLC

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

Date: _____

Date: _____

ATTACHMENT "D"
TO FRANCHISE AGREEMENT

LEASE ADDENDUM

[See Attached]

LEASE ADDENDUM

This Lease Addendum (this "Agreement") dated this ___ day of _____, 202__ among Koibito Franchise, LLC, an Arizona limited liability company, with principal offices at 8776 E. Shea Blvd., Suite 106-104, Scottsdale, Arizona 85260 ("Franchisor"), [_____] a(n) [_____] with principal offices located at [_____] ("Landlord"), and [_____] a(n) [_____] with principal offices located at [_____] ("Tenant").

Background

- A. On [_____] 202[___], Franchisor and Tenant executed a Koibito Poke Franchise Agreement (the "Franchise Agreement"), pursuant to which Franchisor granted Tenant the right and obligation to develop, open and operate a Koibito Poke restaurant (the "Franchised Business") at the Premises (defined below).
- B. Concurrently with the execution of this Agreement, Landlord and Tenant are executing a lease agreement (the "Lease"), pursuant to which Landlord will lease to Tenant the premises described in Exhibit "A" (the "Premises").
- C. To protect Franchisor's rights and interests under the Franchise Agreement, Landlord agrees to grant certain rights to Franchisor as set forth below.

Agreement

1. Default Notices. Landlord agrees to provide Franchisor with copies of all written default notices sent to Tenant at the same time such notices are sent to Tenant. Landlord agrees to send such copies to Franchisor by email and registered mail as set forth below (Franchisor may change the notice email and address from time to time by sending written notice to Landlord):

Email: _____

Mail: Koibito Franchise, LLC
8776 E. Shea Blvd., Suite 106-104
Scottsdale, Arizona 85260
Attention: _____

2. Right to Cure. If Tenant defaults under the Lease, Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. Furthermore, in such event, Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining Landlord's or Tenant's consent. Franchisor may thereafter assign the Lease to another Koibito Poke franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
3. Right to Assign. At any time (including, without limitation, upon the expiration or sooner termination of the Franchise Agreement), and without Landlord's prior consent, Tenant may assign the Lease to Franchisor. In such event, Franchisor may thereafter assign the Lease to another Koibito Poke franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
4. Right of First Refusal. Landlord agrees that upon the expiration or termination of the Lease, Franchisor shall have the first right of refusal to lease the Premises as the new tenant.

5. Expiration or Termination of Franchise Agreement. Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant's interests under the Lease in accordance with Section 2 above.
6. Acknowledgement of Rights. Landlord acknowledges Franchisor's rights under the Franchise Agreement to enter the Premises to: (a) make any modifications or alterations necessary in Franchisor's sole discretion to protect its franchise system and its trademarks without being guilty of trespass or any other tort or crime; and (b) remove any trade fixtures, interior or exterior signs and other items bearing Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.
7. Modification of Lease. Without Franchisor's prior written consent, Landlord and Tenant will not amend, modify, supplement, terminate, renew or extend the Lease.
8. Miscellaneous.
 - (a) In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.
 - (b) All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.
 - (c) The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.
 - (d) This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

In witness whereof, this Agreement has been executed the date and year first above written.

FRANCHISOR:

Koibito Franchise, LLC, an Arizona limited liability company

By: _____
 Name: _____
 Its: _____

LANDLORD:

_____, (a)n _____

By: _____
 Name: _____
 Its: _____

TENANT:

_____, (a)n _____

By: _____
 Name: _____
 Its: _____

EXHIBIT "A" TO LEASE ADDENDUM

DESCRIPTION OF PREMISES

ATTACHMENT "E"
TO FRANCHISE AGREEMENT
FRANCHISE OWNER AGREEMENT

[See Attached]

FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this “Agreement”) is entered into by: (a) each of the undersigned owners of Franchisee (defined below); and (b) the spouse of each such owner, in favor of Koibito Franchise, LLC, an Arizona limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement. Each signatory to this Agreement is referred to as “you”.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any restaurant that competes with a Koibito Poke restaurant and generates, or is reasonably expected to generate, at least 20% of its revenues from the sale of poke (including revenues from on-site sales as well as revenues from catering and delivery services).

“*Copyrights*” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Koibito Poke franchisees to use, sell or display in connection with the marketing and/or operation of a Koibito Poke restaurant, whether now in existence or created in the future.

“*Franchise Agreement*” means the Koibito Poke Franchise Agreement executed by Franchisee with an effective date of _____, 202__.

“*Franchised Business*” means the Koibito Poke restaurant operated by Franchisee pursuant to the Franchise Agreement.

“*Franchisee*” means _____.

“*Improvements*” means any additions, modifications or improvements to (i) the goods or services offered at a Koibito Poke restaurant, (ii) the method of operation of a Koibito Poke restaurant or (iii) any marketing or promotional ideas relating to a Koibito Poke restaurant, whether developed by you, Franchisee or any other person.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Koibito Poke restaurant, including, but not limited to, methods, techniques, specifications, procedures, policies, recipes, supplier and vendor information, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential brand standards manual for the operation of a Koibito Poke restaurant.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Koibito Poke restaurant, including “Koibito Poke,” and any other trademarks, service marks or trade names that we designate for use in a Koibito Poke restaurant. The term “Marks” also includes any distinctive trade dress used to identify a Koibito Poke restaurant, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (b) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (c) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to a competitor.

“*Restricted Period*” means the two (2) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable; provided however, that if a court of competent jurisdiction

determines that this period of time is too long to be enforceable, then the “*Restricted Period*” means the one (1) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable.

“*Restricted Territory*” means the geographic area within: (a) a five (5) mile radius from each Koibito Poke restaurant operated by Franchisee (including the restaurant premises); and (b) a five (5) mile radius from all other Koibito Poke restaurants that are operating or under construction as of the date of this Agreement and remain in operation or under construction during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “*Restricted Territory*” means the geographic area within a five (5) mile radius from each Koibito Poke restaurant operated by Franchisee (including the restaurant premises).

“*System*” means our distinct system for the operation of a Koibito Poke restaurant, the distinctive characteristics of which include: the Marks; distinctive interior and exterior design, décor, color schemes, graphics, fixtures and furnishings; business formats; proprietary sauces; high quality fish delivery distribution chain to ensure freshness; operational and customer service standards and procedures; advertising and marketing strategies and programs; techniques, methods and procedures; standards and specifications; and operating system.

- 2. Background.** In your capacity as an owner of Franchisee, or the spouse of an owner of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In addition, you understand that certain terms of the Franchise Agreement apply to “owners” and not just Franchisee. You agree to comply with the terms of this Agreement In order to: (a) avoid damaging our System by engaging in unfair competition; and (b) bind yourself to the terms of the Franchise Agreement applicable to owners.

3. Brand Protection Covenants.

(a) Intellectual Property. You agree to:

- (i) refrain from using the Intellectual Property in any capacity or for any purpose other than the operation of Franchisee’s Koibito Poke restaurant in compliance with the Franchise Agreement and Manual;
- (ii) maintain the confidentiality of the Know-how at all times;
- (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how;
- (iv) refrain from making unauthorized copies of documents containing any Know-how; and
- (v) immediately stop using the Intellectual Property at such time that you are no longer an owner of Franchisee or your spouse is no longer an owner of Franchisee, as applicable.

You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.

- (b) Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are an owner of Franchisee or while your spouse is an owner of Franchisee, as applicable, by engaging in any Prohibited Activities.
- (c) Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business

that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach).

- (d) **Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild). You also acknowledge it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Know-how to the family member.
- (e) **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.** Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area, we may at any time unilaterally modify the terms of the system protection covenants in Section 3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under Section 3 of this Agreement to ensure that the terms and covenants are enforceable under applicable law
- (f) **Breach.** You agree that your failure to comply with the covenants in this Section 3 is likely to cause substantial and irreparable damage to us and/or our other franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. You agree we may apply for such injunctive relief, without bond, but upon due notice, in addition to any other relief available at equity or law, and your sole remedy in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Section are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damage.

4. Transfer Restrictions. If you are an owner of Franchisee, you acknowledge that we must approve all persons who hold a direct or indirect ownership interest in Franchisee. Accordingly, you agree that you will not, directly or indirectly or by operation of law, sell, assign, mortgage, pledge or in any manner transfer any direct or indirect ownership interest in Franchisee except in accordance with the terms and conditions set forth in Section 19 of the Franchise Agreement.

5. Financial Security. In order to secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours and any promissory note related to payments owed to us (collectively, the "Secured Agreements"), you, jointly and severally, personally and unconditionally: (a) guarantee to us and our successor and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreement; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive: (1) acceptance and notice of acceptance by us of the foregoing undertakings; (2) notice of demand for payment of any indebtedness guaranteed; (3) protest and notice of

default to any party with respect to the indebtedness guaranteed; (4) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed. You agree that: (1) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; (2) you will render any payment required under the Secured Agreements upon demand if Franchisee fails or refuses punctually to do so; (3) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Secured Agreements and following the termination, expiration or transfer of each of the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

6. Dispute Resolution. Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures set forth in the Franchise Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures set forth in the Franchise Agreement conflict with any of the terms of this Agreement, the terms of this Agreement shall prevail. **You acknowledge and agree that a breach of this Agreement by you shall constitute a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with the terms thereof.**

7. Miscellaneous.

- (a) If either party hires an attorney or files suit against the other party relating to or alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.
- (b) This Agreement will be governed by, construed and enforced under the laws of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
- (d) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
- (e) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

ATTACHMENT "F"
TO FRANCHISE AGREEMENT
ACH AUTHORIZATION FORM

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
	<input type="checkbox"/> Checking <input type="checkbox"/> Savings	
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes Koibito Franchise, LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____	Date: _____
Name: _____	
Its: _____	
Federal Tax ID Number: _____	

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

ATTACHMENT "G"
TO FRANCHISE AGREEMENT
BRAND PROTECTION AGREEMENT

[See Attached]

BRAND PROTECTION AGREEMENT

This Brand protection Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Koibito Franchise, LLC, an Arizona limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any restaurant that competes with a Koibito Poke restaurant and generates, or is reasonably expected to generate, at least 20% of its revenues from the sale of poke (including revenues from on-site sales as well as revenues from catering and delivery services).

“*Copyrights*” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Koibito Poke franchisees to use, sell or display in connection with the marketing and/or operation of a Koibito Poke restaurant, whether now in existence or created in the future.

“*Franchisee*” means the Koibito Poke franchisee for whom you are an officer, director, employee or independent contractor.

“*Improvements*” means any additions, modifications or improvements to (a) the goods or services offered at a Koibito Poke restaurant, (b) the method of operation of a Koibito Poke restaurant or (c) any marketing or promotional ideals relating to a Koibito Poke restaurant, whether developed by you, Franchisee or any other person.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Koibito Poke restaurant, including, but not limited to, methods, techniques, specifications, procedures, policies, recipes, supplier and vendor information, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential brand standards manual for the operation of a Koibito Poke restaurant.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Koibito Poke restaurant, including “Koibito Poke,” and any other trademarks, service marks or trade names that we designate for use in a Koibito Poke restaurant. The term “Marks” also includes any distinctive trade dress used to identify a Koibito Poke restaurant, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to a competitor.

“*Restricted Period*” means the two (2) year period after you cease to be an officer, director, employee or independent contractor of Franchisee; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “*Restricted Period*” means the one (1) year period after you cease to be an officer, director, employee or independent contractor of Franchisee.

“*Restricted Territory*” means the geographic area within: (a) a five (5) mile radius from each Koibito Poke restaurant operated by Franchisee (including the restaurant premises); and (b) a five (5) mile radius from all other Koibito Poke restaurants that are operating or under construction as of the date of this Agreement and remain in operation or under construction during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be

enforceable, then the “*Restricted Territory*” means the geographic area within a five (5) mile radius from each Koibito Poke restaurant operated by Franchisee (including the restaurant premises).

“*System*” means our distinct system for the operation of a Koibito Poke restaurant, the distinctive characteristics of which include: the Marks; distinctive interior and exterior design, décor, color schemes, graphics, fixtures and furnishings; business formats; proprietary sauces; high quality fish delivery distribution chain to ensure freshness; operational and customer service standards and procedures; advertising and marketing strategies and programs; techniques, methods and procedures; standards and specifications; and operating system.

2. **Background.** You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.
3. **Intellectual Property.** You agree to:
 - (i) refrain from using the Intellectual Property in any capacity or for any purpose other than the operation of Franchisee’s Restaurant;
 - (ii) maintain the confidentiality of the Know-how at all times;
 - (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how;
 - (iv) refrain from making unauthorized copies of documents containing any Know-how; and
 - (v) immediately stop using the Intellectual Property at such time that you are no longer an officer, director, employee or independent contractor of Franchisee.
4. **Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are an officer, director, employee or independent contractor of Franchisee by engaging in any Prohibited Activities.
5. **Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity.
6. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (a) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (b) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.
7. **Covenants Reasonable.** You acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (b) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**
8. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and

irreparable damage to us and/or other Koibito Poke franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. Miscellaneous.

- (a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.
- (b) This Agreement will be governed by, construed and enforced under the laws of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
- (d) You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

This Brand Protection Agreement is executed as of the date or dates set forth below.

By: _____

Name: _____

Date: _____

ATTACHMENT "H"
TO FRANCHISE AGREEMENT
CONFIDENTIALITY AGREEMENT

[See Attached]

CONFIDENTIALITY AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Koibito Franchise, LLC, an Arizona limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Koibito Poke franchisees to use, sell or display in connection with the marketing and/or operation of a Koibito Poke restaurant, whether now in existence or created in the future.

“*Franchisee*” means the Koibito Poke franchisee for whom you are an officer, director, employee or independent contractor.

“*Improvements*” means any additions, modifications or improvements to (a) the goods or services offered at a Koibito Poke restaurant, (b) the method of operation of a Koibito Poke restaurant or (c) any marketing or promotional ideals relating to a Koibito Poke restaurant, whether developed by you, Franchisee or any other person.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Koibito Poke restaurant, including, but not limited to, methods, techniques, specifications, procedures, policies, recipes, supplier and vendor information, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential brand standards manual for the operation of a Koibito Poke restaurant.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Koibito Poke restaurant, including “Koibito Poke,” and any other trademarks, service marks or trade names that we designate for use in a Koibito Poke restaurant. The term “Marks” also includes any distinctive trade dress used to identify a Koibito Poke restaurant, whether now in existence or hereafter created.

“*System*” means our distinct system for the operation of a Koibito Poke restaurant, the distinctive characteristics of which include: the Marks; distinctive interior and exterior design, décor, color schemes, graphics, fixtures and furnishings; business formats; proprietary sauces; high quality fish delivery distribution chain to ensure freshness; operational and customer service standards and procedures; advertising and marketing strategies and programs; techniques, methods and procedures; standards and specifications; and operating system.

2. Background. You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Know-How and Intellectual Property. You agree to:

- (i) refrain from using the Intellectual Property in any capacity or for any purpose other than the operation of Franchisee’s Koibito Poke restaurant;
- (ii) maintain the confidentiality of the Know-how at all times;
- (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how;
- (iv) refrain from making unauthorized copies of documents containing any Know-how; and

- (v) immediately stop using the Intellectual Property at such time that you are no longer an officer, director, employee or independent contractor of Franchisee.

4. Family Members. You acknowledge you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Know-how to the family member.

5. Covenants Reasonable. You acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (b) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that your failure to comply with the terms of this Agreement is likely to cause substantial and irreparable damage to us and/or our other franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree we may apply for such injunctive relief, without bond, but upon due notice, in addition to any other relief available at equity or law, and your sole remedy in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. Miscellaneous.

- (a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.
- (b) This Agreement will be governed by, construed and enforced under the laws of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

By: _____

Name: _____

Date: _____

EXHIBIT "D"
TO DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

[See Attached]



KOIBITO POKE

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPER: _____
DATE: _____

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ATTACHMENTS

ATTACHMENT "A" Deal Terms

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is entered into as of _____, 202__ (the “Effective Date”) between Koibito Franchise, LLC, an Arizona limited liability company (“we” or “us”) and _____, a(n) _____ (“you”).

- 1. DEFINITIONS.** Capitalized terms used in this Agreement shall have the meanings given to them below. Any capitalized term used in this Agreement that is not defined below shall have the meaning given to such term in the Initial Franchise Agreement (as defined below).

“*Alternative Channels of Distribution*” has the meaning given to such term in the Initial Franchise Agreement.

“*Captive Venues*” has the meaning given to such term in the Initial Franchise Agreement.

“*Development Schedule*” means the schedule described in Section 4.1 and Part D of ATTACHMENT "A" for the development of the Restaurants within the Development Territory.

“*Development Territory*” means the geographic area described in Part C of ATTACHMENT "A".

“*Initial Franchise Fee*” means the \$30,000 initial franchise fee that you must pay for each Restaurant to be developed under this Agreement.

“*Franchise Agreement*” means a Koibito Poke Franchise Agreement executed by us and you (or an affiliate of yours) for the development and operation of a Restaurant pursuant to this Agreement.

“*Initial Franchise Agreement*” means the Franchise Agreement executed by you concurrently with the execution of this Agreement for the first Restaurant to be established pursuant to this Agreement.

“*Managing Owner*” has the meaning given to such term in the Initial Franchise Agreement.

“*Owner*” or “*Owners*” means any individual who directly signs this Agreement or who owns a direct or indirect ownership interest in the area development rights or the entity that is the area developer under this Agreement. “Owner” includes both passive and active owners.

“*Permitted Transfer*” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by the Managing Owner that results in the Managing Owner holding less than a 20% ownership interest in the franchise; and/or (b) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.

“*Restaurant*” means a Koibito Poke restaurant.

“*Term*” the period of time commencing with the Effective Date of this Agreement and expiring upon the date by which you are required to open the last Restaurant under the Development Schedule.

“*Transfer*” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of this Agreement, the area development rights (or any interest therein), the business conducted by you pursuant to this Agreement, or an ownership interest in an entity that is the area developer under this Agreement, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the entity that is the area developer, or by operation of law, will or a trust upon the death of an Owner of the area developer entity (including the laws of intestate succession).

- 2. GRANT OF DEVELOPMENT RIGHTS.** Subject to the terms and conditions of this Agreement, we hereby grant you the right and obligation to develop, open and operate each of the Restaurants referred to in the Development Schedule. Each Restaurant you develop pursuant to this Agreement must be located within the Development Territory and at a specific site that we consent to in accordance with the terms of the applicable Franchise Agreement. This Agreement does not grant you any rights or licenses to use our Intellectual Property.

3. **TERRITORIAL PROTECTIONS AND LIMITATIONS.** Your Development Territory will be protected, meaning that for the duration of the Term, we will not develop or operate, or grant a license to any third party to develop or operate, a Restaurant that is physically located within the Development Territory other than: (a) any Restaurant that is operating, under development, or for which a franchise agreement has been executed, in each case as of the Effective Date, and that is located, or is to be located within, the Development Territory; and (b) any Restaurant otherwise permitted by this Section in connection with Captive Venues. We reserve the right to develop and operate, or grant licenses to third parties to develop and operate, Restaurants in Captive Venues located in your Development Territory. We also reserve the right to sell, or grant franchises or licenses to third parties to sell, competitive or identical goods or services (including under the Marks) through Alternative Channels of Distribution, irrespective of whether the sales take place in your Development Territory.
4. **DEVELOPMENT OBLIGATIONS**
- 4.1. **Development Schedule.** You agree to open each Restaurant in strict accordance with time periods set forth in the Development Schedule. You must develop, open and operate each Restaurant in compliance with all of the terms of the applicable Franchise Agreement. We may, in our sole discretion, extend the time periods listed in the Development Schedule, but only if you demonstrate to our reasonable satisfaction you used your best efforts in attempting to comply with your development obligations and the need for additional time is due to unforeseeable delays and not due to your neglect, misconduct or lack of funds. You must open all Restaurants referred to in the Development Schedule. You acknowledge that the opening date listed in the Development Schedule for a given Restaurant may be earlier than the opening date required under the terms of the associated Franchise Agreement. In order to comply with the Development Schedule, you must open each Restaurant by the opening date listed in the Development Schedule even if such date is earlier than the opening date required under the terms of the associated Franchise Agreement.
- 4.2. **Site Selection.** You must select a specific site within the Development Territory for each Restaurant in accordance with our then-current site selection criteria set forth in the Manual and the applicable Franchise Agreement. Each site that you select is subject to our prior consent as specified in the applicable Franchise Agreement.
- 4.3. **Franchise Agreements.** You must sign a separate Franchise Agreement for each Restaurant. You must sign the Initial Franchise Agreement for your first Restaurant at the time you sign this Agreement. We will not review or consent to a proposed site until you sign the applicable Franchise Agreement for the proposed site. Each Franchise Agreement shall be our then-current form of Koibito Poke Franchise Agreement, the terms and conditions of which may vary materially and substantially from the terms and conditions of the Initial Franchise Agreement. You have no right to construct or operate any Restaurant until you and we have executed the applicable Franchise Agreement and all ancillary agreements for that Restaurant.
- 4.4. **Additional Locations.** You have no right to develop any Restaurant other than the Restaurants listed in the Development Schedule unless we, in our sole discretion, permit you to enter into a new area development agreement, which will be upon such terms and conditions that we specify, following your development of all Restaurants listed in the Development Schedule under this Agreement.
5. **DEVELOPMENT FEE.** At the time you sign this Agreement, you must pay us a development fee calculated as \$30,000 multiplied by the total number of Restaurants you commit to develop under this Agreement. You do not pay any additional initial franchise fee under the Franchise Agreements you execute pursuant to this Agreement. Your specific development fee is listed in Part B of ATTACHMENT "A". The development fee is fully earned and nonrefundable upon execution of this Agreement.
6. **AREA DEVELOPER AS ENTITY.** You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of all of your Owners. Upon our request, you must provide us with a

resolution of the entity authorizing the execution of this Agreement, a copy of the entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the entity is duly formed and validly existing under the laws of the state of its formation or incorporation. You may form a separate entity to enter into each Franchise Agreement provided that: (a) the individuals holding the ownership interests (and their percentage interests) in each such entity must be the same individuals holding ownership interests (with the same percentage interests) in the entity that is the Area Developer under this Agreement; and (b) each such entity guarantees the performance of all other entities formed under the authority of this Section 6.

7. TRANSFERS

7.1. **By Us.** This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.

7.2. **By You.** You understand that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the area development rights in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

- (i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to develop, own and operate all of the remaining Restaurants that are to be developed under this Agreement and otherwise meets all of our then applicable standards for area developer franchisees;
- (ii) you and your Owners are in full compliance with the terms of this Agreement, all Franchise Agreements and all other agreements with us or our affiliate;
- (iii) all of the Owners of the transferee have successfully completed, or made arrangements to attend, the initial training program;
- (iv) the transferee and its owners sign our then-current form of area development agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term shall be the Term remaining under this Agreement; (b) the transferee need not pay a separate development fee; and (c) the Development Schedule and Development Territory shall be the same Development Schedule and Development Territory specified in this Agreement (modified to reflect the development obligations satisfied prior to the transfer);
- (v) you or the transferee pay us a \$10,000 transfer fee (if the transferee is found by a broker we engage, you must also reimburse us for all commissions we pay to the broker, which amount shall be in addition to the transfer fee);
- (vi) you assign all of your Franchise Agreements to the transferee in accordance with the transfer provisions under each such Franchise Agreement (including payment of any transfer fee imposed under each such Franchise Agreement);
- (vii) you and your Owners sign a General Release of all claims arising before or contemporaneously with the Transfer;
- (viii) we do not elect to exercise our right of first refusal described in Section 7.5; and
- (ix) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

You may not: (a) transfer less than your entire remaining area development rights under this Agreement (i.e., you may not retain the right to develop any Restaurant); or (b) transfer your area development rights to multiple transferees. Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the area development agreement by the transferee.

- 7.3. **Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days prior written notice; and (b) upon our request, cause any Entity that was originally the area developer under this Agreement to sign a corporate guarantee in the format we require to secure performance of the new area developer Entity's financial obligations under this Agreement and all related agreements. You and the Owners (and the transferee) agree to sign all documents we reasonably request to effectuate and document the Permitted Transfer.
- 7.4. **Death or Disability of an Owner.** Upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the area development rights, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days. Any assignment to a third party will be subject to all of the terms and conditions of Section 7.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement for a continuous period of at least three (3) months.
- 7.5. **Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase your remaining area development rights and any Restaurants to be assigned, or the ownership interest in you, as applicable, for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 7.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

8. TERMINATION OF DEVELOPMENT RIGHTS

- 8.1. **Reasonableness.** You represent that you: (a) have conducted your own independent investigation and analysis of the prospects for the establishment of the Restaurants within the Development Territory; (b) approve the Development Schedule as being reasonable and viable; and (c) recognize that your failure to achieve the results required by the Development Schedule will constitute a material breach of this Agreement.
- 8.2. **Termination of Development Rights.** If you fail to comply with any term of this Agreement, we may terminate this Agreement, effective 30 days after giving you written notice of the default, unless you have fully cured the default within such 30-day period. Any such termination will end all of your rights and future obligations under this Agreement, including without limitation, your interests in the Development Territory and right to open additional

Restaurants. In the event of a termination, you will not be entitled to any refund of the development fee.

8.3. Cross Default. Our termination of any Franchise Agreement due to your default shall constitute a default under this Agreement permitting us to terminate this Agreement immediately upon notice to you.

9. DISPUTE RESOLUTION. Any dispute between the parties relating to this Agreement shall be resolved pursuant to the dispute resolution provisions in the Initial Franchise Agreement. All such dispute resolution provisions are incorporated herein by reference as if full set forth in this Agreement.

10. YOUR REPRESENTATIONS. YOU HEREBY REPRESENT THAT:

(i) YOU RECEIVED (a) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (b) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (1) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (2) SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY; AND

(ii) YOU ARE AWARE THAT OTHER FRANCHISEES AND AREA DEVELOPERS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR FRANCHISEES AND AREA DEVELOPERS MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

11. GENERAL PROVISIONS

11.1. Governing Law. This Agreement and the franchise relationship shall be governed by the laws of the State of Arizona (without reference to its principles of conflicts of law), but any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

11.2. Severability. Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable.

11.3. Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other.

11.4. Force Majeure. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances. Notwithstanding the foregoing, "force majeure" will not: (a) relieve you of any payment obligations under this Agreement; or (b) excuse, or apply with respect to, any breaches resulting from an epidemic or pandemic of a contagious illness or disease or resulting from any economic or financial changes caused by such epidemic or pandemic.

11.5. Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

11.6. Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email or other informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement,

which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) 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.

- 11.7. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (a) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (b) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (d) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.
- 11.8. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.
- 11.9. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire.
- 11.10. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.
- 11.11. Time of Essence.** Time is of the essence in this Agreement and every term thereof.
- 11.12. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.
- 11.13. Notice.** All notices and statements to be given under this Agreement are to be provided in accordance with the Notice Provision of the Initial Franchise Agreement.

[Signature Page Follows]

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

Koibito Franchise, LLC, an Arizona limited liability company

By: _____
Name: _____
Its: _____

YOU (If you are an entity):

_____,
a(n) _____
By: _____
Name: _____
Its: _____

YOU (If you are not an entity):

Name: _____

Name: _____

Name: _____

Name: _____

ATTACHMENT "A"
TO AREA DEVELOPMENT AGREEMENT
DEAL TERMS

A. Area Developer Details.

Name of franchisee: [_____]

Is the franchisee one or more natural persons signing in their individual capacity? **Yes:** ____ **No:** ____

Type of Entity and State of Formation* (if applicable): [_____]

** If the franchisee is a business entity, each natural person holding a direct or indirect ownership interest in the business entity, and spouse of each such person, must sign a Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each natural person holding a direct or indirect ownership interest in the area developer franchise (or the franchisee business entity if applicable) along with a description of their ownership interest.

Owner's Name	% Ownership Interest	Direct or Indirect (if indirect, include description of nature of interest)

Notice Address: [_____]

B. Fees.

- The development fee shall be \$ _____.

C. Development Territory.

The Development Territory shall include the following geographic area:

If the boundaries that define the Development Territory change during the term, the boundaries of your Development Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date.

D. Development Schedule.

You agree to comply with the following minimum development obligations as specified in Section 4 of the Agreement:

DEVELOPMENT PERIOD ENDING	NUMBER OF RESTAURANTS OPENED DURING DEVELOPMENT PERIOD	CUMULATIVE NUMBER OF RESTAURANTS OPENED AND IN OPERATION
1 year after Effective Date		
2 years after Effective Date		
3 years after Effective Date		
4 years after Effective Date		
5 years after Effective Date		
6 years after Effective Date		
7 years after Effective Date		
8 years after Effective Date		
9 years after Effective Date		
10 years after Effective Date		
Total Number of Restaurants to be Developed: [_____]		

EXHIBIT "E"
TO DISCLOSURE DOCUMENT
TABLE OF CONTENTS OF BRAND STANDARDS MANUAL

[See Attached]

GAPS	PG	QAR	0 - INTRODUCTION
	1		CHPT Table of contents
	2		Intro to Manual
	3		Brand Philosophy
	3		Operations Manual Purpose
	3		Disclaimer
	3		Updates
	3		Operations Library Location
	4		Headquarters
	4		Eastern Time Zone
	4		Email Contact
	4		Diversity Statement
	5		Leadership
	5		Executive Team
	5		National Franchise Advisory Council
	5		Regional Marketing Co-Op
	5		Glossary of Terms (goes through to page 9)

GAPS	PG	QAR	01 - ADMINISTRATION
	10		CHPT Table of contents
	11		General Administrative Guidelines
	12		Brand Email Set-Up Instructions
	13		Managing Your Time
	13		Time Management Tools
	14		Location Communication Tools
	14		Website Feedback
	14		Faxed Memos
	15		Bulletin Board
	16		Change Acknowledgement Form
	17		Shift Assignment Form
	18		Team Meeting Planner
	19		Your Business Skills
	20		Business Planning Resources
	21		Additional Resources
	22		POS and Credit Card Vendor Information
	23		Administrative Documentation
	23		Documentation Retention Guidelines
	24		Employee Files
	25		Payroll Obligations
	27		Allowable Deductions Salaried
	28		Allowable Deductions Hourly

GAPS	PG	QAR	05 - PEOPLE
	131		CHPT Table of contents
	132		Team Ethics and Code of Conduct

	132		Leadership Inspired Actions
	133		Developing a Code of Conduct
	134		The Employee Handbook
	134		At-Will Provisions
	137		Issuing the Handbook
	138		Creating Your Own Handbook
	140		Pay and Benefits
	140		Pay
	140		Salary Structure Worksheet
	141		Benefits
	141		Employee Benefits
	142		Employee Appearance
	142		Brand Appearance & Uniform Standards
	143		Recruiting
	143		Methods of Recruiting
	144		The Application (new form)
	145		Aspects of the Application
	146		Reference Check (new form)
	147		The Interview as a Two Step Process
	147		The Pre-Screen
	149		The Face-To-Face Interview
	149		Questions you can and cannot ask
	150		The Interview (new form)
	151		The 8 Steps to Interviewing an Applicant
	152		The Formal Orientation
	153		Items you will need during the orientation
	154		Personnel Files
	155		Employment Law
	156		Employee Evaluations
	157		Purpose of Performance Evaluations
	158		Frequency of Performance Evaluations
	159		Conducting the Evaluation
	160		Evaluation Steps - Employee / Manager
	161		Employee Discipline
	162		Steps of Discipline
	163		Discipline Tools
	163		Discipline Policy Acknowledgement
	165		Employee Counseling Statement
	166		Discipline Do's and Don'ts

GAPS	PG	QAR	02 - PROFITABILITY
	28		CHPT Table of contents
	29		Profitability
	29		Budgeting and Goal Setting
	29		Greatness is a Matter of Choice
	30		Types of Budgeting
	30		The P & L
	31		Brand P&L Tool
	34		Increasing Revenue
	34		Managing Food Cost
	34		The Build To Chart
	35		Taking Inventory
	36		Ordering - Key Information
	36		Inventory Tools
	37		Primary Distributor
	38		Protein Ordering Instructions
	39		Protein Receiving Log
	40		Secondary Vendors
	41		Non Food Items
	41		Uniform Vendor
	42		Deliveries
	43		Staffing - A controllable expense
	43		Tools to help you stay within budget
	44		Annual Days that may affect sales and labor
	45		Owner Worksheet - community events
	47		Schedule - Homebase
	50		Sales Per Labor Hour
	51		Cash Handling Procedures -
	51		Forms of Payment
	51		Opening Cash Policies
	52		Float Count Sheet
	53		Daily Cash Procedures
	55		End of Day Trouble Shooting
	56		Preparing the Deposit

GAPS	PG	QAR	03 - KITCHEN AND FOOD SAFETY
	57		CHPT Table of contents
	58		Intro to Food Safety
	58		Food Safety Certification - ServSafe
	59		Product Handling Time and Temperature
	60		Essential Food Safety Practices

GAPS	PG	QAR	06 - TRAINING
	167		CHPT Table of contents
	168		Terminating Employees

	169		Guidelines for Terminating Employees
	170		Costs of Wrongful Terminations
	171		Your Personal Business Practices
	172		Review Your Operational Practices
	173		Ending Employment - Exit Procedure
	174		Final Paychecks - Regulations
	175		The Training Process
	176		Disciplined Thought, People, Action
	177		Training Payoffs
	178		Investment of Time and Energy
	179		How Long Does it Take to Train?
	180		Training Tools
	181		Training Strategy
	182		4 Step Training Process
	183		The Training Shift
	184		Rewards and Recognition
	185		The Art of Giving and Receiving Feedback
	186		First Seek To Understand
	187		Criticism - Equals Appropriate Redirection
	188		Then Be Understood
	189		It's Not ALWAYS About You
	190		Look For Balance

GAPS	PG	QAR	07- CUSTOMER SERVICE
	191		CHPT Table of contents
	192		Customer Service Philosophy
	193		Brand Customer Focus
	194		Customer Service Process
	195		Customer Service Basics
	196		Top 10
	197		Brand Crave
	198		Customer Complaints
	199		Preventing Complaints
	200		Common Complaints
	201		Complaint Resolution
	202		Complaints are a gift

GAPS	PG	QAR	03 - Kitchen and Food Safety Continued
	61		Temperature Logs
	62		Using a Thermometer
	63		Monitored Use By Dates
	64		Shelf Life of Prepped Products
	65		Cross Contamination
	65		Preventing Cross Contamination (various)
	67		Manual Warewashing
	68		Receiving and Storage
	70		Preventing Accidents and Injuries (various)
	70		Knife Safety
	70		Slips and Falls
	70		Safety Around Electricity
	71		Fire Safety Standards
	72		Personal Hygiene
	72		Hygiene Practices
	73		Glove Usage
	73		Uniforms and Appearance
	74		Equipment and Facility Maintenance
	78		Health Inspections
	78		Do's and Don'ts

GAPS	PG	QAR	04 - PRODUCTS POSITIONS PREP
	79		CHPT Table of contents
	80		PRODUCTS- Intro
	81		Approved Products and Pack Sizes
	82		POSITIONS
	83		1 - FRONT
	85		2 - LEAD
	86		3 - CHEF
	88		4 - MANAGER
	89		5 - GENERAL MANAGER
	94		PREP
	96		1 - BASE
	100		2 - PROTEIN
	102		3 - TOPPING
	104		4 - SAUCES
	104		5 - GARNISH
	105		6 - SIDES
	106		
	107		

GAPS	PG	QAR	08 - MARKETING
	203		CHPT Table of contents
	204		Marks and Logos

	205		Creative Request Forms
	206		Media Request Form
	207		LSM - Local Location Marketing
	208		National Marketing
	209		Social Media
	210		Promotions and Loyalty Programs

GAPS	PG	QAR	09 - CRISIS MANAGEMENT
	211		CHPT Table of contents
	212		Crisis Management
	213		Crisis Definition
	214		Crisis Strategy
	215		Crisis Game Plan
	216		OSHA REQUIREMENTS
	217		Medical Assistance - First Aid Kit
	218		Crisis Plan Template (new form)
	219		The Formal Safety Committee
	220		Safety Committee Agenda
	221		Facilities Safety & Security Inspection
	222		Category 1 - Crisis
	223		Security
	224		Fire Safety and Protection
	225		Natural Disasters
	226		Natural Disaster Checklist
	227		Power Outages
	228		Category 2 Crisis
	229		Foodborne Illness
	230		Food Poisoning Complaint
	231		Manager Script
	232		General Guidelines
	233		Record Keeping
	234		Contaminants
	235		Quality Control Form
	236		SDS
	237		The Incident Report Form

EXHIBIT "F"
TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Part A (Current Franchisees)

The following table lists franchisees that were open as of December 31, 2022.

FRANCHISEES OPEN AS OF DECEMBER 31, 2022				
State	City	Address	Phone	Owner Name(s)
Arizona	Chandler	4041 S. Gilbert Road, Ste. 1 Chandler, Arizona 85249	(480) 361-6533	Daryl Edson
Missouri	Des Peres	13275 Manchester Rd #103 Des Peres, Missouri 63131	(314) 907-3338	Shane Yearian Todd Stottlemyre
Nevada	Las Vegas	4870 Blue Diamond Rd. Ste. 150 Las Vegas, Nevada 89139	(725) 999-9094	Shelton Jourdan Manal Jourdan

* These franchisees are also area developers that committed to open multiple franchised businesses under the terms of an area development agreement.

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2022.

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2022				
State	City	Address	Phone	Owner Name(s)
Missouri	St. Louis	601 Clark Ave. St. Louis, Missouri 63102	(314) 571-9587	Shane Yearian Todd Stottlemyre
Missouri	St. Louis	9953 Manchester Rd. St. Louis, Missouri 63122	(314) 907-3338	Shane Yearian Todd Stottlemyre
North Carolina	Charlotte	4701 Park Road Charlotte, North Carolina 28209	(248) 765-1777	Larry Raskin

* These franchisees are also area developers that have committed to open multiple franchised businesses under the terms of an area development agreement.

Part B (Former Franchisees Who Left System During Prior Fiscal Year)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
None			

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

EXHIBIT "G"
TO DISCLOSURE DOCUMENT
LIST OF AREA REPRESENTATIVES

1. **STATE OF ARIZONA**

TODD STOTTLEMYRE HAS SERVED AS OUR AREA REPRESENTATIVE FOR THE STATE OF ARIZONA SINCE 2022. MR. STOTTLEMYRE'S EMPLOYMENT HISTORY, LITIGATION HISTORY AND BANKRUPTCY HISTORY ARE DISCLOSED IN ITEMS 2, 3 AND 4, RESPECTIVELY, OF THIS DISCLOSURE DOCUMENT.

EXHIBIT "H"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Koibito Franchise, LLC
Balance Sheet
As of June 30, 2023

07/31/2023
Accrual Basis
Jun 30, 23

ASSETS	
Current Assets	
Checking/Savings	
BofA x3720	84.54
BOK Brand Dev x1480	4,023.47
BOK OPS x8367	175,313.99
Total Checking/Savings	<u>179,422.00</u>
Accounts Receivable	
Accounts Receivable	11,212.95
Total Accounts Receivable	<u>11,212.95</u>
Other Current Assets	
Deferred Commission	
#30007 Warson Woods, MO	10,000.00
#30008 Las Vegas, NV	4,000.00
#30009 St Louis, MO Ballpark	10,000.00
Total Deferred Commission	<u>24,000.00</u>
Due from Finance Concepts	280,954.00
Due from Keystone Advisors	31,000.00
Due from Koibito Poke stores	
Due from Koibito Poke Park West	-350.15
Total Due from Koibito Poke stores	<u>-350.15</u>
Pre-Paid Expense - Insurance	2,571.40
Total Other Current Assets	<u>338,175.25</u>
Total Current Assets	<u>528,810.20</u>
Fixed Assets	
Accumulated Depreciation	-16,712.34
Food Truck	32,951.34
Furniture and Equipment	13,500.00
Total Fixed Assets	<u>29,739.00</u>
Other Assets	
Trademark	5,930.67
Total Other Assets	<u>5,930.67</u>
TOTAL ASSETS	<u><u>564,479.87</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	3,825.13
Total Accounts Payable	<u>3,825.13</u>
Other Current Liabilities	
Accrued Interest Payable	23,805.00
Deferred Revenue- Franchise Fee	

	<u>Jun 30, 23</u>
#30005 Charlotte, NC	15,000.00
#30006 Des Peres, MO	29,250.00
#30007 Warson Woods, MO	30,000.00
#30008 Las Vegas, NV	24,375.00
#30009 St Louis, MO Ballpark V	<u>30,000.00</u>
Total Deferred Revenue- Franchise Fee	128,625.00
Deferred Revenue - Area Rep	
Arizona	100,000.00
Total Deferred Revenue - Area Rep	<u>100,000.00</u>
Total Other Current Liabilities	<u>252,430.00</u>
Total Current Liabilities	256,255.13
Long Term Liabilities	
Due to Finance Concepts	363,367.00
Total Long Term Liabilities	<u>363,367.00</u>
Total Liabilities	619,622.13
Equity	
Member's Equity	-141,713.06
Retained Earnings	-741,561.94
Units	1,206,126.80
Net Income	<u>-377,994.06</u>
Total Equity	<u>-55,142.26</u>
TOTAL LIABILITIES & EQUITY	<u><u>564,479.87</u></u>

Koibito Franchise, LLC
Profit & Loss
 January through June 2023

07/31/2023
 Accrual Basis
 Jan - Jun 23

Ordinary Income/Expense	
Income	
Brand Development Fund	
Brand #30001 Sctdale, AZ Gainey	3,554.40
Brand #30002 Sctdale, AZ WFront	4,734.67
Brand #30003 Phx, AZ Arcadia	3,812.24
Brand #30004 Chandler, AZ Plant	3,059.66
Brand #30006 Des Peres, MO	2,314.32
Brand #30008 Las Vegas, NV	1,824.78
Brand #30009 St L, MO Ballpark	957.43
Brand #30010 Vegas, NV Cloud	895.12
Total Brand Development Fund	21,152.62
Royalties Income	
#30001 Scottsdale, AZ Gainey	14,217.61
#30002 Scottsdale, AZ WaterFron	18,938.74
#30003 Phoenix, AZ Arcadia	15,249.08
#30004 Chandler, AZ The Plant	12,238.64
#30006 Des Peres, MO	13,886.05
#30008 Las Vegas, NV	10,948.81
#30009 St Louis, MO Ballpark	5,744.62
#30010 Vegas, NV Cloud Kitchen	5,370.72
Total Royalties Income	96,594.27
Total Income	117,746.89
Expense	
Advertising and Marketing	
Google Ads	1,782.27
Mack Media	19,000.00
Advertising and Marketing - Other	18,305.75
Total Advertising and Marketing	39,088.02
Bank Service Charges	3,450.42
Business Licenses and Permits	203.00
Commission to Area Reps	
#30001 Scottsdale, AZ Gainey	7,108.82
#30002 Scottsdale, AZ Waterfron	9,469.37
#30003 Phoenix, AZ Arcadia	7,624.55
#30004 Chandler, AZ Plant	6,119.33
#30006 Des Peres, MO	4,628.69
#30009 St L, MO Ballpark	1,914.88
Total Commission to Area Reps	36,865.64
Computer and Internet Expenses	
Atomic Social	11,000.00
Computer and Internet Expenses - Other	1,313.99

	<u>Jan - Jun 23</u>
Total Computer and Internet Expenses	12,313.99
Equipment - Alarm	414.77
Food Truck Expenses	
Fuel	83.00
Registration	72.96
Repairs and Maintenance	17.00
Total Food Truck Expenses	172.96
Franchise Portal	558.98
Graphic Design	17,500.00
Insurance Expense	7,714.20
Lead Generation & Business Dev.	9,169.51
Membership Dues & Subscriptions	130.32
Moving Expense	
Storage Unit	3,793.55
Total Moving Expense	3,793.55
Office Supplies & Expense	2,148.76
Payroll	
Payroll Processing Fees	860.72
Payroll Taxes	12,635.64
Wages & Salary	151,969.21
Workers Comp Insurance	229.42
Total Payroll	165,694.99
Payroll - Leased Employees	
Payroll Taxes - Leased Employee	231.21
Wages - Leased Employees	2,330.79
Total Payroll - Leased Employees	2,562.00
Postage & Delivery	360.00
Professional Fees	
Accounting	3,600.00
Consulting	22,920.00
Consulting - Supply Chain	12,000.00
Financial Management Fees	140,000.00
Legal	6,145.02
Statutory Agent	95.00
Total Professional Fees	184,760.02
Travel	8,839.82
Total Expense	495,740.95
Net Ordinary Income	-377,994.06
Net Income	<u>-377,994.06</u>



KOIBITO FRANCHISE, LLC



Independent Auditor's Report and
Financial Statements

December 31, 2022 and 2021



KOIBITO FRANCHISE, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Koibito Franchise, LLC

Opinion

We have audited the accompanying financial statements of Koibito Franchise, LLC (an Arizona Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Koibito Franchise, LLC 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 Koibito Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Koibito Franchise, LLC'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 Koibito Franchise, LLC'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.



Fountain Valley, California
July 28, 2023

KOIBITO FRANCHISE, LLC

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 588,201	\$ 27,982
Accounts receivable	5,947	-
Prepaid expenses	2,571	-
Other receivable	-	550
Note receivable-related party	-	37,187
Total current assets	<u>596,719</u>	<u>65,719</u>
Property and equipment:		
Transportation equipment	9,000	9,000
Furniture and equipment	4,500	4,500
Food truck	32,951	32,951
Accumulated depreciation	<u>(16,712)</u>	<u>(9,305)</u>
	<u>29,739</u>	<u>37,146</u>
Other assets:		
Due from member	280,604	280,954
Note receivable-related party	31,000	-
Deferred commission fees	24,000	-
Trademark	5,931	5,931
Total other assets	<u>341,535</u>	<u>286,885</u>
TOTAL ASSETS	<u>\$ 967,993</u>	<u>\$ 389,750</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 19,344	\$ -
Accrued expenses	11,200	7,002
Due to affiliate	-	31,000
Deferred revenue, current	21,500	1,500
Total current Liabilities	<u>52,044</u>	<u>39,502</u>
Long-term liabilities:		
Note payable-parent company	373,367	478,461
Deferred revenue, non-current	<u>207,125</u>	<u>13,500</u>
Total long-term liabilities	<u>580,492</u>	<u>491,961</u>
TOTAL LIABILITIES	<u>632,536</u>	<u>531,463</u>
MEMBER'S EQUITY (DEFICIT)	<u>335,457</u>	<u>(141,713)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 967,993</u>	<u>\$ 389,750</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC

Statements of Income

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Franchise fees	\$ 1,375	\$ -
Royalty fees	77,087	-
Brand development fund	2,653	-
Total Revenues	<u>81,115</u>	<u>-</u>
Operating expenses:		
Salaries and wages	259,630	116,304
Management services	240,000	115,000
Legal and professional fees	98,894	65,729
Advertising and marketing	84,726	109,541
Business development	32,445	16,480
Computer and internet expenses	20,682	23,566
Food truck expenses	14,054	6,181
Travel, meals and entertainment	11,525	-
Office expenses	10,683	7,506
Depreciation expense	7,407	6,230
Moving expenses	5,268	5,751
Insurance	5,143	-
Gift card stock	4,109	-
Commission	1,971	-
Utilities	1,811	2,300
Store expenses	1,300	-
Total operating expenses	<u>799,648</u>	<u>474,588</u>
Income (loss) from operations	<u>(718,533)</u>	<u>(474,588)</u>
Other Income (expenses)		
Interest income	777	550
Interest expense	(11,201)	(7,002)
Total other income (expenses)	<u>(10,424)</u>	<u>(6,452)</u>
Income (loss) before income taxes	<u>(728,957)</u>	<u>(481,040)</u>
Provision for income taxes	-	-
NET LOSS	<u>\$ (728,957)</u>	<u>\$ (481,040)</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC

Statements of Changes in Member's Equity

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Member's equity (deficit), beginning of year	\$ (141,713)	\$ 339,327
Contributions	1,206,127	-
Net loss	<u>(728,957)</u>	<u>(481,040)</u>
Member's equity (deficit), end of year	<u>\$ 335,457</u>	<u>\$ (141,713)</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (728,957)	\$ (481,040)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Depreciation	7,407	6,230
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(5,947)	7,509
Prepaid expenses	(2,571)	-
Other receivable	550	(550)
Due from member	350	-
Note receivable-related party	37,187	15,693
Deferred commission fees	(24,000)	-
Increase (decrease) in:		
Accounts payable	19,344	(8,052)
Accrued expenses	4,198	(1,331)
Due to affiliate	-	31,000
Deferred revenue	213,625	15,000
Net cash provided (used) by operating activities	<u>(478,814)</u>	<u>(415,541)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(32,951)
Net cash provided (used) by investing activities	<u>-</u>	<u>(32,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease note payable-related party	(31,000)	(51,000)
Increase (decrease) note payable-parent company	70,000	478,461
Capital contributions from members	1,000,033	-
Net cash provided (used) by financing activities	<u>1,039,033</u>	<u>427,461</u>
NET INCREASE (DECREASE) IN CASH	560,219	(21,031)
CASH - beginning	\$ 27,982	49,013
CASH - ending	\$ 588,201	\$ 27,982
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING & FINANCING ACTIVITIES

During the year, the Company converted debt to equity as follows;

(i) Note payable-related party of \$175,094 and (ii) Note receivable-related party of \$31,000.

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Koibito Franchise, LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and organization – Koibito Franchise, LLC ("KFL"), formerly known as Koi Franchise, LLC was organized in Arizona on April 10, 2019 and maintains its corporate office in Scottsdale, Arizona. The Company was organized for the purpose of franchising a customized build-a-bowl experience that allows each diner to make every bowl to their liking with a variety of cubed pieces of raw seafood, toppings and sauces known as "Koibito Poke".

Koibito Franchise, LLC is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

As of December 31, 2022, there were 6 franchised outlets franchised by KFL, two of which opened in 2022.

The Company's activities are subject to significant risks and uncertainties, including: (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. The Company had no cash equivalents as of December 31, 2022 and 2021.

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risk – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institutions. At December 31, 2022 and 2021, the Company's uninsured cash balances totaled \$336,525 and \$-0, respectively.

Property and equipment – Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which is five years. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewal are charged to expenses as incurred. As of December 31, 2022 and 2021, depreciation expense was \$7,407 and \$6,230, respectively.

Intangible assets – The Company accounts for intangible assets in accordance with generally accepted accounting principles. Intangible assets consist primarily of trademarks. Under generally accepted accounting principles, intangible assets with an indefinite useful life are not subject to amortization. Intangible assets with estimable useful lives are amortized over their respective estimated useful life and periodically tested for impairment. The Company considers its trademarks to have an indefinite useful life and is therefore not being amortized, but instead tested for impairment at least annually in accordance with provisions for intangible assets.

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2022 and 2021, accounts receivables totaled \$5,947 and \$-0, respectively.

Accounts payable – The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2022 and 2021, the Company had recorded trade payables in the amount of \$19,344 and \$-0, respectively.

Advertising/marketing expenses – Advertising and marketing costs are expensed as incurred. At December 31, 2022 and 2021, advertising and marketing expenses totaled \$84,726 and \$109,541, respectively.

Income taxes – Effective January 1, 2022, the Company elected to be treated as a corporation. The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when management estimates that it is more likely than not that deferred tax assets and liabilities will not be realized. Realization of deferred tax assets and liabilities is dependent upon future pretax earnings, and the reversal of temporary differences.

The Company does not have taxable income for Federal and State income tax reporting purposes. Thus, there is no provision for income taxes reported at December 31, 2022.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

Income taxes

The Company has adopted FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audit, proposed settlements, and changes in tax law and new authoritative rulings.

The Company's income tax filings are subject to examination by the appropriate tax jurisdictions. As of December 31, 2022, the Company's federal and state tax returns generally remain open for the last three years.

As of December 31, 2022 and 2021, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the period ended December 31, 2022 and 2021, no interest or penalties were incurred.

Revenue recognition

The Company adopted Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers. Under the new guidance, revenue is recognized in accordance with a five-step revenue model, as follows: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, the Company made significant judgements in identifying the promised goods or services in their contracts with franchisees that are distinct, and which represent separate performance obligations, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The Company recognize initial and renewal franchise fees as revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods.

Royalties, including franchisee contributions to the marketing and promotion fee, are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Initial franchise fees are payable by the franchisee upon signing and prior to the restaurant. Royalties, inclusive of marketing and promotion fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised sales occur. Additionally, under ASC 606, initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. The Company's performance obligation under area development agreements generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for development rights are apportioned to each franchised restaurant opened and accounted for as an initial franchise fee.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Franchise fee payments received by the Company are recorded as deferred revenue on the Balance Sheet, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective restaurant. As the term of the franchise license is typically ten years, substantially all of the franchise fee revenue recognized in the current year was included in the deferred revenue balance as of December 31, 2022.

- **Franchise fees** – The Company collects nonrefundable initial franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years.

The Company recognizes franchise fee revenue over the estimated life of the franchise, beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement.

- **Royalties** – The Company collects royalties from each retail franchise based upon a percentage of retail restaurants gross sales. The Company recognizes royalties as revenue when earned.

Contract Liabilities/Deferred Revenue – Contract liabilities consist primarily of deferred revenue resulting from initial franchise fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and billed in advance of satisfaction of the Company’s performance obligation. The Company classify these contract liabilities as deferred revenue in the balance sheets.

The following table reflects the change in contract liabilities between December 31, 2022 and 2021:

	2022	2021
Balance at beginning of year	\$ 15,000	\$ -
Revenue recognized during the year	(1,375)	-
New deferred revenue during the year	215,000	15,000
Balance at end of year	<u>\$ 228,625</u>	<u>\$ 15,000</u>

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The following table illustrates estimated deferred revenues expected to be recognized as future revenue which is being amortized over the term of the franchise agreement.

Future revenue to be recognized in:	Amount
Remainder of 2022	\$ 4,125
2023	21,500
2024	21,500
2025	21,500
2026	21,500
Thereafter	138,500
Total	<u>\$ 228,625</u>

Deferred commission fees – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2022 and 2021 were \$24,0000 and \$-0, respectively.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2022 and 2021.

NOTE 3 – ACCRUED EXPENSES

At December 31, 2022 and 2021, the Company's accrued expenses consist of interest of \$11,201 and \$7,002, respectively.

NOTE 4 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable-related party** – On December 2021, the Company executed a revolving promissory note with an affiliated company which provides for borrowings up to \$50,000. The note calls for 3% interest per year and is due and payable on the 36 months from the issuance is made. The affiliated company may request an advance and make payments from time to time not exceeding the \$50,000. The unpaid balance of the note totaled \$-0 and \$37,187 at December 31, 2022 and 2021.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

- **Note receivable-related party** – The Company has a note receivable for \$31,000 from a related party. The note calls for 6% interest per year and is due and payable on January 1, 2025. The unpaid balance of the note totaled \$31,000 at December 31, 2022.
- **Due from member** – In 2019, the Company advanced funds to their parent company in the amount of \$280,954. The outstanding balance of these advances totaled \$280,604 and \$280,954 at December 31, 2022 and 2021, respectively. These advances are non-interest bearing and are due on demand.
- **Note payable-parent company** – The Company executed a revolving promissory note with its parent company which provides for borrowings up to \$500,000. The note calls for 3% interest per year and is due and payable on the 36 months from the issuance is made. The Company may request an advance and make payments from time to time not exceeding the \$600,000. The unpaid balance of the note totaled \$373,367 and \$478,461 at December 31, 2022 and 2021, respectively.
- **Due to affiliate** – Funds have been advanced from an affiliated company. These advances are non-interest bearing and maybe repaid at any time, without penalty. At December 31, 2022 and 2021, due to affiliate totaled \$-0 and \$31,000, respectively.
- **Management fees** – The Company paid management fees to related party totaling \$240,000 and \$115,000 for the years ended December 31, 2022 and 2021, respectively.
- **Trademark/Franchise rights** – On August 1, 2019, Koibito Holdings, LLC (a related party by common ownership) entered into trademark assignment agreement where the Company owns the entire right, title and interest in and to certain U.S. trademarks and service marks, both registered and unregistered.

NOTE 5 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee of \$30,000 for a single franchised restaurant. If a franchise has entered into an area development agreement to develop restaurants in a defined market, the development fee is \$30,000 for each restaurant. The development fee per restaurant to-be-developed is paid in full at the time a development agreement is signed for the grant of development rights and are nonrefundable.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5 – FRANCHISING (CONTINUED)

Under the current standard franchise agreement, each franchisee is required to pay a royalty of 6% of their weekly gross sales. Each restaurant also contributes 1% of weekly gross sales to fund brand and system development fund. These funds are established and maintained by the Company and are primarily used to promote public awareness of the Company's brand and to improve the System. In addition, each restaurant contributes 1% of weekly gross sales to fund local marketing fee. These funds are managed by the Company and are primarily used to conduct advertising, marketing and other promotional activities. The franchise agreement also requires franchisees to pay a nonrefundable grand opening marketing fee of \$5,000. These funds are used solely for purposes of implementing grand opening marketing campaign. If any portion of the grand opening marketing fee is not utilized, any unused portion will be applied to local marketing fee.

Franchisees are generally granted the right to operate a store/restaurant in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into an additional 5-year terms upon renewal of the franchise agreements subject to certain conditions; such as a renewal fee of \$5,000 and full compliance with the operating requirements. The Company recognizes renewal fees in income on a straight-line basis over the life of the franchise agreement when a renewal agreement becomes effective.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Consulting Agreement #1

On August 27, 2021, the Company entered into a lead generation service agreement with a third party consultant to develop a sustainable digital marketing presence for franchise business. The consultant will be paid \$4,120 on a monthly basis for the first 6 month period. After the 6 month period, the agreement will be reviewed and can continue services on month-to-month basis.

At December 31, 2022 and 2021, the consultant was paid a total of \$20,600 and \$16,480, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Date of management review – The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through July 28, 2023, which is the date the financial statements were available to be issued.



KOIBITO FRANCHISE, LLC



Independent Auditor's Report and
Financial Statements

December 31, 2021 and 2020



KOIBITO FRANCHISE, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Koibito Franchise, LLC

Opinion

We have audited the accompanying financial statements of Koibito Franchise, LLC (an Arizona Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Koibito Franchise, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Koibito Franchise, LLC 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 Koibito Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Koibito Franchise, LLC'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 Koibito Franchise, LLC'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.



Fountain Valley, California
April 29, 2022

KOIBITO FRANCHISE, LLC

Balance Sheets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 27,982	\$ 49,013
Accounts receivable	-	7,509
Other receivable	550	-
Note receivable-related party	37,187	52,880
Total current assets	<u>65,719</u>	<u>109,402</u>
Property and equipment:		
Transportation equipment	9,000	9,000
Furniture and equipment	4,500	4,500
Food truck	32,951	-
Accumulated depreciation	<u>(9,305)</u>	<u>(3,075)</u>
	<u>37,146</u>	<u>10,425</u>
Other assets:		
Due from member	280,954	280,954
Trademark	5,931	5,931
Total other assets	<u>286,885</u>	<u>286,885</u>
TOTAL ASSETS	<u>\$ 389,750</u>	<u>\$ 406,712</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ -	\$ 8,052
Accrued expenses	7,002	8,333
Due to affiliate	31,000	-
Note payable - related party	-	51,000
Deferred revenue, current	1,500	-
Total current Liabilities	<u>39,502</u>	<u>67,385</u>
Long-term liabilities:		
Note payable-parent company	478,461	-
Deferred revenue, non-current	13,500	-
Total long-term liabilities	<u>491,961</u>	<u>-</u>
TOTAL LIABILITIES	<u>531,463</u>	<u>67,385</u>
MEMBER'S EQUITY (DEFICIT)	<u>(141,713)</u>	<u>339,327</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 389,750</u>	<u>\$ 406,712</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC

Statements of Income

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES	\$ -	\$ -
Operating expenses:		
Salaries and wages	116,304	8,333
Management fees	110,000	-
Advertising and marketing	109,541	34,386
Legal and professional fees	65,729	68,941
Computer and internet expenses	23,566	-
Business development	16,480	-
Office expenses	7,506	9,155
Depreciation expense	6,230	2,475
Food truck expenses	6,181	-
Moving expenses	5,751	-
Management services	5,000	64,000
Utilities	2,300	4,130
Store expenses	-	17,980
Total operating expenses	<u>474,588</u>	<u>209,400</u>
Income (loss) from operations	<u>(474,588)</u>	<u>(209,400)</u>
Other Income (expenses)		
Interest income	550	-
Interest expense	(7,002)	-
Total other income (expenses)	<u>(6,452)</u>	<u>-</u>
Income before income taxes	(481,040)	(209,400)
Provision for income taxes	-	-
NET LOSS	<u>\$ (481,040)</u>	<u>\$ (209,400)</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC

Statements of Changes in Member's Equity

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Member's equity, beginning of year	\$ 339,327	\$ 373,270
Contributions	-	175,457
Net loss	<u>(481,040)</u>	<u>(209,400)</u>
Member's equity (deficit), end of year	<u>\$ (141,713)</u>	<u>\$ 339,327</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (481,040)	\$ (209,400)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Depreciation	6,230	2,475
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	7,509	(7,509)
Other receivable	(550)	-
Note receivable-related party	15,693	4,920
Increase (decrease) in:		
Accounts payable	(8,052)	8,052
Accrued expenses	(1,331)	8,333
Due to affiliate	31,000	-
Deferred revenue	15,000	-
Net cash provided (used) by operating activities	<u>(415,541)</u>	<u>(193,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(32,951)</u>	<u>(4,500)</u>
Net cash provided (used) by investing activities	<u>(32,951)</u>	<u>(4,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Note payable-related party	(51,000)	51,000
Note payable-parent company	478,461	-
Capital contributions from member	<u>-</u>	<u>175,457</u>
Net cash provided (used) by financing activities	<u>427,461</u>	<u>226,457</u>
NET INCREASE (DECREASE) IN CASH	(21,031)	28,828
CASH - beginning	\$ 49,013	20,185
CASH - ending	\$ 27,982	\$ 49,013
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Koibito Franchise, LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and organization – Koibito Franchise, LLC ("KFL"), formerly known as Koi Franchise, LLC was organized in Arizona on April 10, 2019 and maintains its corporate office in Scottsdale, Arizona. The Company was organized for the purpose of franchising a customized build-a-bowl experience that allows each diner to make every bowl to their liking with a variety of cubed pieces of raw seafood, toppings and sauces known as "Koibito Poke".

Koibito Franchise, LLC is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

The Company's activities are subject to significant risks and uncertainties, including: (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. The Company had no cash equivalents as of December 31, 2021 and 2020.

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment – Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which is five years. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewal are charged to expenses as incurred. As of December 31, 2021 and 2020, depreciation expense was \$6,230 and \$2,475, respectively.

Intangible assets – The Company accounts for intangible assets in accordance with generally accepted accounting principles. Intangible assets consist primarily of trademarks. Under generally accepted accounting principles, intangible assets with an indefinite useful life are not subject to amortization. Intangible assets with estimable useful lives are amortized over their respective estimated useful life and periodically tested for impairment. The Company considers its trademarks to have an indefinite useful life and is therefore not being amortized, but instead tested for impairment at least annually in accordance with provisions for intangible assets.

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2021 and 2020, accounts receivables totaled \$-0 and \$7,509, respectively.

Income taxes – The Company is a wholly owned single member limited liability company which is a disregarded entity for U.S. federal income tax purposes, and all of its income and expenses are reported on the single member's tax returns. Accordingly, no provision for income taxes is made in the financial statements.

The Company's income tax filings are subject to examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three year statute of limitation.

As of December 31, 2021 and 2020, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the period ended December 31, 2021 and 2020, no interest or penalties were incurred.

Accounts payable – The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2021 and 2020, the Company had recorded trade payables in the amount of \$-0 and \$8,052, respectively.

Advertising/marketing expenses – Advertising and marketing costs are expensed as incurred. At December 31, 2021 and 2020, advertising and marketing expenses totaled \$109,541 and \$34,386, respectively.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Company adopted Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers. Under the new guidance, revenue is recognized in accordance with a five step revenue model, as follows: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, the Company made significant judgements in identifying the promised goods or services in their contracts with franchisees that are distinct, and which represent separate performance obligations, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The Company recognize initial and renewal franchise fees as revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods.

Royalties, including franchisee contributions to the marketing and promotion fee, are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Initial franchise fees are payable by the franchisee upon signing and prior to the restaurant. Royalties, inclusive of marketing and promotion fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised sales occur. Additionally, under ASC 606, initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. The Company's performance obligation under area development agreements generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for development rights are apportioned to each franchised restaurant opened and accounted for as an initial franchise fee.

Franchise fee payments received by the Company are recorded as deferred revenue on the Balance Sheet, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective restaurant. As the term of the franchise license is typically ten years, substantially all of the franchise fee revenue recognized in the current year was included in the deferred revenue balance as of December 31, 2021.

- **Franchise fees** – The Company collects nonrefundable initial franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Company recognizes franchise fee revenue over the estimated life of the franchise, beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement.

- **Royalties** – The Company collects royalties from each retail franchise based upon a percentage of retail restaurants gross sales. The Company recognizes royalties as revenue when earned.

Contract Liabilities/Deferred Revenue – Contract liabilities consist primarily of deferred revenue resulting from initial franchise fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and billed in advance of satisfaction of the Company's performance obligation. The Company classifies these contract liabilities as deferred revenue in the balance sheets.

The following table reflects the change in contract liabilities between December 31, 2020 and 2021:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ -	\$ -
New deferred revenue during the year	15,000	-
Balance at end of year	<u>\$ 15,000</u>	<u>\$ -</u>

The following table illustrates estimated deferred revenues expected to be recognized as future revenue which is being amortized over the term of the franchise agreement.

<u>Future revenue to be recognized in:</u>	<u>Amount</u>
2022	\$ 1,500
2023	1,500
2024	1,500
2025	1,500
2026	1,500
Thereafter	7,500
Total	<u>\$ 15,000</u>

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets are considered financial instruments. These assets are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2021 and 2020.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 3 – ACCRUED EXPENSES

At December 31, 2021 and 2020, the Company's accrued expenses consist of interest of \$7,002 and wages totaling \$8,333, respectively.

NOTE 4 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

Due from affiliates – Funds have been advanced to related parties to cover outstanding invoices. These advances are non-interest bearing and maybe repaid at any time, without penalty. At December 31, 2021 and 2020, due from affiliates totaled \$-0 and \$52,880, respectively.

Note receivable-related party – On December 2021, the Company executed a revolving promissory note with an affiliated company which provides for borrowings up to \$50,000. The note calls for 3% interest per year and is due and payable on the 36 months from the issuance is made. The affiliated company may request an advance and make payments from time to time not exceeding the \$50,000. The unpaid balance of the note totaled \$37,187 and \$52,880 at December 31, 2021 and 2020.

Due from member – In 2019, the Company advanced funds to their parent company in the amount of \$280,954. The outstanding balance of these advances totaled \$280,954 and \$280,954 at December 31, 2021 and 2020, respectively. These advances are non-interest bearing and are due on demand.

Note payable-parent company – The Company executed a revolving promissory note with its parent company which provides for borrowings up to \$500,000. The note calls for 3% interest per year and is due and payable on the 36 months from the issuance is made. The Company may request an advance and make payments from time to time not exceeding the \$500,000. The unpaid balance of the note totaled \$478,461 and \$-0 at December 31, 2021 and 2020, respectively.

Due to affiliate – Funds have been advanced from an affiliated company. These advances are non-interest bearing and maybe repaid at any time, without penalty. At December 31, 2021 and 2020, due to affiliate totaled \$31,000 and \$-0, respectively.

Note payable-related party – The Company executed a promissory note with a related party. The note is payable on demand, renewed and extended till December 3, 2021 and bears an interest rate of 4% per annum. The aggregate of these advances totaled \$-0 and \$51,000 at December 31, 2021 and 2020, respectively.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Management fees – The Company paid management fees to related party totaling \$110,000 for the years ended December 31, 2021 and 2020, respectively.

Trademark/Franchise rights – On August 1, 2019, Koibito Holdings, LLC (a related party by common ownership) entered into trademark assignment agreement where the Company owns the entire right, title and interest in and to certain U.S. trademarks and service marks, both registered and unregistered.

NOTE 5 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee of \$30,000 for a single franchised restaurant. If a franchise has entered into an area development agreement to develop restaurants in a defined market, the development fee is \$30,000 for each restaurant. The development fee per restaurant to-be-developed is paid in full at the time a development agreement is signed for the grant of development rights and are nonrefundable.

Under the current standard franchise agreement, each franchisee is required to pay a royalty of 6% of their weekly gross sales. Each restaurant also contributes 1% of weekly gross sales to fund brand and system development fund. These funds are established and maintained by the Company and are primarily used to promote public awareness of the Company's brand and to improve the System. In addition, each restaurant contributes 1% of weekly gross sales to fund local marketing fee. These funds are managed by the Company and are primarily used to conduct advertising, marketing and other promotional activities. The franchise agreement also requires franchisees to pay a nonrefundable grand opening marketing fee of \$5,000. These funds are used solely for purposes of implementing grand opening marketing campaign. If any portion of the grand opening marketing fee is not utilized, any unused portion will be applied to local marketing fee.

Franchisees are generally granted the right to operate a store/restaurant in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into an additional 5-year terms upon renewal of the franchise agreements subject to certain conditions; such as a renewal fee of \$5,000 and full compliance with the operating requirements. The Company recognizes renewal fees in income on a straight-line basis over the life of the franchise agreement when a renewal agreement becomes effective.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Consulting Agreement #1

On August 27, 2021, the Company entered into a lead generation service agreement with a third party consultant to develop a sustainable digital marketing presence for franchise business. The consultant will be paid \$4,120 on a monthly basis for the first 6 month period. After the 6 month period, the agreement will be reviewed and can continue services on month-to-month basis.

At December 31, 2021, the consultant was paid a total of \$16,480.

Consulting Agreement #2

On January 8, 2021, the Company entered into a marketing/consulting agreement with a third party consultant to develop (i) a comprehensive marketing plan and strategy to assist with growing system-wide restaurant sales and (ii) establishing a social media strategy/content to align with branding and company marketing initiatives for franchise business. The consultant will be paid \$5,500 on a monthly basis for the first 6 month period. After the 6 month period, the agreement will be reviewed and can continue services on month-to-month basis.

At December 31, 2021, the consultant was paid a total of \$16,480.

NOTE 7 – SUBSEQUENT EVENTS

Date of management review – The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through April 29, 2022, which is the date the financial statements were available to be issued.



CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To Whom It May Concern:

Schild & Co., Inc. consents to the use in the Franchise Disclosure Document issued by Koibito Franchise, LLC ("Franchisor") on April 29, 2022, as it may be amended, of our report dated April 29, 2022, relating to the financial statements of Franchisor for the years ended December 31, 2021 and 2020.

Fountain Valley, California
April 29, 2022



KOIBITO FRANCHISE, LLC



Independent Auditor's Report and
Financial Statements

December 31, 2020 and 2019



KOIBITO FRANCHISE, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Koibito Franchise, LLC

We have audited the accompanying financial statements of Koibito Franchise, LLC (an Arizona Limited Liability Company) (the "Company") which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and changes in member's equity, and cash flows for the year then ended December 31, 2020 and the period then ended from inception April 10, 2019 to December 31, 2019 and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Koibito Franchise, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and the period then ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "A. L. L. & Co. Inc.", is written over a light blue rectangular background.

Fountain Valley, California
May 28, 2021

KOIBITO FRANCHISE, LLC

Balance Sheets

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 49,013	\$ 20,185
Accounts receivable	7,509	-
Due from affiliates	52,880	57,800
Total current assets	<u>109,402</u>	<u>77,985</u>
Property and equipment:		
Transportation equipment	9,000	9,000
Furniture and equipment	4,500	-
Accumulated depreciation	<u>(3,075)</u>	<u>(600)</u>
	<u>10,425</u>	<u>8,400</u>
Other assets:		
Due from member	280,954	280,954
Trademark	5,931	5,931
Total other assets	<u>286,885</u>	<u>286,885</u>
TOTAL ASSETS	<u>\$ 406,712</u>	<u>\$ 373,270</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 8,052	\$ -
Note payable - related party	51,000	-
Accrued expenses	8,333	-
Total current Liabilities	<u>67,385</u>	<u>-</u>
TOTAL LIABILITIES	<u>67,385</u>	<u>-</u>
MEMBER'S EQUITY	<u>339,327</u>	<u>373,270</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 406,712</u>	<u>\$ 373,270</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC

Statements of Income

For the Year Ended December 31, 2020 and

For the Period from April 10, 2019 (Inception) to December 31, 2019

	<u>2020</u>	<u>2019</u>
REVENUES	<u>\$ -</u>	<u>\$ -</u>
Operating expenses:		
Legal and professional fees	68,941	94,415
Management services	64,000	15,300
Advertising and marketing	34,386	8,301
Store expenses	17,980	-
Office expenses	9,155	8,114
Salaries and wages	8,333	-
Utilities	4,130	-
Depreciation expense	2,475	600
Total operating expenses	<u>209,400</u>	<u>126,730</u>
Loss from operations	<u>(209,400)</u>	<u>(126,730)</u>
Total loss before income taxes	<u>(209,400)</u>	<u>(126,730)</u>
Provision for income taxes	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (209,400)</u>	<u>\$ (126,730)</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC**Statements of Changes in Member's Equity****For the Year Ended December 31, 2020 and****For the Period from April 10, 2019 (Inception) to December 31, 2019**

	<u>2020</u>	<u>2019</u>
Member's equity, beginning of year	\$ 373,270	\$ -
Contributions	175,457	500,000
Net loss	<u>(209,400)</u>	<u>(126,730)</u>
Member's equity, end of year	<u>\$ 339,327</u>	<u>\$ 373,270</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC

Statements of Cash Flows

For the Year Ended December 31, 2020 and

For the Period from April 10, 2019 (Inception) to December 31, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (209,400)	\$ (126,730)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Depreciation	2,475	600
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(7,509)	-
Increase (decrease) in accounts payable	8,052	-
Increase (decrease) in accrued expenses	8,333	-
Increase (decrease) in due from affiliates	4,920	(57,800)
Increase (decrease) in due from member	-	(280,954)
Net cash provided (used) by operating activities	<u>(193,129)</u>	<u>(464,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(4,500)</u>	<u>(14,931)</u>
Net cash provided (used) by investing activities	<u>(4,500)</u>	<u>(14,931)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Note payable-related party	51,000	-
Capital contributions from member	<u>175,457</u>	<u>500,000</u>
Net cash provided (used) by financing activities	<u>226,457</u>	<u>500,000</u>
NET INCREASE IN CASH	28,828	20,185
CASH - beginning	\$ 20,185	-
CASH - ending	\$ 49,013	\$ 20,185
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

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KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and
For the Period from April 10, 2019 (Inception) to December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Koibito Franchise, LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and organization – Koibito Franchise, LLC ("KFL"), formerly known as Koi Franchise, LLC was organized in Arizona on April 10, 2019 and maintains its corporate office in Scottsdale, Arizona. The Company was organized for the purpose of franchising a customized build-a-bowl experience that allows each diner to make every bowl to their liking with a variety of cubed pieces of raw seafood, toppings and sauces known as "Koibito Poke".

Koibito Franchise, LLC is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

The Company's activities are subject to significant risks and uncertainties, including: (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. The Company had no cash equivalents as of December 31, 2020 and 2019.

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and
For the Period from April 10, 2019 (Inception) to December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment – Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which is five years. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewal are charged to expenses as incurred. As of December 31, 2020 and 2019, depreciation expense was \$2,475 and \$600, respectively.

Intangible assets – The Company accounts for intangible assets in accordance with generally accepted accounting principles. Intangible assets consist primarily of trademarks. Under generally accepted accounting principles, intangible assets with an indefinite useful life are not subject to amortization. Intangible assets with estimable useful lives are amortized over their respective estimated useful life and periodically tested for impairment. The Company considers its trademarks to have an indefinite useful life and is therefore not being amortized, but instead tested for impairment at least annually in accordance with provisions for intangible assets.

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2020 and 2019, accounts receivables totaled \$7,509 and \$-0, respectively.

Income taxes – The Company is a wholly owned single member limited liability company, is a disregarded entity for U.S. federal and state income tax purposes, and all of its income and expenses are reported on the Company's tax returns. Accordingly, no provision for income taxes is made in the financial statement.

The Company's income tax filings are subject to examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three year statute of limitation.

As of December 31, 2020 and 2019, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the period ended December 31, 2020 and 2019, no interest or penalties were incurred.

Accounts payable – The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2020 and 2019, the Company had recorded trade payables in the amount of \$8,052 and \$-0, respectively.

Advertising/marketing expenses – Advertising and marketing costs are expensed as incurred. At December 31, 2020 and 2019, advertising and marketing expenses totaled \$34,386 and \$8,301, respectively.

KOIBITO FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and
For the Period from April 10, 2019 (Inception) to December 31, 2019

NOTE 3 – ACCRUED EXPENSES

At December 31, 2020, the Company's accrued expenses consist of wages totaling \$8,333 which was subsequently paid in 2021.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets are considered financial instruments. These assets are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2020 and 2019.

NOTE 5 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

Due from affiliates – Funds have been advanced to related parties to cover outstanding invoices. These advances are non-interest bearing and maybe repaid at any time, without penalty. At December 31, 2020 and 2019, due from affiliates totaled \$52,880 and \$57,800, respectively.

Due from member – In 2019, the Company advanced funds to their parent company in the amount of \$280,954. The outstanding balance of these advances totaled \$280,954 and \$280,954 at December 31, 2020 and 2019, respectively. These advances are non-interest bearing and are due on demand.

Note payable-related party – The Company executed a promissory note with a related party. The note is payable on demand, renewed and extended till December 3, 2021 and bears an interest rate of 4% per annum. The aggregate of these advances totaled \$51,000 and \$-0 at December 31, 2020 and 2019, respectively.

Trademark/Franchise rights – On August 1, 2019, Koibito Holdings, LLC (a related party by common ownership) entered into trademark assignment agreement where the Company owns the entire right, title and interest in and to certain U.S. trademarks and service marks, both registered and unregistered.

NOTE 6 – SUBSEQUENT EVENTS

Date of management review – The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through May 28, 2021, which is the date the financial statements were available to be issued.

EXHIBIT "I"
TO DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE QUESTIONNAIRE

[See Attached]

MAY NOT BE SIGNED OR USED IF FRANCHISEE RESIDES WITHIN, OR THE FRANCHISED BUSINESS WILL BE LOCATED WITHIN, A FRANCHISE REGISTRATION STATE¹

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know Koibito Franchise, LLC (“we” or “us), and you are preparing to enter into a Franchise Agreement for the operation of a Koibito Poke franchise. We require that you complete this Questionnaire (a) so that we can determine whether our franchise sales team followed proper sales procedures and (b) to provide us with reasonable assurance that, prior to signing the Franchise Agreement, you have had an adequate opportunity to review the Franchise Disclosure Document and its attachments, consult with legal and/or business advisors of your choosing, and ask us questions about any disclosures or terms that you do not understand. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question.

- Yes__ No__ 1. Have you received from us and personally reviewed the Franchise Agreement together with all attachments to the Franchise Agreement?
[If you answer “no,” please explain in Explanation Section]
- Yes__ No__ 2. Have you received from us and personally reviewed a Franchise Disclosure Document (“FDD”)?
[If you answer “no,” please explain in Explanation Section]
- Yes__ No__ 3. Did you sign a receipt for the FDD indicating the date you received it?
- Yes__ No__ 4. Do you understand all the information contained in the FDD and Franchise Agreement?
[If you answer “no,” please identify any information you don’t understand in Explanation Section]
- Yes__ No__ 5. Did you receive the FDD at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money?
- Yes__ No__ 6. Did you receive a complete execution copy of the Franchise Agreement at least seven (7) calendar days before you signed it?
- Yes__ No__ 7. Have you reviewed the FDD and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__ No__ 8. Have you discussed the benefits and risks of developing and operating a Koibito Poke franchise with an existing Koibito Poke franchisee?
- Yes__ No__ 9. Do you understand the risks of developing and operating a Koibito Poke franchise?
- Yes__ No__ 10. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes__ No__ 11. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement or ADA (if applicable) must be arbitrated in Arizona if not resolved informally or by mediation?

¹ Registration states include California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

- Yes__ No__ 12. Do you understand that the Franchise Agreement and the attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the Koibito Poke franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments will not be binding?
- Yes__ No__ 13. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the costs involved in operating a Koibito Poke franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?
[If you answer "yes," please describe the statement or promise in Explanation Section]
- Yes__ No__ 14. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the training, assistance or support that will be provided to you that is not contained in the FDD or that is contrary to, or different from, the information in the FDD?
[If you answer "yes," please describe the statement or promise in Explanation Section]
- Yes__ No__ 15. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the actual, average, projected or hypothetical profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Koibito Poke business may generate, other than any information included in Item 19 of the FDD?
[If you answer "yes," please describe the statement or promise in Explanation Section]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION SECTION

Please include any explanations below and refer to the applicable question number.

EXHIBIT "J"
TO DISCLOSURE DOCUMENT
GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of _____, 202__ (the “Effective Date”) by _____, a(n) _____ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of Koibito Franchise, LLC, an Arizona limited liability company (“us,” and together with you and Owner, the “Parties”).

Background

- A. We signed a Franchise Agreement with you, dated _____, 202__ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate a Koibito Poke restaurant;
- B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**]; and
- C. As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

Agreement

1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.
2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive Section 1542 of the California Civil Code, which provides the following:

“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.”

[Section 2 only applies for California franchisees; otherwise it is omitted]

3. Washington Law. This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[Section 3 only applies for Washington franchisees; otherwise it is omitted]

4. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor

Franchise Disclosure Document (2023)

Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.

5. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (ii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
6. Miscellaneous.
 - (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
 - (b) This Agreement shall be construed and governed by the laws of the State of Arizona.
 - (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
 - (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
 - (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.
 - (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
 - (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
 - (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

FRANCHISEE:

By: _____

Name: _____

Its: _____

FRANCHISE OWNERS:

Name: _____

Name: _____

Name: _____

EXHIBIT "K"
TO DISCLOSURE DOCUMENT
STATE ADDENDA AND AGREEMENT RIDERS

[See attached]

STATE ADDENDA AND AGREEMENT RIDERS
ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS,
AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR
Koibito Franchise, LLC

BACKGROUND AND PURPOSE

The following modifications are made to the Koibito Poke Franchise Disclosure Document (“FDD” or “Disclosure Document”) issued by Koibito Franchise, LLC, an Arizona limited liability company (“we” or “us” or “franchisor”) to franchisee (“you” or “franchisee”) and may supersede, to the extent required by applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 202__ (the “Franchise Agreement”). When the term “Supplemental Agreements” is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the applicable state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

CALIFORNIA

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.

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document at least 14 days prior to execution of agreement.
2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
3. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD 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.
4. 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 or Supplemental Agreement restricting venue to a forum outside the State of California.
5. The Franchise Agreement and Supplemental Agreements require application of the laws of Arizona. This provision may not be enforceable under California law.
6. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
7. The Franchise Agreement and Supplemental Agreements may contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
8. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.
9. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
10. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
11. OUR WEBSITE is www.koibitopoke.com. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.

12. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.
13. The highest interest rate allowed by law in California for late payments is 10% annually.
14. Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.
15. If selling alcoholic beverages Franchisee must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.
16. We do not have a federal registration for one of our principal marks. Therefore, such trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.
17. 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.
18. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. Illinois law shall apply to and govern the Franchise Agreement and Supplemental Agreements.
2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Franchise Agreement and Supplemental Agreements are amended to state the following:

To the extent that any provision in the Illinois State Addendum is inconsistent with any provision in this Agreement, the provision in the Illinois State Addendum shall control.
6. If the landlord of your proposed site for your franchised restaurant refuses to sign the Lease Addendum (Attachment D to the Franchise Agreement), you may be required to find another site for your restaurant.
7. See the last page of this Exhibit K for your signature.

INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

6. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

MICHIGAN

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

2. If any provision of the Franchise Agreement or any Supplemental Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.
3. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Virginia Retail Franchising Act. This provision does not prohibit you and us from entering into binding arbitration consistent with the Virginia Retail Franchising Act.
4. Any provision in the Franchise Agreement or Supplemental Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Retail Franchising Act is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Retail Franchising Act.
5. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT AND RELATED
AGREEMENTS**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, will prevail.
2. RCW 19.100.180 may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
8. All fees payable to us under the terms of the Franchise Agreement and Area Development Agreement are subject to deferral pursuant to order of the State of Washington. Accordingly, you shall pay no fees to us until we have completed all of our material pre-opening responsibilities to you and commence operating the franchised business under the Franchise Agreement or commence operating the first franchised business established under the Area Development Agreement. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Area Development

Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

9. The Special Risks to Consider About This Franchise page is amended to add the following risk factor:

“3. Use of Franchise Brokers. The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor.”

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

(Signatures on following page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- | | | |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> Michigan | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Hawaii | <input type="checkbox"/> Minnesota | <input type="checkbox"/> Virginia |
| <input type="checkbox"/> Illinois | <input type="checkbox"/> New York | <input type="checkbox"/> Washington |
| <input type="checkbox"/> Indiana | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Wisconsin |
| <input type="checkbox"/> Maryland | <input type="checkbox"/> Rhode Island | |

Dated: _____, 202____

FRANCHISOR:

Koibito Franchise, LLC, an Arizona limited liability company

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

EXHIBIT "L"
TO DISCLOSURE DOCUMENT

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	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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 "M"
TO DISCLOSURE DOCUMENT

RECEIPTS

[See Attached]

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Koibito Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Koibito Franchise, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

- _____ Todd Stottlemyre; 8776 E. Shea Blvd., Suite 106-104, Scottsdale, Arizona 85260; (602) 721-1217
- _____ John Young; 8776 E. Shea Blvd., Suite 106-104, Scottsdale, Arizona 85260; (623) 556-3049
- _____ Rocco Lents; 8776 E. Shea Blvd., Suite 106-104, Scottsdale, Arizona 85260; (480) 597-3252
- _____ Larry Raskin; 1630 Funny Cide Drive, Waxhaw, North Carolina 28173; (248) 765-1777
- _____ _____; _____; _____

Issuance Date: August 17, 2023 (Amended August 18, 2023)

Koibito Franchise, LLC's agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.

I received a Franchise Disclosure Document that included the following Exhibits:

- EXHIBIT "A" State Administrators and Agents for Service of Process
- EXHIBIT "B" Agent for Service of Process
- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Area Development Agreement
- EXHIBIT "E" Table of Contents of the confidential Brand Standards Manual
- EXHIBIT "F" List of Franchisees
- EXHIBIT "G" List of Area Representatives
- EXHIBIT "H" Financial Statements of Koibito Franchise, LLC
- EXHIBIT "I" Franchisee Disclosure Questionnaire
- EXHIBIT "J" General Release
- EXHIBIT "K" State Addenda and Agreement Riders
- EXHIBIT "L" State Effective Dates
- EXHIBIT "M" Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Koibito Franchise, LLC.)

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language.

Read this Disclosure Document and all agreements carefully. If Koibito Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Koibito Franchise, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

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- EXHIBIT "L" State Effective Dates
- EXHIBIT "M" Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner’s copy. The other Receipt must be signed and returned to Koibito Franchise, LLC.)