

FRANCHISE DISCLOSURE DOCUMENT

AFURI FRANCHISE INC.

an Oregon corporation
923 SE 7th Ave.
Portland, Oregon 97214
(971) 386-2945
franchise@afuri.us
<http://afuri.us/>



We are AFURI FRANCHISE INC., an Oregon corporation. We offer franchises to qualified individuals and entities to own and operate fast-casual restaurants that offer freshly prepared ramen (Japanese style noodle) dishes with a diverse selection of broths, noodles, proteins, sauces and garnishes as well as sushi, rice bowls, Japanese appetizers and other food and beverage products for on-premises and off-premises consumption and catering events. Our franchisees use our programs and systems (the “System”) and the names “Afuri®,” “Afuri Ramen + Dumpling®,” and our related trademarks, service marks and logos (collectively the “Marks”). We offer unit franchises and multiple franchise purchase opportunities.

The approximate total investment necessary to begin operation of your first Afuri franchise with a commissary kitchen is \$591,000 to \$1,153,000. This includes \$45,000 payable to the franchisor or its affiliate(s).

The approximate total investment necessary to begin operation of your second or additional Afuri franchise serviced by your commissary kitchen at your first location is \$306,500 to \$683,000. This includes \$30,000 payable to the franchisor or its affiliate(s).

The total investment necessary to begin operation under an Afuri Multiple Franchise Purchase Addendum is \$621,000 to \$1,273,000. This includes \$75,000 (for the right to develop two franchises) to \$165,000 (for the right to develop five franchises) that must be paid to the franchisor or its affiliate(s).

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

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 our President and Chief Executive Officer, Taichi Ishizuki, at 923 SE 7th Ave., Portland, Oregon 97214, (971) 386-2945, taichi@afuri.us.

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 an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you

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

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

Issuance Date: April 8, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
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 A 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 Afuri® 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 an Afuri® franchisee?	Item 20 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 C.

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

Special Risks to Consider About *This* Franchise

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

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

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

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Item 1
The Franchisor, and Any Parents, Predecessors and Affiliates

We are AFURI FRANCHISE INC., an Oregon corporation (called “we,” “us,” or “our” in this disclosure document) formed July 10, 2017. We do business under the names “Afuri®,” “Afuri Ramen + Dumpling®,” and the Afuri logos. We do not intend to do business under any other names. “You” means the prospective purchaser of an Afuri franchise, and includes owners or partners of a corporation, partnership, or other legal entity that purchases an Afuri franchise. The business operated under the Franchise Agreement is referred to as the “Franchise” in this disclosure document.

We are the franchisor of the Afuri franchise system.

Our principal business address is 923 SE 7th Ave., Portland, Oregon 97214. Our telephone number is (971) 386-2945. We have offered franchises since 2018. We do not have any other business activities. We have never offered franchises in any other line of business. We do not operate any businesses of the type being franchised. We may produce and sell innovative advertising and sales promotion materials. We and our affiliates may attempt to negotiate group discount rates for the benefit of our franchisees for products and services and marketing and sales materials.

Our registered agents for service of process are outlined in Exhibit C to this disclosure document.

The Franchises We Offer

We license our franchisees to own and to operate franchises under the “Afuri”-related names and marks. We authorize our franchisees to operate fast-casual restaurants that offer freshly prepared ramen (Japanese style noodle) dishes with a diverse selection of broths, noodles, proteins, sauces and garnishes as well as sushi, rice bowls, Japanese appetizers and other food and beverage products and to use our System and our Marks in the operations of the franchisee’s business.

We offer the opportunity to qualified candidates to purchase multiple franchises simultaneously through a Multiple Franchise Purchase Addendum attached to the Franchise Agreement. The Multiple Franchise Purchase Addendum contains a Development Schedule with deadlines to open your franchises. You will sign all the relevant Franchise Agreements simultaneously upfront (as opposed to signing our then-current form of franchise agreement in the future). We may grant multiple franchise operators the right to have a single commissary for food preparation for cost savings and product consistency.

Parents, Predecessors and Affiliates

We have no predecessors that are required to be disclosed in this disclosure document.

AFURI USA INC (“AFURI-USA”), an Oregon corporation, is our holding company. Its principal business address is the same as ours. AFURI-USA has never offered franchises in this or any other lines of business

AFURI BUCKMAN LLC. , an Oregon corporation, is our parent company. Its principal business address is the same as ours. It has operated a restaurant in Portland, Oregon that is similar to the franchise we offer since 2016, but with a larger restaurant and expanded menu (with sushi, robata charcoal grill, and izakaya-style food and beverages). It provides certain services to us and training services to our franchisees. AFURI BUCKMAN LLC has never offered franchises in this or any other lines of business.

AFURI, INC. (“AFURI-JPN”), a Japanese company, is majority owner of AFURI-USA. Its principal business address is 1-23, Onna 2-chome, Atsugi-shi Kanagawa 243-0032 JAPAN. In 1995, AFURI-JPN originated the concept that serves as the basis of our current Afuri bar concept. From 1995 through 2003, AFURI-JPN operated its restaurants in Japan under the name Zundo-Bar. Since 2003, AFURI-JPN has operated its restaurants primarily under the name “Afuri.” As of the issuance date of this disclosure document, AFURI-JPN operates company-owned Afuri outlets in Tokyo, Kanagawa and Hokkaido, Japan. It also operates a single Zundo-Bar in Japan, which has a similar menu and concept.

NAKAMURA FOODS, INC. (“Nakamura Foods”), an Oregon corporation, is an affiliate of ours. Its principal business address is the same as ours. It creates proprietary seasonings and certain other ingredients and products (and we anticipate it will brew alcohol in the future) and enters into relationships with designated suppliers to supply these items to our franchisees. Nakamura Foods has never offered franchises in this or any other lines of business.

AFURI PDX LLC (“AFURI PDX”), an Oregon limited liability company, is an affiliate of ours. Its principal business address is 50 SW 3rd Avenue, Portland, Oregon 97204. It has operated a restaurant in Portland, Oregon that is concept to the franchise we offer since November 2017. It may provide certain training services to our franchisees. AFURI PDX has never offered franchises in this or any other lines of business.

AFURI OLDTOWN LLC (“AFURI OLDTOWN”), an Oregon limited liability company, is an affiliate of ours. Its principal business address is 12555 SW 1st St., Beaverton, Oregon 97005. It has operated a restaurant in Beaverton, Oregon that is concept to the franchise we offer since Jan 2022. It may provide certain training services to our franchisees. AFURI OLDTOWN has never offered franchises in this or any other lines of business.

AFURI SLABTOWN LLC (“AFURI SLABTOWN”), an Oregon limited liability company, is an affiliate of ours. Its principal business address is 1620 NW 21st Ave, Portland, OR 97209. It has operated a restaurant in Portland, Oregon that is concept to the franchise we offer since May 2021. It may provide certain training services to our franchisees. AFURI SLABTOWN has never offered franchises in this or any other lines of business.

We and our affiliate(s) retain the right to own or operate additional Afuri outlets.

Market and Competition

The market for fast-casual restaurants that offer Japanese style cuisine is well developed and continues to develop. The principal sources of direct competition for your franchise are other restaurants, particularly other restaurants that offer ramen and Vietnamese pho restaurants.

Laws

You must comply with all local, state, and federal laws that apply to your franchise operations, including health, food handling, sanitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, bathrooms, drinking facilities, etc. You must obtain any applicable real estate permits (*e.g.*, zoning), real estate licenses, and operational licenses. You must comply with any federal, state, county, municipal, or other local laws and regulations that may apply to your franchise.

You must acquire a liquor license to the extent permitted by applicable law. If the offering of liquor at

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your restaurant is not permitted in your jurisdiction, then you must acquire a license to sell sake, wine and beer unless prohibited by zoning requirements or other applicable laws or we approve otherwise at our discretion.

Among the other licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Food Service License, Health Permits, Alarm Permits, County Occupational Permits, Retail Sales Licenses, and Wastewater Discharge Permits. There may be other laws, rules or regulations that affect your franchise, including minimum wage and labor laws along with ADA, OSHA and EPA considerations (or similar laws in Canada and relevant provinces). We recommend that you consult with your attorney for an understanding of these laws. Consider retaining the services of a qualified labor relations/human resources consultant of your choice. Consider retaining third-party providers of your own choosing for payroll and accounting services.

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

This disclosure document contains a summary of some material provisions of the franchise agreement. However, the Franchise Agreement expresses and governs the actual legal relationship between us and you.

The Franchise Agreement does not make you our agent, legal representative, joint venturer, partner, employee, or servant for any purpose. You will be an independent contractor and will not be authorized to make any contract, agreement, warranty or representation or to create any obligation, express or implied, for us.

As of the issuance date of this disclosure document, Afuri restaurants in the United States have altered operations to comply with government mandates related to the COVID-19 pandemic, such as by not offering dine-in services, offering dine-in at reduced capacities, and focusing on take-out and delivery services.

Item 2

Business Experience

TAICHI ISHIZUKI – President, Chief Executive Officer, and Chief Financial Officer

Taichi Ishizuki has served as our President, CEO and CFO since July 2017. He has served as Chief Executive Officer for AFURI-USA in Portland, Oregon since September 2015. He has served as CEO for Nakamura Foods in Portland, Oregon since July 2017.

HIROTO NAKAMURA – Founder and Director

Hiroto Nakamura is the founder of our concept and has served as our Director since July 2017. He has served as President and Chief Executive Officer of AFURI-JPN in Japan since 2001. He has served as Director for AFURI-USA in Portland, Oregon since September 2015. He has served as Director for AFURI PDX in Portland, Oregon since February 2017.

ZACHARY RAGGHIANI - Director of Culinary/Ramen & Dumpling, U.S. Operations

Zachary Ragghianti has served as Director of Culinary/Ramen & Dumpling U.S. Operations for AFURI-USA in Portland, Oregon since December 2021. He served in the following positions during the following periods for AFURI-USA in Portland, Oregon: Executive Chef/General Manager from October 2020 to December 2021 and Sous Chef AFURI IZAKAYA from December 2019 through October 2020. Mr. Ragghianti was a consultant in Portland, Oregon from June 2018 through November 2019. From April 2016 to June 2018, he was Chef de Cuisine at American Local in Portland, Oregon.

JENNIFER UNDERWOOD – Vice President of Hospitality, U.S. Operations

Jennifer Underwood has served as Hospitality Director, U.S. Operations for AFURI-USA in Portland, Oregon since February 2020. Prior to that, she served as General Manager for AFURI Izakaya in Portland, Oregon from February 2019 to February 2020. She was General Manager and Corporate Trainer for No Bones (a national vegan restaurant group) in Portland, Oregon during 2018. Ms. Underwood was Senior Restaurant Manager for Sage Hospitality Group in Portland during 2017. She served as a Multi-Unit General Manager for the Mellow Mushroom Franchise Group in Wilmington, North Carolina from 2009 to 2017.

Item 3 Litigation

No litigation is required to be disclosed in this Item.

Item 4 Bankruptcy

No bankruptcy is required to be disclosed in this Item.

Item 5 Initial Fees

Initial Franchise Fee

The Initial Franchise Fee is \$45,000. It is reduced to \$30,000 for your second and each additional franchise you purchase. The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of the Franchise Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

You must pay the entire Initial Franchise Fee upon execution of the Franchise Agreement. We do not finance any portion of the Initial Franchise Fee.

Refunds

No initial fees are refundable or transferable in whole or in part except that if you do not pass the mandatory Initial Training Program (see Item 11, below) to our satisfaction, then we may terminate the Franchise Agreement upon refunding 50% of the Initial Franchise Fee.

Multiple Franchise Purchases

If you are purchasing multiple franchises simultaneously, then you will execute multiple Franchise Agreements at the same time. You will pay the full Initial Franchise Fees for each franchise at the time you sign such Franchise Agreements.

Site Location Assistance Costs

You are responsible for finding the location of the Franchise Premises. If you request assistance in selecting a site for the Franchise Premises, we may provide reasonable assistance in finding a location acceptable to you. If requested, you will pay for all reasonable out-of-pocket expenses related to any such site selection assistance, including travel and lodging expenses we incur to help you locate sites. Any on-site assistance is subject to our discretion and availability. You will bear all other site selection and lease negotiation expenses.

Transfer Fee

If you obtain a franchise by purchasing the business of one of our existing franchisees, you will not pay the Initial Franchise Fee, but you or the existing franchisee must pay us a transfer fee of \$30,000. The mandatory initial training program is included in that fee. Payment of the transfer fee also covers reasonable legal, accounting, credit check, and investigation expenses that result from the transfer and relieves you of your obligation to pay the Initial Franchise Fee.

In the event that you sell your franchised operation, a separate transfer fee may apply.

Uniformity of Fees

The initial fees are uniform except as described in this Item 5. We intend to raise the initial franchise fee after certain growth levels have been attained. The increased franchise fee and timing have not been determined as of this date.

Miscellaneous

We may offer franchises at a reduced rate to prospective franchisees who in our opinion possess the knowledge and experience to conduct business with minimal assistance from us or who are purchasing multiple franchises. We may grant new franchises to our owners and employees and their family members with reduced or no initial fees.

You will be responsible for paying all other fees required under the applicable franchise agreements as provided in those agreements. These fees are not refundable under any circumstances.

Item 6 Other Fees

<u>Type of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Royalty Fee	5% of your monthly Revenue ¹	Payable monthly as described in our Operations Manual	This fee must be paid through automatic debit processes as outlined in the

<u>Type of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
			Operations Manual. ² We may require payment of the Royalty Fee monthly or at some other interval.
Advertising Fee ³	1% of your monthly Revenue ¹	Payable monthly as described in our Operations Manual	This fee may be payable through automatic debit processes as outlined in the Operations Manual. ² We may require payment of the Advertising Fee monthly or at some other interval.
Recommended Local Advertising Expenditure	We typically recommend you spend at least 1% to 3% of Your Monthly Revenue on local advertising and promotion		These expenditures will be made directly by you, subject to our approval.
Regional Advertising Fund Contribution	Up to 2% of your Revenue pursuant to a vote of the franchisees in the region	As voted and approved by your local advertising cooperative (only if franchisees in an advertising region vote to establish a Regional Advertising Fund).	See Note 4.
Additional Training at Franchisee's Request	Then-current rates, currently \$750 per trainer per day. You must also reimburse us for our reasonable out of pocket costs (travel, accommodations, etc.).	Before opening or after you open your franchise for business.	See Note 5.
Additional Training or Conventions Required or Recommended by Franchisor	We do not impose a training fee for training we require or recommend. However, you are responsible for your travel, meals, lodging and employee wages during training.	Before opening or after you open your franchise for business.	
Transfer Fee ⁶	Currently \$30,000	Before transfer	Paid to us if you transfer your franchise. This amount covers our

<u>Type of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
			legal, accounting, credit check, and investigation expenses that result from the transfer.
Renewal Fee	Reimbursement of our out-of-pocket costs with \$2,000 minimum	Upon renewal	
Relocation	You will reimburse us for our reasonable out-of-pocket costs concerning the relocation.	Before relocation	
Interim Management Fees and Costs	As incurred	As Incurred	You must pay us a reasonable management fee for management services if we step-in to operate your franchise pursuant to the Franchise Agreement. We will not be liable for any debts, losses, costs or expenses incurred in the operation of the Franchise during any interim management period.
Late Charge	1.5% per month	Each month that amounts owed remain unpaid	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law.
Late Payment Penalty	5% of the amount due	As incurred	You will not be compelled to pay late payment penalty in an amount greater than the maximum allowed by applicable law.
Proposed Source Testing Costs	As incurred	As incurred	You must reimburse us for our out of pocket expenses and costs we incur to test new products or sources you request for approval (See Item 8 and

<u>Type of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
			Franchise Agreement Section 5.1).
Non-Cash Payment Systems	All costs associated with non-cash payment systems	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems we specify.
Manual Replacement Fee	\$500	On demand	You pay this fee if you lose the copy of the Operations Manual we loan to you.
Re-Inspection Fee	\$500 per re-inspection	On demand	You pay this fee if we must re-visit your location for an inspection after you have already been notified of any deficiency or non-satisfactory condition.
Liquidated Damages	An amount equal to two times the total Royalty Fees paid (or if unpaid, payable) by you during the 24 months before the termination date.	Within 30 days following the date of termination.	Payable if you default and we terminate your Franchise Agreement.
Sanitation and Food Safety Audits	Cost of the inspection	On demand	We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits during the term of your Franchise Agreement.
Business/Financial Audit ⁷	Our reasonable costs for the audit if you understate revenue by more than 2% or fail to deliver to us required reports on time	Immediately upon demand	See notes below.
Participation in Advisory Council	As incurred	As incurred	If you participate on an Advisory Council, you will pay any costs you incur related to your participation, such as travel and living expenses to attend

<u>Type of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
			Council meetings.

* Unless otherwise specified in this Item 6, all fees are imposed by and payable to us, are uniformly imposed, and are non-refundable. Fees and payments that may be payable to third parties include fees for Non-Cash Payment Systems and Sanitation and Food Safety Audits.

Notes:

- 1) Revenue and Reporting. “Revenue” means all receipts generated by the franchise from any source including sales, exchanges, services, sales from delivery services (including direct delivery and delivery via third-party delivery services, *without* deducting third-party delivery service fees), or any other benefit or value that is received or deferred to be received. Credit sales shall be calculated as of the date of sale without deduction for uncollected credit accounts. “Revenue” shall not include bona fide credits for returns, promotional discounts, or the amounts collected and paid to appropriate governmental authorities under the provisions of any Sales Tax, Retailer’s Occupation, or similar Act. The proceeds from any business interruption insurance or eminent domain recovery you receive are included in “Revenue.”

You will deliver to us, as outlined in the Operations Manual, an itemized report of your Revenue for the preceding month. The report must be in the form we designate. All Royalty Fee, Advertising Fee and other fee payments based upon the Revenue for the preceding month must be submitted with the report.

Taxes. You must pay any taxes imposed as a result of your payment to us of initial or ongoing fees.

- 2) Automatic Withdrawal. We may require you to make fee payments by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet.
- 3) Advertising Fee. The Advertising Fee is described in more detail in Item 11 of this disclosure document. Advertising Fee payments are in addition to and exclusive of any sums that you may decide to spend on local advertising and promotion.
- 4) Regional Advertising Cooperative. Subject to our prior written approval, if at any meeting of the franchisees in an advertising region, 75% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote. Our company-owned outlets will not be required to participate in or contribute to regional advertising cooperatives. No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of 2% of that franchisee’s Revenue.
- 5) Additional Training. You must give us not less than 30 days’ prior written notice of your desire to receive additional training. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all of your training.

- 6) Transfer Fee. The Transfer Fee is payable by you or the transferee if you transfer your franchise (see Franchise Agreement, Section 7.1).

If you obtain a franchise by purchasing the business of one of our existing franchisees, then you may also incur certain costs associated with bringing your Franchised Operation into compliance with our requirements.

- 7) Audits. We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate the Revenue for any reported period or periods by more than 2 percent or unless you fail to deliver any required report of Revenue or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees, Advertising Fees, all other fees and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law.

Item 7 Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT (First Single Unit Franchise)

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
Initial Franchise Fee ¹	\$45,000	Cash, Certified Check or Wire Transfer	Upon execution of the Franchise Agreement	Us
Rent and Security Deposit – 3 months ²	Varies	As Incurred	As Incurred	Landlord
Pre-Construction Costs (Architect, Plans, Permits) ³	\$11,000 to \$30,000	As Incurred	As Incurred	Suppliers, Government Agencies
Construction, Remodeling and Leasehold Improvements ⁴	\$200,000 to \$400,000	As Arranged	As Incurred	Vendors or Contractors
Point of Sale System (Initial Payment) ⁵	\$5,000 to \$20,000	As Incurred	As Incurred	Suppliers
Equipment, Fixtures, Furnishings, Décor, and Supplies ⁶	\$90,000 to \$180,000	As Incurred	Before Opening	Suppliers

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
Initial Inventory ⁷	\$6,000 to \$10,000	As Incurred	As Incurred (Before Opening)	Suppliers
Signage ⁸	\$7,000 to \$15,000	As Incurred	Before Opening	Suppliers
Wages for Employees - 3 months	\$150,000 to \$240,000 (\$50,000 to \$80,000 per month)	As Incurred	As Incurred	Employees
Out-of-Pocket Expenses During Training ⁹	\$6,000 to \$10,000	As Incurred	During Training	Airlines, Hotels, Restaurants, etc.
Grand Opening Advertising ¹⁰	\$1,000 to \$2,000	As Incurred	Before and After Opening	Suppliers
Liquor License (if available in your jurisdiction)	\$4,000 to \$30,000	As Incurred	Before Opening	
Professional Fees	\$2,500 to \$10,000	As Incurred	As Incurred	Professionals (such as Accountant or Lawyer)
Insurance – One Year	\$3,500 to \$7,000	As Incurred	Before Opening	Insurers
Miscellaneous Opening Costs	\$50,000 to \$120,000	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds – 3 months ¹¹	\$10,000 to \$30,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL ¹²	\$591,000 to \$1,153,000			

**YOUR ESTIMATED INITIAL INVESTMENT
(Second or Additional Single Unit Franchise)**

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
Initial Franchise Fee ¹	\$30,000	Cash, Certified Check or Wire Transfer	Upon execution of the Franchise Agreement	Us
Rent and Security Deposit – 3 months ²	Varies	As Incurred	As Incurred	Landlord

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
Pre-Construction Costs (Architect, Plans, Permits) ³	\$11,000 to \$30,000	As Incurred	As Incurred	Suppliers, Government Agencies
Construction, Remodeling and Leasehold Improvements ⁴	\$100,000 to \$300,000	As Arranged	As Incurred	Vendors or Contractors
Point of Sale System (Initial Payment) ⁵	\$2,000 to \$4,000	As Incurred	As Incurred	Suppliers
Equipment, Fixtures, Furnishings, Décor, and Supplies ⁶	\$60,000 to \$120,000	As Incurred	Before Opening	Suppliers
Initial Inventory ⁷	\$3,000 to \$7,000	As Incurred	As Incurred (Before Opening)	Suppliers
Signage ⁸	\$5,000 to \$8,000	As Incurred	Before Opening	Suppliers
Wages for Employees - 3 months	\$60,000 to \$100,000 (\$20,000 to \$33,333 per month)	As Incurred	As Incurred	Employees
Out-of-Pocket Expenses During Training ⁹	\$6,000 to \$10,000	As Incurred	During Training	Airlines, Hotels, Restaurants, etc.
Grand Opening Advertising ¹⁰	\$1,000 to \$2,000	As Incurred	Before and After Opening	Suppliers
Liquor License (if available in your jurisdiction)	\$3,000 to \$6,000	As Incurred	Before Opening	
Professional Fees	\$2,500 to \$10,000	As Incurred	As Incurred	Professionals (such as Accountant or Lawyer)
Insurance – One Year	\$3,000 to \$6,000	As Incurred	Before Opening	Insurers
Miscellaneous Opening Costs	\$10,000 to \$20,000	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds – 3 months ¹¹	\$10,000 to \$30,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
TOTAL¹²	\$306,500 to \$683,000			

You should anticipate the preceding initial expenditures in connection with the establishment of an Afuri Franchise for your first three months of operations. Additional factors related to each expenditure category are described in the following notes.

Financing sources may reduce your initial cash requirements, and the availability and terms of financing to any individual franchisee will depend upon factors like the availability of financing in general, your credit worthiness, the collateral security that you may have and policies of lending institutions concerning the type of business to be operated by you. The investment and expenditures required of actual franchisees may vary considerably from the projections outlined below, depending on many factors, including geographical area, the amount of space leased by you, if any, and the capabilities of any particular management and service team.

Notes:

1. Initial Franchise Fees. The Initial Franchise Fee is \$45,000 and is payable upon signing the Franchise Agreement. It is reduced to \$30,000 for your second and each additional franchise you purchase. The initial training program is included in the Initial Franchise Fee for your owners and your General Manager, Kitchen Manager, Bar Manager, and Commissary Manager. You will be responsible for your expenses that you incur associated with the training (e.g. transportation, meals, and lodging).
2. Rent and Security Deposit. You must lease appropriate space if you do not own adequate space. Typically, the Franchise Premises for your first location with a commissary kitchen will be approximately 2,500 to 4,000 square feet. The first table above is based on this type of location. Typically, the Franchise Premises for each additional location serviced by your commissary kitchen will be approximately 1,500 to 2,000 square feet. The second table above is based on this type of location. Typically, your Franchise Premises will be at a downtown location, mall, shopping center, or in an industrial zone. For the first Franchise Premises with a commissary kitchen, the location will typically be a single story to facilitate ventilation. We cannot estimate lease acquisition costs in a low-high range because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot, required maintenance costs, market conditions, location, and other factors.
3. Architects. You must use our designated architect to create your general project concept and schematics. You will pay us or our designated architect directly at our discretion. We estimate this cost to be approximately \$9,000 to \$20,000 depending upon the square footage of your Franchise Premises, zoning issues, and other factors. These estimates are subject to change. Overnight travel or travel beyond our reasonable estimates may necessitate additional fees. The remainder of the estimate in this row of the table relates to your own local architect. You must use a local architect, subject to our prior approval, to provide detailed construction blueprints, which must comply with our specifications and approval, and to assist with permitting and other services.
4. Construction. Construction and remodel costs vary widely depending on the condition of your site and its size and, in the case of new construction, the amount of tenant improvements allowed by the landlord, and other factors.

5. POS System. You must purchase certain required hardware and software from our designated supplier. This includes point of sale hardware and software. If available, this may include our custom software application (referred to herein as “Proprietary Software”) and related hardware for customer ordering. In this disclosure document, the above-described systems are referred to as the “POS System”.
6. Equipment, Fixtures, Furnishings, Décor, and Supplies. You must purchase these items consistent with the operational needs of your Franchise and as may be required in our Operations Manual. The estimates in this row of the table also include: (1) sound systems; (2) security systems; and (3) back office computer hardware and software.
7. Initial Inventory. You must purchase inventory as outlined in the Operations Manual.
8. Signage. You may be required or recommended to purchase additional signage as outlined in the Operations Manual.
9. Training. The costs of training are included in your Initial Franchise Fee. The estimates in the above table cover out-of-pocket expenses that you incur associated with the training. These estimates are based on attendance at training by the following individuals: one or two franchisee owners and your General Manager, Kitchen Manager, Bar Manager, and Commissary Manager. We will have no obligation to provide initial training at our expense except for your first franchise. Additional training is outlined in Item 11, below.
10. Grand Opening Advertising. At least 60 days before the opening of your Franchise, you must submit a grand opening required spending plan (“Grand Opening Plan”) to us, which outlines your proposal for grand opening marketing and promotion of your Franchise. You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. You must, during the period beginning 30 days before the scheduled opening of your Franchise and continuing for 60 days after your Franchise opens for business, spend \$1,000 to \$2000 to conduct grand opening marketing and promotion.
11. Initial Start-Up Phase and Working Capital. We estimate that the initial phase covered by the additional funds estimate to be approximately 3 months. Additional funds are provided only as estimates and apply only to your initial three months of operations of your first Franchise. In setting the amount of the additional funds estimate in the table, we considered or relied upon the following factors, basis, and experience: The openings and operations of similar businesses by our affiliates in Portland, Oregon.
12. Multiple Franchise Purchases. If you are purchasing multiple franchises, then you will incur the estimated initial expenditures for each separate franchise you purchase.

Additional Notes. Your actual costs will depend on how much you follow our methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial phase. We have made certain assumptions based on revenue, operating costs, and payments and costs for rents in reaching these estimates.

Additional funds will be required to finance operations until a positive cash flow is produced. You should plan on other sources of income to cover your living expenses.

You will have the other usual expenses involved in establishing a business. These expenses vary greatly. They may include, but are not limited to, attorneys’ fees, sales tax, and employee recruiting expenses.

You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of your franchise. You must obtain all permits, certificates or licenses necessary for the full and proper conduct of the franchise.

Except as provided in Item 5, above, any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

We do not finance any of these initial expenses (see Item 10, below). The availability and terms of financing will depend on various factors including the availability of financing generally, your credit worthiness, security available to you, lending institution policies concerning the type of business to be operated by you, and other comparable elements.

We require no other payments.

We cannot estimate how long it may take for your revenues to exceed your expenses, if ever. We make no projections or estimate of the amount of additional funds you may need for the operation of your Franchise beyond the initial phase.

You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.

YOUR ESTIMATED INITIAL INVESTMENT

(Multiple Franchise Purchase)

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee for Multiple Franchise Purchaser (1)	\$75,000	\$165,000	Cash	At Signing	Us
Other Expenditures for First Location (2)	\$546,000	\$1,108,000	As disclosed in first table above	As disclosed in first table above	As disclosed in first table above
Grand Total	\$621,000	\$1,273,000			

1) The low-end of this estimate is based on purchasing the right to develop two franchisees. The high-end of this estimate is based on purchasing the right to develop five franchises.

If you purchase multiple Franchises simultaneously, then the Initial Franchise Fee for the first Franchise is \$45,000, and the Initial Franchise Fee for each additional Franchise is reduced to \$30,000.

2) If you sign Multiple Franchise Purchase Addenda for the right to develop multiple franchises, you should expect to incur these same expenses and fees for each separate franchise you develop, subject to inflation and other increases over time.

Item 8

Restrictions on Sources of Products and Services

Products, Equipment and Services

We will lend to you a copy of our Operations Manual at the mandatory training program described in Section 11, below. We may amend the Operations Manual, including changes that may affect minimum requirements for your franchise operations. You will strictly follow the requirements of the Operations Manual as we amend it. You will carry out immediately all changes at your cost, unless we otherwise specify. We reasonably may designate minimum standards for operations and designate guidelines, as specified in the Operations Manual. The Operations Manual is confidential and our exclusive property.

The Operations Manual contains the Afuri System and related specifications, standards, build-out and furnishing requirements, co-branding requirements, operating procedures, accounting and bookkeeping methods, marketing programs and ideas, advertising layouts, advertising guidelines, operation requirements, public relations guidelines, service guidelines and other rules that we may prescribe.

We may require you to purchase advertising materials and all other items that bear the Afuri Marks from us or our approved suppliers.

As of the issuance date of this disclosure document:

- You must purchase all food products, except for fresh local produce, from our exclusively designated supplier(s).
- You may purchase fresh local produce from local suppliers subject to our prior approval.
- You must purchase certain items from our designated supplier in Japan, including but not limited to plates, bowls, some of your cups, dumpling maker, and related items. Some of these items will be branded with our Marks.
- You must purchase other equipment consistent with our minimum standards, or from our approved suppliers, or from exclusively designated suppliers, as we determine.
- You must purchase furnishings that comply with our standards from local suppliers subject to our prior approval.
- You must purchase or lease certain software and hardware components of the POS System from our exclusively designated supplier(s). If available, this will include our Proprietary App and related hardware we specify for in-store and remote customer ordering.
- You must use the designated supplier(s) and system(s) we require to offer e-gift cards to customers. If required in the future, you must purchase gift cards or certificates and/or loyalty cards we require from our exclusively designated supplier(s).
- In addition to the POS System, you must purchase, use and maintain a computer system with hardware and software as we specify in the Operations Manual or otherwise.
- You must use our designated architect to create your general project concept and schematics. You will pay us or our designated architect directly at our discretion. Additional information is provided in Franchise Agreement Exhibit 5.
- You must use a local architect, subject to our prior approval, to provide detailed construction blueprints, which must comply with our specifications and approval, and to assist with permitting and other services. Additional information is provided in Franchise Agreement Exhibit 5.
- You must use an approved supplier for merchant processing to accept credit and debit card payments from your customers.
- You must purchase your sound systems and security systems that meet our minimum

- specifications from suppliers of your choosing.
- You must purchase all other goods and services related to opening and operating your franchise from approved or exclusively designated suppliers unless we specify otherwise in our Operations Manual.

The actual amount purchased may vary. The amount that you pay to any approved supplier is refundable only to the extent negotiated with such approved supplier.

All specifications that we require of you and lists of equipment and designated and approved suppliers will be included in the Operations Manual. We will upon request provide our minimum specifications to approved suppliers and suppliers seeking approval. We will use our best judgment to set and modify specifications to maintain the integrity and quality of our franchise system.

Our affiliate, Nakamura Foods, creates proprietary seasonings and certain other ingredients and products and enters into relationships with designated suppliers to supply these items to our franchisees. Hiroto Nakamura, our Director, is the owner of AFURI-JPN, which is the parent company for AFURI-USA, which is the parent company for Nakamura Foods. There are no other approved or designated suppliers in which any of our officers owns an interest.

Subject to your obligation to purchase goods and services from certain exclusively designated suppliers, with advance written notice you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, durability, value, cleanliness, texture, composition, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential recipes, ingredients, requirements, designs, systems and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems, formulas, ingredients and recipes; and will adequately supply your reasonable needs. We will not unreasonably withhold approval of a supplier you propose (unless we have previously designated a single supplier or exclusive suppliers for certain products or services). We will endeavor in good faith to notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval.

We or our agents may inspect any approved manufacturer, supplier or distributor facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we find from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

We estimate that your required purchases from us, our affiliates, approved suppliers or in compliance with our specifications will be from 50% to 75% of the total purchases you make to establish your franchise and from 25% to 35% percent of the total purchases you make to operate your franchise.

We and our affiliates may derive revenue from providing products and services directly to our franchisees. During our fiscal year ended December 31, 2023, we received such revenue in the amount of \$0, which was 0% of our total revenue of \$439,939. During our fiscal year ended December 31, 2023, our affiliate, Nakamura Foods, received such revenue in the amount of \$56,426.45, which was 100% of its total revenue of \$56,426.45.

We and our affiliates may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers. As of the issuance date of this disclosure document, we receive rebates from our designated supplier(s) of private seasonings and kitchen ventilation equipment in the United States. Such rebates are based on franchisee purchases and are 5% of the purchase price. AFURI-USA receives rebates from our designated supplier(s) of cleaning supplies in the United States. Such rebates are based on franchisee purchases and are 5% of the purchase price. Our affiliate, Nakamura Foods, receives rebates from our designated supplier(s) of certain seasonings. Such rebates are based on franchisee purchases and are 5% of the purchase price. We and our affiliate may retain such rebates and use them for any purpose.

There are no other obligations for you to purchase or lease according to specifications or from approved suppliers. Except as explained above, we have no required specifications, designated suppliers or approved suppliers for goods, services, or real estate related to your franchise business. Except as explained above, we will not derive revenue from your purchases or leases.

We do not provide material benefits to you based on your use of a particular supplier. However, to renew your franchise or purchase additional franchises, you must be in compliance with your Franchise Agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

We intend to negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees. We have not yet entered into any formal purchasing or distribution cooperatives related to our franchise system, but we reserve the right to do so. In the future, we hope to create and augment the effectiveness of cooperatives for the purchase of materials and the provision of advertising, for the benefit of the Afuri franchise system.

You may not sell any products, services or activities other than those specifically recognized and approved by us as part of our franchise system without our prior written approval.

You are required to follow our customer service requirements outlined in the Operations Manual.

Insurance

You must obtain and maintain at your own expense the minimum insurance coverage that we and the Franchise's lease periodically require, and you must meet the other insurance-related obligations in the Franchise Agreement. You may elect to purchase more coverage than we require. The coverages listed below reflect only minimum coverage limits for each franchise location. As of the issuance date of this disclosure document, we require you to maintain the following coverages:

(a) broad form commercial general liability coverage, on an occurrence form, including: errors and omissions, food borne illness, dram shop/liquor liability, premises and operations, products and completed operations, personal and advertising injury, broad form contractual, and employers liability; against claims for bodily injury, personal injury, including death, and property damage with minimum limits of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for each coverage;

- (b) all risk property insurance including equipment breakdown for the full replacement cost sufficient to cover all business personal property including contents, leasehold improvements, furniture, fixtures, equipment, and signs;
- (c) loss of income including extra expense insurance with sufficient limits to cover all ongoing expenses, including, future profits, royalty fees, advertising contributions, ordinary payroll for competent personnel and other fixed expenses for a minimum of 24 months from the date of loss;
- (d) worker's compensation and employer's liability insurance in statutory amounts;
- (e) plate glass insurance (if applicable);
- (f) blanket employee dishonesty coverage with minimum limits of not less than \$50,000;
- (g) business automobile liability, including bodily injury and property damage coverage for all owned, non-owned and hired vehicles, with limits of not less than \$1,000,000 per occurrence;
- (h) monies and securities (crime) coverage with limits of not less than \$10,000 inside limit and \$5,000 outside limit;
- (i) employment practices liability with limits not less than \$100,000, with a retro date of the store opening if on a claim made basis.
- (j) commercial umbrella liability insurance with limits not less than \$4,000,000 each occurrence. The umbrella liability will be on a following form basis of the underlying policies (commercial general liability, premises and operations, products and completed operations, personal and advertising injury, automobile and employers liability);
- (k) cyber and privacy liability with minimum limits of \$25,000 including, crisis management and data extortion expense; and
- (l) unemployment insurance and state disability as required by governing laws.

You shall also maintain such additional insurance as is necessary to comply with all legal requirements concerning insurance as well as any other insurance required by your landlord. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including higher liability limits, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

Each insurance policy shall: (1) name us and each of our affiliates, directors, agents and employees (as we may specify) as additional insureds (unless we specify otherwise in writing) on a primary, non-contributory basis and provide a waiver of subrogation rights against us; (2) provide for 30 days' prior written notice to us of any material modification, cancellation, or expiration of the policy; and (3) provide that coverage applies separately to each insured. In the case of property insurance, the Franchisor parties shall be named as their interests may appear. Insurance carriers must be authorized to do business in the state where your Franchise is located, be rated at least A-X with A.M. Best and approved by us. At our discretion, we may require you to purchase your insurance from a specific insurance carrier.

Certificates of Insurance shall name us, and each of our affiliates, directors, agents and employees (as we may specify) as additional insureds (unless we specify otherwise in writing), and include primary, non-contributory and waiver of subrogation endorsements. Certificates shall provide 30 days' notice prior written notice to us of any material modification, cancellation, or expiration of the policy, and due in our office 30 days prior to expiration and coverages listed above.

Item 9
Franchisee's Obligations

FRANCHISEE'S OBLIGATIONS

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

<u>OBLIGATION</u>	<u>SECTION IN FRANCHISE AGREEMENT ("FA")</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
a. Site selection and acquisition or lease	FA Section 1.1, 1.2 & 1.3	Items 6 & 12
b. Pre-opening purchases and leases	FA Sections 4.1, 5.1 & 8.2	Items 7 & 8
c. Site development and other pre-opening requirements	FA Sections 1.4, 3.1, 4.1 & 5.1	Items 7, 8 & 12
d. Initial and ongoing training	FA Sections 3.1, 3.2 & 3.3	Items 6 & 11
e. Opening	FA Sections 4.1 and 5.1	Item 11
f. Fees	FA Sections 2, 6.1, & 7.1	Items 5, 6 & 17
g. Compliance with standards & policies/Operations Manual	FA Sections 5 & 6.3	Items 11 & 17
h. Trademarks and proprietary information	FA Sections 1.1, 5.1, 5.3, 5.4, 5.5, 5.6, 5.7, 6.5, 9.2 & 9.10	Items 13, 14 & 17
i. Restrictions on products and services offered	FA Sections 1.1, 1.2, 5.1, 5.2, 5.3, 5.4, 5.5, 5.7, 5.12, 5.13, 6.3, 6.5	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	FA Sections 5.1, 5.2, & 5.5	Item 11
k. Territorial development and sales quotas	FA Section 1.1	Items 7 & 12
l. Ongoing product & service purchases	FA Sections 2.11, 5.1, 5.2, 5.8, 5.9, 5.11, 5.12, 5.13 & 8.2	Items 7 & 8
m. Maintenance, appearance and remodeling requirements	FA Sections 1.4, 1.5, 5.1, 5.2, 5.5 & 6.5	Items 7, 11 & 17
n. Insurance	FA Section 8.2	Items 7 & 8
o. Advertising	FA Sections 2.5, 5.1, 5.2, 5.3, 5.4, 5.5 & 6.5	Items 9 & 11
p. Indemnification	FA Sections 6.5.3, 6.7, 7.1.7, 8.1 & 9.3.3	Item 6
q. Owner's participation/ management/ staffing	FA Sections 2.11, 3, 4.1, 5, 6.5, 6.7, 7, 9.3, 9.10, 9.12 & 9.15	Items 11, 15 & 17
r. Records and reports	FA Sections 2.9, 5.1, 5.2 & 5.5	Items 6, 11 & 17
s. Inspections and audits	FA Sections 2.10, 5.1, 5.2 & 5.5	Items 6, 11 & 17

<u>OBLIGATION</u>	<u>SECTION IN FRANCHISE AGREEMENT (“FA”)</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
t. Transfer	FA Section 7	Item 17
u. Renewal	FA Section 6.1	Item 17
v. Post-termination obligations	FA Sections 5.6, 5.7, 6.5, 6.6, 6.7, 9.9, 9.10	Item 17
w. Non-competition covenants	FA Sections 5.8, 5.9, 6.5, 6.6, 6.8, 9.9, 9.10	Item 17
x. Dispute resolution	FA Sections 9.7 & 9.8	Item 17

Item 10 Financing

We do not provide direct or indirect financing and do not assist in providing financing for you. We do not guarantee any notes or financial obligations.

Item 11 Franchisor’s Assistance, Advertising, Computer Systems, and Training

Except as listed below, AFURI FRANCHISE INC. is not required to provide you with any assistance.

Our Pre-Opening Obligations

Before you open your franchise, we will:

- 1) Designate your Franchise Territory in the Franchise Agreement before the Franchise Agreement is executed. (Franchise Agreement, Section 1.1) The exact determination of the Franchise Territory will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies. Among the factors we consider to determine the feasibility of possible franchise territories are population demographics and other businesses in the area pursuant to census and chamber of commerce information.
- 2) Approve or disapprove of proposed sites for the Franchise Premises and the lease for the Franchise Premises, if any. (Franchise Agreement, Section 1.3). The factors we may consider in approving proposed site selections include the following: general location and neighborhood; traffic patterns; parking; physical characteristics of existing buildings; lease terms; population density; and population demographics. We will typically notify you of approval or disapproval of your proposed site within 30 days of our receipt of reasonable documentation that we request or specify regarding the site.
- 3) If requested, we may choose to provide reasonable advice and input related to your selection of a site for the Franchise Premises. You will pay for all our reasonable expenses related to any such requested services, including our travel and lodging expenses. Our rendering such services is based upon our availability. (Franchise Agreement, Section 1.3).
- 4) Provide initial orientation and training to you and your designated manager(s). (Franchise Agreement, Section 3.1).
- 5) Loan you a copy of the confidential Operations Manual. (Franchise Agreement, Section 5.1).
- 6) Give you a list of approved or designated suppliers. (Franchise Agreement, Section 5.1)

We will not deliver or install equipment, signs, fixtures, opening inventory or supplies. If applicable, there may be an exception if we deliver items to you that you purchase directly from us (or our affiliates).

We do not provide assistance with conforming the premises to local ordinances and building codes; obtaining any required permits; constructing, remodeling, or decorating the premises (except that our Operations Manual may contain requirements and guidelines in this regard); or hiring employees. Other than your designated manager(s), we do not train any of your employees. The foregoing actions will be your sole responsibility.

Generally, we do not own the premises and lease it to you. Typically, you will lease the premises from a third-party landlord.

Time to Open

The typical length of time between the signing of the Franchise Agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is about 8 to 12 months. You are expected to complete the mandatory training program and commence your franchise business operations within 12 months after you sign the Franchise Agreement. Factors that may affect this time are finding and negotiating for the Franchise Premises, arranging for the training session, equipping the Franchise, obtaining initial equipment, financing and business permit requirements, and your personal operational needs. We will maintain an opening checklist that will enumerate all items that must be completed prior to opening your Franchise Premises. A copy of the opening checklist will be included in the Operations Manual. You must meet the requirements of the opening checklist and get our prior written approval before you schedule the opening date for your Franchise or make any press release or other publication of your anticipated opening. Any failure caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a time that is reasonable under the circumstances. If we and you cannot agree on a site within the prescribed deadline, then we will have the right to terminate your Franchise Agreement. We will exercise this discretion in a reasonable manner and in good faith.

Operations Manual Table of Contents

The Operations Manual is confidential and remains our property. It contains mandatory and suggested specifications, standards and procedures. We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the franchise agreement. The revisions may include advancements and developments in services, supplies, equipment, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise. The Table of Contents of the current version of the Operations Manual and the total number of pages and number of pages devoted to each subject are found in Exhibit G.

Mandatory Initial Training

Before you commence your Franchise operations, we will provide a mandatory initial training program for you (or your individual owners if you are an entity) and your General Manager, Kitchen Manager, Bar Manager, and Commissary Manager. The initial training program is held at our headquarters and affiliate-owned restaurant (currently in Portland, Oregon) and lasts approximately six weeks. (Franchise Agreement, Section 3.1). If you are purchasing an operational franchise from an existing franchisee, then the duration of the mandatory initial training program will be approximately two weeks. The initial training program is included in the Initial Franchise Fee only for your first franchise. For additional franchises, we will provide additional training if we deem it necessary or upon your request (subject to our availability) at our then-current training fees.

Accommodations, travel, room, board, and wage expenses for any of your personnel during this period are borne by you. If the Franchise is managed by any persons other than you, you must notify us of the identity of the manager(s). However, we shall not have the right to hire, fire, direct, supervise or discipline your manager(s). The training program must be completed by all franchisees and their designated manager(s) unless, at our reasonable discretion, based upon a franchisee's or a designated manager's experience, it is deemed unnecessary.

As of the date of this disclosure document, the current agenda for the training includes:

INITIAL TRAINING PROGRAM*

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
General Manager and Franchisee Owner(s)	6	See Note Below**	Our Headquarters and Affiliate-Owned Restaurant (currently in Portland, Oregon)
Kitchen Manager Training	3	80	
Bar Manager Training	3	80	
Commissary Manager Training	3	80	
Total Hours	15	240	

* The training schedule may be amended.

** In addition to the classroom training for your General Manager and individual owner(s), your General Manager and individual owner(s) must also attend the training for your Kitchen Manager, Bar Manager and Commissary Manager.

Our training supervisors are Taichi Ishizuki. Mr. Ishizuki has served as our President, CEO and CFO since 2018. He has worked in fields relevant to the subjects he teaches at training since 2003.

Zachary Ragghianti is one of our trainers. He has served as Director of Culinary/Ramen & Dumpling U.S. Operations for AFURI-USA since December 2021. He served in the following positions during the following periods for AFURI-USA in Portland, Oregon: Executive Chef/General Manager from October 2020 to December 2021 and Sous Chef AFURI IZAKAYA from December 2019 through October 2020. His experience in the subjects he teaches at training dates back to at least 2016.

Jennifer Underwood is one of our trainers. She has served as Vice President of Hospitality for AFURI-USA since 2020. She served as the General Manager for the first AFURI-USA restaurant location in Portland, Oregon from February 2019 through February 2020. She has worked in the fields relevant to the subjects she teaches at training since 2009.

Other relevant background information is disclosed in Item 2, above. We use the Operations Manual for instructional material.

Training is scheduled and held on an "as needed" basis depending on the number of franchisees requesting training in a particular time frame and the franchisor's training personnel's availability. The initial training program must be completed within 45 days of your scheduled opening date.

You must complete the initial mandatory training program to our satisfaction or we may terminate the Franchise Agreement upon refunding 50% of the Initial Franchise Fee. You are encouraged to participate in the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you or the manager fails to complete the mandatory training to our satisfaction.

The initial training is included in the Initial Franchise Fee. However, you are responsible for all expenses you and your employees may incur to participate in the initial training, including wages or benefits. You will not receive any compensation for services rendered by the trainee during this or any other training.

If you desire to have more than three individuals receive initial training, these additional individuals will be accommodated at our convenience. We reserve the right to charge a reasonable fee for the provision of the training for these additional individuals.

We may at any time during initial training inform you that an individual attending training on your behalf is not suitable due to criminal activities, disruptive behavior or other reasons. Upon that notice, our obligations to train that individual will be deemed to have been discharged.

Opening Assistance

We will provide the services of a trainer on-site at your Franchise Premises for approximately 14 days in conjunction with the Franchise's opening (approximately seven days before and seven days after opening). This on-site assistance is included in the Initial Franchise Fee only for your first franchise. If you are purchasing an operational franchise from an existing franchisee, then the duration of this on-site assistance will be approximately one week. For additional franchises, we will provide this on-site assistance if we deem it necessary or upon your request (subject to our availability) at our then-current training fees. For additional franchises, you will also be responsible for our out-of-pocket costs for transportation, meals and lodging.

Additional Training

Requested by You. At your option and upon not less than 30 days' prior written notice to us, you may request additional training at our training center or at other agreed upon locations (subject to our availability). The timing for this training depends upon our availability. All expenses of this training will be borne by you, including your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then-current rates. The duration of training is negotiable depending upon your needs and our availability.

Required or Offered by Us. We may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate. They will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. We will not require you to participate in more than 40 hours of such trainings during any calendar year.

Our Obligations During the Operation of Your Franchise

After you open your Franchise, we will:

- 1) Provide additional training to you upon your request as described above. (Franchise
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- Agreement, Section 3.2).
- 2) Administer our advertising program and formulate and conduct national and regional promotion programs. (Franchise Agreement, Section 2).
 - 3) In our discretion, we may inspect the Franchise and conduct activities to ensure compliance with the terms of the Franchise Agreement and Operations Manual to assure consistent quality and service throughout our franchise system. (Franchise Agreement, Sections 2.11 and 5).
 - 4) In our discretion, we may inspect the facilities of your manufacturers, suppliers and distributors and notify you and the manufacturers, suppliers, and distributors in writing of any failure to meet our specifications and standards. (Franchise Agreement, Sections 2.11 and 5).
 - 5) We may provide other supervision, assistance or services although we are not bound by the Franchise Agreement or any related agreement to do so. These may include, among other things, advertising materials, literature, additional assistance in training, promotional materials, bulletins on new products or services, and new sales and marketing developments and techniques.

Pricing

We will be permitted, to the extent permitted by applicable law, to establish minimum or maximum allowable prices on the products and services you offer and sell. You may be required go through us to update menu pricing on our end as we will maintain control over the menu and related customer-facing information via our custom or proprietary software.

Advertising Funds

We will administer the funds we receive for Advertising Fees and direct all regional and national advertising programs with sole discretion over the creative ideas, materials, endorsements, placement and allocation of overhead expenses. We may promote our franchises through any medium we choose, such as print, internet (including website and social media) and public relations. We may use in-house advertising departments and may use regional or national advertising agencies. We may provide to you advertising materials and point of sales aids for you to use in your local advertising and promotional efforts.

We may use the Advertising Fees to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs and public relations efforts, as we, in our sole discretion, deem proper. We may use the Advertising Fees to maintain and update our website. We may use the Advertising Fees to maintain and update our online portal and POS programs and systems (if any) and to create and prepare the information and images to be shared on them (such as photographers, programmers, labor, etc.) (the portal is used to share updates and information regarding recipes, menu items, and related information with our franchisees). We are under no obligation to administer the use of Advertising Fees to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We are not required to spend any amount on advertising in your territory. We shall not be obligated to expend all or any part of the Advertising Fees we receive during any specific period. (Franchise Agreement, Section 2.6)

Our company or affiliate-owned Afuri operations offering products and services similar to our franchisees do not make advertising fee contributions to the advertising fund.

Any Advertising Fees not used in the fiscal year in which they were contributed will be applied and used for advertising and marketing expenses in the following year.

<u>Summary of Advertising Fee Contributions and Expenses</u> <u>for Fiscal Year Ended December 31, 2023</u>			
		Dollar Amount	Percentage
Expenses:	Administrative Expenses	\$1,328.58	7.5%
	Production (e.g. menu design, graphic design, website updates, professional photography, etc.)	\$16,435.15	90.5%
	Media Placement (e.g. Facebook advertising)	\$399.97	2%
Total Expenses:		\$18,163.70	100%
Advertising Fund Contributions:		\$36,780	
Excess of Contributions Over Expenses:		\$18,616.30	

The Advertising Fees are administered by us. The Advertising Fees are not audited. You may obtain an accounting of the Advertising Fees and expenditures upon written request to us.

While advertising materials may note that franchises are available from us, no advertising fees or assessments we collect from our franchisees are used for advertising that is principally a solicitation for the sale of franchises.

Promotional Materials, Webpage, and Social Media Marketing

We will permit you to use your own advertising materials as long as you comply with the following requirements. You will submit to us all advertising copy and other advertising and promotional materials before you use them in your local advertising program. You will not use any advertising copy or other promotional material until we approve it.

You will not establish a website to promote our brand or your Franchise. We will list your location on our website.

We retain the exclusive right to use social media to promote our brand. You shall not use our brand or promote your Franchise in any form of social media without our prior written approval, which we may grant or withhold at our sole and absolute discretion. If we approve, then your use of social media must be in strict compliance with our standards as outlined in our Operations Manual.

Advertising Cooperatives

We have the power to require cooperatives to be formed, changed, dissolved, or merged. We may designate local, regional or national advertising coverage areas to develop cooperative local or regional advertising and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Our company-owned outlets will not be required to participate in or contribute to such regional advertising programs.

If at any meeting of the franchisees in an advertising region, 75% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the “Regional Advertising Fund”). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of 2% of that franchisee’s Revenue. At the time a cooperative local or regional advertising or promotional program is developed, we will provide to you a list of all open Afuri franchises within your advertising coverage area.

We will administer each Regional Advertising Fund in the same manner and upon the same terms and conditions as the Advertising Fee outlined in this Item 11. (Franchise Agreement, Section 2.5). There are no other written governing documents that govern any cooperative advertising program. No Regional Advertising Fund will be audited. However, we will prepare annual financial statements that you may obtain upon written request to us.

Your contributions must be paid to the cooperative administrator we designate, when and in the same manner as the Royalty Fee and Advertising Fee payments are paid to us. Please refer to Items 6, 8 and 9 for more information about our advertising programs.

Advisory Council

We may form an Advisory Council, which would be composed of franchisees and our representatives. The Council may work with us to improve the System, the products and services offered at franchised restaurants, advertising and promotional campaigns, and other matters. The franchisee representatives may be selected by us or may be selected by a vote of other franchisees in the System. The Council will serve in an advisory capacity only. If you participate on a Council, you will pay any costs you incur related to your participation, such as travel and living expenses to attend Council meetings. We will have the authority to dissolve, change and reform the Council.

Computer Systems

The POS System is comprised of certain hardware and software that you must purchase from our designated supplier. If available, this may include our Proprietary Software and related hardware for customer ordering. The approximate cost to purchase the POS System is \$5,000 to \$20,000. The POS System is for recording and reporting sales, tracking inventory, and other business and accounting matters.

You must purchase your sound systems and security systems that meet our minimum specifications from suppliers of your choosing. We estimate the cost of the software and hardware for your systems to be between \$6,000 and \$15,000.

We may require you to use our online portal for updates and information regarding recipes, menu items, and related information. You must have computer systems and internet service that enable you to access the online portal, but you will not be charged a separate fee for use of the online portal.

We may require you to use certain other software and services, such as SmartSheets and Franconnet for the sharing of information. You must have computer systems and internet service that enable you to access such software and services, but you will not be charged a separate fee for use of the software or services.

In addition to the POS System, you must purchase, use and maintain a computer system with hardware

and software as we specify in the Operations Manual or otherwise. If you do not already have the computer systems that we require before you purchase a Franchise, then we estimate the cost of purchasing such systems to be between \$200 to \$500. This is for communications, accounting, and reporting.

You must have high speed internet service where you will be able to access downloads from us of training materials, operations manual revisions, corporate news, and other materials.

You must use an approved supplier for merchant processing to accept credit and debit card payments from your customers.

If we require, you must record and transmit all financial information using our designated systems and our designated ISP or other communication vendors. We may at our discretion change standards for reporting to provide effective technology for the entire system. We will have full ability to poll your data, computer systems and related information by means of direct access whether in person or by electronic means. If available, we may update our menu remotely through the Proprietary Software. There will be no contractual limitation on our right to access your information or data. You must cooperate by providing all information necessary for us to have such access, including by providing any identification information and passwords as needed.

Neither we nor our affiliates will have any obligation to provide any ongoing maintenance, repairs, upgrades or updates related to your computer software and hardware. However, you must upgrade or update your computer hardware and software as we may direct during the term of the franchise agreement. There are no contractual limitations on the frequency and cost of this obligation. We estimate that updates or upgrades to your POS System will be approximately \$0 to \$1,000 per year. If available, updates to our Proprietary Software are included with the software.

Item 12 Territory

Franchise Premises and Franchise Territory

You will be given a specific territory for your Franchise (the “Franchise Territory” or “Territory”). A typical franchise territory will be a mileage radius around the center of the Franchise Premises. The standard radius is 5 miles, but the radius may be as low as 1/4 of a mile in downtown urban areas. We reserve the right to designate a different mileage radius based on factors we deem reasonable. For example, your Franchise Territory may vary in size and dimensions based on population, growth trends, affluence of nearby population, topography, geography, density and demographics. The Franchise Territory will be identified in Section 1.1 of the Franchise Agreement. The exact determination of the Franchise Territory will depend upon our market analysis, market penetration plans and franchise placement strategies. Among the factors we may consider to determine the feasibility of possible franchise territory locations are population demographics and other businesses in the area pursuant to census and chamber of commerce information.

You are responsible for selecting the site location for your Franchise (“Franchise Premises”) subject to our approval. The factors we may consider in approving or rejecting proposed site selections include general location and neighborhood; traffic patterns; parking; physical characteristics of existing buildings; lease terms; population density; and population demographics. Also, we typically require that the Franchise Premises be at a new building (as opposed to a “second generation” restaurant location).

Typically, the Franchise Premises for your first location will have a commissary kitchen. Typically, the

Franchise Premises for each additional location will be serviced by your commissary kitchen at your first Franchise Premises. For the first Franchise Premises with a commissary kitchen, the location will typically be a single story to facilitate ventilation.

Except as provided in the section of this Item under the heading “Our Use of the Marks and Afuri Products and Services,” so long as the Franchise Agreement is in force and you are not in default in any material provision of the Agreement, we will not establish or allow others to establish an Afuri restaurant located within your Franchise Territory.

While you will receive a protected Franchise Agreement, you will not receive an *exclusive* territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. *However*, as stated above, we will not place or authorize anyone else to place an Afuri restaurant within your Franchise Territory.

You may not establish or operate any other Afuri establishment without signing a separate franchise agreement for that facility.

Relocation

You must receive our written permission before you relocate your Franchise. Any relocation will be at your sole expense. You must satisfy our then-current franchise placement and demographics criteria, as expressed in the Operations Manual.

No Right of First Refusal

You do not receive the right and you have no options, rights of first refusal or similar rights to acquire additional franchises or grant subfranchises within the Franchise Territory or in contiguous territories.

Marketing and Providing Services

You may not use alternative distribution channels to make sales outside or inside your Franchise Territory, except as otherwise allowed by us in the Operations Manual.

Except with our prior written permission, you shall not offer or sell products or services from any location other than the Franchise Premises. Any catering and delivery services authorized by us must be within your Franchise Territory. Except with our prior written permission, you shall not place advertisements using our trade names or service marks in or originating from any area other than the Franchise Territory. This includes, but is not limited to, internet, catalog sales, telemarketing or other direct marketing. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media.

All internet marketing is part of our marketing programs described in the Operations Manual and defined in the Franchise Agreement, and must be coordinated through us and approved by us. You may not acquire an independent internet domain name or website.

Development Area for Multiple Franchise Purchases

If you sign the Multiple Franchise Purchase Addendum to purchase multiple Franchises simultaneously, then we will designate a Development Area in which you will open your Franchises.

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.

However, we will not establish or allow others to establish an Afuri business physically located within your Development Area using our Marks and System so long as the Franchise Agreements and corresponding Multiple Franchise Purchase Addenda are in force and you are not in default in any material provision of such agreement, and except as provided in the paragraphs under the heading “Our Use of the Marks and Afuri Products and Services” below. Therefore, your Development Area will be *protected* but not *exclusive*.

The Addendum will expire at the earlier of the following: (1) the opening of your last Franchise under your Development Schedule (described in the Multiple Franchise Purchase Addendum); or (2) the termination of the Addendum under the terms and conditions of the Addendum or the Franchise Agreement. If you do not comply with the Development Schedule, we will have the right to reduce the size of (or change) your Development Area or terminate the Addendum and any of your Franchise Agreements representing Franchises that have not yet opened for business. Thereafter, we and our affiliates will have the right to operate or grant to others the right to operate outlets within your former Development Area. However, your Franchise Territory (defined above) for each of your operating Franchises will remain in force.

Our Use of the Marks and Afuri Products and Services

We retain all rights not specifically granted to you in the Franchise Agreement. This includes our right to use or license the use of our Marks or any other marks to anyone, and for any purpose, and at any location (except that we will not place an Afuri restaurant within your Franchise Territory). Neither we nor our affiliates are restricted from participating in other distribution methods, whether or not within your Franchise Territory, (1) under the Marks, or (2) under marks and product or service configurations different than those offered through your Franchise. For example, we may place present and future Afuri products for sale in grocery stores and food markets at any location, whether or not within the Franchise Territory or within close proximity to your Afuri Franchise. Other distribution methods may also include internet sales, telephone sales, catalogue sales, sales via online marketplaces (such as Goldbelly.com, for example), and sales by other means. We will have no obligation to compensate you for any such sales made within your Franchise Territory.

We may place Afuri establishments in airport and mall food courts, stadiums, and similar limited access environments in your Franchise Territory and regardless of the location of other Afuri operations. We will have no obligation to compensate you for any such sales made within your Franchise Territory.

We have not established and do not presently intend to establish other franchises or company-owned outlets selling similar products or services under a different trademark.

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

No Minimum Sales Requirements

Your rights to the Territory do not depend on you achieving a specific level of sales, market penetration or other condition. However, if you do not comply with the Franchise Agreement and do not cure defaults as required therein, then we may cancel or reduce your Territory or terminate the Agreement.

Item 13 Trademarks

Registrations for Our Marks

AFURI-JPN has registered the following marks on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

Mark	Registration Number	Registration Date
AFURI (standard characters)	5601052	November 6, 2018
	5615702	November 27, 2018
	5673125	February 12, 2019

AFURI-JPN has filed (or if not yet due, will file) all required affidavits in respect to registrations of our principal marks with the USPTO. AFURI-JPN has filed (or if not yet due, will file) all required registration renewals in respect to such registrations.

Our Common Law Rights to the Marks

We and our affiliate company also claim common law rights to the Marks.

Your Use of the Marks

We will allow you to use these and all other trade names, trademarks, service marks, and logos we now own or may in the future develop for our franchise system. We refer to all of these commercial symbols as the “Marks.” The Marks are our exclusive property. You must follow our rules when you use the Marks. You may not use the Marks in any manner we have not authorized in writing. You may not use or give others permission to use the Marks, or any colorable imitation of them, combined with any other words or phrases. You cannot use our Service Marks as part of the name of your business entity or with modifying words, designs or symbols except as we authorize in writing. You may not use our Service Marks in connection with the sale of any unauthorized product or service.

All goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law.

Modifying the Marks

We may change or discontinue any part of the Marks at any time in our sole discretion. You will modify or discontinue use of any franchise names or Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). You will bear all costs and expenses that may be reasonably necessary because of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Marks will apply with equal force to any modified or substituted names or marks.

Agreements Impacting the Marks

We signed a license agreement (the “License Agreement”) with AFURI-JPN dated March 29, 2018 for the license right to use, and to sublicense to our franchisees the right to use, the marks in our franchise system. The License Agreement is for 10-year renewable terms and may only be terminated for good cause. We do not anticipate any issue with your use of the Afuri marks because AFURI-JPN is our parent company.

With the exception of the License Agreement, there are no agreements currently in effect or contemplated which would significantly limit our right to use or license the use of the marks listed in this Item 13 in a manner material to the franchise.

Legal Actions Involving the Marks

There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving the Marks.

You will immediately notify us of any infringement of, or challenge to, your use of the Marks or any marks identical to or confusingly similar to the Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Marks, we will have sole discretion to take or not to take action, as we deem appropriate. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks or if the proceeding is resolved unfavorably to you. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Marks, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect.

We know of no infringing uses that could materially affect your use of the Marks.

Item 14
Patents, Copyright & Proprietary Information

We intend to affix a statutory notice of copyright to our Operations Manual, to certain of our advertising materials, training materials, websites, proprietary software, and to all modifications and additions to them. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights to the copyrighted material. You are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement.

The Operations Manual is described in Item 11. Although we have not filed applications for copyright registration, all copyrighted materials are our property. Item 11 describes limits on use of the copyrighted materials by you and your employees. You are only permitted to use our proprietary processes and systems in accordance with the Franchise Agreement and only as long as you are a franchisee. Your failure to comply with the confidentiality requirements of the Franchise Agreement may result in your payment of liquidated damages to us as specified in the Franchise Agreement. You must contact us immediately if you learn of any unauthorized use of our proprietary information. You must also agree to not contest our rights to, and interest in, our copyrights and other proprietary information.

We claim proprietary rights to certain confidential information and trade secrets related to our business processes and supplier relationships that you will learn during training. We consider such processes and modifications to be our trade secrets.

All data pertaining to your Franchise and all data you create or collect in connection with your operation of the Franchise (collectively, “Afuri Data”), including, data pertaining to, or otherwise concerning, the Franchise’s customers, or that you otherwise collect, including data uploaded to, or downloaded from your computer system, is Afuri Data and is our sole property. We have the right to review and use the Afuri Data in any manner that we deem appropriate without any compensation to you. You just provide us with copies and/or originals of the Afuri Data within five days after our request for the Afuri Data at no cost to us and at any time during the term of your Franchise Agreement and upon the expiration and/or termination of your Franchise Agreement. We license the use of the Afuri Data to you during the term of your Franchise Agreement, at no cost to you, solely for your use in the operation of your Franchise. You must maintain the Afuri Data as secret and confidential and must not make any of the Afuri Data available to any unauthorized person without our prior written consent of and then only in the manner we permit.

We have no patents material to your Franchise.

Item 15
Obligation to Participate in the Actual Operation of the Franchise Business

You, or one of your owners if you are a business entity, are responsible for supervision and oversight of the Franchise. If you hire a manager to oversee day-to-day operations, you still must supervise the Franchise and visit the Franchise Premises as required in the Operations Manual. Any manager you employ must complete our training program, which is to be conducted by us (or by you in accordance with our specifications, in our discretion). The manager is not required to have any equity interest in your franchise business entity. The manager and all of your owners must agree to be bound by the confidentiality and non-competition provisions of the Franchise Agreement.

If you are a business entity, then each of your owners must assume and agree to discharge all of your obligations under the Franchise Agreement.

Item 16
Restrictions on What the Franchisee May Sell

We require that you use, offer and sell only those products and services that we approve in writing. You must offer all products and services that we designate as required by our franchisees. We reserve the right, without limitation, to modify, delete and add to the authorized products and services. There are no limits regarding customers to whom you may sell goods and services except the following: (1) you may not offer or sell products or services from any location other than the Franchise Premises without our prior written consent; and (2) you may not do business, operate or place advertisements using our Marks in or originating from any area other than the Franchise Territory.

Item 17
Renewal, Termination, Transfer, and Dispute Resolution

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

THE FRANCHISE RELATIONSHIP

<u>Provision</u>	<u>Section in Franchise Agreement (“FA”)</u>	<u>Summary</u>
a. Length of the franchise term	FA Section 1.1	10 years
b. Renewal or extension of term	FA Section 6.1	If you are in good standing, you may renew for periods of 10 years under the terms of our then-current franchise agreement forms that may have materially different terms and conditions than your original contract.
c. Requirements for franchisee to renew or extend	FA Section 6.1	“Renewal” means that you, upon the expiration of the original term of the franchise agreement, have the right to enter into a new agreement according to our then-current franchise agreement forms that may have materially different terms and conditions than your original contract. You must give notice at least three and not more than six months before expiration of the initial term; faithfully perform under the

<u>Provision</u>	<u>Section in Franchise Agreement (“FA”)</u>	<u>Summary</u>
		initial agreement; refurbish the Franchise and replace obsolete equipment; sign general release; sign a new agreement that may contain materially different terms and conditions from the original contract; reimburse us for our costs related to the renewal (with a minimum of \$2,000); and go through retraining at your cost (if we so require).
d. Termination by franchisee	FA Section 6.2	Upon 30 days’ notice only for material breach by us. Post-termination covenants still apply.
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	FA Section 6.3	We can terminate only if you default. Any material violation or breach of the Franchise Agreement is deemed a material breach of any other franchise or other agreement between you and us. The non-breaching party then will be entitled to enforce the penalties of or to terminate the Franchise Agreement and any relevant addenda and any or all of such other franchise agreements.
g. “Cause” defined – curable defaults	FA Section 6.3(A)	You have 30 days to cure any default not listed in Section 6.3.
h. “Cause” defined – non-curable defaults	FA Section 6.3(B)	Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, non-payment of fees, repeated under reporting of sales, disclosure of confidential information.

<u>Provision</u>	<u>Section in Franchise Agreement (“FA”)</u>	<u>Summary</u>
i. Franchisee’s obligations on termination or nonrenewal.	FA Section 6.5 & 6.8	De-identification, return of manuals, release of phone numbers and listings, de-identification of your franchise equipment and premises, payment of sums owed, confidentiality, and non-competition.
j. Assignment of contract by franchisor	FA Section 7.1	There are no restrictions on our right to transfer.
k. “Transfer” by franchisee – defined	FA Section 7.1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called “transfer”) the whole or any part of the franchise agreement, substantial assets of the franchise, or ownership or control of you.
l. Franchisor’s approval of transfer by franchisee	FA Section 7.1	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	FA Section 7.1	The transferee must qualify as a franchisee, assume your obligations, and successfully pay for and complete the mandatory training. You may not be in default, must release us, and you or the transferee must pay the Transfer Fee.
n. Franchisor’s right of first refusal to acquire franchisee’s business	FA Section 7.3	If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, 30-day notice and right to decide.
o. Franchisor’s option to purchase franchisee’s business	FA Section 7.3	You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or

<u>Provision</u>	<u>Section in Franchise Agreement (“FA”)</u>	<u>Summary</u>
		transfer any interest in you or in your Franchise. We will elect to exercise our option to purchase within 30 business days after our receipt of your written notification and required information. If we offer you an amount that you do not agree to, you may try to sell to a third party. You are obligated before any transfer to a third party to comply with all criteria outlined in the paragraphs related to Right of First Refusal.
p. Death or Disability of franchisee	FA Section 7.2	Within 180 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise, or transfer Franchise interest.
q. Non-Competition Covenants During the Term of the Franchise	FA Sections 5.8 & 5.9	You may not disclose confidential information or compete. Certain exceptions may apply if you operate one or more existing restaurants that offer similar food items as provided in the Pre-Existing Business Addendum to the Franchise Agreement (Exhibit 4).
r. Non-Competition Covenants After the Franchise is Terminated or Expires	FA Sections 5.9 & 6.8	No competition is allowed for two years within the Territory, within a 50-mile radius of the Territory, and within a 50-mile radius of any location where we operate or have granted the franchise to operate an Afuri business. Certain exceptions may apply if you operate one or more existing restaurants that offer similar food items as provided in the Pre-Existing Business Addendum to the

<u>Provision</u>	<u>Section in Franchise Agreement (“FA”)</u>	<u>Summary</u>
		Franchise Agreement (Exhibit 4).
s. Modification of the Agreement	FA Sections 5.5 and 9.7	We may modify the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement of the parties.
t. Integration/Merger Clause	FA Sections 5.1, 5.5, & 9.7	Only the terms of the Franchise Agreement and Operations Manual are binding subject to state law. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you.
u. Dispute Resolution by Arbitration or Mediation	FA Section 9.8	Before taking any other legal action, the parties agree to mediate and arbitrate most types of disputes in Multnomah County, Oregon subject to state law.
v. Choice of Forum	FA Section 9.8	Subject to applicable state law, mediation, arbitration and litigation must be in Multnomah County, Oregon subject to state law. Some states and provinces do not allow franchisees to give up their right to bring or defend lawsuits in the courts of their state. See the State and Provincial Law Addendum to the Franchise Agreement and this disclosure document for state-specific addenda to this Item.
w. Choice of Law	FA Section 9.8	Subject to applicable state law,

<u>Provision</u>	<u>Section in Franchise Agreement (“FA”)</u>	<u>Summary</u>
		Oregon law applies except as otherwise provided in the Franchise Agreement. See the State and Provincial Law Addendum to the Franchise Agreement and this disclosure document for state and province-specific addenda to this Item.

See State and Provincial Law Addendum for disclosures related to specific states and provinces.

Item 18 Public Figures

No public figure is involved in our franchise program.

Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Taichi Ishizuki, CEO, AFURI FRANCHISE INC., 923 SE 7th Ave., Portland, Oregon 97214, (971) 386-2945, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20
Outlets and Franchisee Information

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
For Fiscal Years Ending December 31, 2021, 2022, 2023

<u>Column 1</u> <u>Outlet Type</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the</u> <u>Start of the Year</u>	<u>Column 4</u> <u>Outlets at the</u> <u>End of the Year</u>	<u>Column 5</u> <u>Net Change</u>
Franchised	2021	2	3	+1
	2022	3	3	0
	2023	3	1	-2
Company or Affiliate Owned*	2021	3	3	0
	2022	3	4	+1
	2023	4	5	+1
Total Outlets	2021	5	6	+1
	2022	6	7	+1
	2023	7	6	-1

* Owned and operated by our parent or one of our affiliates

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(other than the Franchisor)
For Fiscal Years Ending December 31, 2021, 2022, 2023

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Number of Transfers</u>
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

[The remainder of this page is intentionally left blank.]

Table No. 3
STATUS OF FRANCHISED OUTLETS
For Fiscal Years Ending December 31, 2021, 2022, 2023

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the Start of the Year</u>	<u>Column 4</u> <u>Outlets Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-Renewals</u>	<u>Column 7</u> <u>Reacquired by Franchisor</u>	<u>Column 8</u> <u>Ceased Operations – Other Reasons</u>	<u>Column 9</u> <u>Outlets at End of the Year</u>
California	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	2	1
Total	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	2	1

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS
For Fiscal Years Ending December 31, 2021, 2022, 2023

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the Start of the Year</u>	<u>Column 4</u> <u>Outlets Opened</u>	<u>Column 5</u> <u>Outlets Reacquired from Franchisees</u>	<u>Column 6</u> <u>Outlets Closed*</u>	<u>Column 7</u> <u>Outlets Sold to Franchisees</u>	<u>Column 8</u> <u>Outlets at End of Year</u>
Oregon	2021	3	0	0	0	0	3
	2022	3	1	0	0	0	4
	2023	4	1	0	0	0	5
Total	2021	3	0	0	0	0	3
	2022	3	1	0	0	0	4
	2023	4	1	0	0	0	5

Table No. 5
PROJECTED OPENINGS
As of December 31, 2023 (Through December 31, 2024)

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Franchise Agreements Signed But Outlet Not Opened</u>	<u>Column 3</u> <u>Projected New Franchised Outlets in the Next Fiscal Year</u>	<u>Column 4</u> <u>Projected New Company-Owned Outlets in the Current Fiscal Year</u>
California	4	1	0
New York	5	1	0
Texas	5	1	0
Total	14	3	0

The following is a complete listing of all of our franchised outlets in the United States and the addresses and telephone numbers of all of their operations as of December 31, 2023:

<u>Name</u>	<u>Address</u>	<u>Phone</u>
MDLH INVESTMENT LLC, Contacts: Qian Hou and Mingcheng Duan	688 Mateo St. Los Angeles, CA 90021	(213) 221-7206

The following is a complete listing of all of our current franchisees who had signed Franchise Agreement in the United States but had not yet opened their franchises for business as of December 31, 2023 and the issuance date of this disclosure document:

<u>Name</u>	<u>Address</u>	<u>Phone</u>
MDLH INVESTMENT LLC Contacts: Qian Hou and Mingcheng Duan <i>(signed five Franchise Agreements; one franchise opened as of 12-31-23)</i>	688 Mateo St. Los Angeles, CA 90021	(213) 221-7206
TLC GOURMET FOOD INTERNATIONAL LLC, Contacts: Jiandong (Peter) Xu and Jian Zhou <i>(five Franchise Agreements signed but not yet opened)</i>	445 Northern Blvd, Ste 28 Great Neck, NY 11021	(516) 697-2297
Wheatstone Holding LLC Contact: Patrick Sun <i>(five Franchise Agreements signed but not yet opened)</i>	810 Hollington Way Sugar Land, TX 77479-2761	314-805-9163

The following is a complete listing of all of our current company-owned, parent-owned, and affiliate-owned outlets and the addresses and telephone numbers of all of their operations as of December 31, 2023 and the issuance date of this disclosure document:

<u>Name</u>	<u>Address</u>	<u>Phone</u>
AFURI BUCKMAN LLC	923 SE 7th Ave. Portland, Oregon 97214	(971) 386-2945
AFURI PDX, LLC	50 SW 3rd Ave. Portland, Oregon 97204	(971) 288-5510
AFURI OLD TOWN LLC	12555 SW 1st Street Beaverton, Oregon 97005	(503) 336-0027
AFURI SLABTOWN LLC	1620 NE 21 st Ave. Portland, Oregon 97209	(503) 384-2920

<u>Name</u>	<u>Address</u>	<u>Phone</u>
AFURI USA INC.	923 SE 7 th Ave. Portland, Oregon 97214	(971) 386-2945

Currently, we have no area developers or master franchisees.

The following is a list of the name, city and state, and the current 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 date of this disclosure document:

<u>Name</u>	<u>City/State</u>	<u>Phone</u>
RAMEN UNITED MV INC., Thanh Minh Chau Le and Trang Nguyen*	Los Angeles, California	(408) 910-0652

* For this former franchisee, three Franchise Agreements were terminated by mutual agreement. Two Franchise Agreements were for operational outlets in Cupertino and Mountain View, California. We have included these in the column for “Ceased Operations - Other Reasons” in Table No. 3 above. One Franchise Agreement was for a franchise that had not yet opened.

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

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

There are not any trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored, or endorsed.

There are not any independent franchisee organizations that have asked to be included in this disclosure document.

Item 21

Financial Statements

Attached in Exhibit A to this disclosure document are our audited financial statements as of December 31, 2021, 2022, and 2023. Our fiscal year-end is December 31.

Item 22
Contracts

The following agreements are exhibits:

1. Franchise Agreement (including exhibits and schedules) - Exhibit B
2. Conditional Assignment of Telephone and Directory Listings - Exhibit D
3. Abandonment, Relinquishment, & Termination of Assumed Business Name - Exhibit E
4. Authorization for Electronic Funds Transfer - Exhibit F
5. Form of General Release – Exhibit H
6. Personal Guaranty Agreement – Exhibit I
7. Confidentiality and Non-Competition Agreement – Exhibit J
8. State and Provincial Law Addendum – Exhibit L

Item 23
Receipts

Attached to this disclosure document are two receipt pages (Exhibit N). They are duplicates that evidence your receipt of this disclosure document – the first is to be retained by you, the other by us.

FINANCIAL STATEMENTS

Financial Statements

AFURI FRANCHISE, INC.

Financial Report

December 31, 2023

AFURI FRANCHISE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
Afuri Franchise, Inc.

Opinion

We have audited the accompanying financial statements of Afuri Franchise, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

21250 Hawthorne Blvd., Suite 500, Torrance, CA 90503 U.S.A.
+1 (310) 792-8663

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Sky Accountancy Corporation

Torrance, California

April 5, 2024

AFURI FRANCHISE, INC.

Balance Sheet

December 31, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 922,050
Accounts receivable, net of allowance	60,146
Due from parent	66,913
Due from affiliates	36,935
Prepaid expenses	511
Total current assets	<u>1,086,555</u>
Property and equipment	
Machinery and equipment	1,250
Less: accumulated depreciation	(590)
Net property and equipment	<u>660</u>
Other assets	
Intangible assets	106,725
Deferred income tax	39,000
Total other assets	<u>145,725</u>
Total assets	<u>\$ 1,232,940</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities	
Accounts payable	\$ 766
Due to affiliates	17,465
Credit cards payable	2,861
Gift card liabilities and other	90,810
Income tax payable	5,665
Deferred revenue, current portion	102,049
Total current liabilities	<u>219,616</u>
Noncurrent liabilities	
Deferred revenue less current portion	906,768
Total noncurrent liabilities	<u>906,768</u>
Total liabilities	<u>1,126,384</u>
Stockholder's equity	
Common stock, no par value	
100 shares authorized, issued and outstanding	-
Additional paid-in-capital	18,000
Retained earnings	88,556
Total stockholder's equity	<u>106,556</u>
Total liabilities and stockholder's equity	<u>\$ 1,232,940</u>

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Statement of Operations

For the Year Ended December 31, 2023

Revenue		
Royalties	\$	343,943
Initial franchise fees		56,638
Marketing fees		36,780
Franchise reimbursements		2,457
Distribution sales		441
Sales returns and allowance		(320)
Total revenue		<u>439,939</u>
Operating expenses		
Advertising and marketing		3,510
Bad debt expense		90
Bank charge		2,138
Business taxes		19,998
Depreciation		1,797
Dues and subscription		29,343
Franchise service costs		533
Gift card program		(352)
Licenses		360
Management fees		213,048
Meals and entertainment		1,913
Office and other business expense		3,165
Penalty		25
Professional services		28,958
Research and development		56
Travel		46,211
Total operating expenses		<u>350,793</u>
Income from operations		<u>89,146</u>
Other expense		
Loss on disposition of fixed asset		(2,760)
Net other expense		<u>(2,760)</u>
Net income before provision for income taxes		86,386
Credit for income taxes		(8,535)
Net income	\$	<u>94,921</u>

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Statement of Changes in Stockholder's Equity

For the Year Ended December 31, 2023

	Common Stock	Additional Paid-in-Capital	Retained Earnings	Total
Balance at December 31, 2022	\$ -	\$ 18,000	\$ (6,365)	\$ 11,635
Net Income	-	-	94,921	94,921
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 88,556</u>	<u>\$ 106,556</u>

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash flows from operating activities	
Net income	\$ 94,921
Adjustment to reconcile net income to net cash flows	
used in operating activities:	
Depreciation	1,797
Loss on disposition of fixed asset	2,760
Deferred income taxes	(15,000)
Changes in operating assets and liabilities:	
Accounts receivable	(13,446)
Due from parent	(66,913)
Due from affiliates	31,553
Prepaid expenses	92
Accounts payable	(431)
Due to parent	(193,804)
Due to affiliates	(1,964)
Credit cards payable	(3,608)
Gift card liabilities and other	43,247
Income tax payable	4,865
Deferred revenue	108,363
Net cash used in operating activities	<u>(7,568)</u>
Cash flows from investing activities	
Purchase of intangible assets	(9,233)
Net cash used in investing activities	<u>(9,233)</u>
Net change in cash and cash equivalents	(16,801)
Cash and cash equivalents, beginning of period	938,851
Cash and cash equivalents, end of period	<u>\$ 922,050</u>

Supplemental disclosure for cash flow information:

Cash paid during the year for:	
Income taxes	\$ 1,600
Interest	-

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 1 – NATURE OF OPERATIONS

Afuri Franchise, Inc. (the “Company”) was incorporated in Oregon on July 10, 2017. The Company is in the business of offering franchise opportunities for “Afuri Ramen + Dumpling” and “Afuri Izakaya” restaurants. Named after the Japanese mountain, Afuri’s signature ramen is made with yuzu, a small yellow citrus fruit native to Asia and splashed with fresh chicken broth which pairs perfectly with charcoal-grilled pork.

The Company had one operating franchise restaurant in the United States at December 31, 2023. The Company had agreements for fourteen additional restaurants in the United States at December 31, 2023.

The Company had six operating franchise restaurants outside of the United States at December 31, 2023. The Company had agreements for nine additional restaurants outside of the United States at December 31, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash and cash equivalents:

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Foreign transactions:

Transactions outside the United States include agreements with franchisees in Canada, Singapore, and Hong Kong. Foreign transactions are subject to risks inherent in transacting under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The functional currency of all of the Company’s foreign transactions is US dollars.

Trade accounts receivable:

Trade accounts receivable are carried at their estimated collectible amounts. Management charges a 5% late fee and 1.5% interest per month on unpaid balances. No revenue was recognized for the year ended December 31, 2023 related to these charges.

The Company establishes an allowance for doubtful accounts based on experience and analysis of specific franchisees, taking into consideration on the age of past due accounts, and an assessment of the franchisee’s ability to pay. The Company believes that all of its receivables are collectible and, therefore, at this time, believes no provision is necessary.

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment:

Property and equipment are stated at cost. Depreciation of property and equipment is calculated by using the straight-line method over the estimated useful lives of the respective assets.

Expenditures for major renewal and betterments are capitalized, while minor replacements and maintenance and repairs, which do not improve or extend the asset lives are charged to operations as incurred.

Intangible asset:

Website development is stated at cost less accumulated amortization. Amortization is recorded using the straight-line method over the estimated useful lives of the respective assets (3 years). The intangible asset was not placed in service as of December 31, 2023, thus there was no accumulated amortization at December 31, 2023.

Revenue recognition:

The Company has analyzed the provisions of the ASC 606, “Revenue from Contracts with Customers”, and has concluded that no changes are necessary to conform with the new standard. Franchise fee revenue includes an initial franchise fee, which is generally non-refundable and recognized by the Company as revenue using the straight-line method over the length of the franchise agreement (10 years). The Company allocates a portion of the initial franchise fee to training revenue which is recognized upon the franchise opening for business.

The Company recognizes royalty and marketing fee revenues from operating franchised restaurants monthly.

The Company records deferred revenue when it has not yet fulfilled its performance obligation for training services and for initial franchise fees collected but recognized over the course of the agreement.

Income taxes:

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes, which relate to the temporary differences between financial and tax reporting.

The deferred tax asset and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered and settled, respectively.

The Company accounts for uncertain tax positions pursuant to ASC 740, “Income Taxes”. ASC 740 requires the Company to recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. The Company classifies interest and penalties related to unrecognized tax benefits, if incurred, as a component of other expenses. To date, there has been no interest or penalties charged or accrued in relation to unrecognized tax benefits.

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising costs:

Advertising costs, included in operating expenses, are expensed as incurred. Advertising expense amounted to \$3,510 for the year ended December 31, 2023.

Shipping and handling costs:

Cost incurred for shipping and handling are expensed when incurred and included in operating expenses.

Use of estimates:

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent events:

The Company evaluated all events subsequent to the balance sheet date of December 31, 2023, through April 5, 2024, the date the financial statements were available to be issued.

NOTE 3 – FRANCHISING

The Company executes franchise agreements that set the terms of its arrangements with each franchisee. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee of \$45,000, which includes required training costs. The franchise agreements also require the franchisee to pay monthly royalty fees based on revenue levels. The franchisee pays marketing fees monthly to cover advertising, market research, and search engine optimization. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration. Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred.

When an individual franchise is sold, the Company agrees to license the Afuri name to the franchisee, provide site selection criteria and design plans for the restaurant, assist in developing the restaurant and implementing the grand opening advertising, and provide the initial training program, among others.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company recorded management fees of \$213,048 for the year ended December 31, 2023. The fees include management, consulting, and accounting wages, franchisee training, as well as office rent, insurance, and utilities.

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 5 – INCOME TAXES

The Company and the Parent Company file their U.S. federal income taxes on a consolidated basis; tax provisions are computed and there is no agreement for the Company to reimburse the Parent for any federal income taxes incurred.

Components of the provision (credit) for income taxes for the year ended December 31, 2023 were summarized as follows:

Current taxes:	
Federal	\$ -
State	<u>6,465</u>
	<u>6,465</u>
Deferred taxes:	
Federal	-
States	<u>(15,000)</u>
	<u>(15,000)</u>
	<u>\$ (8,535)</u>

Deferred tax assets and liabilities were comprised of the following at December 31, 2023:

Deferred tax assets:	
Deferred revenue	\$ 38,000
Gift card liabilities	<u>3,000</u>
Total deferred tax assets	<u>41,000</u>
Deferred tax liabilities:	
Accounts receivable	<u>(2,000)</u>
Total deferred tax liabilities	<u>(2,000)</u>
Gross net deferred taxes	39,000
Valuation allowance	<u>-</u>
Net deferred tax assets	<u>\$ 39,000</u>

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 6 – CONCENTRATIONS OF CREDIT AND OTHER RISKS

Presently, the Company maintains its cash accounts at a financial institution located in Oregon. Generally, accounts at U.S. banks are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per depositor, per insured bank, for each account ownership category. The following is a summary of the total insured and uninsured balances as of December 31, 2023:

Account balances (per bank statements)	\$ 921,479
Portion insured by FDIC	<u>380,959</u>
Uninsured account balances	<u>\$ 540,520</u>

The Company had seven franchisees that accounted for 100% of the revenue for the year ended December 31, 2023. Related accounts receivable from these franchisees at December 31, 2023 represented approximately 100% of total accounts receivable.

NOTE 7 – CONTINGENCIES

The Company is subject to legal proceedings and claims arising in the ordinary course of conducting its business. Management is not currently aware of any legal proceedings in which the outcome may have a material adverse effect on the financial position, results of operations or cash flows of the Company.

AFURI FRANCHISE, INC.

Financial Report

December 31, 2022

AFURI FRANCHISE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
Afuri Franchise, Inc.

Opinion

We have audited the accompanying financial statements of Afuri Franchise, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Board of Directors and Stockholders
Afuri Franchise, Inc.
Independent Auditors' Report
Page Two

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Sky Accountancy Corporation

Torrance, California

April 7, 2023

AFURI FRANCHISE, INC.

Balance Sheet

December 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 938,851
Accounts receivable, net of allowance	46,700
Due from affiliates	68,488
Prepaid expenses	603
Total current assets	<u>1,054,642</u>
Property and equipment	
Machinery and equipment	8,779
Less: accumulated depreciation	(3,562)
Net property and equipment	<u>5,217</u>
Other assets	
Intangible assets	97,492
Deferred income tax	24,000
Total other assets	<u>121,492</u>
Total assets	<u>\$ 1,181,351</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities	
Accounts payable	\$ 1,197
Due to parent	193,804
Due to affiliates	19,429
Credit cards payable	6,469
Gift card liabilities and other	47,563
Income tax payable	800
Deferred revenue, current portion	102,493
Total current liabilities	<u>371,755</u>
Noncurrent liabilities	
Deferred revenue less current portion	797,961
Total noncurrent liabilities	<u>797,961</u>
Total liabilities	<u>1,169,716</u>
Stockholder's equity	
Common stock, no par value	
100 shares authorized, issued and outstanding	-
Additional paid-in-capital	18,000
Accumulated deficit	(6,365)
Total stockholder's equity	<u>11,635</u>
Total liabilities and stockholder's equity	<u>\$ 1,181,351</u>

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Statement of Operations

For the Year Ended December 31, 2022

Revenue	
Royalties	\$ 318,097
Initial franchise fees	64,866
Marketing fees	38,691
Franchise reimbursements	454
Total revenue	<u>422,108</u>
Operating expenses	
Advertising and marketing	27,165
Bad debt expense	14,129
Bank charge	891
Business taxes	15,755
Depreciation	1,679
Dues and subscription	29,015
Franchise service costs	9,761
Gift card program	5,787
Licenses	50
Management fees	242,964
Meals and entertainment	5,040
Office and other business expense	8,503
Penalty	85
Professional services	36,768
Travel	35,191
Total operating expenses	<u>432,783</u>
Loss from operations	<u>(10,675)</u>
Credit for income taxes	(18,834)
Net income	<u>\$ 8,159</u>

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Statement of Changes in Stockholder's Equity

For the Year Ended December 31, 2022

	Common Stock	Additional Paid-in-Capital	Accumulated Deficit	Total
Balance at December 31, 2021	\$ -	\$ 18,000	\$ (14,524)	\$ 3,476
Net Income	-	-	8,159	8,159
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ (6,365)</u>	<u>\$ 11,635</u>

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities	
Net income	\$ 8,159
Adjustment to reconcile net income to net cash flows provided by operating activities:	
Depreciation	1,679
Deferred income taxes	(24,000)
Changes in operating assets and liabilities:	
Accounts receivable	2,065
due from parent and affiliates	(68,488)
Prepaid expenses	3,881
Accounts payable	56
Due to parent and affiliates	142,480
Credit cards payable	5,922
Gift card liabilities and other	8,827
Income tax payable	800
Deferred revenue	(64,867)
Net cash provided by operating activities	<u>16,514</u>
Cash flows from investing activities	
Acquisition of property and equipment	(1,249)
Purchase of intangible assets	(2,496)
Net cash used in investing activities	<u>(3,745)</u>
Net change in cash and cash equivalents	12,769
Cash and cash equivalents, beginning of period	926,082
Cash and cash equivalents, end of period	<u>\$ 938,851</u>

Supplemental disclosure for cash flow information:

Cash paid during the year for:	
Income taxes	\$ 4,451
Interest	-

See accompanying notes to financial statements.

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AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 1 – NATURE OF OPERATIONS

Afuri Franchise, Inc. (the “Company”) was incorporated in Oregon on July 10, 2017. The Company is in the business of offering franchise opportunities for “Afuri Ramen + Dumpling” and “Afuri Izakaya” restaurants. Named after the Japanese mountain, Afuri’s signature ramen is made with yuzu, a small yellow citrus fruit native to Asia and splashed with fresh chicken broth which pairs perfectly with charcoal-grilled pork.

The Company had three operating franchise restaurants in the United States at December 31, 2022. The Company had agreements for five additional restaurants in the United States at December 31, 2022.

The Company had five operating franchise restaurants outside of the United States at December 31, 2022. The Company had agreements for five additional restaurants outside of the United States at December 31, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash and cash equivalents:

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Foreign transactions:

Transactions outside the United States include agreements with franchisees in Canada, Singapore, and Hong Kong. Foreign transactions are subject to risks inherent in transacting under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The functional currency of all of the Company’s foreign transactions is US dollars.

Trade accounts receivable:

Trade accounts receivable are carried at their estimated collectible amounts. Management charges a 5% late fee and 1.5% interest per month on unpaid balances. No revenue was recognized for the year ended December 31, 2022 related to these charges.

The Company establishes an allowance for doubtful accounts based on experience and analysis of specific franchisees, taking into consideration on the age of past due accounts, and an assessment of the franchisee’s ability to pay. The Company recorded allowance for doubtful account of \$14,129 as of December 31, 2022. Bad debt expense amounted to \$14,129 for the year ended December 31, 2022.

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment:

Property and equipment are stated at cost. Depreciation of property and equipment is calculated by using the straight-line method over the estimated useful lives of the respective assets.

Expenditures for major renewal and betterments are capitalized, while minor replacements and maintenance and repairs, which do not improve or extend the asset lives are charged to operations as incurred.

Intangible asset:

Website development is stated at cost less accumulated amortization. Amortization is recorded using the straight-line method over the estimated useful lives of the respective assets (3 years). The intangible asset was not placed in service as of December 31, 2022, thus there was no accumulated amortization at December 31, 2022.

Revenue recognition:

The Company has analyzed the provisions of the ASC 606, “Revenue from Contracts with Customers”, and has concluded that no changes are necessary to conform with the new standard. Franchise fee revenue includes an initial franchise fee, which is generally non-refundable and recognized by the Company as revenue using the straight-line method over the length of the franchise agreement (10 years). The Company allocates a portion of the initial franchise fee to training revenue which is recognized upon the franchise opening for business.

The Company recognizes royalty and marketing fee revenues from operating franchised restaurants monthly.

The Company records deferred revenue when it has not yet fulfilled its performance obligation for training services and for initial franchise fees collected but recognized over the course of the agreement.

Income taxes:

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes, which relate to the temporary differences between financial and tax reporting.

The deferred tax asset and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered and settled, respectively.

The Company accounts for uncertain tax positions pursuant to ASC 740, “Income Taxes”. ASC 740 requires the Company to recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. The Company classifies interest and penalties related to unrecognized tax benefits, if incurred, as a component of other expenses. To date, there has been no interest or penalties charged or accrued in relation to unrecognized tax benefits.

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising costs:

Advertising costs, included in operating expenses, are expensed as incurred. Advertising expense amounted to \$27,165 for the year ended December 31, 2022.

Shipping and handling costs:

Cost incurred for shipping and handling are expensed when incurred and included in operating expenses.

Use of estimates:

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent events:

The Company evaluated all events subsequent to the balance sheet date of December 31, 2022, through April 7, 2023, the date the financial statements were available to be issued.

NOTE 3 – FRANCHISING

The Company executes franchise agreements that set the terms of its arrangements with each franchisee. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee of \$45,000, which includes required training costs. The franchise agreements also require the franchisee to pay monthly royalty fees based on revenue levels. The franchisee pays marketing fees monthly to cover advertising, market research, and search engine optimization. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration. Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred.

When an individual franchise is sold, the Company agrees to license the Afuri name to the franchisee, provide site selection criteria and design plans for the restaurant, assist in developing the restaurant and implementing the grand opening advertising, and provide the initial training program, among others.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company recorded management fees of \$242,964 for the year ended December 31, 2022. The fees include management, consulting, and accounting wages, franchisee training, as well as office rent, insurance, and utilities.

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 5 – INCOME TAXES

The Company and the Parent Company file their U.S. federal income taxes on a consolidated basis; tax provisions are computed and there is no agreement for the Company to reimburse the Parent for any federal income taxes incurred.

Components of the provision (credit) for income taxes for the year ended December 31, 2022 were summarized as follows:

Current taxes:	
Federal	\$ -
State	<u>5,166</u>
	<u>5,166</u>
Deferred taxes:	
Federal	-
States	<u>(24,000)</u>
	<u>(24,000)</u>
	<u>\$ (18,834)</u>

Deferred tax assets and liabilities were comprised of the following at December 31, 2022:

Deferred tax assets:	
Deferred revenue	\$ 24,000
Gift card liabilities	<u>1,000</u>
Total deferred tax assets	<u>25,000</u>
Deferred tax liabilities:	
Accounts receivable	<u>(1,000)</u>
Total deferred tax liabilities	<u>(1,000)</u>
Gross net deferred taxes	24,000
Valuation allowance	<u>-</u>
Net deferred tax assets	<u>\$ 24,000</u>

AFURI FRANCHISE, INC.

Notes To The Financial Statements

NOTE 6 – CONCENTRATIONS OF CREDIT AND OTHER RISKS

Presently, the Company maintains its cash accounts at a financial institution located in Oregon. Generally, accounts at U.S. banks are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per depositor, per insured bank, for each account ownership category. The following is a summary of the total insured and uninsured balances as of December 31, 2022:

Account balances (per bank statements)	\$ 938,851
Portion insured by FDIC	<u>339,509</u>
Uninsured account balances	<u>\$ 599,342</u>

The Company had eight franchisees that accounted for 100% of the revenue for the year ended December 31, 2022. Related accounts receivable from these franchisees at December 31, 2022 represented approximately 100% of total accounts receivable.

NOTE 7 – CONTINGENCIES

The Company is subject to legal proceedings and claims arising in the ordinary course of conducting its business. Management is not currently aware of any legal proceedings in which the outcome may have a material adverse effect on the financial position, results of operations or cash flows of the Company.



AFURI

ramen + dumpling

AFURI FRANCHISE, INC.

**Financial Statements
And Independent Auditors' Report**

December 31, 2021 and 2020

AFURI FRANCHISE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Stockholder
Afuri Franchise, Inc.

We have audited the accompanying financial statements of Afuri Franchise, Inc., which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinion

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

VSH PLLC

Bellingham, Washington
April 8, 2022

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VSH, PLLC

AFURI FRANCHISE, INC.
BALANCE SHEETS
December 31, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 926,082	\$ 467,067
Accounts receivable	48,765	22,323
Prepaid Expense	4,484	9,720
Total current assets	<u>979,331</u>	<u>499,110</u>
PROPERTY AND EQUIPMENT	<u>5,647</u>	<u>7,153</u>
NONCURRENT ASSETS		
Due from parent	-	318,321
Intangible assets	94,996	69,040
Total noncurrent assets	<u>94,996</u>	<u>387,361</u>
TOTAL ASSETS	<u><u>\$ 1,079,974</u></u>	<u><u>\$ 893,624</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 1,141	\$ 16,031
Credit cards payable	547	2,175
Due to franchisees, gift cards	7,993	1,165
Due to parent	62,760	-
Current portion of note payable, related party	-	20,000
Deferred revenue, current portion	82,663	55,323
Total current liabilities	<u>155,104</u>	<u>94,694</u>
NONCURRENT LIABILITIES		
Note payable, related party, net of current portion	-	60,000
Deferred revenue, net of current portion	921,394	750,173
Total noncurrent liabilities	<u>921,394</u>	<u>810,173</u>
TOTAL LIABILITIES	<u>1,076,498</u>	<u>904,867</u>
STOCKHOLDER'S EQUITY (DEFICIT)		
Common stock, no par, 100 shares authorized, issued and outstanding	-	-
Additional paid-in capital	18,000	18,000
Accumulated deficit	(14,524)	(29,243)
Total stockholder's equity (deficit)	<u>3,476</u>	<u>(11,243)</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$ 1,079,974</u></u>	<u><u>\$ 893,624</u></u>

See independent auditors' report and accompanying notes to the financial statements

AFURI FRANCHISE, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE		
Royalties	\$ 268,809	\$ 155,904
Initial franchise fees	33,266	47,564
Marketing fees	32,628	8,886
Franchise Reimbursements	294	-
Total revenue	<u>334,997</u>	<u>212,354</u>
OPERATING EXPENSES		
Management fees	175,279	98,000
Professional services	31,543	38,880
Travel	36,471	20,848
Advertising and marketing	12,130	15,183
Business taxes	10,874	10,249
Licenses	11,744	10,026
Office and other business expenses	11,094	9,339
Meals and entertainment	8,094	8,520
Gift card program	6,207	6,702
Franchise service costs	7,660	6,209
Bank charges	2,231	1,898
Depreciation expense	1,506	376
Dues and subscriptions	5,501	-
Total operating expenses	<u>320,334</u>	<u>226,230</u>
INCOME (LOSS) FROM OPERATIONS	<u>14,663</u>	<u>(13,876)</u>
OTHER INCOME (EXPENSE)		
Miscellaneous income	2,160	125
Charitable contributions	(100)	(325)
Interest expense	(2,004)	-
Total other income and expense	<u>56</u>	<u>(200)</u>
NET INCOME (LOSS)	14,719	(14,076)
CAPITAL CONTRIBUTIONS	-	98,000
ACCUMULATED DEFICIT, beginning of year	<u>(29,243)</u>	<u>(113,167)</u>
ACCUMULATED DEFICIT, end of year	<u><u>\$ (14,524)</u></u>	<u><u>\$ (29,243)</u></u>

See independent auditors' report and accompanying notes to the financial statements

AFURI FRANCHISE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATIONS		
Net income (loss)	\$ 14,719	\$ (14,076)
<i>Adjustments to reconcile net loss to net cash flows provided by operating activities</i>		
Depreciation	1,506	376
Capital contributions	-	98,000
Changes in operating assets and liabilities:		
Accounts receivable	(26,442)	631
Prepaid expenses	5,236	(9,720)
Unbilled receivables	-	21,283
Accounts payable	(14,890)	11,057
Credit cards payable	(1,628)	(27,288)
Due to franchisees, gift cards	6,828	1,165
Deferred revenue	198,561	(30,654)
Net cash provided by operating activities	<u>183,890</u>	<u>50,774</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	820
Purchase of intangible asset	(25,956)	(24,540)
Net cash used by investing activities	<u>(25,956)</u>	<u>(23,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and collections from parent	679,652	-
Advances and repayments to parent	(298,571)	(318,321)
Payments on note payable to related party	(80,000)	-
	<u>301,081</u>	<u>(318,321)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	459,015	(291,267)
CASH AND CASH EQUIVALENTS, beginning of year	<u>467,067</u>	<u>758,334</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 926,082</u>	<u>\$ 467,067</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 2,004</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to the financial statements

AFURI FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1. NATURE OF BUSINESS

Afuri Franchise, Inc. (the Company), was incorporated in Oregon on July 10, 2017. The Company is in the business of offering franchise opportunities for “Afuri Ramen + Dumpling” and “Afuri Izakaya” restaurants. Named after the Japanese mountain, Afuri’s signature ramen is made with yuzu, a small yellow citrus fruit native to Asia and splashed with fresh chicken broth which pairs perfectly with charcoal-grilled pork.

The Company had three and two operating franchise restaurants in the United States at December 31, 2021 and 2020, respectively. The Company had agreements for six additional restaurants in the United States at December 31, 2021.

The Company had four operating franchise restaurants outside of the United States at December 31, 2021 and 2020. The Company had agreements for twelve additional restaurants outside of the United States at December 31, 2021.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the major accounting policies of the Company is presented to assist the reader in evaluating 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. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Foreign transactions – Transactions outside the United States include agreements with franchisees in Canada, Singapore, and Hong Kong. Foreign transactions are subject to risks inherent in transacting under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The functional currency of all of the Company’s foreign transactions is US dollars.

Cash and cash equivalents – For purposes of the statement of cash flows, the Company considers all highly-liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains its cash in bank accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts receivable – Accounts receivable from franchisees are generally unsecured. Management charges a 5% late fee and 1.5% interest per month on unpaid balances. No revenue was recognized for the years ended December 31, 2021 and 2020, related to these charges. The Company establishes an allowance based on experience and analysis of specific franchisees, taking into consideration the age of past due accounts and an assessment of the franchisee’s ability to pay. Management considers all accounts receivables to be collectible; therefore, no allowance has been established for doubtful accounts. There was no bad debt expense for the years ended December 31, 2021 and 2020.

Property and equipment – Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets (5 years). Improvements which increase the useful life of property and equipment and replacements of major components property and equipment are capitalized while maintenance, repairs, and minor replacements are expensed as incurred.

See independent auditors’ report

AFURI FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Intangible asset – Website development is stated at cost less accumulated amortization. Amortization is recorded using the straight-line method over the estimated useful lives of the respective assets (3 years). The intangible asset was not placed in service as of December 31, 2021, thus there was no accumulated amortization at December 31, 2021.

Revenue recognition – The Company has analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and has concluded that no changes are necessary to conform with the new standard. Franchise fee revenue includes an initial franchise fee, which is generally non-refundable and recognized by the Company as revenue using the straight-line method over the length of the franchise agreement (10 years). The Company allocates a portion of the initial franchise fee to training revenue which is recognized upon the franchise opening for business.

The Company recognizes royalty and marketing fee revenues from operating franchised restaurants monthly.

The Company records deferred revenue when it has not yet fulfilled its performance obligation for training services and for initial franchise fees collected but recognized over the course of the agreement.

Advertising – The Company expenses advertising costs as they are incurred. Advertising expense totaled \$12,130 and \$15,183 at December 31, 2021 and 2020, respectively.

Federal income taxes – The accounting for federal income taxes requires an asset and liability approach. Deferred income tax assets and liabilities are provided to recognize the expected future tax consequences of temporary differences between the bases of assets and liabilities for book and tax purposes. The Company files a consolidated federal income tax return with its stockholder, Afuri USA Inc., and there is no agreement for the Company to reimburse the stockholder for any tax incurred.

Management evaluates its income tax positions on a regular basis and believes it has taken no significant uncertain tax positions that could result in additional taxes to the Company. The Company has not recognized any interest or penalties associated with uncertain tax positions.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Going concern – The Company adheres to the provisions of the Financial Accounting Standards Board Accounting Standards Codification 205, subtopic 40, which extends the responsibility for performing the going concern evaluation to management based on relevant conditions and events that are known and reasonably knowable at the time the financial statements are available to be issued. Management has assessed the Company's ability to continue as a going concern for the period of one year from April 8, 2022, and does not believe any existing conditions or events raise substantial doubt about the Company's ability to continue as a going concern.

Subsequent events – Management has reviewed subsequent events through April 8, 2022, the date which the report was available to be issued.

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AFURI FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 3. FRANCHISING

The Company executes franchise agreements that set the terms of its arrangements with each franchisee. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee of \$45,000, which includes required training costs. The franchise agreements also require the franchisee to pay monthly royalty fees based on revenue levels. The franchisee pays marketing fees monthly to cover advertising, market research, and search engine optimization. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration. Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred.

When an individual franchise is sold, the Company agrees to license the Afuri name to the franchisee, provide site selection criteria and design plans for the restaurant, assist in developing the restaurant and implementing the grand opening advertising, and provide the initial training program, among others.

NOTE 4. RELATED PARTY TRANSACTIONS

The Company recorded management fees of \$175,279 and \$98,000, during the years ended December 31, 2021 and 2020, respectively. The fees include management, consulting, and accounting wages, franchisee training, as well as office rent, insurance, and utilities.

The Company had an \$80,000 unsecured note with a related party, Afuri Japan, in which \$20,000 annual payments were scheduled to be made with an annual interest rate of 1.4%, maturing in 2024. The Company repaid the note in 2021. Interest paid totaled \$2,004 and \$0 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5. CONCENTRATIONS OF RISK

The Company had seven and six franchisees that accounted for 100% of the revenue for the year ended December 31, 2021 and 2020, respectively.

The Company had four franchisees that accounted for 93% and 100% of the accounts receivable balance as of December 31, 2021 and 2020, respectively.

See independent auditors' report

FRANCHISE AGREEMENT

AFURI FRANCHISE INC.

**923 SE 7th Ave.
Portland, Oregon 97214
(971) 386-2945**

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FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this ____ day of _____, 20____. It is by and between **AFURI FRANCHISE INC.**, an Oregon corporation, (“*we/us*,” “*Afuri*” and “*Franchisor*”) and _____ and _____ and _____ (jointly and severally “*you*” and “*Franchisee*”).

RECITALS

A. For purposes of this Agreement “you” may include an individual, corporation, partnership, limited liability company or other legal entity. “You” includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term “you” will include all persons who succeed to your interest by transfer or by operation of law.

B. We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to, “Afuri®,” “Afuri Ramen + Dumpling®,” and related logos (the “**Marks**”). We own valuable goodwill and have valuable expertise, Confidential Information (defined below), methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that operate fast-casual restaurants that offer freshly prepared ramen (Japanese style noodle) dishes with a diverse selection of broths, noodles, proteins, sauces and garnishes as well as sushi, rice bowls, Japanese appetizers and other food and beverage products under the Marks (the “**System**”).

C. As a franchisee, you are in an independent contractor relationship with us. You independently own and operate your Franchise. While we establish standards and recommendations for desired outcomes to protect our systems and brand, as an independent contractor franchisee, you generally determine the means to accomplish such outcomes. You are responsible for the day-to-day operation of your Franchise.

D. You desire us to train you and to authorize you to operate a high-caliber Afuri franchise and to use our System and Marks. We are willing to grant you such a franchise on the terms and conditions set forth in this Agreement.

AGREEMENT

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1 GRANT OF FRANCHISE AND FRANCHISE TERRITORY

1.1 Grant of Franchise and Franchise Territory. We grant to you, and you accept from us, the franchise, license, and privilege to use the Marks, the System, and merchandise bearing the Marks, for 10 years from the date of this Agreement (the “**Franchise**”). This grant solely is for the operation by you of one Afuri Franchise at the location identified in the attached Exhibit 1 (the “**Franchise Premises**”) and in the geographical territory identified in the same exhibit (the “**Franchise Territory**”).

1.1.1 Franchise Territory. Except as otherwise provided in this Agreement, during the term of this Agreement, we agree not to locate, or license anyone else to locate, any business using the Marks or the System within the Franchise Territory, without your prior written consent. However, we may purchase

or be purchased by, or merge or combine with, competing businesses, wherever located.

1.1.2 **Marketing Within Territory.** Except with our prior written permission, you shall not do business from any location other than the Franchise Premises. Any catering and delivery services authorized by us must be within your Franchise Territory. Except with our prior written permission, you shall not place advertisements using our Marks in or originating from any area other than the Franchise Territory. This includes, but is not limited to, internet, catalog sales, telemarketing, or other direct marketing. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media.

1.1.3 **Additional Locations.** You may not establish or operate any other Afuri establishment without executing a separate Franchise Agreement for that operation.

Among other things, we may require as a condition to our approval of your purchase of additional franchises (from our existing franchisees or affiliates, or from us) that you sign a general release in a form we prescribe, following applicable law, to release us from any claims you may have against us.

1.1.4 **Co-Branding.** Some Afuri franchises may be placed at a location where another, separate business is operated under another business name. If the Franchise Premises is at that type of location, it will be deemed “co-branded” for the purposes of this Agreement. If the Franchise Premises is located in a co-branded location, the exact basis and calculation of Revenue will follow the requirements and procedures we outline in the Operations Manual. If the Franchise Premises is in a co-branded location, you will obtain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all businesses operated at and all business done through the co-branded location, although Revenue will be limited to Afuri related receipts. If the Franchise Premises is located in a co-branded location, we may enter upon the Franchise Premises at reasonable times to interview co-branded partners and to inspect and copy any books, records and documents related to the co-branded location in order to verify your compliance with the terms of the Franchise Agreement. The Operations Manual may contain additional information about co-branded locations.

1.2 **One Location for Franchise.** You will operate the Franchise only at the Franchise Premises. If not determined when this Agreement is executed, you are responsible for selecting the site for the Franchise Premises within the search area (“***Search Area***”) outlined in Exhibit 1 and in accordance with this Agreement.

1.3 **Assistance in Site Location.**

1.3.1 Unless we approve otherwise, the Franchise Premises for your first location will have a commissary kitchen. Unless we approve otherwise, the Franchise Premises for each additional location will be serviced by your commissary kitchen at your first Franchise Premises. For the first Franchise Premises with a commissary kitchen, the location will typically be a single story to facilitate ventilation.

1.3.2 You are responsible for finding the location of the Franchise Premises subject to our approval. The factors we may consider in approving or rejecting proposed site selections include, but are not limited to, the following: general location and neighborhood; traffic patterns; parking; physical characteristics of existing buildings; lease terms; population density; and population demographics. Also, we typically require that the Franchise Premises be at a new building (as opposed to a “second generation” restaurant location). We may modify these factors at our discretion.

1.3.3 If you request assistance in selecting a site for the Franchise Premises, we may provide

reasonable assistance in finding a location acceptable to you. If requested, you will pay for all reasonable out-of-pocket expenses related to any such site selection assistance, including travel and lodging expenses we incur to help you locate sites. Any on-site assistance is subject to our availability. You will bear all other site selection and lease negotiation expenses.

1.3.4 Neither we nor any of our employees have special expertise in selecting sites. We do not make guarantees with respect to any location you select or lease you sign. We will not be liable for any consequences of your choice of any franchise site. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is your responsibility to investigate all applicable zoning, licensing, leasing, and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

1.3.5 You acknowledge and agree that any location we select or approve, and any lease we approve will be with the understanding that it meets our minimum acceptable criteria based upon our general business experience. The location for the Franchise Premises must meet our minimum square footage and other standards outlined in our Operations Manual. You acknowledge that you are responsible for reviewing and determining the appropriateness and desirability of the lease. We will have no liability with respect to the selection or approval of a location or any lease for the Premises, nor liability with respect to any site recommendations we make.

1.3.6 Before you enter a lease or purchase agreement for the Franchise Premises, you will submit the lease or purchase documents to us for approval. Lease documents must include the Franchise Premises Lease Agreement Rider attached in Exhibit 2 or otherwise include an assignment of the lease in a form we approve, pursuant to which we may assume the lease as provided in Exhibit 2. You will deliver to us a true copy of the lease and any additions or amendments to it promptly after they are executed.

1.3.7 If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

1.4 **Franchise Development.** You will be responsible to furnish and equip the Franchise.

1.4.1 We will furnish to you a schedule of equipment packages for the Franchise. Any modifications you propose must be approved in writing by us. All approvals will be solely within our discretion to maintain a uniform image consistent with Afuri franchise system concepts.

1.4.2 You will comply with the standards and specifications we establish for design, layout, equipment, and furnishings, among other things. Modifications or variations require our prior written consent.

1.4.3 You will comply within a time we deem reasonable with any requirement we impose to modify the layout, furnishings, and equipment.

1.4.4 All equipment will conform to our equipment specifications. We may require reasonable changes in or additions to equipment. If we require any changes in or additions to equipment, you will modify, replace, or add to your existing equipment at your sole expense.

1.5 **Relocation of the Franchise.** You will not relocate the Franchise or your Franchise Premises, if any, without our prior written approval. Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchise location. You may decide to relocate the Franchise for the following reasons: in your and our judgment there is a change in character of the location of the Franchise sufficiently detrimental to your business potential to warrant its

relocation, or you reasonably decide to relocate the Franchise for cause. If so, you may relocate the Franchise to another location, if:

- A. you are not in breach of this Agreement;
- B. you evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;
- C. you develop, furnish, and equip, at your sole expense, the new location according to our then-current specifications and standards;
- D. you pay all reasonable out-of-pocket expenses we incur because of the relocation. The terms “Franchise Territory” and “Franchise Premises” will include the relocated business site; and
- E. you satisfy our then-current franchise placement and demographics criteria, as expressed in the Operations Manual.

1.6 **Existence of Divergent Forms of Franchise Contracts.** You acknowledge that we have offered franchises to others in the past the terms of which may have varied materially from those set forth in this Agreement.

1.7 **Rights We Reserve.** We retain all rights not specifically granted to you under this Agreement. We retain the right, in our sole discretion and without granting any right to you:

A. to use or license the use of the Marks or any other trademarks, service marks, logos or commercial symbols to anyone, and for any purpose, and at any location (except that we will not place an Afuri restaurant with your Franchise Territory).

B. to sell products or services anywhere, including within the Franchise Territory, using the Marks or different marks, through channels of distribution other than the Afuri restaurant franchise granted to you by this Agreement. We will have no obligation to compensate you for any such sales made within your Franchise Territory. For example, we may place Afuri establishments in airport and mall food courts, stadiums, and similar limited access environments in your Franchise Territory and regardless of the location of other Afuri operations. We may place present and future Afuri products for sale in grocery stores and food markets at any location, whether or not within the Franchise Territory or within close proximity to an Afuri franchise. Other distribution methods may also include internet sales, telephone sales, catalogue sales, sales via online marketplaces (such as Goldbelly.com, for example), and sales by other means.

C. to reserve the exclusive right to use the Internet to promote the Marks and to offer and sell Afuri-related products and services. You may not independently market on the Internet, conduct e-commerce, or make sales via online marketplaces except as otherwise allowed by us in the Operations Manual.

D. to locate Afuri company-owned and franchised restaurant locations anywhere outside of your Franchise Territory.

1.8 **Pricing.** We will be permitted, to the extent permitted by relevant law, to establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell. You may be required go through us to update menu pricing on our end as we will maintain control over the menu and related customer-facing information via our custom or proprietary software.

2 **PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS**

2.1 **Initial Franchise Fee.** The Initial Franchise Fee is **\$45,000**. Contemporaneously with the execution of this Agreement, you have paid to us the entire Initial Franchise Fee. The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

Except as provided in Sections 3.1, none of the Initial Franchise Fee is refundable.

2.2 **Royalty Fee.** You will pay to us **5%** of your Revenue (as defined in Section 2.6) each month for the preceding month as a “**Royalty Fee**”. The precise timing and method of payment for the Royalty Fee will be as described in our Operations Manual.

2.3 **Advertising Fee.** You will pay to us **1%** of your total Revenue (as defined in Section 2.6) each month for the preceding month as an “**Advertising Fee**”. The precise timing and method of payment for the Royalty Fee will be as described in our Operations Manual.

2.3.1 Advertising Fee payments are in addition to and exclusive of any sums that you may decide to spend on local advertising and promotion. We have sole discretion over the creative ideas, materials, endorsements, media, placement, and allocation of monies related to use of the Advertising Fee.

2.3.2 You recognize the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Afuri system and the System. We may use all contributions and any earnings from the Advertising Fees we receive from you in local, regional, national, Internet, or international advertising for:

- A. maintaining, administering, researching, directing, preparing, and placing advertising and promotional activities (including, among other things, the costs of preparing and conducting internet pay-per-click campaigns; social media marketing; television; radio; magazine and newspaper advertising campaigns; public relations programs and press releases);
- B. marketing research and development;
- C. marketing surveys and public relations activities;
- D. development and maintenance of any Internet or e-commerce programs;
- E. marketing materials;
- F. decor and promotional materials;
- G. artwork;
- H. advertising services;
- I. training related to marketing, customer service and sales augmentation;
- J. production and distribution of periodic newsletters to provide you with industry news, suggestions, and advice on franchise operations;
- K. our costs related to our custom or proprietary software application used by our franchisees for customer ordering;
- L. maintaining and updating our website;
- M. maintaining and updating our online portal (used to share updates and information regarding recipes, menu items, and related information with our franchisees);
- N. maintaining and updating the self-order kiosk programs and systems (if any); and
- O. our reasonable salaries, accounting, collection, legal and other costs related to all of the above.

Our internal artwork, advertising, promotion, and newsletter production costs and associated administrative costs are paid from the Advertising Fees. These will be calculated at our cost as established from time to time.

2.3.3 We will use your Advertising Fees to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system.

2.4 **Automatic Withdrawal.** We may require all ongoing payments described in this Franchise Agreement (including Royalty Fees and Advertising Fees) to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual. These may include check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet. If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a \$50 fee for each unsatisfied attempt.

2.5 **Advertising Standards.**

2.5.1 **Establishment of Advertising Programs.** At any time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing, and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification, and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise unit, and each unit we own and operate, will be entitled to one vote at these meetings. For the purpose of this subsection, each unit we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, 75% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the “***Regional Advertising Fund***”). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of 2% of that franchisee’s Revenue (as defined in Section 2.6).

Each Regional Advertising Fund will be administered pursuant to standards and procedures outlined in the Operations Manual by representatives elected by each region, at a meeting we call for this purpose.

2.5.2 **Limited-Time Offers.** In national or regional advertising programs, we may include “suggested retail prices” or offer price-specific limited-time offers for the goods or services sold by you and our other franchisees. We will include within all such advertising the phrase “available at participating locations only” or other cautionary language to advise the consumer that the prices may not be adhered to by all our franchisees.

2.5.3 **Discount Programs.** We may develop and market special discount or free coupon programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or coupon program. Within five days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We will establish the discount or coupon programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or

coupon established pursuant to any program. Any discount or coupon programs or other promotions you desire to offer will be subject to our prior written approval, which we may withhold at our discretion except as otherwise provided by law.

2.5.4 Recommended Minimum Local Advertising Expenditure. In addition to your obligation to pay Advertising Fees to us, we typically recommend you spend at least 1% to 3% of your Revenue (as defined in Section 2.6) each month to advertise and promote the Franchise in your local market. We may require you to report the nature, extent, and amount of these local expenditures, in the form and at the times we require in the Operations Manual.

2.5.5 Approval of Your Local Advertising. You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, and specialty and novelty items, before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it. Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement.

2.5.6 Online and Social Media Marketing. We retain the exclusive right to use social media to promote our brand. You shall not use our brand or promote your Franchise in any form of social media without our prior written approval, which we may grant or withhold at our sole and absolute discretion. If we approve, then your use of social media must be in strict compliance with our standards as outlined in our Operations Manual. We will retain ownership and control of social media accounts.

You will not establish or use a website to promote our brand or your Franchise. We will list your Franchise location on our website.

Except as otherwise provided in our Operations Manual, we retain the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our website. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent.

Subject to the terms of use on our website, we may gather, develop and use in any lawful manner information about any visitor to the website, including your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the website or were otherwise in contact with you.

We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials, or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are required to have high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials, corporate news, and other materials.

2.5.7 Trademark and Copyright Notices. You will use the Marks in strict conformity to the

Operations Manual, and will include in any advertisement, or promotional materials which use the Marks, trademark notices as are required by the Operations Manual. All copyrighted materials we supply to you or otherwise used by you in connection with the Franchise will contain copyright notices as required by the Operations Manual.

2.5.8 Advisory Council. We have formed, or at our discretion we may choose to form in the future, an Advisory Council. Such Council is or would be composed of franchisees and our representatives. The Council may work with us to improve the System, the products and services offered at franchised restaurants, advertising and promotional campaigns, and other matters. The franchisee representatives may be selected by us or may be selected by a vote of other franchisees in the System. The Council will serve in an advisory capacity only. If you participate on a Council, you will pay any costs you incur related to your participation, such as travel and living expenses to attend Council meetings. We will have the authority to dissolve, change and reform the Council.

2.6 “Revenue” Defined. “Revenue” means all receipts generated by the Franchise from any source, including sales, exchanges, services, any other type of remuneration, gift, barter of products or services, charity, payment in kind, sales from delivery services (including direct delivery and delivery via third-party delivery services, *without* deducting third-party delivery service fees), or any other benefit or value that is received or deferred to be received. Bona fide discounts, refunds, and sales taxes will not be included in Revenue. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in “Revenue.”

2.7 You Will Pay Taxes and Indebtedness.

2.7.1 You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you in the Franchise Territory, you will pay these taxes. You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement.

2.7.2 You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the System. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease.

2.8 Fees to Be Paid Promptly; Late Charges.

2.8.1 You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to

pursue any other remedy available to us.

2.8.2 A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due. The late charge will equal 1.5% per month. In addition, late payments will be subject to a late payment penalty of 5% of the amount due. These late charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws.

Our acceptance of late charges will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

2.8.3 Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account. You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you, or for any other reason whatsoever.

2.9 Records and Reports.

2.9.1 You will keep a complete and accurate set of books and records of the operation of the Franchise, produce monthly financial statements in accordance with generally accepted accounting principles and practices for each calendar month and furnish copies of these statements to us within 30 days after the end of each quarter (or at such other intervals as we require).

2.9.2 You will furnish to us as outlined in the Operations Manual, an itemized report of the Revenue for the prior month (or other period we require). This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand. All Royalty Fees, Advertising Fees, and any other fees due based upon the Revenue will accompany the report (unless otherwise provided in the Operations Manual).

2.9.3 You will keep records of all business done and Revenue received through the Franchise. These records will include, but are not limited to, order sheets, sales and rental agreement forms, daily sales summaries, tax returns, financial statements, and invoices. You will date, file in consecutive order, retain for a period of five years, and make available to us for inspection and audit all of your records. Without limiting the foregoing, you must send us copies of your tax returns upon our written request.

2.9.4 Our right to inspect will include the right to examine your books, tax returns and records of other businesses owned, in whole or in part, or operated by you to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require.

2.9.5 You will submit to us a list of all shareholders, members, partners or other owners of the franchise business and the respective interests held by each as of the end of each fiscal year. Provided, however, if your shares are publicly traded, the list of shareholders required will include only those owning 5% or more of the shares outstanding. The required report will be submitted to us within 90 days after the end of your fiscal year.

2.10 **Audits.** We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate the Revenue for any reported period or periods by more than 2% or unless you fail to deliver any required report of Revenue or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees, Advertising Fees, all other fees, and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law. Our right to audit will include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part, to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid.

2.11 **You are to Pay all Franchise Costs.** All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no other costs, liability, or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them.

2.12 **Application of Payments.** We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from ongoing fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied.

3 **TRAINING**

3.1 **Mandatory Training.**

3.1.1 We will provide a mandatory training course for you (or your owners if you are an entity) and your General Manager, Kitchen Manager, Bar Manager, and Commissary Manager at our headquarters (currently in Portland, Oregon). In addition to specific training for your individual owner(s) and General Manager, your individual owner(s) and General Manager must also attend the training for the Kitchen Manager, Bar Manager and Commissary Manager. This training course will cover various aspects of the operation of the Franchise, which may include topics such as financial controls, marketing techniques, service methods, and maintenance of quality standards. If you are purchasing an operational franchise from an existing franchisee, then the mandatory initial training program will be condensed as compared to the training program for a new franchisee for a new location.

3.1.2 This initial training is included in the Initial Franchise Fee only for your first franchise. For additional franchises, we will provide additional training if we deem it necessary or upon your request (subject to our availability) at our then-current training fees. You will also be responsible for our and your out-of-pocket costs for transportation, meals and lodging.

3.1.3 You and your managers (identified above) must complete the training within 45 days of the scheduled opening date for your Franchise. Training is scheduled and held on an “as needed” basis depending on the number of franchisees requesting training in a particular time frame and our training personnel’s availability.

3.1.4 You must complete this mandatory training program to our exclusive satisfaction or we may terminate this Agreement upon refunding 50% of the Initial Franchise Fee. You are encouraged to

participate in the training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your manager fails to satisfactorily complete the mandatory training course.

3.1.5 You will pay the transportation, board and lodging expenses you and the manager incur related to this training. Training and training materials may be delivered in the formats or media we choose (which may include digital and online media). You will participate in and pay for the costs of training, including costs of computer equipment and internet services needed to participate.

3.1.6 If the Franchise is managed by any persons other than you, you will notify us of these managers. However, we shall not have the right to hire, fire, direct, supervise or discipline your manager(s). Each manager you hire must complete the mandatory training program within one month after being hired. You will bear all costs of the training, including a reasonable training fee at our then-current rates. Each of your employees will complete a training program under the direction of you or your designated manager who has successfully completed our mandatory training course. At all times, your franchise must be operated and supervised by an individual who has passed our mandatory initial training program.

3.1.7 We will provide the services of a trainer on-site at your Franchise Premises for approximately 14 days in conjunction with your Franchise's opening (approximately seven days before and seven days after opening). If this Agreement relates to your purchase of an operational franchise from an existing franchisee, then the duration of this on-site assistance will be approximately one week. This on-site assistance is included in the Initial Franchise Fee only for your first franchise. For additional franchises, we will provide this on-site assistance if we deem it necessary or upon your request (subject to our availability) at our then-current training fees. For additional franchises, you will also be responsible for our out-of-pocket costs for transportation, meals and lodging.

3.2 **Additional Training Requested by You.** At your option and upon not less than 30 days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations (subject to our availability). The timing for this training depends upon our availability. All expenses of this training will be borne by you, including your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then-current rates.

The duration of training is negotiable depending upon your needs and our availability. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all of your training.

As a condition to you receiving additional training, we may require you to sign a consent, waiver and release for training agreement, the current form of which is attached as Exhibit 6 and is subject to change.

3.3 **Additional Training Required or Offered by Us.** We may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate. They will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. We will not require you to participate in more than 40 hours of such trainings during any calendar year.

4 **COMMENCEMENT OF OPERATIONS**

4.1 **Time to Complete Training and Commence Operation.**

4.1.1 You or your manager must complete to our exclusive satisfaction the mandatory training defined above, find a site location that is acceptable to you and approved by us, and commence full and continuous operation of the Franchise within 12 months after execution of this Agreement.

4.1.2 Before commencing operations, you will procure all necessary licenses, permits and improvements and purchase initial equipment, supplies and inventory (as applicable).

4.1.3 If this training, site location and commencement of operation obligation is not fulfilled, we may terminate this Agreement.

4.1.4 We will maintain an opening checklist that will enumerate all items that must be completed prior to opening your Franchise Premises. A copy of the opening checklist will be included in the Operations Manual. You must meet the requirements of the opening checklist and get our prior written approval before you schedule the opening date for your Franchise or make any press release or other publication of your anticipated opening.

4.2 **Real Property Security Assignments.** If you own the premises used for the operation of the Franchise, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval. Upon termination or expiration of this Agreement, you will give us a reasonable and good faith opportunity to lease the premises and to continue business operations there. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined by appraisal as provided in Section 7.6 (entitled “Appraisals”). Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The appraisers must exclude from their decision any amount or factor for the “goodwill” or “going concern” value. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers’ decision, at our option we may enter into the lease at the price and upon the terms determined by the appraisers.

5 **FRANCHISE STANDARDS OF OPERATION**

5.1 **Operations Manual.**

5.1.1 **Operations Manual.** The development of the System is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you a copy of the Operations Manual (the “Operations Manual”) once you have paid to us the Initial Franchise Fee, in full. In general, the Operations Manual is intended to establish standards and recommendations for outcomes to protect our systems and brand while giving you the flexibility, as an independent contractor franchisee, to determine the means to accomplish such outcomes. You are responsible for the day-to-day operation of your Franchise.

The Operations Manual describes the System, which may include specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, equipment requirements and control techniques, plans, specifications, and requirements, public relations guidelines and other rules that we may prescribe periodically and identify as part of the Operations Manual.

5.1.2 **Formats of Operations Manual.** The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the

Operations Manual. The Operations Manual may be delivered to you by hard paper copy; digital copy; or by any other medium we choose in our discretion.

5.1.3 Confidentiality of Operations Manual. The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason. You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand. If you misplace the Operations Manual or fail to return the Operations Manual to us upon demand, then you shall pay us \$500 as a manual replacement fee. Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement. The Operations Manual, in part, may consist of confidential:

- A. manual or manuals, and
- B. any Intranet or password protected portion of an Internet site, and
- C. any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Operations Manual, and
- D. any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

5.1.4 Amending Operations Manual. We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations. At all times you will insure that your copy of the Operations Manual and any other manuals given to you are kept current and up to date with the amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.

You will strictly adhere to the requirements of the Operations Manual as we amend it periodically. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods as may be specified in the Operations Manual.

5.2 Standards to Be Maintained. You will follow the System and maintain standards of product and service that we prescribe.

5.2.1 You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. You will only use signs, equipment, materials, products, inventory, and services that conform to our specifications to conduct the franchise.

5.2.2 If you maintain any signs at the Franchise Premises, these signs must comply with local sign ordinances, regulations and laws and must be approved by us. The

5.2.3 We may enter the Franchise Premises at any time, with or without notice, to verify your compliance with the terms of this Agreement and our Operations Manual. We may, without limitation, do the following:

- A. Inspect the Franchise;
- B. Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;

C. Select items, products and other materials, services, equipment, operations and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards;

D. Interview your personnel, customers, and vendors; and

E. Inspect and copy any books, records and documents related to the operation of the franchise and any other franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, and vendors in reference to these inspections, observations and interviews. Despite the foregoing, our reviews and inspections of your operations do not replace your duty to supervise your own business operations and workers.

If any inspection of your Franchised Premises by us or our designee indicates any deficiency or unsatisfactory condition at the Franchised Premises, then we may notify you in writing of the deficiencies and you must promptly correct, remedy or repair such deficiency or unsatisfactory condition. In addition, if any inspection indicates any deficiency or unsatisfactory condition that requires a re-inspection of the Franchised Premises within a period of thirty (30) days, you shall pay us, upon demand, the sum of \$500 for each re-inspection of the Franchised Premises and shall, in addition, reimburse us for our out-of-pocket expenses for the re-inspection, including for transportation costs, food, lodging and similar expenses. In addition, you must participate in any quality control programs we establish for the benefit of the Afuri franchise system, such as mystery shopper evaluators. You shall pay the portion we allocate to your franchise of the actual costs incurred by us or third-party mystery shopper evaluators. Such payments will be made directly to us or to the third-party mystery shopper program provider as we designate.

5.2.4 You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities in the Franchise and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

5.2.5 You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise and will operate the Franchise in full compliance with all applicable ordinances and regulations, including all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes. You must acquire a liquor license to the extent permitted by applicable law. If the offering of liquor at your restaurant is not permitted in your jurisdiction, then you must acquire a license to sell sake, wine and beer unless prohibited by zoning requirements or other applicable laws or we approve otherwise at our discretion. You will furnish to us within 120 days after the receipt of equipment, a copy of a receipt for the payment of all use taxes, personal property taxes, and like taxes or assessments.

5.2.6 You will comply with the following additional standards:

A. You will not offer, sell or dispense any products or services or activities other than those we specifically recognize and approve in writing.

B. You, at your expense, will maintain the Franchise and equipment and furnishings

in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our reasonable request, you will refurbish, remodel, and replace the Franchise Premises, fixtures, equipment, delivery vehicles (if applicable), and signage to conform to the then-current Operations Manual and System standards. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion. You will complete all such upgrades and changes at your sole expense. If you do not maintain the Franchise as required, after notice to you, we at our option, may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs, we will not incur any liability to you, including liability for interruption of your business during the course of making the maintenance and repairs.

C. You will keep your Franchise open for business every day of the year, except as outlined in our Operations Manual, or as we designate or approve in writing, or as otherwise mandated by government order or applicable law.

5.2.7 We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits of your Franchise Premises and franchise operations periodically throughout the term of this Agreement. You will reimburse us for our actual costs of such audits upon demand.

5.2.8 You must comply with our standards and specifications regarding catering and delivery services (including direct delivery by your employees and delivery using third-party delivery services).

5.3 **Marks, Operations Manual, and System Are Our Exclusive Property.**

5.3.1 You agree that the Marks, Operations Manual, and System are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Marks, Operations Manual, or System. Your license to use the Marks is non-exclusive. We, in our sole discretion, may operate under the Marks and may grant licenses to others to use the Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Marks. You will not use the Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the franchise.

5.3.2 You will immediately notify us of any infringement of, or challenge to, your use of the Marks or any marks identical to or confusingly similar to the Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Marks, we will have sole discretion to take or not to take action, as we deem appropriate. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks or if the proceeding is resolved unfavorably to you. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Marks or the System, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect.

5.3.3 You will modify or discontinue use of any franchise names or Marks, or will use one or more substitute names or marks, if we so direct in writing at any time at your sole expense. Under no circumstances will we be liable to you for any damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Marks will apply with equal force to any modified or substituted names or marks.

5.3.4 You will not contest, directly or indirectly: our ownership, title, right, or interest in the Marks, the Operations Manual, or the System; or our exclusive right to register, use, or license others to use the Marks, Operations Manual, and System. You will not advertise or use the Marks without following our then-current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations TM or SM, where applicable.

5.3.5 Any and all goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that involve or pertain to the Marks.

5.3.6 You will not use the Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the System.

5.3.7 We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks.

5.3.8 We and you will use reasonable best efforts to continuously improve the products, processes and services used in the System and to develop new products, processes and services for use as part of the System. All the improvements, inventions and developments you make, develop or create for use in the System will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

5.4 **You Will Not Use Names or Marks in Combination.** Except as provided in this Agreement, you will not use or give others permission to use the Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Marks. You may not combine or associate any name or symbol of the Marks with any other name or word in any advertising or sign. The Marks must be used in exact conformity with specifications we set in the Operations Manual.

5.5 **Marks, Operations Manual, and System May Be Changed.**

5.5.1 You acknowledge that the Marks, Operations Manual, and System, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Marks, Operations Manual, and System.

5.5.2 We may change or modify any part of the Marks, Operations Manual, or System periodically at our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Marks, Operations Manual, and System at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

5.5.3 Complete and detailed uniformity of the Marks, Operations Manual, and System under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore

we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business. We may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the System. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant to you a like or similar variation.

5.6 You Will Not Communicate or Use Confidential Information.

5.6.1 You specifically acknowledge that you will receive valuable specialized and Confidential Information, including information regarding our operational, sales, promotional and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer lists, manuals, communications methods, accounting and reporting methods, use of custom or proprietary software, marketing and sales techniques and strategies (collectively referred to as “**Confidential Information**” or “**Proprietary Information**” in this Agreement), and the System. Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any Confidential Information or divulge any Confidential Information directly or indirectly to any other person or enterprise outside of the Afuri system.

5.6.2 During the term of this Agreement and forever after it expires or is terminated, you will never:

- A. communicate, fax, e-mail, post on an internet electronic bulletin board, or
- B. divulge or use in any other manner (either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations, except for the benefit of your Afuri franchise during the term of this Agreement)

any Confidential or Proprietary Information, knowledge or know-how concerning the System or any information we have communicated to you in written, verbal or electronic form, (including intranet passwords) for the operation of your Franchise.

5.6.3 The System includes valuable Proprietary and Confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the System or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the Confidential Information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the System or our Confidential Information.

5.6.4 Any and all information, knowledge and know how, not generally known about the System will be deemed confidential for purposes of this Agreement. This will not apply to information which you can demonstrate came to your attention prior to disclosure by us, or which is or has become a part of the public domain through publication or communication by others. Our Confidential Information is licensed, not sold, to you. You will not reverse engineer, decompile or disassemble any item that

embodies Confidential Information. The Operations Manual may contain guidelines to protect Confidential Information and trade secrets, including limited access to the information on a need to know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption. You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information.

5.6.5 You shall comply with the following to protect our Confidential Information.

A. If you are an entity, then each of your owners must either sign this Agreement directly or sign the personal guaranty attached to this Agreement as an Exhibit, which obligates the guarantors to be personally bound by all obligations of this Agreement, including its confidentiality and non-competition covenants.

B. You shall require all of your officers, directors, LLC managers, trustees, beneficiaries, independent contractors, and persons occupying similar positions (who may obtain or who are likely to obtain knowledge concerning our Confidential Information and who do not directly sign this Agreement or the Guaranty Agreement) to execute a confidentiality and non-compete agreement in a form we approve. We must be described as a third-party beneficiary on such agreements so that we may enforce such agreements (unless we specify otherwise). It is solely your responsibility to ensure that such agreements comply with legal requirements in your jurisdiction.

C. You must assure that your employees, and any other persons in your control, to whom any information is communicated, will keep, preserve, and protect all Confidential Information. This may include executing confidentiality, non-disclosure and/or non-compete agreements in forms we approve. We must be described as a third-party beneficiary on such agreements so that we may enforce such agreements (unless we specify otherwise). It is solely your responsibility to ensure that such agreements comply with legal requirements in your jurisdiction.

D. You must adopt and implement all reasonable procedures we may prescribe periodically to prevent the unauthorized use or disclosure of any of our Confidential Information. If you become aware of any actual or threatened unauthorized use or disclosure of our Confidential Information, then you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any such unauthorized use or disclosure.

E. You acknowledge that unauthorized disclosure or use of our Confidential Information would harm our goodwill associated with our Marks and System, and would harm our other franchisees.

5.6.6 We may disclose financial performance information regarding your franchise operations in our franchise disclosure documents and elsewhere, and you hereby consent to the disclosure of such information. You agree to provide such information to us promptly upon request.

5.6.7 All data pertaining to your Franchise and all data you create or collect in connection with your operation of the Franchise (collectively, “**Afuri Data**”), including, data pertaining to, or otherwise concerning, the Franchise’s customers, or that you otherwise collect, including data uploaded to, or downloaded from your computer system, is Afuri Data and is our sole property. We have the right to review and use the Afuri Data in any manner that we deem appropriate without any compensation to you. You just provide us with copies and/or originals of the Afuri Data within five days after our request for the Afuri Data at no cost to us and at any time during the term of your Franchise Agreement and upon the

expiration and/or termination of your Franchise Agreement. We license the use of the Afuri Data to you during the term of your Franchise Agreement, at no cost to you, solely for your use in the operation of your Franchise. You must maintain the Afuri Data as secret and confidential and must not make any of the Afuri Data available to any unauthorized person without our prior written consent of and then only in the manner we permit.

5.7 Conflicting or Competing Interests.

5.7.1 You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your franchise. You will not engage in any activity or business enterprise that conflicts with these obligations.

5.7.2 At all times the Franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

5.7.2 In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or System), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) directly or indirectly engaged or to be engaged in the offer, sale, internet dissemination, or promotion of: (1) ramen, (2) other Japanese style cuisine, (3) Vietnamese pho, or (4) any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the System. We may waive this covenant only in writing. Certain exceptions may apply if you operate one or more existing restaurants that offer similar food items as provided in the Pre-Existing Business Addendum to this Agreement (Exhibit 4).

5.7.3 You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of two years after expiration or termination of this Agreement do not:

- A. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment; or
- B. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Marks and System.

5.7.4 If, for any reason, any provision set forth in this Section is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

5.7.5 The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded. Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than 5% of the outstanding securities of the corporation.

5.7.6 You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (entitled “Conflicting or Competing Interests”) including their scope, duration and geographic extent, are fair and reasonably necessary for the protection of our Confidential Information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of Confidential Information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

5.8 **Computer Systems.**

5.8.1 You must purchase and use the point of sale system hardware and software we require from our designated supplier(s) (unless we specify otherwise). If available, you must purchase and use our custom or proprietary software application and related hardware for customer ordering (unless we specify otherwise). You must purchase, lease, or otherwise acquire, from sources of your choice and at your expense, other computer hardware and software (including programs, computer terminals, internet and other network access providers) that are totally compatible with and strictly conform to all requirements, standards, and specifications we may set periodically. You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

5.8.2 You are required to have high speed internet service where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news and through which we may have remote access to your computer systems and records.

5.8.3 We may require you to use our online portal for updates and information regarding recipes, menu items, and related information. You must have computer systems and internet service that enable you to access the online portal.

5.8.4 We will have full ability to poll your data, computer systems and related information by means of direct access whether in person or by electronic means. If available, we may update our menu remotely through our custom or proprietary software application. You must cooperate by providing all information necessary for us to have such access, including by providing any identification information and passwords as needed.

5.8.5 We may require reasonable changes, replacements, or additions to the point of sale system hardware and software and other computer hardware and software. If we require any such changes, replacements, or additions, you must comply with such requirements within a reasonable period at your sole expense.

5.8.6 E-Problem Disclaimer: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders (“***E-Problems***”). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

5.9 **Working Capital Requirements.** At all times during the term of this Agreement, you

will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

5.10 **Notice of Court Action.** You will notify us in writing within 5 days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or government instrumentality, which may adversely affect your operation of or the financial condition of the franchise.

5.11 **Credit Card Programs.** You must use an approved supplier for merchant processing to accept credit and debit card payments from your customers.

5.12 **Products and Suppliers.**

5.12.1 You must purchase items that bear the Marks from us or suppliers we approve. Proprietary items and supplies may be private labeled by us. We retain the right to make a reasonable profit on any items, supplies and materials you buy from us or our affiliates. We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you.

5.12.2 You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual. You must sell or offer to sell all approved items and services. You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

5.12.3 All specifications that we require of you and lists of approved and exclusively designated suppliers will be included in the Operations Manual. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

5.12.4 If you elect or we require you to purchase products or services from us at our then-current prices, then payment must be made when you place your order. The items we offer may include among other things equipment, merchandise, and supplies that bear the Marks. Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods.

5.12.5 EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES.

5.12.6 Except for items, products and services that we require you to purchase from us, our affiliates, or our *exclusively designated* suppliers: With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards. These specifications and standards will relate to quality and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, and systems will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and testing procedures; will maintain the confidentiality of the designs and systems; and will adequately supply your reasonable needs. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any Confidential Information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval.

5.12.7 You acknowledge that while you may propose alternate suppliers for products and services, the proposed suppliers may not qualify. You further acknowledge that our approved suppliers may be the only source of supply for products and services required in the Franchise.

5.12.8 We or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. Should we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

5.12.9 One of the potential benefits that may accrue to you and all our other franchisees is the economy of mass purchasing power potentially made available through us. Your failure to pay or repeated delay to make prompt payment in accordance with the terms of the invoices and statements for payments due on your purchases of signs, equipment, products, supplies and other inventory items, or you misdirection of supplies or other abuse of our approved suppliers, distributors and manufacturers, will result in a loss of credit standing and goodwill and benefits otherwise available to us and our other franchisees. You expressly agree to promptly pay all such invoices and statements in accordance with their terms.

5.12.10 We may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts.

5.12.11 There are no required quotas as to quantity of purchases you must make from us or from approved vendors. You must only have enough equipment, supplies, and inventory on hand to meet customer demand.

5.13 **Terms of Product Sales.** The following terms and conditions apply to your purchase of products from us or our affiliate(s) (as applicable).

A. To receive products, you must deliver to us a purchase order that specifies the products. All orders you submit are subject to acceptance at our corporate headquarters (currently in Portland, Oregon). We reserve the right to reject any order that is not credit approved or does not conform to the provisions of this Agreement. All orders accepted for delivery will be governed exclusively by the terms and conditions of this Agreement. Unless we agree in writing, no additional or different terms and conditions appearing on the face or reverse side of any order you issue will become part of that order. Our acknowledgment of your purchase order will not be acceptance of any additional or different terms and conditions.

B. Shipments are subject to availability. Upon notice to you, we may schedule and reschedule any order, at our discretion. We may decline any order for credit reasons or because the order specifies an unreasonably large quantity or makes an unreasonable shipment request.

C. We will use commercially reasonable efforts to meet any scheduled shipment date. However, we will not be liable for delays in meeting a scheduled shipment date for any reason. If products are scarce, we will allocate them equitably, at our discretion, among our customers.

D. Unless otherwise agreed, the products will be shipped only to your approved facility and only after receipt of an order from you.

E. We may refuse to ship or delay the shipment of any products on order if you become delinquent in payment of your obligations, exceed established credit lines, fail to meet our other credit or financial requirements or fail to provide financial information when we request. No cancellation, refusal or delay will terminate this Agreement.

F. All products will be delivered to you F.O.B. origin upon transfer to a common carrier. You will pay all transportation, insurance, rigging and drayage charges.

G. On delivery of products to carrier, title will pass to you and you will assume responsibility for promptly advising the carrier and insurer of the loss, for filing a claim and for recovery of any sums owed by them to you. Upon request, we will cooperate with you to establish a claim.

H. You grant to us a security interest in the products and proceeds as security for your obligations under this Agreement. You agree that we may prepare and file all instruments or documents necessary to perfect any security interest, including a UCC Financing Statement. Upon request, you will execute and file such instruments or documents as needed. You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose.

I. You will maintain sufficient inventories of products and employ sufficient help to operate your business at a level of capacity and market penetration commensurate with the reasonable demands of the marketplace.

J. You will represent fairly all products you purchase from us.

K. You will comply with all of the obligations and requirements imposed upon you by the manufacturers or distributors of the products.

L. You will use commercially reasonable efforts and good faith to promote, demonstrate and sell the products and services.

M. You will provide to us forecasts of your projected purchases of products.

N. You acknowledge that we are not the manufacturer of the products. The products are subject to the manufacturer's standard warranty. We disclaim all warranties, including the implied warranties of merchantability and fitness for a particular purpose. No representation, affirmation of fact, or statement regarding capacity or suitability, which is not in this Agreement, will be a warranty by us for any purpose.

O. We will not be liable for any loss or damage claimed to have resulted from the use, operation or performance of the products, whatever the form of action. Our maximum liability to you, whether based upon contract, warranty, tort or otherwise, will not exceed the actual amount you pay to us for the specific product that causes the damages. These limitations of liability will not apply to claims for personal injury caused by our negligence. We will not be liable to you for special, indirect, incidental or consequential damages or from any damages resulting from loss of use, data or profits.

5.14 **Gift Cards.** You must sell, issue and redeem gift cards or certificates and/or loyalty cards (together "**Gift Cards**") using the standard form(s) of Gift Card(s) we provide or designate (which may be electronic or digital), and only in accordance with policies and procedures we specify in our Operations Manual or otherwise in writing. You must fully honor all Gift Cards that are in the form we provide or approve, regardless of whether a Gift Card was issued by you or another Afuri location. You must comply with our policies and procedures regarding requesting reimbursement for Gift Cards issued by other Afuri locations and for making timely payment to other Afuri locations, or a third-party service provider for Gift Cards issued from your franchise location that are honored by other Afuri locations.

5.15 **Architectural Design.** You must use our designated architect to create your general project concept and schematics. You will pay us or our designated architect directly at our discretion. You may use a local architect, subject to our prior approval, to provide detailed construction blueprints, which must comply with our specifications and approval, and to assist with permitting and other services. Exhibit 5 contains an outline allocating deliverables and responsibilities of the Franchisor, the Franchisee, and others with respect to the design of the Franchise Premises and related matters. This information is subject to change at Franchisor's discretion.

6 **RENEWAL, TERMINATION AND INTERIM MANAGEMENT**

6.1 **Renewal of Franchise.**

6.1.1 **Renewal Franchise Agreement.** If you are not in breach, you may renew the Franchise for periods of 10 years under the terms of our then-current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document and Area Development Addendum will mean the form then currently provided to prospective franchisees or area developers, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Advertising Fees, and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the renewal Franchise Agreement forms within 30 days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Territory may be modified and its geographic area may be reduced or expanded to meet our then-current franchise market penetration and demographic standards.

6.1.2 **Additional Conditions for Renewal.** To renew, you must comply with the following additional conditions:

A. You will exercise your renewal option by giving written notice to us. The notice must be given at least three months, but no earlier than six months, before the end of the franchise term established by this Agreement.

B. You will reimburse us for our reasonable out-of-pocket costs concerning the renewal with a minimum reimbursement amount of **\$2,000**.

C. You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

D. Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then-current training fee.

E. We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration.

6.1.3 Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon 30 days' written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

6.2 **Termination by You**. You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail within 30 days after receipt of written notice specifying the breach. However, if such breach cannot reasonably be cured within 30 days after delivery of notice of breach, then we must undertake within 10 days after delivery of such notice of breach and continue, until completion, efforts to cure such breach. Termination will be effective 10 days after you deliver to us written notice of termination for our failure to cure within the allowed period.

6.3 **Termination by Us**.

6.3.1 Default with Opportunity to Cure. You agree that it will be a *default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination* of this Agreement and any other franchise and related agreements between the parties if you (or your owners, officers, or key employees) breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within 30 days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

6.3.2 Termination Without Opportunity to Cure. You agree that it will be a default constituting a *substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause* for us to immediately terminate this Agreement and any other franchise and related agreements between the parties without other cause, and without giving you an opportunity to cure, if you (or your owners, officers, or key employees):

- A. Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchise or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you:
- (1) timely undertake to reaffirm the obligations under this Agreement;
 - (2) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and
 - (3) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code;

provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchise, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

- B. Fail to pass initial training (see Section 3.1, above).
- C. Fail to commence operation of the Franchise within the deadlines prescribed in Section 4.1, above, or fail to meet the Development Schedule in your Multiple Franchise Purchase Addendum, if applicable.
- D. Fail to operate the Franchise continuously and actively for five or more consecutive days or any period for which it would be reasonable under the facts and circumstances for us to conclude that you do not intend to continue the Franchise.
- E. Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received the most recent of two or more 30-day or 5-day Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above or this Subsection (B), whether or not you had corrected your earlier failures to comply after we delivered notice to you.
- F. On more than two occasions fail to report Revenue on time, understate Revenue by more than 2%, or distort other material information.
- G. Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise. If you misrepresented yourself and are a competitor of ours or a competitor of an affiliate of ours, we may keep your entire initial franchise fee, cancel training and terminate this Agreement.
- H. Allow the Franchise, Franchise Premises or franchise assets to be seized, taken

over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against you to remain unsatisfied for 30 days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within five days of the levy.

- I. Are convicted of a felony, or are convicted of any criminal misconduct relevant to the operation of the Franchise.
- J. Within a period of 10 days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.
- K. Fail to pay any Franchise Fee, Royalty Fee, Advertising Fee or other fees or amounts owed pursuant to this Agreement within five days after receipt of written notice that the fees or amounts are overdue.
- L. Operate the Franchise in a manner that creates an imminent danger to public health or safety.
- M. Do not keep Confidential Information related to the Franchise confidential except to employees or persons authorized to know.
- N. Fail to obtain agreements from your employees to keep Confidential Information confidential.
- O. Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

6.3.3 Certain Other Remedies. The following provisions are in addition to all other remedies available to us at law or in equity.

6.3.3.1 If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

6.3.3.2 You irrevocably nominate, constitute and appoint the person serving as our President, LLC Manager or similar position to be your attorney-in-fact so to act in your name and on your behalf.

6.3.3.3 At our election and without waiving any claims for default or breach and without prior notice to you or resort to legal process, we may enter upon any premises using the reasonable force as is necessary in the circumstances, without being guilty of trespass or liable to you or the property owner for the entry, for the purposes of securing the return of our property, the performance of your obligations of discontinuance and the protection of our rights upon expiration or termination of this Agreement.

6.3.3.4 If any payments to us, our affiliates or approved vendors are late by more than 15 business days, we may order all product deliveries withheld from you until the payments are received.

6.3.3.5 We will have the option to cure your breaches at your expense.

6.4 **Time Frames Subject to Applicable Laws.** The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

6.5 **You Will Discontinue Use of Marks, Operations Manual, and System on Termination of Agreement.** Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

6.5.1 Immediately cease using the Marks (or any names or marks deceptively similar to them), the Operations Manual and the System.

6.5.2 Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the System. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

6.5.3 Authorize business telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, email addresses, domain names, locators, directories and listings to us or our designee. Notify them of the termination of your right to use the Franchise names and Marks. You authorize the transfer of your business telephone numbers and directory listings and Internet addresses, email addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to effect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

6.5.4 Pay to us within seven days all Royalty Fees, Advertising Fees, and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorneys' fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorneys' fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

6.5.5 Abide by all provisions of the restriction upon communication of Confidential Information set forth above and the post-termination non-compete set forth below. You will immediately return to us all of our Confidential Information you have received, including any items that embody the Confidential Information. You acknowledge that you have no continuing ownership interest in the Confidential Information.

6.5.6 At our option, do some or all of the following:

A. Remove all Franchise-related equipment, furnishings, and inventory from the

Franchise location;

- B. Sell the equipment and inventory to us, at fair market value for equipment and furnishings and at your invoice cost for inventory less a 10% restocking charge. We will not be liable for payment to you for intangibles, including goodwill;
- C. Assign to us ownership and control of any website you own or control related to the Franchise;
- D. Sell to us your interest in the Franchise, the Franchise Premises, if any, and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within 5 business days after termination of this Agreement. If not, a fair value and fair terms will be determined by appraisal as provided in section 7.6 (entitled "Appraisals").

6.5.7 Upon termination for any reason, you will return to us all proprietary and confidential materials, including customer lists and account information, keys, codes, signage, advertising and marketing materials, service agreements and other forms, printed files, security codes, and additional similar items and information as may be described in the Operations Manual. If you fail to return or cease use of any of these items, we may enter your business premises without being guilty of trespass or any other tort to remove and retain the items. You will pay to us, on demand, any expenses we incur in trying to remove or collect such items or in attempting to have you cease use of them.

6.5.8 Damages and Liquidated Damages. Upon termination pursuant to any default by Franchisee, Franchisee agrees to pay Afuri all actual and consequential damages and any costs and expenses (including reasonable attorneys' fees) incurred by Afuri as a result of such default and termination. Franchisee acknowledges and agrees that it does not have the right to terminate this Agreement, except as provided in Section 6.2, or as otherwise agreed in writing by the parties, and that any termination of this Agreement by Franchisee that is not in accordance with the terms of Section 6.2, or any termination of this Agreement by Afuri in accordance with its terms, may result in lost future revenue and profits to Afuri, harm to the goodwill associated with the Licensed Marks, and increased costs to Afuri to re-develop or re-franchise the market in which the Franchised Operation is located.

Accordingly, in the event that Franchisee terminates this Agreement other than in accordance with the terms of Section 6.2, or if Afuri terminates this Agreement pursuant to its terms, then Franchisee shall pay to Afuri within thirty (30) days of such termination as liquidated damages (and not as a penalty), an amount equal to the Royalty Fees you should have paid had this Agreement not been terminated, for the lesser of (1) 24 months, or (2) the number of months remaining on the term of this Agreement. Such payment will be calculated based on the average Royalty Fees you paid (or if unpaid, payable) during the 12 months immediately preceding the termination date (or shorter period if you will have operated for less than 12 months). The parties hereby acknowledge and agree that the actual damages that would be incurred by Afuri in the event of any breach or early termination of this Agreement by Franchisee would be difficult to calculate and that the liquidated damages provided for in this Agreement are fair and reasonable under the circumstances. The parties further acknowledge and agree that the liquidated damages specified in this Section are only intended to compensate Afuri for the early termination of this Agreement and Afuri's loss of royalty revenue resulting therefrom, but not for any other breach of this Agreement by Franchisee or any other damages incurred by Afuri, and all remedies applicable thereto remain available to Afuri.

6.6 **We May Assign Franchise Territory Upon Termination.** Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate Afuri businesses within the Franchise Territory.

6.7 **You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement.**

6.7.1 **Post-Termination Non-Compete.** This covenant will apply for two years after termination, expiration or transfer of this Agreement. In express consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or System), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, internet dissemination, or promotion of: (1) ramen, (2) other Japanese style cuisine, (3) Vietnamese pho, or (4) any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the System. This covenant applies within the Franchise Territory, within a **50-mile** radius of the Franchise Territory, within a **50-mile** radius of any location or franchise territory where we operate or have granted the franchise to operate an Afuri business, and within the United States of America. Certain exceptions may apply if you operate one or more existing restaurants that offer similar food items as provided in the Pre-Existing Business Addendum to this Agreement (Exhibit 4).

6.7.2 **Your Acknowledgments.** You acknowledge and confirm that the time, content and geographical restrictions contained in this Section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by us. You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors. Your knowledge of the System would cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees.

6.7.3 **Lawful Scope.** If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

6.8 **Interim Management.** To protect the System, the Marks, the Confidential Information, and the goodwill associated with the same, Franchisor may (but is not obligated to) assume interim management of the Franchise for any of the following reasons: (a) after Franchisor has given Franchisee written notice that Franchisee is in default under this Agreement and during the pendency of any cure period or in lieu of immediately terminating this Agreement; (b) you are absent or incapacitated because of illness or death; (c) your business activities are having, or are likely to have, a negative impact upon the value of our Marks, goodwill, or the franchise system (as we determine at our sole discretion); (d) we determine that significant operational problems require us to temporarily operate the Franchise; or (e) while your Franchise is not being managed by a competent and trained manager after your Death or Disability (as defined in Section 7.3 below). If Franchisor elects to assume interim management of the Franchise, then: (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement; (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Franchise during any interim management period; (iii) Franchisor will have the right to

charge a reasonable fee for the management services; and (iv) Franchisee hereby agrees to indemnify, defend and hold harmless Franchisor and its interim manager(s) from and against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Franchise, other than those arising solely from the gross negligence or willful misconduct of Franchisor.

7 **TRANSFER**

7.1 **Transfer by You.**

7.1.1 Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "***transfer***") the whole or any part of: this Agreement, the Franchise Premises, substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any transfer before the date the Franchise opens for business.

7.1.2 Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee's operational and business plans that the transferee's business operations might not be beneficial on a cash flow or financial basis.

7.1.3 We need not consent to any transfer to a competitor of ours.

7.1.4 We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

7.1.5 You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination and will include, but not be limited to the following conditions. Before the effective date of a transfer we approve:

A. The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose Confidential Information and to not compete with us or our franchisees.

B. You will pay all ascertained or liquidated debts concerning the Franchise.

C. You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.

D. The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.

E. You or the transferee will pay a Transfer Fee according to our then-current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and

investigation expenses that result from the transfer, as well as the mandatory training program for the transferee. The current Transfer Fee is \$30,000.

F. You or the transferee will refurbish, remodel, and replace the Franchise Premises, fixtures, equipment, delivery vehicles (if applicable), and signage to conform to our then-current Operations Manual and System standards.

G. You will pay us a 10% commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.

H. The transferee will execute all documents we then require of new franchisees. This includes a new franchise agreement in the form we then are using. The new franchise agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.

I. The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.

J. If permitted by applicable law, you and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sell and performance of this Agreement or any other agreement between the parties.

K. If the Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement.

L. If the lease or sublease for the Franchise Premise requires, the lessor or sublessor must have consented to the assignment or sublease of the Franchise Premises to the transferee. All fixtures and equipment at the Franchise Premises must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place.

M. You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

N. Upon our granting of approval for the transfer, you will:

- (1) ensure that the transfer is effected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, and with the applicable requirements of the lease of the Franchise Premises; and

- (2) deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Marks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.

7.1.6 With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable in all respects under this Agreement. (You and all other owners will personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives will act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.)

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership. At our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you.

7.1.7 You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review prior to their use. No offering by you will imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will pay to us the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give us at least 60 days' written notice before the effective date of any offering or other transaction covered by this subsection.

7.1.8 You may not grant a sub-franchise or transfer less than all of your rights under this Agreement.

7.1.9 Our consent to a proposed transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.

7.1.10 You will comply with and help us to comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

7.2 **Transfer by Us.**

7.2.1 We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell any or all of our assets, the

Marks, or the System to one or more third parties, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring.

7.2.2 As for any or all of these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Marks (or any variation of them) or the loss of association with or identification as part of our franchise system. We will not be required to remain in any particular form of business or to offer to you products, whether or not bearing our Marks.

7.3 **Your Death or Disability.**

7.3.1 In the case of your death or permanent disability or incapacity (such that you are unable to perform your functions as franchisee as determined by Franchisor at its reasonable discretion) if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning 50% or more of you if you are a limited liability company, corporation or other entity (your “**Death or Disability**”), the executor, administrator, conservator, or other personal representative of the deceased or permanently disabled person, or the remaining owners, must appoint a competent manager within a reasonable time, not to exceed 30 days after the date of Death or Disability. The appointment of this manager is subject to satisfactory completion of our required training program(s).

7.3.2 In addition to the right to appoint a temporary manager as described in Section 6.8 above (entitled “Interim Management”), the following will apply in case of Death or Disability. Within 180 days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:

A. Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in the Section entitled “Transfer by You,” above, except that no transfer fee will be required. Or,

B. Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the 180 days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the 180 days following the event of Death or Disability will be deemed an acceptance made on the last day of the period.

7.3.3 If a suitable transferee purchaser is not found within 180 days from the date of Death or Disability, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not, a fair value and fair terms will be determined by appraisal as provided in Section 7.6 (entitled “Appraisals”).

7.3.4 If the provisions of this section entitled “Death or Disability” have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

7.4 **First Right of Purchase.**

7.4.1 You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or

transfer any interest in you or in your franchise. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We will elect to exercise our option to purchase within 30 business days after our receipt of your written notification and due diligence information. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third-party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled “Right of First Refusal”. You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled “Transfer by You” and “Right of First Refusal.” If you do not complete a transaction with a third party within six months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

7.4.2 We may elect to purchase all of the franchise business regardless of your intent to sell, assign or transfer a lesser interest. We can pay the purchase price in cash up front or by industry-standard monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is in our sole discretion.

7.5 **Right of First Refusal.**

7.5.1 If you receive a bona fide offer from a third party acting at arm’s length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within six days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We may exercise this right to purchase within 30 days after receipt of notice from you and due diligence information. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid for the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

7.5.2 If we do not exercise our right to purchase within the 30 days, you may make the proposed transfer to a third party. The transfer will not be at a lower price nor on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled “Sale or Assignment,” above. If the Franchise is not transferred by you within six months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party.

7.6 **Appraisals.**

7.6.1 This Section 7.6 will apply to any other provisions of this Agreement that require determination of value by appraisal. The fair value of the relevant asset(s) will be determined by a single appraiser selected by you from a list of two appraisers provided by us. Franchisor and Franchisee will equally share the cost of the appraisal. The parties may then present evidence of the value of the relevant asset(s). For purposes of Section 4.2 (entitled “Real Property Security Assignments”) and Section 6.5.6(d) (our right to acquire your franchise upon termination or expiration), the appraiser must *exclude* from its decision any amount or factor for the “goodwill” or “going concern” value. For purposes of Section 7.3.3

(our right to acquire your franchise upon your Death or Disability), the appraiser may *include* in its decision a factor for the “goodwill” or “going concern” value of the franchise.

7.6.2 Any time within 30 days after receiving the appraiser’s decision, at our option we may enter into the transaction at the price determined by the appraiser.

7.6.3 For purposes of Section 6.5.6(d) (our right to acquire your franchise upon termination or expiration) and Section 7.3.3 (our right to acquire your franchise upon death or permanent disability or incapacity), terms of payment will be 10% of the purchase price payable upon contract signing, the balance payable in 60 equal monthly payments of principal payments with interest calculated at the prime rate published by our principal bank at time of execution of the purchase contracts. For purposes of Section 4.2 (entitled “Real Property Security Assignments”), fair terms for the lease and purchase payment terms for all related equipment, fixtures, signs, equipment leases and personal property will be determined by the appraiser.

8 **INDEMNIFICATION, INSURANCE, CONDEMNATION AND CASUALTY**

8.1 **Indemnification.**

8.1.1 **Your Indemnity Obligations.** You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorneys’ fees and damages arising out of or connected with your Franchise and the business activities, acts or omissions (whether or not negligent or wrongful) of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. This indemnity will apply to claims that we were negligent or failed to train, supervise or discipline you, and to claims that you, your owners, employees, brokers or your independent contractors are our employees, agents or part of a common enterprise with us, including claims regarding violations of labor or employment laws or regulations. The obligations under this Section 8.1 survive the expiration or termination of this Agreement.

8.1.2 **Construction of Franchise Premises.** You will indemnify us for any loss, cost or expense, including attorneys’ fees, that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Premises.

8.1.3 **Broad Coverage.** This indemnification will include use, condition, or construction, equipping, decorating, maintenance or operation of the Franchise Premises, including the sale of any products, service or merchandise sold from the Franchise Premises. Any loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchise Premises, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity.

8.1.4 **You Will Defend Us.** You will defend us at your own expense in any legal or administrative proceeding subject to this Section 8.1. The defense will be conducted by attorneys we approve. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorneys’ fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse

us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding.

8.1.5 Indemnified Parties. All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

8.2 Insurance.

8.2.1 During the term of this Agreement, Franchisee shall maintain in force policies of insurance with the following minimum limits of coverage for each location, issued by licensed insurers approved by Franchisor.

(a) broad form commercial general liability coverage, on an occurrence form, including: premises and operations, products and completed operations, personal & advertising injury, errors and omissions, food borne illness, dram shop/liquor liability, broad form contractual, and employers liability, against claims for bodily injury, personal injury, including death, and property damage with minimum limits of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for each coverage;

(b) all risk property insurance including equipment breakdown for the full replacement cost sufficient to cover all business personal property including contents, leasehold improvements, furniture, fixtures, equipment, and signs;

(c) loss of income including extra expense insurance with sufficient limits to cover all ongoing expenses, including, future profits, royalty fees, advertising contributions, ordinary payroll for competent personnel and other fixed expenses for a minimum of 24 months from the date of loss;

(d) loss of business income from dependent properties with a minimum limit of \$250,000;

(e) worker's compensation and employer's liability insurance in statutory amounts;

(f) plate glass insurance (if applicable);

(g) blanket employee dishonesty coverage with minimum limits of not less than \$50,000;

(h) business automobile liability, including bodily injury and property damage coverage for all owned, non-owned and hired vehicles, with limits of not less than \$1,000,000 per occurrence;

(i) monies and securities (crime) coverage with limits of not less than \$10,000 inside limit and \$5,000 outside limit;

(j) employment practices liability with limits not less than \$100,000, with a retro date of the store opening if on a claim made basis.

(k) commercial umbrella liability insurance with limits not less than \$4,000,000 each occurrence. The umbrella liability will be on a following form basis of the underlying policies (commercial general liability, premises and operations, products and completed operations, personal and advertising injury, automobile and employers liability);

(l) cyber and privacy liability with minimum limits of \$25,000 including, crisis management and data extortion expense; and

(m) unemployment insurance and state disability as required by governing laws.

8.2.2 Franchisee shall also maintain such additional insurance as is necessary to comply with

all legal requirements concerning insurance as well as any other insurance required by Franchisee's landlord. Franchisor may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including higher liability limits, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

8.2.3 Each insurance policy shall: (1) name Franchisor and each of its affiliates, directors, agents and employees (as may be specified by Franchisor) as additional insureds on a primary, non-contributory basis and provide a waiver of subrogation rights against Franchisor; (2) provide for 30 days' prior written notice to us of any material modification, cancellation, or expiration of the policy; and (3) provide that coverage applies separately to each insured. In the case of property insurance, the Franchisor parties shall be named as their interests may appear. Insurance carriers must be authorized to do business in the state where your Franchise Premises is located, be rated at least A-X with A.M. Best and approved by us. At our discretion, we may require you to purchase your insurance from a specific insurance carrier. Upon request, you must provide us with proof of insurance in compliance with this Agreement.

Certificates of Insurance shall name Franchisor, and each of its affiliates, directors, agents and employees (as may be specified by Franchisor) as additional insureds, and include primary, non-contributory and waiver of subrogation endorsements. Certificates shall provide 30 days' notice prior written notice to Franchisor of any material modification, cancellation, or expiration of the policy, and due in our office 30 days prior to expiration and coverages listed above.

8.2.4 Franchisee shall provide Franchisor with evidence of the insurance required at least fifteen (15) days before the Franchise opens. Franchisee shall provide Franchisor with a complete copy of each insurance policy no later than thirty (30) days after delivery of the original proof of insurance, if required by Franchisor. Prior to the expiration of each insurance policy term, Franchisee shall furnish Franchisor with evidence of each renewal or replacement insurance policy to be maintained by Franchisee for the immediately following term and evidence of the payment of the premium thereof. If Franchisee fails or refuses to maintain required insurance coverage or to furnish satisfactory evidence thereof and the payment of the premiums thereof, Franchisor may, at Franchisor's option, and in addition to Franchisor's other rights and remedies hereunder, obtain such insurance coverage on Franchisee's behalf and Franchisee shall fully cooperate with Franchisor in its effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, allow any inspections of the Franchise Premises which are required to obtain or maintain such insurance and pay to Franchisor on demand any costs and premiums incurred by Franchisor. If Franchisee fails to purchase or maintain any insurance required by this Agreement or fails to reimburse Franchisor for its purchase of insurance on Franchisee's behalf within fifteen (15) days of delivery to Franchisee of Franchisor's written demand for reimbursement, then Franchisor may terminate this Agreement upon notice of termination without opportunity to cure.

8.2.5 The maintenance of sufficient insurance coverage shall be Franchisee's responsibility. The minimum requirements of this Section do not constitute a representation by us that such minimum required insurance is sufficient for your operations. Franchisee's obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by Franchisor nor shall the maintenance of such insurance relieve Franchisee of any indemnification obligations under this Agreement.

8.3 **Condemnation.** You will give us notice of any proposed taking through the exercise of the power of eminent domain within 10 days of your first knowledge of the proposed taking. If the Franchise Premises or a substantial part of it is to be taken, the Franchise Premises may be relocated

within the Franchise Territory or elsewhere with our prior written approval. The relocated premises may not infringe on the protected rights of any other franchise pursuant to our specifications and contractual obligations. Relocation must be completed and franchise business operations recommenced within a reasonable time after the closing of the initial Franchise Premises (but in any event, within one year after closing of the Franchise Premises). The new franchise location will become the Franchise Premises licensed under this Agreement. If a condemnation takes place and a new franchise location does not open, for whatever reason, then this Agreement will terminate upon 30 days written notice from us to you.

8.4 **Casualty.**

8.4.1 If the Franchise Premises is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires the closing of the Franchise, you will:

A. continue to pay Royalty and Advertising Fees based upon the monthly average paid for the preceding 12-month period or based upon the proceeds of any Business Interruption recovery you receive, whichever is greater,

B. immediately notify us,

C. repair or rebuild the Franchise Premises following our specifications, and

D. re-open the Franchise for continuous business operations when practicable (but in any event, within one year after closing of the Franchise Premises). You will give us not less than 30 days advance notice of the date of reopening.

8.4.2 If the Franchise Premises does not re-open within one year, this Agreement will terminate upon 30 days written notice from us to you.

8.5 **Proceeds From Insurance or Recovery.** The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in Revenue.

9 **MISCELLANEOUS**

9.1 **Notices.**

9.1.1 All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by expedited delivery service or certified or registered mail within three business days after transmission). Notices will be delivered to you at the Franchise Premises, to us at our headquarters or to other locations specified in writing. Notices may be delivered and receipted to you personally at any location.

9.1.2 Notices sent by certified or registered mail will be deemed to have been delivered and received three business days following the date of mailing. Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received one business day after placement requesting delivery on the next business day. Notices sent by facsimile or electronic mail will be deemed to have been delivered upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

9.2 **Business Name.** You will execute any documents we may direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Marks.

9.3 **We and You Are Not Joint Venturers, Partners, or Agents.**

9.3.1 **Independent Contractor Relationship.** You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

9.3.2 **Display.** In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads, business forms, business cards, email signatures and similar mediums that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Franchise Premises and on any delivery vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

9.3.3 **Your Employees.**

A. You will control your own employees and contractors. We shall not have the power to hire or fire, schedule, direct, supervise, or discipline your employees or to set wages or working conditions for your employees.

B. You will maintain employee records to show clearly that you and your employees are not our employees.

C. You must comply with federal and state labor laws. For example, you must comply with wage and hour laws and pay your employees properly.

D. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits.

E. You must indemnify and hold us legally harmless from any of your violations of federal or state labor laws or similar laws. You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement.

F. You must place a prominent, boldface statement at the top of your employee applications that the applicant is applying to work for you, not for us.

G. You must display your entire business entity's name, not just the licensed brand, on your payroll checks.

H. We do not post job openings at your franchise (or at any other franchise location) on our website or otherwise. We do not coordinate the sharing of employees among franchisees.

I. We do not provide sample employee handbooks for your use with your employees. You should develop these with independent sources of your choice.

9.3.4 **Email Accounts.** You acknowledge that you will have no expectation of privacy in your business email accounts. If we do access such email accounts and their contents, then it is solely for our benefit and not for your benefit. Such access is not for the purpose of assisting you with, or supervising, your business operations or workers. We will not have any obligation to monitor any of your email activity. You must include in your email signature in each email communication the following language

or similar language as we may direct: “[your corporate entity or individual name] independently owns and operates this Afuri franchise.”

9.3.5. **Joint and Several Liability.** The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

9.4 **Waiver.** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition. Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of 10 days’ prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

9.5 **Time Is of the Essence.** Time and strict performance are of the essence of this Agreement. (“Time is of the essence” is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

9.6 **Documents.**

9.6.1 You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. Upon the expiration, termination or transfer of this Agreement, if you do not execute any document necessary in our judgment to comply with the requirements of this Agreement, then by this Agreement, you irrevocably nominate, constitute and appoint the person then serving as our President, LLC Manager or similar position as your attorney-in-fact to so execute that document in your name and on your behalf.

9.6.2 If you are a partnership, all general partners will sign this Franchise Agreement. If you are a corporation, limited liability company or other entity, then all shareholders or members and all principal officers will directly sign this Agreement or personally guarantee your faithful performance under this Agreement.

9.7 **Construction.**

9.7.1 **Entire Agreement.** This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words “this Agreement” include any

future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our President, Vice President or LLC Manager at our home office by an instrument in writing.

9.7.2 Previous Communications. No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement.

9.7.3 No Disclaimer of Disclosure Document Representations. Notwithstanding Section 9.7.1 above, nothing in this Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

9.7.4 Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words “will” and “must” used in this Agreement indicate a mandatory obligation. In this Agreement, *including* means “including but not limited to” unless expressly stated otherwise. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

9.7.5 Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement. If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

A. The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.

B. The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

9.7.6 Severability. If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

9.7.7 Implied Covenants. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

9.7.8 Joint and Several. If, at any time during the term of this Agreement, you consist of two or more persons or entities (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person and entity.

9.8 Enforcement. From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties.

9.8.1 Mediation. If a dispute arises between the parties, before taking any other legal action,

the parties agree to participate in at least six hours of mediation in accordance with the mediation procedures of Arbitration Service of Portland, Inc. or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

9.8.2 Binding Arbitration. If the parties are unable to resolve a dispute by mediation as provided above, then any and all disputes, claims or matters involving you (or your officers, directors, or owners) and us (or our officers, directors, or owners) are subject to binding arbitration except for disputes, claims or matters based on: (1) the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) or (2) collection of delinquent payments. The following provisions will apply to such arbitration:

A. Arbitration will be administered by Arbitration Service of Portland, Inc. in accordance with its commercial arbitration rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Arbitration will be before a single arbitrator. The arbitrator will be required to have at least five years of experience in franchise law.

B. The arbitrator will have power and jurisdiction to decide the controversy or dispute solely according to the express provisions of this Agreement. The arbitrator may not alter, amend, delete, or add to the provisions of this Agreement by implication or otherwise. In any arbitration the parties will be entitled to injunctive relief or specific performance of the obligations of the other. The arbitrator will determine the prevailing party for purposes of the subsection entitled “Attorneys’ Fees” below and may make a percentage award of reimbursable fees and expenses.

C. The provisions of this Section entitled “Binding Arbitration” will be construed as independent of any other covenant or provision of this Agreement; provided that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law. Notwithstanding any provision of this Agreement relating to the laws under which this Agreement will be governed by and construed under, all issues relating to its appropriateness for arbitration or the enforcement of the agreement to arbitrate contained in this Agreement will be governed by the Federal Arbitration Act (9 U.S.C. §_1 et seq.) and the federal common law of arbitration.

D. The provisions of this Section will not limit our right to seek and obtain any provisional or final remedy, including, but without limitation, injunctive relief, an order for payment of any monies due and owing by you, an order for recovery or delivery up of possession, or for specific performance, or similar relief, from any court of competent jurisdiction, as may be necessary in our sole judgment to protect the Marks and the System and our Confidential Information and property rights, to enforce the restrictive covenants of this Agreement, to enforce our contractual rights, and to protect against actual or threatened conduct that on balance would cause or be likely to cause loss or damage if allowed to continue pending completion of an arbitration proceeding.

9.8.3 Injunctive Relief and Specific Performance. Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened

conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

9.8.4 Governing Law. This Agreement is accepted by us in the State of Oregon and will be governed by the substantive laws of Oregon without regard to Oregon choice of law provisions. Following are exceptions to this choice of laws provision:

A. Oregon laws will not prevail to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.).

B. Any law of the State of Oregon that regulates the 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.

C. No antitrust, “implied covenant,” unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Oregon or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph.

The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth.

Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state.

9.8.5 Venue. All issues or disagreements relating to this Agreement will be mediated, arbitrated, tried, heard, and decided (as applicable) in Multnomah County, Oregon, which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of, and best meets the interest of, all of the members of our franchise system.

9.8.6 Remedies.

9.8.6.1 No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

9.8.6.2 We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If either event occurs, we may recover from you the amount of our reasonable attorneys’ fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

9.8.6.3 You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

9.8.6.4 You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we

are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any of covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

9.8.6.5 You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of Confidential Information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of the confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

9.8.7 Attorneys' Fees. The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorneys' fees. These will be set by the arbitration, proceeding or court, including costs and attorneys' fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding.

9.9 Other Agreements. If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

9.10 Agreement Binding on Successors and Assigns. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties. Except as provided in the immediately preceding sentence, the parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third-party beneficiary of that provision.

9.11 Counterparts and Electronic Signatures.

9.11.1 This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within 30 days, this Agreement will no longer be binding upon you.

9.11.2 This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original.

9.11.3 This Agreement may be executed by electronic signatures. The parties agree that electronic signatures shall have the same legal effect as written signatures. At the request of either party, this Agreement shall be manually re-signed in original form by the party(ies) who signed this Agreement electronically.

9.12 **Approval by Shareholders, Members or Partners.** If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

9.13 **Personal Guaranty.** If each of your owners are not signing this Agreement as direct parties, then this Agreement is conditioned upon execution by each of your owners of the Personal Guaranty attached as an Exhibit.

9.14 **Force Majeure.** In the event that either party shall be delayed, hindered in, or prevented from the performance of any act required under this Agreement by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of utilities, restrictive governmental laws or regulations, epidemics or pandemics, riots, insurrection, war or any reason of a like nature, not the fault of the party delayed in performing work or doing acts required under the terms of this Agreement, then performance of such act shall be excused for the period of such delay; provided, that the provisions of this section shall not operate to excuse you from prompt payment of any payments required by you under this Agreement.

9.15 **Representations and Acknowledgements.**

9.15.1 **Receipt of Disclosure Documents.** You have received our franchise disclosure document at the earlier of (1) the first personal meeting with us (if required in your state); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (or 10 business days if required in your state). In addition, you acknowledge either:

- A. Receipt of this Agreement containing all substantive terms at the time of delivery of the franchise disclosure document; or
- B. If we unilaterally and materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the franchise disclosure document (in connection with properly amending our franchise registration in the relevant state(s)), you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than seven calendar days before you signed this Agreement.

9.15.2 **You Have Read and Understand this Agreement.** You have read and understand this Agreement. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Marks and the confidentiality and value of the System. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You believe you have made a good decision for

yourself (or your partners or your business entity) based upon what you believe is your ability to run and control a business of your own.

9.15.3 Speculative Success. The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

9.15.4 Independent Investigation, No Projections or Representations. You have entered this Agreement after conducting an independent investigation of us and of the franchise we offer. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize. Except as outlined in Item 19 of our franchise disclosure document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our franchise disclosure document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

9.15.5 No Review of Business Plans or Loan Applications. Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third-party loan applications related to your purchase of and proposed operation of the Franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

9.15.6 Health and Full-Time Participation. You acknowledge that an ABC business involves hard work and sometimes long hours, similar to most small businesses that are owner-operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You represent that you or your principals are in good health and able to devote your best efforts in the operations of your Franchise and/or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of your Franchise (to the extent permitted by this Agreement).

9.15.7 Investigate Applicable Laws. You have had ample opportunity to investigate laws applicable to your business with your own independent legal counsel before signing this Agreement.

9.16 Security Interests. Subject to applicable state law, you grant to us a security interest in all tangible and intangible assets of the Franchise (and products and proceeds of them) as security for your obligations under this Agreement. This includes, without limitation, furniture, fixtures, equipment, supplies, inventory, leasehold interests, leasehold improvements, appliances, contract rights, accounts receivable, deposit accounts, customer lists/information/accounts, telephone numbers, websites, domain names, social media accounts, books and records, general intangibles, money, instruments, chattel paper, documents, business name and other intellectual property, together with all after-acquired property,

accessories, substitutions, additions, replacements, parts and accessions affixed to or used in connection therewith and the proceeds, products, rents, and profits of all the foregoing, and under any other business name you may use and wherever you may locate the assets of the business. (To clarify, the foregoing sentence does not: (1) permit you to do business in connection with your Franchise using any marks other than the Marks licensed to you hereunder; (2) relocate the Franchise Premises or assets without our prior approval as required hereunder; or (3) permit you to operate a competing business during or after the term of this Agreement in violation of any covenants hereunder.)

If you own the Franchise Premises, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval.

You agree that we may prepare and file all instruments or documents necessary to consummate or perfect any such security interest, including a UCC Financing Statement. Upon request, you will execute and file such instruments or documents as needed. You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose.

9.17 **Terrorism, Convictions, Immigration Status.** You represent to us, unconditionally without reservation, that:

- A. Neither you, nor any of your owners, officers or employees, nor any of their respective spouses, children, or parents, nor anyone who has an interest in or who will manage the franchise, nor any of your affiliated entities (“**Interested Party(ies)**”): supports terrorism; provides money or financial services to terrorists; receives money or financial services from terrorists; or is engaged in terrorism, or any activity, organization, or plan with a terrorist. For purposes of this Agreement, “terrorist(s)” includes any person or organization on any current U.S. government list of persons and organizations that support terrorism as provided by law. You represent that neither you nor any Interested Party is on any such list(s).
- B. Neither you nor any Interested Party has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with, lawfully reside in, and travel to the United States to fulfill your obligations under your agreements with us.
- C. You and all Interested Parties are in the United States lawfully, have legal residence in the United States, and are lawfully permitted to work in the United States.

9.18 **No Guarantee of Income or Refund if Not Satisfied.** Without limiting the generality of the foregoing, you acknowledge that we have not guaranteed that you will derive income from the Franchise that exceeds the price you paid for the Franchise; or that we will refund all or part of the price you paid for the Franchise, or repurchase any of the products, equipment, supplies or chattels supplied by us (as applicable), if you are unsatisfied with the Franchise.

9.19 **Varying Forms of Agreement.** You are aware that our present and future franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

[Signatures appear on the next page.]

FRANCHISE AGREEMENT

Signature Page

The parties have executed this Agreement on the day and year first above written.

(“*we/us*”): **Afuri Franchise Inc.**

By: _____

Print Name: _____

Title: _____

(jointly and severally “*you*”):

IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER ENTITY: THIS AGREEMENT MUST BE SIGNED BY A COMPANY OFFICER OR OWNER AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY. ADDITIONALLY, THE AGREEMENT MUST BE SIGNED BY ALL OFFICERS AND OWNERS OF THE COMPANY AS INDIVIDUALS.

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

Individual Signature: _____

Print Name: _____

Individual Signature: _____

Print Name: _____

Individual Signature: _____

Print Name: _____

EXHIBIT 1
to
FRANCHISE AGREEMENT

FRANCHISE PREMISES AND FRANCHISE TERRITORY

Franchise Premises. The Franchise Premises is located at the following address *(this blank will be completed by us once the Franchise Premises has been approved if not approved at the time of signing the Franchise Agreement)*:

_____.

Franchise Territory. The Franchise Territory is defined as follows *(this blank will be completed by us once the Franchise Territory has been designated if not designated at the time of signing the Franchise Agreement)*:

[Five (5)-mile radius around the center of your Franchise Premises]

[1/4-mile radius around the center of your Franchise Premises]

_____.

* * *

Search Area. If either the Franchise Premises or the Franchise Territory has not been determined when this Agreement is executed, you are responsible for selecting the site for your Franchise Premises within the following Search Area: _____.

We do not grant territorial protections or exclusivity in the Search Area. Franchisor does grant certain territorial protections in the Franchise Territory as described in the Franchise Agreement.

Miscellaneous. The Franchise Territory and your franchise site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

Except as specifically outlined or forbidden in the relevant Franchise Agreement, there are no understandings oral or written concerning the future placement of outlets by any party and concerning any territory protections granted to you.

EXHIBIT 2
to
FRANCHISE AGREEMENT

FRANCHISE PREMISES LEASE AGREEMENT RIDER

THIS RIDER has been entered this _____ day of _____, 20____. It is by and between _____, (“Landlord”) and _____ (jointly and severally “Tenant”).

On or about _____, 20____, Landlord and Tenant executed a lease agreement (the “Lease Agreement”) by which Tenant leased from Landlord real property for Tenant’s operations of an Afuri franchise at the following location: _____ (the “Franchise Premises”).

On or about _____, 20____, Tenant and AFURI FRANCHISE INC. (the “Franchisor”) executed a franchise agreement (the “Franchise Agreement”) for Tenant to operate an Afuri franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. **Use of Franchise Premises.** Landlord acknowledges and agrees that the Franchise Premises may be used only for the operation of an Afuri facility. Landlord permits Tenant to use and display the following service marks, trademarks, and commercial logos: Afuri and all other marks that Franchisor has developed or develops in the future for an Afuri facility.
2. **Landlord Reports and Disclosures to Franchisor.** Tenant acknowledges and agrees that Landlord may, upon Franchisor’s written request, disclose to Franchisor all reports, information, or data in Landlord’s possession respecting sales made in, upon, or from the Franchise Premises and Tenant’s business operations.
3. **Assignment to Franchisor.** Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord’s consent, the Lease Agreement and Tenant’s right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor’s election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant’s Franchise Agreement. This option may be exercised by Franchisor within 30 days of such termination or expiration.
4. **Tenant’s Default; Notice to Franchisor.** Landlord will give written notice to Franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor’s sole discretion, to cure any breach at Tenant’s expense within **15** business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

AFURI FRANCHISE INC.

923 SE 7th Ave.

Portland, Oregon 97201

5. **Franchise Premises De-identification.** Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the cooler scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

6. **Renewal, Extension, or Cancellation of the Lease Agreement.** Landlord will not extend, renew, or cancel the Lease Agreement without Franchisor's prior written consent, which consent will not be unreasonably withheld.

7. **Third Party Beneficiary.** Tenant and Landlord acknowledge and agree that Franchisor is a third-party beneficiary of this Lease Agreement Rider, and Franchisor is entitled to all rights and remedies conferred upon Franchisor under this Lease Agreement Rider (which Franchisor may enforce directly against Tenant or Landlord, with or without the consent or joinder of Tenant). Notwithstanding anything contained in this Lease Agreement Rider, Franchisor will have no liability under the Lease or this Lease Agreement Rider unless Franchisor expressly enters into a written agreement with Landlord.

8. **Signatures.**

IN WITNESS, the parties have executed this Lease Agreement Rider on the day and year first above written.

("Landlord"): _____

By: _____

Title: _____

("Tenant"): _____

By: _____

Title: _____

EXHIBIT 3
to
FRANCHISE AGREEMENT

MULTIPLE FRANCHISE PURCHASE ADDENDUM

This Multiple Franchise Purchase Addendum (“**Addendum**”) is entered into as of _____, 20____, between AFURI FRANCHISE INC., an Oregon corporation (“**we/us**”), and _____ and _____ (“**you**”).

1. **Simultaneous Multiple Franchise Purchase.** The parties have contemporaneously executed **[#]** Franchise Agreements, including this Addendum, as part of a multiple franchise purchase.

2. **Development Area.** If the Franchise Premises has not been determined when this Addendum is executed, you are responsible for selecting the site for your Franchise Premises within the following “**Development Area**”:

Subject to our reservations of rights in the Franchise Agreement, we will not establish or allow others to establish an Afuri business physically located within your Development Area using our Marks and System so long as the Franchise Agreements and corresponding Multiple Franchise Purchase Addenda are in force and you are not in default in any material provision of any such agreement. Upon termination of expiration of this Addendum (under Section 8 below), your rights with respect to the Development Area will automatically terminate.

3. **Franchise Premises and Franchise Territory.** The Franchise Territory for each franchise will be designated by us before you open each relevant Franchise Premises. The Franchise Territory and your Franchise Premises must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

4. **No Other Understandings.** Except as specifically outlined or forbidden in the relevant Franchise Agreement, there are no understandings oral or written concerning the future placement of restaurants by any party and concerning any territory protections granted to you.

5. **Franchise Opening Schedule.** You will commence in good faith to perform your obligations under the relevant franchise agreements and commence full and continuous operation of the relevant Franchise within the following time periods after execution of this Addendum (the “**Development Schedule**”):

END OF DEVELOPMENT PERIOD	NEW RESTAURANTS TO BE OPENED DURING DEVELOPMENT	CUMULATIVE NUMBER OF RESTAURANTS TO BE OPENED AND
---------------------------	---	---

	PERIOD	CONTINUOUSLY OPERATED
First Franchise: Within 14 Months of Franchise Agreement Effective Date	1	1
Second Franchise: Earlier of 14 Months After Opening First Franchise or 14 Months After Deadline for Opening First Franchise	1	2
Third Franchise: Earlier of 14 Months After Opening Second Franchise or 14 Months After Deadline for Opening Second Franchise	1	3

Time is of the essence of this Development Schedule. For the avoidance of doubt, the Development Schedule set forth above is in lieu of the opening and mandatory training deadlines set forth in the Franchise Agreements contemporaneously executed with this Addendum.

In the event that you do not comply with the above Franchise opening and continuous operation requirements, we will have the right to terminate any of your franchise agreements representing franchises that have not yet opened for business. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control (not including financial circumstances) will be excused for a period of time that we deem reasonable under the circumstances.

6. **Payment of Initial Franchise Fees.** You shall pay the full Initial Franchise Fees for each Franchise at the time you contemporaneously sign the multiple Franchise Agreements. The Initial Franchise Fees are not refundable under any circumstances.

7. **Training for First Franchise.** We will have no obligation to provide franchise training to you at our expense except for the first Franchise you open.

8. **Termination and Expiration.** This Addendum will expire at the earlier of the following: (1) the opening of your last Franchise under your Development Schedule; or (2) the termination of this Addendum under to the terms and conditions of this Addendum or the Franchise Agreement. If you do not comply with the Development Schedule, we will have the right to reduce the size of (or change) your Development Area or terminate this Addendum and any of your Franchise Agreements representing Franchises that have not yet opened for business. Such termination will be effective upon written notice to you. Thereafter, we and our affiliates will have the right to operate or grant to others the right to operate outlets within the Development Area. However, your Franchise Agreement(s) and Territory(ies) for each of your operating Franchises will remain in force. Any failure to meet the Development Schedule caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control (not including financial circumstances) will be excused for a period of time that we deem reasonable under the circumstances.

9. **Defined Terms.** All capitalized terms contained in this Addendum that are not defined in this Addendum will have the meaning ascribed to them in the Franchise Agreement.

DATED this ____ day of _____, 20__.

(“we/us”): **AFURI FRANCHISE INC.**

By: _____

Print Name: _____

Title: _____

(jointly and severally “you”):

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

Individual Signature: _____

Print Name: _____

Individual Signature: _____

Print Name: _____

EXHIBIT 4
to
FRANCHISE AGREEMENT

PRE-EXISTING BUSINESS ADDENDUM

This Pre-Existing Business Addendum (“**Addendum**”) is entered into as of _____, 20____, between AFURI FRANCHISE INC., an Oregon corporation (“**Franchisor**”), and _____ and _____ (“**Franchisee**”). It amends the franchise agreement (“**Franchise Agreement**”) between the parties of this same date.

1. **Franchisee’s Representations and Warranties.** Franchisee represents and warrants to Franchisor as follows:

1.1 Franchisee (or one or more owners or affiliated entities) currently owns and operates a business (or businesses) known as: _____ (“**Pre-Existing Business**”).

1.2 The Pre-Existing Business provides the following goods and services to its customers at the following locations:

1.2.1 Goods and services of Pre-Existing Business(es):

1.2.2 Location(s) of Pre-Existing Business(es):

1.3 The Pre-Existing Business(es) will continue to be operated separately and independently from the Afuri franchise.

1.4 Any and all existing franchise agreements, stockholder agreements, membership agreements, partnership agreements, option agreements, or any other agreements or third-party rights relating to the Pre-Existing Business, do not contain any covenants, terms and conditions which do now, or may in the future, prohibit the execution of the Franchise Agreement and the participation of any of the owners, managers or employees of the Franchisee in the Afuri franchise.

1.5 Other than the consents of Franchisee and Franchisor, there is no other third-party consent required for the acquisition of the Afuri franchise to be legally binding and effective.

1.6 There are no existing restrictive covenants, other than those which the Pre-Existing Business has waived, binding on Franchisee or any of its partners, owners, agents, representatives or employees that would be breached by the acquisition and operation of the obligations of Franchisee to Franchisor in the Franchise Agreement and related agreements.

2. **Exceptions to In-Term and Post-Term Non-Competition Covenants.** Franchisee (or its owners or affiliated entities) may continue to operate the Pre-Existing Business(es) [Alternative #1: only

at the locations indicated above][Alternative #2: including any new or additional locations under the same brand name(s) and offering the same goods and services as the Pre-Existing Business(es)] notwithstanding the in-term and post-term non-competition covenants in the Franchise Agreement (in Sections 5.7.2 and 6.7 of the Franchise Agreement, respectively). However, the confidentiality and non-disclosure covenants of the Franchise Agreement are not affected by this Addendum and remain in full force and effect.

3. **No Other Exception.** Except as expressly permitted by Section 2 above (if applicable), Franchisee will not establish any new or additional businesses or participate in any other activities that would violate the Franchise Agreement's in-term or post-term non-competition covenants referenced above.

4. **Indemnification.** Franchisee shall indemnify, defend and hold harmless Franchisor and its affiliates against all losses, costs, proceedings, judgments, liabilities, expenses, court costs, and reasonable fees of attorneys and other professionals arising out of or related to: (1) any breach of the representations and warranties set out in this Addendum; (2) the operation of any Pre-Existing Business; or (3) any willful or negligent act or omission of Franchisee or Franchisee's owners, directors, officers, employees or agents (or those of any Pre-Existing Business). This indemnity includes but is not limited to any act or omission that contributes to any economic damage, bodily injury, sickness, disease or death. This indemnity shall survive termination of the Franchise Agreement. This indemnity is intended to be in addition to, and does not reduce the scope of, the indemnification provisions in the Franchise Agreement.

Franchisor: AFURI FRANCHISE INC.

By: _____

Print Name: _____

Title: _____

Date: _____

Franchisee (jointly and severally):

Name of Entity: _____

By: _____

Print Name: _____

Title: _____

Date: _____

Individuals:

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

EXHIBIT 5
to
FRANCHISE AGREEMENT

ARCHITECTURAL DESIGN ALLOCATION OF RESPONSIBILITIES
(Subject to Change)

The following outline allocates deliverables and responsibilities of the Franchisor, the Franchisee, and others with respect to the design of the Franchise Premises and related matters. This information is subject to change at Franchisor's discretion.

SCHEMATIC DESIGN: This phase establishes the general scope, scale and relationships among the components of the project. The primary objective is to arrive at the most promising floor plan to further develop.

Franchisor's Deliverables:

- Schematic designs of the tenant space exploring space delineation and equipment
- Preliminary equipment schedule
- Additional schematic revisions until final floor/equipment layout is settled on
- Working trip to verify as-built drawings and see the space

Information to be supplied by Franchisee:

- Occupancy of space and any limits to square footage of restaurant
- Drawings (DWG) of As-Built Floor Plan and Site Plan
- Drawings (DWG) of elevation drawings showing existing windows/doors
- Project timeline for design and permitting
- Feedback from Franchisee's architect regarding local building code compliance

Franchisee's Architect's/Designer's Input:

- Franchisee and local architect to review and approve final floor plan before further development

DESIGN DEVELOPMENT:

Franchisor's Deliverables:

- Conceptualize the finishes and interior design of the space (based on Afuri Design Model)
- Interior elevations and sections
- Construction details including custom seating and bar walls
- Wall finishes and countertop plans
- Lighting and electrical plans
- Patio seating plan (if needed)
- Approval of location of Afuri signage (designs provided as part of Design Guide)

Franchisee's Architect's/Designer's Input:

- Feedback from Franchisee's architect regarding local building code compliance

DESIGN WORK COMPLETED BY OTHERS (Franchisee's Architect/Designer):

- Review of final floor plan to ensure code compliancy
- Engineering if needed
- Occupancy change if required
- Code and building summary, site plan, occupancy and restroom calculations

- Window and door schedules if needed
- Energy code summary and wall/ceiling details showing compliance if needed
- Details of fire rated assemblies and/or systems if required
- Design review drawings and application if required
- Signage permitting if required
- Any other local code specific plans needed to complete the permit set (grease management plan, tree preservation plan, etc.)
- Permitting application and management
- Egress plan

MEP drawings to be completed by contractor/subcontractor as needed

EXHIBIT 6
to
FRANCHISE AGREEMENT

CONSENT, WAIVER AND RELEASE FOR TRAINING

This Consent, Waiver and Release for Training (this “**Agreement**”) is entered into by and between _____ (“**Franchisee**”) and AFURI FRANCHISE INC., an Oregon corporation (“**Franchisor**”). This Agreement is effective as of _____, 20__.

Recitals:

A. Franchisee and Franchisor are parties to an Afuri franchise agreement dated _____, 20__ (“**Franchise Agreement**”) located or to be located at the following address: _____ (“**Premises**”).

B. Franchisee desires to receive additional training beyond Franchisor’s mandatory initial training program (“**Additional Training**”). Franchisor desires to provide such Additional Training by its training personnel at the Premises as described in this Agreement.

C. “**Franchisee**” as used in this Agreement shall include any of Franchisee’s staff who receive training.

Agreement:

1. **Additional Training.** Franchisor agrees to provide Additional Training at the Premises using training personnel selected by Franchisor for the period identified in Appendix B. Franchisor will ultimately determine the days and hours of Additional Training based on availability of Franchisor’s training personnel and other factors Franchisor deems reasonable. Matters to be included in Additional Training may include those listed on the attached Appendix A.

2. **Training Fees and Costs.**

2.1 **Training Fees.** Franchisee shall pay Franchisor the training fees described in the attached Appendix B by the due dates described in that appendix.

2.2 **Training Costs.** In addition to training fees per Section 2.1 above, Franchisee will be responsible for Franchisor’s out-of-pocket costs related to the Additional Training, including transportation, meals and lodging for Franchisor’s training personnel. Franchisee will reimburse such costs or pay them in advance as Franchisor will determine.

2.3 **Method of Payment.** Franchisee’s payment obligations under this Agreement will be made by automatic account withdrawal or other automatic processes or forms of payment that Franchisor specifies, such as check, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer, or payments through the internet, including processes whereby Franchisee authorizes Franchisor to remove the payment directly from Franchisee’s bank account.

2.4 **Late Charges.** Late payments under this Agreement will be subject to late charges and interest prescribed by the Franchise Agreement. Such charges and interest will not exceed any limits imposed by applicable laws.

3. **Covenants and Commitments by Franchisee.** In consideration of the value of the additional on-location training, Franchisee covenants and agrees as follows:

3.1 Franchisor and its training personnel are not and will not be deemed employers

or employees of Franchisee or Franchisee's staff.

3.2 Franchisee shall not make any statements or representations inconsistent with this Agreement.

3.3 Franchisee agrees to defend, hold harmless and indemnify Franchisor and its training personnel from and against all claims, demands, damages, injuries or settlements arising out of or related to the Additional Training on the Premises caused in whole or in part by Franchisee's negligent or intentional acts.

4. **Termination and Expiration.** This Agreement will expire upon Franchisor's completion of Additional Training as provided in this Agreement. Either party may terminate this Agreement if the terminating party complies with the terms of this Agreement and the other party substantially breaches any material provision of this Agreement and fails to cure (or reasonably to begin to cure) that breach within 15 days after receipt of written notice specifying the breach. Termination will be effective upon the non-breaching party delivering written notice to the breaching party of termination for failure to cure within the allowed period. Upon termination or expiration of this Agreement for any reason, (1) Franchisee will still be liable to Franchisor for any earned but unpaid training fees at the time of termination and any incurred but not yet reimbursed training costs at the time of termination, per Section 2 above; and (2) Franchisor will promptly refund to Franchisee a pro rata portion of any advance payments for training fees that are not yet earned at the time of termination and any training costs that are not yet incurred at the time of termination. Certain sections of this Agreement by their nature survive the expiration or termination of this Agreement, including sections pertaining to indemnification, limitation of liability, and dispute resolution.

hing party delivering written notice to the breaching party of termination for failure to cure within the allowed period. Upon termination or expiration of this Agreement for any reason, (1) Franchisee will still be liable to Franchisor for any earned but unpaid training fees at the time of termination and any incurred but not yet reimbursed training costs at the time of termination, per Section 2 above; and (2) Franchisor will promptly refund to Franchisee a pro rata portion of any advance payments for training fees that are not yet earned at the time of termination and any training costs that are not yet incurred at the time of termination. Certain sections of this Agreement by their nature survive the expiration or termination of this Agreement, including sections pertaining to indemnification, limitation of liability, and dispute resolution.

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5. **Miscellaneous.** The governing law, dispute resolution and enforcement provisions in the Franchise Agreement shall apply to this Agreement. In this Agreement, including means "including but not limited to" unless expressly stated otherwise.

By signing below, the parties each hereby agree to be bound by this Agreement.

Franchisor: AFURI FRANCHISE INC.

By: _____

Name: Taichi Ishizuki

Title: _____

Franchisee: _____

By: _____

Name: _____

Title: _____

[Signatures continue on the next page.]

By: _____

Name: _____

Title: _____

The undersigned employee manager(s) of Franchisee hereby agree(s) to be bound by the foregoing Agreement.

Signed: _____

Print Name: _____

Address: _____

Signed: _____

Print Name: _____

Address: _____

APPENDIX A

ADDITIONAL TRAINING

[FOLLOWING ARE EXAMPLES OF ADDITIONAL TRAINING TOPICS]

- Assisting with training of Franchisee's managers
- Providing constructive feedback to Franchisee and its managers on restaurant operations
- Coaching, counseling, and motivating Franchisee and its managers to achieve the highest quality of service in all areas of the restaurant.
- Enforcing Franchisor's standard operating policies and procedures, including those related to food safety, food handling and sanitation.
- Assisting in menu launch
- Assisting in product and marketing promotion rollouts
- Training Franchisee and its managers to respond positively and quickly to customer concerns and proactively identify potential areas of concern.
- Inventory management: Ordering and purchasing best practices. Inventory counts and stock level management. Purchasing tracking and inventory invoicing. Food costing and waste management procedures.
- Production schedule for Commissary based on needs of current operations. How to manage production for 1, 2 and more locations.
- Product transfer / delivery requirements for local and state needs – for when second location opens.
- Vendor communications – preferred products, order days, quality check
- Basic overview and introduction to software tools required or approved by Franchisor for maintaining above items

APPENDIX B

TRAINING FEES AND DURATION OF TRAINING

- **Training Fees:** \$_____ per month for approximately ____ hours of Additional Training per calendar month by a single trainer [ALTERNATIVE: per trainer by [#] trainers]. The specific individual(s) providing training on behalf of the Franchisor may change during the course of this Agreement. This training fee is due in advance by the ____ day of each calendar month.
- **Deposit:** \$_____ deposit is due upon signing this Agreement. The deposit will be applied to monthly invoices until exhausted. Franchisor may require Franchisee to replenish the deposit. Upon early termination of this Agreement, Franchisor will refund the unearned portion of the deposit. [ALTERNATIVE: The deposit is non-refundable, even if this Agreement is terminated early.]
- **Duration of Training.** Additional Training will commence on _____, 20__ and end on _____, 20__.
 - If Franchisee expressly or implicitly requests more hours of Additional Training than agreed, then Franchisor may choose to provide such training at its discretion, and Franchisee will be responsible to pay Franchisor a pro rata increase in training fees and will still be responsible for Franchisor's training costs.

Exhibit C to Afuri Franchise Disclosure Document

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

The following table reflects our Agents for Service of Process and the Relevant State Franchise Authorities. We may not be registered to offer and sell franchises in all of these states:

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
CALIFORNIA	California Commissioner of Financial Protection and Innovation: Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 Sacramento: 2101 Arena Boulevard Sacramento, California 95834-2036 San Diego: 1455 Frazee Road, Suite 315 San Diego, CA 92108 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94105-2980 <u>Toll-Free Number: 1-866-275-2677</u>	Commissioner of California Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 <u>Toll-Free Number: 1-866-275-2677</u>
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
FLORIDA	[Not Applicable]	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770
HAWAII	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, IL 62706 (312) 814-3892

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328	Deputy Commissioner Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
NEW YORK	Secretary of State 99 Washington Avenue Albany, NY 12231	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Franchise Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Franchise Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	Franchise Administrator Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH	Ryan C. Combe Registered Agent 2181 Combe Road Ogden, Utah 84403	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051
WASHINGTON	Department of Financial Institutions 150 Israel Rd. SW Tumwater, WA 98501-6456 (360) 902-8760	Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

Exhibit D to Afuri Franchise Disclosure Document

CONDITIONAL ASSIGNMENT

_____ (“you”) operate your franchise business at _____. In consideration of the granting of a franchise to you and other valuable consideration given by **AFURI FRANCHISE INC.**, an Oregon corporation (“we/us”), you assign to us all business telephone numbers; business telephone and internet listings; websites, website addresses, and domain names related to our brand or the franchise; social media content and accounts related our brand or the franchise; and business email addresses you use in the operation of the franchise. The foregoing sentence does not grant you rights beyond those expressly granted by the franchise agreement or our franchise operations manual. We will hold this assignment, and will deliver it to interested third parties, only upon expiration or termination of the Franchise Agreement between us and you dated _____.

DATED this ____ day of _____, 20____.

(“we/us”): **AFURI FRANCHISE INC.**

By: _____

Title: _____

(jointly and severally “you”): _____

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

Name of Corporation/LLC/Partnership: _____

By: _____

Title: _____

Exhibit E to Afuri Franchise Disclosure Document

**Afuri FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **AFURI FRANCHISE INC.**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name “**Afuri**”:

1. Name of Applicant who is Using the
Assumed or Fictitious Business Name:

a(an) individual/partnership/corporation organized
and doing business under the laws of the State of

2. Date When Original Assumed or Fictitious Business
Name was Filed by Applicant:

3. Address of Applicant’s Registered Office in the
State of: _____

4. Please cancel the Applicant’s registration to use
the name **Afuri**.

DATED: _____

Applicant

By:_____

Title:_____

Exhibit F to Afuri Franchise Disclosure Document

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

AFURI FRANCHISE INC.

923 SE 7th Ave.
Portland, Oregon 97214
(971) 386-2945

I (we) hereby authorize AFURI FRANCHISE INC. (the “Company”) to initiate Electronic Funds Transfer charges to my (our) bank account (indicated below) for payment of my (our) Royalty and Advertising fees owed by me (us) to the Company. This Authorization will remain in full force and effect until Company receives written confirmation of termination of this Authorization via certified letter.

Financial Institution Name: _____

Account Number: _____

Branch Name: _____

Address: _____

City:_____ State:_____ ZIP:_____

I further certify that I have received a copy of the Authorization for my files.

Individual Name: _____

Corporate Name: _____

Afuri Franchise: _____

By:_____

Title:_____

Effective Date:_____

Please attach a voided blank check for verification purposes.

[VOIDED CHECK]

Exhibit G to Afuri Franchise Disclosure Document

OPERATIONS MANUAL TABLE OF CONTENTS

1. Brand Design Guide (24 Pages)
2. Brand Guidelines (10 Pages)
3. Brand Paint Recipe (18 Pages)
4. Signage Design Guide (20 Pages)
5. Pre-Opening Schedule (5 Pages)
6. Recipe Manual - Kitchen (112 Pages)
7. Recipe Manual - Bar (38 – 60 Pages depending upon state-specific alcohol and liquor license requirements)
8. Initial Training Schedule (3 Pages)
9. Opening Support Schedule (4 Pages)
10. Kitchen Operations Guidelines (28 Pages)
11. Front of House Operations Guidelines (10 Pages)
12. Online Training Portal (60 Separate Videos)

Total Number of Pages in Manual: 272 to 294

Exhibit H to Afuri Franchise Disclosure Document

FORM OF GENERAL RELEASE

The Franchise Agreement provides that the franchisee must sign a General Release in a form satisfactory to the franchisor in certain circumstances, such as upon transfer or renewal of the franchise. Following is a form of General Release that is subject to change.

FORM OF GENERAL RELEASE

This General Release Agreement ("Agreement") is made this ____ day of _____, 20____. It is among Afuri Franchise Inc. ("Franchisor"), _____ and _____ (jointly and severally "Franchisee") and _____ and _____ (jointly and severally "Transferee").

RECITALS

On or about ____ day of _____, 20____, Franchisor and Franchisee entered into an Afuri Franchise Agreement (the "Franchise Agreement[s]") for the operation of an Afuri franchise at the following location:
_____.

[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer or renewal of the franchise and relevant agreement dates.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

[1. Renewal of Franchise Agreement. The parties covenant and agree:

A. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Franchise Premises must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

C. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal:
_____.

D. You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the current Operations Manual and System. This includes:
_____.

E. You or your designated manager will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of \$_____:_____.

[1. Franchise Transfer. The Parties covenant and agree:

A. The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination and transfer will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreement. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of

the Franchise Agreements, including but not limited to execution of a new franchise contract in the form currently being used by Franchisor. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

C. Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

D. All obligations of Franchisee in connection with the Franchise Agreement and the franchise are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

E. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee owes \$--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

F. Franchisee is not in default in any way under the Franchise Agreement or any other agreement between it and Franchisor.

G. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of \$---. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a ___ percent commission on the gross transfer price (excluding the price of real property), in the amount of \$____. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing Afuri franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

I. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to Transferee.

J. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Franchise Premises, except as follows:

L. Franchisee will properly operate the franchises and maintain the Franchise Premises in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Franchise Premises.

M. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise Premises,

except as follows:

N. Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transaction.

O. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

P. Transferee will refurbish and remodel the Franchise Premises, and will refurbish, remodel and/or replace the fixtures, equipment and signage to conform to the current Operations Manual and System within 90 days of transfer. This includes: _____.]

[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]

[2. Franchisee to Cease Using Trade Names, Marks, and Logos. Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will immediately:

A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training materials, and any other franchise-related materials in Franchisee's custody, control or possession (or destroy such materials if requested by Franchisor);

B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;

C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;

D. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property; and

E. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system;]

3. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the Afuri franchise operations manuals, or any other nonpublic information related to the operation of the Afuri franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. This provision is not intended to reduce the scope of the confidentiality and non-disclosure covenants in the Franchise Agreement, which shall continue in full force and effect.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

4. General Release.

A. General. In consideration of the covenants and understandings set forth in this Agreement, Franchisee (for itself and on behalf of its affiliates, subsidiaries, divisions, successors, assigns, owners, LLC managers, officers, directors, employees and agents) ("**Releasing Parties**") does release and discharge Franchisor and its current and former owners, partners, LLC managers, directors, officers, members, employees and agents ("Released Parties") from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute (each a "**Claim**" and collectively "**Claims**"), including but not limited to Claims arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties, through the date of this Agreement (except provisions in the Franchise Agreement concerning Franchisee's obligations upon termination).

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

The purpose of this release is to make a full, final and complete settlement of all Claims against the Released Parties, known or unknown, through the date of this Agreement, including but not limited to economic loss.

[In consideration of the covenants and understandings set forth in this Agreement, Transferee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of Transferee's existing franchise or license agreement(s) with us and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Transferee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of Transferee's existing franchise or license agreement(s) with us and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.]

B. Waiver of Statute. With the advice of legal counsel, the Releasing Parties expressly waive any statute, legal doctrine or other similar limitation upon the effect of general releases. If applicable, the parties waive the benefit of California Civil Code Section 1542, which states: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

C. Covenant Not to Sue. The Releasing Parties covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any of the Released Parties with respect to any Claim.

D. Certain Obligations Not Released. The parties agree that the provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination will continue in full force and effect. Without limiting the generality of the foregoing, Franchisee shall be liable to Franchisor for royalties and any other fees that accrue prior to the Effective Date.

E. Releasing Parties' Acknowledgments. RELEASING PARTIES HEREBY ACKNOWLEDGE THAT THEY HAVE READ THIS RELEASE THOROUGHLY AND FULLY UNDERSTAND IT; THEY ARE

VOLUNTARILY EXECUTING THIS RELEASE; THEY HAVE GRANTED THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE BEFORE EXECUTING THIS RELEASE; AND THEY ARE AWARE THAT BY SIGNING THIS RELEASE THEY ARE WAIVING CERTAIN LEGAL RIGHTS THAT THEY MAY HAVE AGAINST THE RELEASED PARTIES.

5. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees. This provision is not intended to reduce the scope of the indemnities found in the Franchise Agreement.

6. Miscellaneous Provisions.

A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.

B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.

C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.

D. Time of Essence. Time is of the essence of this Agreement.

E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.

F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in good faith mediation in Multnomah County, Oregon in accordance with the mediation procedures of Arbitration Service of Portland, Inc. or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

H. Governing Law and Venue. This Agreement is accepted in the State of Oregon and will be governed by the laws of Oregon, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Oregon franchise or business opportunity laws (if any). Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in Multnomah County, Oregon.

I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.

K. Counterparts and Electronic Signatures. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, together, will constitute one and the same instrument.

Execution of this Agreement via DocuSign or any other reputable e-signature service will constitute valid and enforceable execution.

L. Definition of “Including.” In this Agreement, *including* means “including but not limited to” unless expressly stated otherwise.

[7. Effective Date. The effective date of this Agreement shall be the date the last party signs.]

IN WITNESS WHEREOF, the parties have executed this Agreement.

“Franchisor”: Afuri Franchise Inc.

By (Signature): _____

Printed Name: _____

Title: _____

“Franchisee”:

By: _____
_____, an individual

By: _____
_____, an individual

[ENTITY NAME]

By (Signature): _____

Printed Name: _____

Title: _____

Instructions for signatures (above) for “Franchisee” and “Transferee”: If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement must be signed by all officers and owners of the company as individuals.

Exhibit I to Afuri Franchise Disclosure Document

PERSONAL GUARANTY AGREEMENT

THIS PERSONAL GUARANTY AGREEMENT (this “**Guaranty**”) is given this _____ day of _____, 20____, by _____, jointly and severally (collectively, the “**Guarantors**”).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (including its exhibits) of even date (the “**Agreement**”) by AFURI FRANCHISE INC., an Oregon corporation (the “**Franchisor**”), with _____ a _____ corporation (the “**Franchisee**”), each of the undersigned personally and unconditionally (a) guarantees to the Franchisor, and its successor and assigns, for the term of the Agreement (including any renewal terms) and as provided in the Agreement, that the Franchisee will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and its exhibits, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including but not limited to the provisions related to confidentiality and non-disclosure of confidential information, non-competition, monetary obligations, dispute resolution, and indemnification.

Each of the undersigned waives: (1) acceptance and notice of acceptance by the Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right the undersigned may otherwise have to require that an action be brought against the Franchisee or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) the direct and immediate liability of the undersigned under this guaranty is joint and several; (2) the undersigned will render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (3) the liability of each of the undersigned is not contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person (including others of the undersigned); and (4) the liability of each of the undersigned will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which the Franchisor may grant to the 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 will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned Guarantors further consents and agrees that:

(a) Each Guarantor’s liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, the Franchisee and the other owners of the Franchisee.

(b) Each Guarantor will render any payment or performance required under the Franchise Agreement upon demand if the Franchisee fails or refuses punctually to do so.

(c) This Guarantee will continue unchanged by the occurrence of any bankruptcy with respect to the Franchisee or any assignee or successor of the Franchisee or by any abandonment of

the Franchise Agreement by a trustee of the Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this Guarantee nor any remedy for the enforcement of this Guarantee will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of the Franchisee or its estate in bankruptcy or of any remedy for the enforcement of this Guarantee, resulting from the operation of any present or future provision of the U.S. Bankruptcy Code or other statute, or from the decision of any court or agency.

(d) The Franchisor may proceed against one or more Guarantors and the Franchisee jointly and severally, or the Franchisor may, at its option, proceed against one or more Guarantors, without having commenced any action, or having obtained any judgment, against the Franchisee. Each Guarantor waives the defense of the statute of limitations in any action under this Guarantee or for the collection of any indebtedness or the performance of any obligation guaranteed by this Guarantee.

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of amounts due pursuant to this Guarantee or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S):	PERCENTAGE OWNERSHIP IN FRANCHISEE:
Signed: _____ Print Name: _____	_____ %
Signed: _____ Print Name: _____	_____ %
Signed: _____ Print Name: _____	_____ %

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

This Confidentiality and Non-Competition Agreement (this “**Agreement**”) has been entered effective on the following date: _____. It is by and between AFURI FRANCHISE INC., an Oregon corporation (“**Franchisor**” and “**we/us**”) and the undersigned individuals (jointly and severally “**you**”).

RECITALS

A. We own valuable goodwill and have valuable Confidential Information (defined below), and distinctive business format and color scheme and utilize distinctive, uniform business formats, recipes, signs, equipment, layouts, systems, methods, procedures, designs and marketing and advertising standards and formats (the “**System**”). The Confidential Information and System are connected with the development and operation of Afuri businesses.

B. Franchisor and _____ (“**Franchisee**”) signed that certain franchise agreement (“**Franchise Agreement**”) on or about _____ [DATE]. The Franchise Agreement requires the Franchisee’s owners, officers, directors, and persons occupying similar positions (who may obtain or who are likely to obtain knowledge concerning our Confidential Information) to execute a confidentiality and non-competition agreement.

AGREEMENT

Therefore, in consideration of the mutual promises and covenants contained in the Franchise Agreement and herein, the parties agree as follows:

1 PROTECTION OF CONFIDENTIALITY

1.1 **Confidential Information Defined.** In this Agreement, “Confidential Information” shall mean:

- a) Any information that relates to our proprietary ideas, trade secrets, business, products, technology, customers, finances, plans, proposals, or practices of us, including, but not limited to, plans and specifications for new products, discoveries, ideas, know-how, research and development, recipes, inventions, techniques, marketing strategies, customer lists, financing sources and suppliers, non-public financial information, budgets, data, and projections;
- b) Our proprietary information and information we mark or designate as confidential;
- c) Information, whether or not in written form and whether or not designated as confidential, which is known to you as being treated by us as confidential;
- d) Information provided to us by third parties, which we are obligated to keep confidential.

The Confidential Information shall include information in any form in which such information exists, whether oral, written, film, tape, computer disk, digital, or other form of media.

Confidential Information loses that status if: (1) The information becomes publicly available (unless because you breached this Agreement); (2) You get it without restriction from a third party who had the right to disclose it without restriction; or (3) You develop it independently, or already knew it when we gave it to you.

1.2 **Our Exclusive Property.** You acknowledge and agree that our System and all Confidential Information is and shall continue to be our sole and exclusive property, whether or not disclosed or entrusted to you in connection with your relationship with us. Nothing in this Agreement will

give you or others any right, title, or interest whatsoever in or to them. The Confidential Information shall be considered our trade secrets and shall be entitled to all protections provided by applicable law to trade secrets.

1.3 **Safeguard of Confidential Information.** You agree to exercise the highest degree of care in safeguarding Confidential Information against loss, theft, or other inadvertent disclosure. You agree to accord to the Confidential Information the same degree of care and use the same confidentiality protection practices as you exercise or employ with respect to your confidential or proprietary information (but no less than a reasonable degree of care). This includes obligating employees and consultants who receive Confidential Information to covenants of confidentiality and non-use.

1.4 **Notice.** You agree that if you or your employees and agents are served with any subpoena or other compulsory judicial or administrative process calling for production of Confidential Information, you will immediately notify us in order that we may take such action as we deem necessary to protect our interests. You agree to execute any and all documents and to do all acts and things in the opinion of our counsel are necessary or advisable to protect our interests.

2. **COVENANT OF NON-DISCLOSURE.** You specifically acknowledge that you will receive valuable specialized and Confidential Information, including information regarding our operational, sales, promotional and marketing methods and techniques and the System. You agree not to disclose Confidential Information to any third party and to limit disclosure within your association to designated employees approved by us. Disclosures to designated employees will be done on a “need to know” basis to the extent necessary for them to perform the duties of their employment with you. Unless required by court order or applicable law, you agree not to copy, download, send, or divulge any Confidential Information directly or indirectly to any other person or enterprise outside of our system. Except in connection with an Afuri franchise, you will never communicate, divulge, or use in any manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any Confidential Information or proprietary information, knowledge or know-how concerning the System or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your business.

3 **COVENANT OF NON-USE.** You agree not to use Confidential Information or the System, except as authorized by us. You will obligate your owners, board of directors, your employees, and your agents to the same non-use covenant. We must approve in writing any use of Confidential Information or System by you or your owners or your directors or employees.

4 **RETURN OF CONFIDENTIAL INFORMATION.** You agree that all originals and copies of records, data, reports, documents, lists, plans, drawings, correspondence, memoranda, notes, and other materials related to or containing any Confidential Information, in whatever form they exist, whether written, visual, audio, video, or other form of media, shall be our sole and exclusive property. Upon request by us, you will promptly return to us all documents or other tangible property that contains Confidential Information.

5 **RECIPES.** Without limiting the generality of the non-disclosure and non-use provisions in this Agreement, you specifically agree not to disclose or use our recipes (by yourself or by or through any other entity or individual) in any manner other than in connection with Afuri franchises pursuant to the Franchise Agreement.

6 **NON-COMPETITION COVENANT.**

6.1 **Covenant.** During the term of your association with Franchisee and for two years thereafter, you will not directly or indirectly (including by or through any other person or entity) participate as an owner, director, officer, employee, consultant, licensor, licensee, distributor, or agent, or serve in any other capacity in any business engaged in the offer, sale, or promotion of: (1) ramen, (2) other Japanese style cuisine, (3) Vietnamese pho, or (4) any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the

System.

6.2 Geographic Scope. During the term of your association with Franchisee, the covenants described in Section 6.1 above shall apply worldwide. During the two-year period after your association with Franchisee, such covenants will apply within the Development Territory, within a 50-mile radius of the Development Territory, and within a 50-mile radius of any location or designated territory where we operate or have granted the franchise to operate an Afuri business.

7 NON-DIVERSION OF BUSINESS. During the term of your association with Franchisee and for two years thereafter, you will not:

- A. divert or attempt to divert any of our business or any of our customers to any competing establishment; or
- B. do anything harmful to our goodwill associated with the Marks and System.

8 REMEDIES: INJUNCTION AND DAMAGES. You acknowledge that any disclosure of Confidential Information will cause irreparable harm to us. You agree that it may be difficult to measure damage to us from any breach by you or your employees and agents of this Agreement. You agree that monetary damages may be an inadequate remedy for any such breach. Accordingly, you agree that if you breach or take steps preliminary to breaching this Agreement, we shall be entitled, in addition to all other remedies we may have at law or in equity, to a restraining order, temporary and permanent injunctive relief, specific performance, or other appropriate equitable relief, without showing or proving that we actual sustained any damage.

9 MISCELLANEOUS

9.1 Duration. The obligations set forth in this Agreement related to non-disclosure and non-use of Confidential Information will continue during and beyond the term of your relationship with the Franchisee and for as long as you possess any Confidential Information in any manner.

9.2 Waiver. A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition. Any waiver to this Agreement's provisions must be made in signed writing by the granting party.

9.3 Arbitration. From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties. If a dispute arises between the parties, it will be resolved by arbitration before a single arbitrator selected under the Commercial Dispute process and rules of the American Arbitration Association and its supplementary procedures for international commercial arbitration (or its successor). The arbitration will be conducted in the English language and will take place at the American Arbitration Association office closest to Franchisor's headquarters (currently Portland, Oregon, USA). The decision of the arbitrator made within its power or jurisdiction will be final and binding. The decision may be entered as a judgment in any court of law having jurisdiction.

9.4 Governing Law. This Agreement will be governed by the substantive laws of Oregon without regard to Oregon choice of law provisions. Oregon laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.). This choice of laws will not include and does not extend the scope of application of any Oregon franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. Any portion of this Agreement that requires enforcement in any other jurisdiction, and is enforceable under the laws of that jurisdiction but not of Oregon, will be construed and enforced according to the laws of that jurisdiction.

9.5 Injunctive Relief and Specific Performance. Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement.

9.6 Remedies Not Exclusive. No right or remedy conferred upon either party is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

9.7 Attorneys' Fees. The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorneys' fees. These will be set by the arbitration, proceeding or court,

including costs and attorneys' fees on appeal or review from the arbitration, proceeding, suit, or action.
"Prevailing party" means the party who recovers the greater relief in the proceeding.

9.8 Lawful Scope. If, for any reason, any provision set forth in this Agreement exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law.

IN WITNESS, the parties have executed this Agreement on the date written above.

Franchisor: AFURI FRANCHISE INC.

By: _____

Name: _____

Title: _____

Date: _____

You (joint and severally):

Signature: _____

Name: _____

Date: _____

Acknowledged by Franchisee: _____:

By: _____

Name: _____

Title: _____

Date: _____

Exhibit K to Afuri Franchise Disclosure Document

[Reserved for future use]

**FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM**

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.

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

Our website address is www.AFURI.us (which provides a link to franchise information found at <https://www.afuriramenanddumpling.com/franchise>). **OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.**

FDD Item 17, FA Sections 5, 6, 7 and 9

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

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

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

(4) You must sign a general release 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).

(5) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, tried, heard and decided in Multnomah County, Oregon with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

(6) The Franchise Agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

(7) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner of the Department of Financial Protection and Innovation may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

FDD Item 3

Response to California 10 CCR Section 310.114.1(c)(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 that association or exchange.

FDD Item 6; Franchise Agreement Section 2.7

Late payment penalties and late charges will not exceed California's legal limit on interest rates, which is currently 10% annually.

FDD Item 5; Franchise Agreement Section 2.1

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

FDD Item 17.r and Exhibit J (Confidentiality and Non-Competition Agreement); FA Section 6.7

Under Business and Professions Code Section 16600, covenants not to compete that extend beyond the termination of the franchise are not enforceable under California law.

FDD, Franchise Agreement, Area Development Agreement (or Multiple Franchise Purchase Addendum), and Other Exhibits

California Franchise Investment law, Section 31512.1

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

FA Section 9.15

The representations and acknowledgments in Section 9.15 of the Franchise Agreement (entitled "Additional Representations and Acknowledgments") are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

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

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that such provisions be modified by a court or arbitrator to comply with Georgia law if needed. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

Illinois

FDD Items 5 and 6 and FA Section 2

The Illinois Franchise Disclosure Act prohibits discrimination among franchisees for payments made for Initial Franchise Fees, Royalty Fees, and the purchase of goods or services from the franchisor.

FDD Item 17 and FA Sections 6.1 (renewal); 6.3 (termination); 7.1 (transfer); and 9 (enforcement)

A franchisee's rights upon termination and non-renewal may be affected by Illinois law. (See Sections 19 and 20 of the Illinois Franchise Disclosure Act).

Releases executed by franchisees must comply with the Illinois Franchise Disclosure Act. Any attempt to waive compliance with Illinois law is void. (See Section 41 of the Illinois Franchise Disclosure Act, and Rule 200.609 of the Rules and Regulations).

The governing law and choice of law clauses contained in the Franchise Agreement are subject to Illinois law.

Any provision in the Franchise Agreement and any ancillary Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois. (See Section 4 of the Illinois Franchise Disclosure Act, and Rule 200.608 of the Rules and Regulations).

FDD Items 5 and 7; FA Section 2.1

The Illinois Attorney General's Office has imposed the following deferral requirement because of the franchisor's financial condition. All initial franchise fees owed to the franchisor, or its affiliate, by the franchisee will be deferred until such time as: (a) all initial obligations owed to the franchisee under the

franchise agreement or other agreements have been fulfilled by the franchisor and (b) the franchisee has commenced doing business pursuant to the franchise agreement.

FDD, Franchise Agreement, Area Development Agreement (or Multiple Franchise Purchase Addendum), and Other Exhibits

FA Section 9.15

The representations and acknowledgments in Section 9.15 of the Franchise Agreement (entitled “Additional Representations and Acknowledgments”) are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

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

Special Risks to Consider About *This* Franchise

1. **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.

Signatures for Illinois State Law Addendum:

DATED this ____ day of _____, 20__.

(“we/us”): AFURI FRANCHISE INC.

(“you”): _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Signed Personally: _____

Print Name: _____

Michigan

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are included in these franchise documents, the provisions are void for Michigan franchisees and cannot be enforced against Michigan franchisees. These provisions are:

- (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 the Michigan Franchise investment law. This will 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 will include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice and a reasonable opportunity, which in no event need be more than 30 days, to cure the 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 six months' advance notice of the 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 will 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 will 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 breach 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 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 the franchisee's obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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.

A franchisor whose most recent financial statements are unaudited and show a net worth of less than \$100,000 will, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations 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 the escrow. Any questions regarding this notice should be directed to the Department of the Michigan Attorney General, 6520 Mercantile Way, Suite 3, Lansing, Michigan 48913; (517) 373-3800.

The name and address of the franchisor's agent in Michigan authorized to receive service of process is:

Michigan Department of Commerce
Corporation and Securities Bureau
Office of Franchise and Agent Licensing
6546 Mercantile Way
P. O. Box 30222
Lansing, Michigan 48910

New York

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. The following is added to FA Section 9.15

The representations and acknowledgments in Section 9.15 of the Franchise Agreement (entitled “Additional Representations and Acknowledgments”) are hereby deleted to the extent they are not permissible or enforceable under applicable state franchise laws.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i)

waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Special Risks to Consider About *This Franchise*

1. 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.

FDD, Franchise Agreement, Area Development Agreement (or Multiple Franchise Purchase Addendum), and Other Exhibits

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

Acknowledgment

The undersigned does hereby acknowledge receipt of this Addendum.

It is agreed that the applicable foregoing state/provincial law addendum for the state/province of _____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State and Provincial Law Addendum provisions for the relevant state/province, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's or province's franchise laws, without considering this addendum.

DATED this ____ day of _____, 20__.

("we/us"): AFURI FRANCHISE INC.

("you"): _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Signed Personally: _____

Print Name: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Michigan	Pending
New York	Pending

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

Exhibit N to Afuri Franchise Disclosure Document

**RECEIPT
AFURI FRANCHISE INC.**

This franchise disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If AFURI FRANCHISE INC. offers you a franchise, it must provide this franchise disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island law require delivery at the earlier of the first personal meeting or at least 10 business days, and Michigan and Wisconsin law require delivery at least 10 business days, before signing/paying.

If AFURI FRANCHISE INC. does not deliver this franchise 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, D.C. 20580 and the state agency listed in Exhibit C.

The name, principal business address, and telephone number of each franchise seller offering the franchise are: Taichi Ishizuki, CEO, and Hiroto Nakamura, Director, AFURI FRANCHISE INC., 923 SE 7th Ave., Portland, Oregon 97214, (971) 386-2945; and Grant MacDonald, Culinary Director, U.S. Operations, AFURI USA, INC. (same address and phone number as above).

Our authorized agents for service of process are identified on Exhibit C to this Franchise Disclosure Document.

Date of Issuance: **April 8, 2024** (and effective as of the individual state registration dates reflected on the cover page).

I have received a disclosure document dated as indicated above that included the following Exhibits:

- | | | | |
|----|---|----|---|
| A. | Financial Statements | G. | Operations Manual Table of Contents |
| B. | Standard Franchise Agreement (with State Law Addendum) | H. | Personal Guaranty |
| C. | List of State Agents for Service of Process and State Administrators | I. | Confidentiality and Non-Competition Agreement |
| D. | Conditional Assignment of Phone Number | J. | [Reserved for future use] |
| E. | Abandonment, Relinquishment, and Termination of Assumed Business Name | K. | State and Provincial Law Addendum |
| F. | Electronic Funds Transfer Authorization | L. | State Effective Dates |

DATED this ____ day of _____, 20____.

Signatures of All Prospective Franchisees:

Signature: _____ Signature: _____

Print Name: _____ Print Name: _____

Name of Corporation/LLC/Partnership (if applicable): _____

By: _____ Title: _____

All individuals who will sign the franchise agreement must sign this acknowledgment. If the franchise agreement will also be executed by a corporation or limited liability company, an officer or owner authorized to receive this disclosure document on behalf of the corporation or limited liability company must execute this acknowledgment. If the franchise agreement will be executed by a partnership, then all general partners must execute this acknowledgment as general partners and as individuals. **KEEP THIS COPY FOR YOUR RECORDS.**

**RECEIPT
AFURI FRANCHISE INC.**

This franchise disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If AFURI FRANCHISE INC. offers you a franchise, it must provide this franchise disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island law require delivery at the earlier of the first personal meeting or at least 10 business days, and Michigan and Wisconsin law require delivery at least 10 business days, before signing/paying.

If AFURI FRANCHISE INC. does not deliver this franchise 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, D.C. 20580 and the state agency listed in Exhibit C.

The name, principal business address, and telephone number of each franchise seller offering the franchise are: Taichi Ishizuki, CEO, and Hiroto Nakamura, Director, AFURI FRANCHISE INC., 923 SE 7th Ave., Portland, Oregon 97214, (971) 386-2945; and Grant MacDonald, Culinary Director, U.S. Operations, AFURI USA, INC. (same address and phone number as above).

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Date of Issuance: **April 8, 2024** (and effective as of the individual state registration dates reflected on the cover page).

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- | | | | |
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| A. | Financial Statements | F. | Electronic Funds Transfer Authorization |
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| C. | List of State Agents for Service of Process and State Administrators | H. | Personal Guaranty |
| D. | Conditional Assignment of Phone Number | I. | Confidentiality and Non-Competition Agreement |
| E. | Abandonment, Relinquishment, and Termination of Assumed Business Name | J. | [Reserved for future use] |
| | | K. | State and Provincial Law Addendum |
| | | L. | State Effective Dates |
| | | M. | |

DATED this ____ day of _____, 20__.

Signatures of All Prospective Franchisees:

Signature: _____ Signature: _____

Print Name: _____ Print Name: _____

Name of Corporation/LLC/Partnership (if applicable): _____

By: _____ Title: _____

All individuals who will sign the franchise agreement must sign this acknowledgment. If the franchise agreement will also be executed by a corporation or limited liability company, an officer or owner authorized to receive this disclosure document on behalf of the corporation or limited liability company must execute this acknowledgment. If the franchise agreement will be executed by a partnership, then all general partners must execute this acknowledgment as general partners and as individuals. **PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO AFURI FRANCHISE INC., 923 SE 7th Ave., Portland, Oregon 97214.**