



## FRANCHISE DISCLOSURE DOCUMENT

**FRANCHISOR:** FUJI GRILL, INC.  
(A California Corporation)  
1515 West Chapman Avenue  
Orange, CA 92868  
(949) 477-1200  
Email: FujiGrill1515@Yahoo.com



FUJI GRILL offers franchises to establish and operate quick service casual dining restaurants in a relaxed family atmosphere featuring Japanese style food and beverages in accordance with specified recipes and procedures for carry-out or on-premises dining.

The total investment necessary to begin operation of a FUJI GRILL franchise is approximately \$152,400 to \$286,300. This includes \$30,000 that must be paid to the franchisor or affiliate.

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.**

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

The Date of Issuance is February 24, 2023.

## How to Use This Franchise Disclosure Document

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

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

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

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

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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**FUJI GRILL, INC.**

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## **EXHIBITS**

- A. FRANCHISE AGREEMENT (with exhibits)
- B. FINANCIAL STATEMENTS
- C. LIST OF FRANCHISED RESTAURANTS
- D. OPERATIONS MANUAL TABLE OF CONTENTS
- E. LIST OF ADMINISTRATORS OF STATE OF CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT
- F. INTERNET ADVERTISING NOTICE
- G. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- H. NOTICE TO RECIPIENT OF FRANCHISE DISCLOSURE DOCUMENT THAT A COPY OF ALL PROPOSED AGREEMENTS WHICH ARE RELATED TO THE SALE OF A FRANCHISE MUST BE PRESENTED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT



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

To simplify the language of this Disclosure Document, the words “FUJI GRILL,” “we,” “our,” “us,” or “Company” refer to FUJI GRILL, INC., the FRANCHISOR. “You,” “Your,” or “Yours” means the person or entity who purchases the franchise, the FRANCHISEE. To fully understand all of Your and our rights and obligations to each other, You must still carefully review the actual agreements You will execute if You purchase a franchise. These agreements will control if there is a dispute between us.

### **FUJI GRILL, and any Parents, Predecessors or Affiliates**

The Franchisor is FUJI GRILL, INC. with its principal place of business at 1515 West Chapman Avenue, Orange, CA 92868. The Company was incorporated in California on November 18, 2003 under the name FUJI GRILL, INC., and does business as "FUJI GRILL."

FUJI GRILL does not have any parents; that is, no entity controls FUJI GRILL either directly, or indirectly, through one or more subsidiaries.

There was no predecessor from whom FUJI GRILL acquired, either directly or indirectly, a major portion of its assets. Likewise, FUJI GRILL does not control any affiliate which offers franchises in any line of business or provides any products or services to the Franchisees of FUJI GRILL.

FUJI GRILL's registered agent in California authorized to receive service of process is Sujong (Eric) Son, 1515 W. Chapman Avenue, Orange, California 92868.

### **FUJI GRILL's Business**

FUJI GRILL has established, and continues to develop and operate restaurants providing quick service casual dining in a relaxed family atmosphere featuring Japanese style food and beverages in accordance with specified recipes and procedures for carry-out or on-premises dining. We sell franchises to establish, develop and operate FUJI GRILL restaurants. Currently, FUJI GRILL does not operate businesses of the type being franchised in this Disclosure Document.

FUJI GRILL has also developed proprietary recipes, and certain presentation, trade dress, marketing standards and techniques for the foods and beverages sold at the restaurants.

As the Franchisee, You receive the right to use the commercial symbols and logos of FUJI GRILL (the "Marks"), our recipes, menus, distinctive indoor and outdoor color schemes and signs, operating programs and business systems ("System") to establish and operate a single FUJI GRILL restaurant ("Franchised Business") at a designated location,

authorized by FUJI GRILL. You must adhere to and utilize the FUJI GRILL System and its Confidential Operation Manual in the operation of the Franchised Business (the Table of Contents of the Operation Manual is attached hereto as Exhibit D). The market for the Franchised Business is the general public in the local community. Competition includes other similar restaurants and "take-out" food stores.

You will be required to comply with all local, state, and federal laws, including health and sanitation laws and menu-labeling requirements that apply to restaurant operations. There are other laws that apply generally to all businesses, including, but not limited to, the Americans with Disabilities Act, and we encourage you to make further inquiries about these laws.

### **Prior Business Experience**

During the past nineteen years, FUJI GRILL has been involved in the development of seven restaurants similar to the restaurant being franchised. All of these restaurants operate as franchised facilities using the Marks and System owned by the Company. As noted in Section 2 below, Mr. Son is the sole director of the Company, and Mr. Son is an officer of the Company.

FUJI GRILL had a 50% ownership interest in the Brea restaurant which opened on October 24, 2008; however, FUJI GRILL sold its remaining 50% ownership interest in the Brea restaurant to the franchisee effective as of January 4, 2010. FUJI GRILL also formerly retained a minor equity interest (less than 5%) in two of the remaining facilities. The current facilities are located in: Anaheim Hills, Brea, Huntington Beach, Lake Forest, Lakewood, and Orange (see Exhibit C to Franchise Disclosure Document). A list of current locations is also available on FUJI GRILL's website at [www.fujigrill.net](http://www.fujigrill.net) and [www.fujigrill.com](http://www.fujigrill.com).

Importantly, on April 22, 2016, Mr. Lee decided to retire and sell 100% of his interest in FUJI GRILL to Mr. Sujong (Eric) Son, an owner of the FUJI GRILL franchisee who operates the franchise in Orange. Mr. Son is now the sole owner of the Company, is the sole director and holds the offices of President, Secretary and Treasurer.

FUJI GRILL has licensed the use of its Marks and System since 2004; however, FUJI GRILL has never offered franchises in any other line of business.

## **2. BUSINESS EXPERIENCE**

FUJI GRILL's current board of directors is Sujong (Eric) Son only. In addition, Sujong (Eric) Son holds the offices of President, Secretary and Treasurer of FUJI GRILL. As it concerns the principal positions for Mr. Son:

### **A. President, Secretary and Treasurer: Sujong (Eric) Son**

Mr. Son is President, Secretary and Treasurer of FUJI GRILL, INC., and served as FUJI GRILL's Marketing Director in 2010 through 2011. He also has an ownership interest in the franchise located in Orange, California, which has



been open since 2008.

Mr. Son has a bachelor of arts (B.A.) in Economics, and Master of Arts (M.A.) in Economics. He has over 20 years of experience as an independent business owner, including especially the areas of business administration, marketing, recruiting and training staff. Mr. Son applies his practical knowledge of store management along with strong financial planning in order to seek to improve efficiency, productivity and profitability of a business.

**2008 – Present.** Mr. Son is an owner of M & S California Corporation, who owns and operates of the FUJI GRILL franchise location in Orange.

**2010 – 2011.** Mr. Son also acted as the Marketing Director of FUJI GRILL. His primary responsibilities included scouting and locations and assisting other franchisees in their marketing efforts.

**1993-2007.** Mr. Son owned and operated six photo and digital printing shops in Vernon, Bell, Cerritos, Bellflower, Newport Beach and Irvine.

B. Consultant to FUJI GRILL: Founder John J. Lee. As it concerns the principal positions for Mr. Lee:

**2004 – Present.** Mr. Lee was the founder and principal shareholder of FUJI GRILL, until he sold all of his ownership interest to Mr. Sujong (Eric) Son on April 22, 2016. Mr. Lee, on an as-needed basis, will now continue to provide independent consulting services to assist in the management of FUJI GRILL.

**2000 – 2006.** Mr. Lee was an owner of Krantz and Lee Associates, Inc., located in Fullerton, California. This is a business brokerage firm which utilizes its entrepreneurial background to bring together buyers and sellers of businesses.

**2003–2004.** During this period Mr. Lee also held a master franchisee agreement with The Flame Broiler, Inc. under which he established 10 franchised restaurants providing quick counter service of family style Korean Bar-B-Q food, as franchises of Flame Broiler.

**1990-Present.** Mr. Lee's experience in food service began in 1990 when he worked in his family's coffee shop and he has been engaged in various aspects of the fast food industry since that time.

There are no other individuals who have management responsibility relating to the sale or operation of the FUJI GRILL franchises offered by this Disclosure Document.

### **3. LITIGATION**

The Chino Hills Litigation (Superior Court of Orange County Case No. 30-2010-00590965) involved a civil action filed by John J. Lee (former owner of FUJI GRILL), as plaintiff, among certain defendants, including former franchisees Fuji Grill, Chino Hills, Inc. and its sole shareholder James Sutherland (Former Franchisees) involving in part the franchise relationship. In late 2013, the matter was settled as to certain defendants and a judgment was entered as to certain defendants.

On December 26, 2019, a complaint was filed against Fuji Grill (Los Angeles Superior Court Case No. 19GDCV01636) alleging that that its website was not ADA compliant. On February 2020, the lawsuit was dismissed with prejudice. The Fuji Grill website is in compliance with ADA requirements.

Except as set forth in this Section 3, no litigation is required to be disclosed in this Item.

### **4. BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

### **5. INITIAL FEES**

In order to become a FUJI GRILL franchisee, You must pay to the Company an initial franchise fee of \$30,000.00 for a single Authorized Location. When You sign the Franchise Agreement You must pay the Franchise Fee of \$30,000.00 in a single, lump sum payment.

The initial franchise fee is fully earned and nonrefundable except under the following conditions:

a. If there is no Approved Location for the Franchised Business at the time of execution of the Franchise Agreement, and no acceptable site is found, approved, licensed and permitted for architectural/design compliance with the Company's specifications within 90 days from the date the Franchise Agreement is signed, either the Company or You may terminate the Franchise Agreement. The Company shall deduct from the initial fee paid the costs of any site location services requested by You at the rate of \$350.00 per day, and will refund the remaining balance of the initial franchise fee to You.

b. If FUJI GRILL determines that You and/or the persons You selected for training are unable to satisfactorily complete the required training program, the Company may terminate the Franchise Agreement. From the initial franchise fee paid the Company may deduct the cost of additional training and assistance that You may have requested at the rate of \$350.00 per day, plus the costs of the Company's services to assist You in determining a location at the same rate, and refund the remaining balance of the initial Franchise Fee to You.

Except as provided above the initial Franchise Fee is uniform to all applicants under this Disclosure Document.

**6. OTHER FEES**

<b><u>Type of Fee</u></b>	<b><u>Amount</u></b>	<b><u>Due Date</u></b>	<b><u>Remarks</u></b>
Royalty Fees (1)(4)	5% of Net Sales	Payable monthly on the 10th day of the next month(3)	See definition of Net Sales Paragraph X(B)(2) (p. 43) [All paragraph, and page references are to the Franchise Agreement]
Grand Opening Advertising	A minimum of \$1,000.00	To be spent during first month open	Guidelines Provided Paragraph VII(B) (p. 16)  Paid to advertisers.
Local Advertising	\$1,000.00 or 1% of Net Sales, whichever is greater	Monthly	Paid by Franchisee directly to advertisers.
Advertising Fund	1% of Net Sales (in addition to the Local Advertising contribution)	Payable monthly on the 10th day of the next month (3)	Contributions req'd. as Company has established the Fund. Paragraph VII(C) (p.16-17)
Development of System	Not to exceed \$10,000 per year or \$25,000 during first term of agreement, which may be adjusted annually based upon the most recently published Consumer Price Index (CPI), published by U.S. Dept. of Labor, Bureau of Labor Statistics.	At time of improvement, after first year of operation.	These payments are required to comply with modifications in System. Payable to suppliers. Paragraph VI (p.15)
Audit	Amount of any underpayment, plus	On Demand	Payable only if audit reflects You

<b><u>Type of Fee</u></b>	<b><u>Amount</u></b>	<b><u>Due Date</u></b>	<b><u>Remarks</u></b>
	interest and cost of audit. The cost of the audit generally ranges from \$7,500.00 to \$9,000.00.		understated net sales by at least 2%. Cost of audit and attorneys fees if 3% or more. Paragraph IX(S), VERIFY pp. 35-36)
Relocation Fee	\$8,500.00	Upon Franchisee's Application to Relocate	Company must approve new location. Paragraph II(D) (p. 9)
Late Fees	1.5% per month or highest applicable legal interest rate for open account business credit, whichever is lower.	After due date past, and on demand by Company.	Applies to Royalties, advertising contributions and to amounts due for purchases from Company Paragraph X.C (pp. 43-44); Paragraph X.V.4 (p. 40)
Supplier/Supplies Approval	Reasonable cost of Company's inspection and testing not to exceed \$1,000.00	After due date, on Company's demand.	Applies to any new suppliers or change from supply list due to Your request to purchase from a non-authorized source, or to use previously non-authorized product or ingredient. Paragraph IX(N) (p. 33)
Additional Location Fee	\$25,000.00 for second authorized location, and \$22,500.00 for each authorized location thereafter	Upon approval of location and execution of Franchise Agreements for Added locations	Paragraph X(A)(1) (pp. 42-43)
Insurance Policies	\$3,200.00-\$4,200.00	Must have policies within 3 mos. after signing Franchise Agreement and not later than the time You acquire an interest in the real	Min. amts. req'd. Paragraph IX(V) (pp. 38-40)

<b><u>Type of Fee</u></b>	<b><u>Amount</u></b>	<b><u>Due Date</u></b>	<b><u>Remarks</u></b>
		property on which Franchised Business is to be operated.	
Transfer Fee (Transfers by Franchisee)	\$15,000.00 (50% of current franchise fee)	On execution of transfer agreement	Does not apply to transfers caused by the death of the Franchisee. Paragraph XI.B & C (pp. 45-48)
New Manager Training	\$500.00/day trained	When training is provided.	You pay for training of a new manager. Paragraph IX(E) (p. 28)
Opening Assistance	\$500.00/day	When assistance is requested in addition to 2 weeks on-site training provided by Franchisor as training. No cost to Franchisee for initial on-site training.	You pay only for opening assistance beyond what is provided in Agreement. Paragraphs VIII(H) (pp. 22-24) and IX(E) (p. 28)
Location Assistance	\$350.00/day	When assistance is requested and provided.	Company provides recommendations for initial location as part of initial fee. Assistance with relocation not included in initial fee. Paragraphs II(B) (pp. 3-6) and VIII(A) (p. 18).
Continuing Education	You must pay Your expenses to attend program plus the cost of the program estimated to be \$750.00-\$900.00 per year.	Paid at time of program.	Attendance will not be required more than once per year, and will not be for more than 2 business days. Paragraphs VIII(H) (pp. 22-24), IX(G) (pp. 29-30)
Cost of	All costs, including	Upon settlement or	You will reimburse

<b><u>Type of Fee</u></b>	<b><u>Amount</u></b>	<b><u>Due Date</u></b>	<b><u>Remarks</u></b>
Enforcement or Defense	attorneys fees	at conclusion or claim, action or demand.	Company in enforcing Your obligations or for defending any claim concerning the Franchise Agreement. Paragraph III(C) (pp. 10-11), IX(EE) (p.42), XV(B) (p. 53), XVI(J, Q and S) (pp. 58, 61)
Indemnification	All costs including attorneys fees	Upon settlement or at conclusion or claim, action or demand.	You will defend claims and suits at Your own costs and hold the Company harmless in suits involving damages from Your operation of Your Franchised Business. Paragraphs III(D) (p. 11), IX(EE) (p. 42), XII(E) (p. 48), XVI(J, Q and S) (pp. 58, 61).
Miscellaneous	Varies	Upon breach of the Franchise Agreement	You must comply with all terms of the Agreement and will be liable for any breach of the Franchise Agreement. Paragraph XVI (pp. 55-63).
Closing/Restoring Business after Termination	Varies	On termination of Agreement	Cost depends upon the extent of restoration. Applies whether or if You intend to continue business under other affiliations. Paragraphs I(B) (pp. 4-5), XV (pp. 52-55)
Renewal of Franchise Agreement	Varies	Payable upon signing renewal of Franchise Agreement	You must make any modifications in restaurant to remodel or redecorate bring into compliance with

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
			then-current Company restaurants in area. Paragraph I(B) (pp. 4-5)
Direct Deposit	\$150.00-\$400.00/mo.	Monthly	Bank Services, EDTA. Paragraph X(E) (p. 44)
Accounting	\$250.00-\$300.00/mo.	Monthly	Cost of professional services. Paragraph IX(S) (pp. 35-36)
Inventory/Supplies (Costs of Doing Business)	\$3,000.00-\$5,000.00/mo.	As billed	Cost of supplies and goods sold as required by restaurant. Paragraph IX(BB) (p. 41)
Computers, Software, Registers	\$8,000.00	Before opening as to register. When directed by Company as to computer and software.	Cost of computers and registers only. This amount does not include cost of software. Paragraph IX(S) (pp. 35-26)

**Notes:**

(1) All fees are imposed by and payable to FUJI GRILL, unless otherwise noted. All fees pertain to Franchised Businesses established under a Franchise Agreement. All fees are non-refundable.

(2) Net Sales: The term “Net Sales,” is the total of all revenues and income from the sale of all Menu Items, Trade Secret Food Products, and any other food products, beverages and other related merchandise, products and services to customers of Franchisee, or from any other source, whether or not sold or performed at or from the FUJI GRILL FRANCHISED BUSINESS, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment has been received) or otherwise. The amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority shall be deducted from the total revenue amount. Likewise, the amount of any documented refunds, charge-backs, credits and allowances given in good faith to customers by Franchisee shall be further deducted from total revenue to determine Net Sales. All barter and/or exchange transactions pursuant to which You furnish services and/or products in exchange for goods or services to be provided by a vendor, supplier or customer will, for the purpose of determining Net Sales, be valued at the full retail value of the goods and/or services so provided to Franchisee. Franchise Agreement Paragraph X(B)(2).

(3) If we do not receive any payment by the due date, You must pay interest at 1 1/2% per month unless otherwise limited by applicable law. Interest begins to accrue from the date of underpayment. Franchise Agreement Paragraph X(C) (pp. 43-44).

(4) FUJI GRILL has activated its Advertising Fund. Therefore, FUJI GRILL is collecting promotional fees. Each Franchised Business must contribute a monthly sum, not to exceed 1% of Net Sales to the Advertising Fund. This amount is in addition to the Local Advertising amount you are required to spend each month as described in Section (6) below. The assessments against company-owned restaurants are based upon the same formula as assessments applied against other restaurants in the fund. Amounts may vary, depending on the volume of sales. Company administers the Advertising Fund and retains power to change, merge or dissolve the Fund. Franchise Agreement Paragraph VII(C).

(5) You pay an Audit fee only if the audit reveals You underpaid royalties and/or promotional fees of 3% or more. Franchise Agreement Paragraph IX(S) (pp. 35-36).

(6) Local Advertising: You must spend an amount equal to the greater of \$1,000.00 or 1% of Net Sales of the Franchised Business on local advertising and promotion each month. This is in addition to the Advertising Fund contribution you are required to make each month as described in Section (4) above. You will make all local advertising and promotion expenditures based upon the Company's guidelines unless You receive prior written approval. Within 30 days of the end of each calendar month, You must furnish to Company, in a manner and format Company approves, an accurate accounting of Your expenditures on local advertising and promotion for the preceding calendar month just ended. Franchise Agreement Paragraph VII(D) (pp. 17-18).

(7) Insurance: The required coverage with the respective minimum limits of coverage is: [Franchise Agreement Paragraph IX(V) (pp. 38-40)].

a. All "Risks" coverage insurance on all furniture, fixtures, equipment, supplies, products and other property used in the operation of the FRANCHISED BUSINESS (which coverage may include flood and/or earthquake coverage where there are known exposures to either peril and theft insurance) for full repair as well as replacement value, except that an appropriate deductible clause shall be permitted not to exceed ONE THOUSAND DOLLARS (\$1,000.00).

b. Workers' Compensation and Employer's Liability insurance as well as such other insurance as may be required by statute or rule of the state or county in which the FRANCHISED BUSINESS is located and operated.

c. Comprehensive General Liability insurance, including a per premises aggregate with the following coverages: broad form contractual liability; personal and advertising injury; products/completed operations; medical payments and fire damage liability; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorney's fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, occurring in the course of or



on or about or otherwise relating to the FRANCHISED BUSINESS, including General Aggregate coverage in the following limits:

<u>Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate .....	\$1,000,000.00
Products/Completed Operations Aggregate.....	\$1,000,000.00
Personal and Advertising Injury .....	\$1,000,000.00
Each Occurrence .....	\$1,000,000.00
Automobile Liability.....	\$1,000,000.00
Fire Damage (any one fire) .....	\$50,000.00
Medical Expense (any one person) .....	\$5,000.00

The amounts required herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

d. Business interruption insurance for actual losses sustained, for a twelve (12) month period.

If the Franchisee, for any reason, fails to procure and maintain such insurance coverage as required by this Agreement, Franchisor, may obtain the required insurance and charge You. You must then pay the Company immediately for these premiums and the cost of obtaining the insurance, if any. Franchise Agreement Paragraph IX(V) (pp. 38-40).

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## 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

<u>TYPE OF EXPENDITURE</u>	<u>AMOUNT</u>	<u>METHOD OF PAYMENT</u>	<u>WHEN DUE</u>	<u>TO WHOM PAYMENT IS TO BE MADE</u>
<sup>1</sup> Initial Fee	\$30,000.00	Lump Sum	At Signing of Franchise Agreement	FUJI GRILL
<sup>2</sup> Real Estate Costs or Deposits	\$5,000.00 – \$10,000.00	Lump Sum, plus deposits	Upon Signing Lease	Landlord
<sup>3</sup> Utility Security Deposits	\$0-\$5,000.00	Lump Sum	Prior to Connection	Utility Cos.
<sup>4</sup> Leasehold Improvements	\$45,000.00-\$125,000.00	As Arranged	Prior to Opening	Landlord or Contractors
<sup>5</sup> Signs and Menu Board	\$6,500.00 – \$12,000.00	Lump Sum	Prior to Opening	Approved Suppliers
<sup>6</sup> Kitchen Equipment	\$20,000.00 – \$37,500.00	As Arranged	Prior to Opening	Approved Suppliers
<sup>7</sup> Furniture and Fixtures	\$5,000.00-\$8,500.00	As Arranged	Prior to Opening	Approved Suppliers
<sup>8</sup> Architect, Interior Design and Permits	\$9,000.00-\$12,000.00	As Arranged	As Incurred	Provider or Issuer
<sup>9</sup> POS System and Software	\$5,000.00-\$8,600.00	As Arranged	Prior to Opening	Approved Suppliers
<sup>10</sup> Initial Inventory	\$2,500.00-\$5,000.00	Lump Sum	Prior to Opening	Company and Approved Suppliers
<sup>11</sup> Insurance (Liability & Workers Comp.)	\$3,200.00-\$4,200.00	As Arranged	Earlier of 90 days after signing Agreement, or Acquisition of Premises	Insurance Carrier
<sup>12</sup> Grand Opening Advertising	\$1,500.00-\$2,000.00	As Arranged	First 2 months of operation	Approved Suppliers

<b><u>TYPE OF EXPENDITURE</u></b>	<b><u>AMOUNT</u></b>	<b><u>METHOD OF PAYMENT</u></b>	<b><u>WHEN DUE</u></b>	<b><u>TO WHOM PAYMENT IS TO BE MADE</u></b>
<sup>13</sup> Office and Store Supplies and Equipment & Misc.	\$2,200.00- \$3,500.00	As Arranged	Prior to Opening	Approved Suppliers or You determine
<sup>14</sup> Professional Fee and Gov. Permit & License	\$1,500.00- \$1,800.00	As Arranged	As Incurred	Issuer/Provider
<sup>15</sup> Uniforms	\$700.00- \$900.00	As Arranged	Prior to Opening	Approved Supplier
<sup>16</sup> Opening Cash Drawer	\$300.00	Lump Sum	At Opening	Your Restaurant
<sup>17</sup> Additional Funds	\$15,000.00- \$20,000.00	As Incurred	As Incurred	Employees, Suppliers, Utilities as needed
Total	\$152,400.00 to \$286,300.00	(Does not include any real estate purchase costs)		

Total Initial Investment: \$152,400.00 to \$286,300.00.

### **NOTES**

(1) **Initial Franchise Fee:** The initial Franchise Fee is \$30,000.00 and is refundable as described in Item 5 of this Disclosure Document. Refundability of the remaining portions of the initial Franchise Fee following investment expenses is provided by the Franchise Agreement Paragraph II(B) and VIII(I)(3) and in Item 5 of this Disclosure Document.

(2) **Real Estate:** If You do not own a location which is approved for establishing a FUJI GRILL restaurant, You must rent a suitable location. These figures are based upon leased restaurant premises. The rent estimate contemplates one (1) month rent plus a security deposit equal to one month's rent, and is based upon rental expenses in Orange County and Los Angeles County, California. The rent expense for a FUJI GRILL restaurant facility will vary based upon factors such as location, square footage, age and condition of the structure, common area charges, lease arrangements and other factors. The prototypical FUJI GRILL restaurant will be approximately 1000 to 1300 square feet.

The low end estimate represents a lease rate of \$2.50-\$3.00 per square foot for two months.

(3) Utility Deposits Utility companies generally require You to place a deposit before installing (or turning on) telephone, gas, electricity, water and related utility services. Some of these deposits may be provided by landlord. These deposits may also be refundable depending upon Your agreements with the utility companies.

(4) Leasehold Improvements: The cost of construction and leasehold improvements depends upon the size and condition of the premises, the local cost of construction and the location of the facility. The range of figures set forth is the estimated costs of a reasonable renovation or improvements. The low estimate assumes that the landlord provides a partial build-out allowance. The high estimate represents a cash outlay if You do not receive any build-out allowance in the lease. No extended payment terms are considered in this estimate. Improvements may involve structural changes, interior plumbing changes, electrical reconfigurations, partitions, flooring, décor, venting, relocation of walls, windows and doors. Your cost for real estate improvements may also vary depending on location, condition of premises and local building codes. These deposits may also be refundable depending upon Your agreements with the utility companies.

(5) Signs and Menu Board: This is the estimated range of costs to You for acquiring all interior and exterior signs for the franchised location from an approved supplier, and a menu board for the interior of the facility. These deposits may also be refundable depending upon Your agreements with the utility companies.

(6) Kitchen Equipment: The kitchen equipment required to operate a FUJI GRILL restaurant includes grills, refrigerators, steam counters, ventilation hoods and other such equipment. You may purchase or lease approved brands and models from approved suppliers. The cost of the equipment will depend on such things as financing terms, the size of the facility and equipment, the brands purchased and other factors. These deposits may also be refundable depending upon Your agreements with the utility companies.

(7) Furniture and Fixtures: These estimates represent purchase costs of typical restaurant furniture and fixtures. Fixtures include counters, tables, chairs, wall coverings and decorations. The cost of fixtures will vary depending on the seating capacity of the facility, the lease/purchase terms available to You, the layout of the facility and other factors. These deposits may also be refundable depending upon Your agreements with the utility companies.

(8) Architect, Interior Design and Permits: This is the estimated range for the costs of having an architect and a design professional create the finished plans from the modifications You deem necessary or desire to make in the prototypical design of a FUJI GRILL restaurant. The changes and modifications to the basic restaurant design and specifications may be necessitated by the size or configuration of the property where Your restaurant is to be located, or the traffic or health requirements of the local authorities. The architect will produce finished plans which after approval by the

Company, can be used to secure proper building permits and likewise utilized in construction of the restaurant. The Company will recommend architects familiar with the construction of quick service restaurant facilities, but costs will vary depending upon the professional experience of the architect, the location of the facility and the number of architectural and structural changes necessary to build Your restaurant. These deposits may also be refundable depending upon Your agreements with the utility companies.

(9) POS System and Software: The Company will provide You with a list of approved suppliers of Point of Sale cash terminals which are compatible with the FUJI GRILL System. You must purchase a POS cash terminal which is compatible with the Company's system, and likewise operate under the software designated by the Company. This is the range of estimated costs for compatible POS systems. Any proprietary software will be provided to You at no added cost to You. These deposits may also be refundable depending upon Your agreements with the utility companies.

(10) Initial Inventory: This estimate is based upon Your initial inventory including cups, napkins, bowls, sauces, menu items, food stocks, ingredients, spices, beverages, cleaning supplies and other materials and supplies utilized in the operation of, or sold at the restaurant. The initial inventory will vary according to anticipated sales volume and current market prices for food and supplies. Your initial inventory may be purchased from FUJI GRILL, designated suppliers or approved suppliers in accordance with the Franchise Agreement and the Operation Manual. These deposits may also be refundable depending upon Your agreements with the utility companies.

(11) Insurance – Liability & Workers' Comp.: This estimate is based upon a 25% down payment of the annual premiums for general liability, workers' compensation and property and casualty insurance. These deposits may also be refundable depending upon Your agreements with the utility companies.

(12) Grand Opening Advertising: You must spend a minimum of \$1,500.00 during the first month of operation for advertising and promotion. These deposits may also be refundable depending upon Your agreements with the utility companies.

(13) Office Supplies, Equipment & Miscellaneous: This is the range of expenses that is estimated will be incurred when purchasing office equipment and related supplies. Both the low and high estimate assume a straight purchase of the supplies and equipment, and not a partial payment based upon a financing agreement. These deposits may also be refundable depending upon Your agreements with the utility companies.

(14) Professional Fees, Fees and Licenses: These are the estimated costs to acquire the necessary local business permits, attorney/accountant fees, the cost of establishing bank accounts, etc. These deposits may also be refundable depending upon Your agreements with the utility companies.

(15) Uniforms: These are the estimated costs to lease appropriate uniforms for Your initial staff which includes cleaning by the supplier. These deposits may also be refundable depending upon Your agreements with the utility companies.

(16) Opening Cash Drawer: This is the recommended amount which should be on hand in the cash drawer when the restaurant opens for business.

(17) Additional Funds: This is the estimated amount of working capital that we recommend that You should have to operate Your Franchised Business during the initial three months of operation, in addition to the specific other items listed in Item 7. This recommended level is the minimum recommended level of funding that the Company recommends that You should have on hand to cover operating expenses including employee wages, Your salary or draw, rent, inventory, utilities, supplies and advertising for three months of operation. However, FUJI GRILL cannot guarantee that this estimated amount will be sufficient. Additional working capital may be required if sales are low and the costs of operation are high. The disclosure laws require us to include this estimate of all costs and expenses to operate Your franchise during the “initial phase” of Your operation, which is defined as 3 months, or longer period if “reasonable for the industry.” This estimate is based upon what we estimate is required to cover the initial three month period. YOU SHOULD REVIEW THESE FIGURES CAREFULLY WITH A BUSINESS ADVISOR BEFORE MAKING ANY DECISION TO PURCHASE THE FRANCHISE.

(18) FUJI GRILL does not offer, either directly or indirectly, financing to You for any of these items.

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

### **A. Approval of Suppliers and Supplies.**

We specify certain fixtures, equipment, supplies, menu items, spices, sauces and other ingredients and items that You must have prior to opening Your restaurant, and which You must maintain for as long as You operate a franchised FUJI GRILL. All fixtures, equipment, supplies and other materials required to operate Your restaurant must be procured from us, or from suppliers that we have designated or approved. The Company will give You an Operation Manual with various bulletins and notices that contain specifications, standards and restrictions for Your purchase of products and services. As we determine consumer preferences and trends in the marketplace, or develop new marketing techniques, technologies, products and services, we anticipate that we will formulate and modify our standards and specifications that we consider appropriate and useful. We will notify You of these changes through amendments to the Operation Manual, articles, newsletters or other bulletins.

The Company will also provide You with a list of suggested manufacturers, suppliers and distributors for the franchised restaurant (“Suppliers List”), and a listing of approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Franchised Business (“Approved Supplies List”). We may also revise the Suppliers List and Approved Supplies List from time to time in our sole discretion and such revisions shall be submitted to You.

No officer of FUJI GRILL owns an interest in any supplier on the Supplier's List. If You propose to offer for sale at the Franchised Business any brand of product, or to use in the operation of Franchised Business any brand of food ingredient or other material or service which is not on these Lists, You must first notify Franchisor of the desire to utilize the unapproved ingredient, material or service and shall upon request by Franchisor submit samples and other such information we require for examination and/or testing to determine whether the unapproved product, material or service meets our specifications and quality standards. You may be charged for the actual cost of the test and in all cases, not to exceed ONE THOUSAND DOLLARS (\$1,000.00). The Company then has a reasonable period (not to exceed 60 days) in which to conduct the test and give its approval or disapproval to the product to You in writing. The Company also reserves the right, at its option, to re-inspect the products of any supplier of an approved item and to revoke its approval of any item which fails to continue to meet any of FUJI GRILL's criteria. All inventory, products, items and supplies used in the operation of the Franchised Business which are not specifically required to be purchased from the Approved Supplies List or from the Approved Suppliers List shall conform to the specifications and quality standards established by Franchisor, the FUJI GRILL System or the Operations Manual. Specifications and standards are available to You through the Franchise Agreement and the Operation Manual. Specifications and standards of quality are formulated on the basis of the Company's experience in display cooking of Japanese style food in a quick counter service environment, along with the business projections from the Company's advisors. These standards may be modified as needed, depending on the Company's or Your improvements, on industry practices and changing market or legal requirements. Your franchised restaurant must at all times maintain an inventory of ingredients, food, beverages, and other products, materials and supplies which will permit the operation of Your FUJI GRILL restaurant at maximum capacity. Franchise Agreement Paragraph IX(N). Most of Your purchases will be made from the Company or from the Supplier's List.

We apply the following general criteria in approving or revoking a proposed supplier:

1. Ability to reliably provide product;
2. Quality of products and services;
3. The Supplier's production and delivery capability;
4. Proximity to the Franchised Restaurants so as to be able to insure timely delivery of product; and,
5. Dependability of the Supplier.

Although purchasing arrangements for products, materials and supplies are not yet in place, the Company will attempt to negotiate the best possible rates for purchases of products and materials with suppliers. Franchise Agreement Paragraph VIII(G)(2). FUJI GRILL has not and does not derive revenue from Your purchase or lease of

property, goods, services, supplies, fixtures, equipment, inventory, or computer hardware and software from approved sources of supply.

The Company may in the future derive revenue from leases of software it develops or from sales of Trademarked or Trade Secret Food Products, whether sold by the Company or by licensed suppliers. The Company's revenue from such leases and sales of products will be derived by receiving a percentage of the net profit from such required purchase or lease (not to exceed 2%), but no such agreement is now in place. While the Company's total revenue generally and revenue from such required leases or purchases is now zero, the Company projects that eventually up to 20% of the Company's total annual revenues will come from sale of restricted products, depending upon who manufactures the product and the number of franchisees buying it.

The Company may in the future to license the manufacture of its software and Trademarked Products, and to allow You to manufacture the sauces for Your own use. As volume of product reaches levels warranting commercial production, the Company plans to license the production of its sauces to assure uniformity, and any additional food products it may develop. Further on an occasional basis, the Company may incur additional costs and expenses to develop or improve certain products or services for the benefit of the FUJI GRILL brand (including but not limited to, goods, equipment, computer hardware and software, and support services). The Company may seek to recover all or a portion of these additional costs and expenses from our franchisees and/or the approved suppliers. If such a recovery is obtained from the approved suppliers, it may be reflected in the prices they quote for these products or services.

The estimated proportion of any required purchases and leases to be made by You in relation to all purchases and leases to be made by You may be as high as 1:3. For example, for every 4 purchases or leases made by You, only 1 must be a required purchase or lease by You.

Your purchase of restricted products should cost You less than 2% of Your start-up costs, and not more than 5% of Your ongoing expenses. In the case of Trade Secret Food Products, such as FUJI GRILL Teriyaki Sauce, the Company will derive revenues equal to its cost of production plus a 2% markup, which fund, and those derived from software, will be retained by the Company. During the fiscal year ending December 31, 2015, FUJI GRILL did not market any private label or Trade Secret Food Products to franchisees, and had no revenue from any required purchases from franchisees during this period. FUJI GRILL has no purchasing or distribution cooperatives. FUJI GRILL does not provide any material benefits to a franchisee based on your use of approved sources of supply. The Company does not negotiate purchase arrangements with suppliers for the benefit of any of its franchisees.

## **B. Approved List of Architects and Contractors.**

To ensure that each FUJI GRILL restaurant meets the local building codes and is properly permitted, let alone comply with the minimum construction requirements and specifications if there are architectural modifications required, the Company has



approved of several local architects. These are design professionals who are familiar with the basic or prototypical FUJI GRILL restaurant, and can efficiently make the architectural modifications needed to meet the individual franchisee's needs as applied to its restaurant at the Approved Location. Likewise, we will provide you with a list of approved contractors familiar with the construction of FUJI GRILL restaurants in your local territory. We will provide you with these lists upon your execution of the Franchise Agreement, as time is of the essence in getting the restaurant open.

You will have to utilize the services of one of the approved architects and one of the approved contractors on the lists. The architect will produce the finished plans and architectural drawings to present to the local municipality where the restaurant is located to obtain licenses and permits, including a valid building permit for all necessary construction. Moreover, these finished plans will also serve as the construction documents for the build-out or modification of Your restaurant. The contractor will build the Franchised Business according to the finished plans and within the applicable building codes. Franchise Agreement Paragraphs VIII(B)(1-3) and IX(C-D).

### **C. Advertising.**

You may not use any advertising material for local advertising unless we have expressly approved it in writing prior to publication or use, and it complies with our requirements regarding format, content and media. Franchise Agreement Paragraph IX(R). If You submit local advertising for review, FUJI GRILL will generally communicate its approval or rejection of the submittal within 10 calendar days. If the submitted ad creates legal issues which need to be submitted to legal counsel for review, notice of the approval or rejection could take up to 30 days following its submittal. Franchise Agreement, Paragraph IX(R) (p. 35).

### **D. Records and Reports.**

All of Your bookkeeping and accounting records, financial statements, and all reports You submit must conform to our requirements as set forth in the Agreement or in the Operation Manual.

You must retain for a period of at least three years all records related to the Franchised Business including daily sales reports, invoices, payroll records, sales tax records and returns, records of cash receipts, disbursement journals, general ledgers and any other financial records that the Company designates, or may be required by law. Franchise Agreement Paragraph IX(S).

You must transmit to the Company on or before the 10<sup>th</sup> day of each quarter, a profit and loss statement and balance sheet for the preceding quarter just ended and a fiscal year-to-date report. Additionally, You must, at Your expense, submit to the Company within 90 days after the end of each fiscal year a profit and loss statement for that fiscal year and a balance sheet as of the last day of the fiscal year just ended, prepared on an accrual basis, including all adjustments necessary for a fair presentation of the financial statements. You must certify the financial statements submitted as being

true and correct. The Company reserves the right to require that annual financial statements, prepared in accordance with generally accepted accounting standard, be reviewed and/or audited by an independent certified public accountant at the Company's expense. Franchise Agreement Paragraph IX(S).

You must submit to the Company other periodic reports, forms and records as specified, and in the manner and time as specified in the Manual.

**E. Computer Equipment.**

You must purchase a computer system meeting the specifications and standards set forth by the Company. This includes Point of Sale ("POS") cash register(s) or terminals, so that all Net Sales and sales information, and related sales activities are recorded on the POS equipment. Further, the Company shall have full access to all of the data recorded on the POS equipment and other computer equipment located at Your restaurant by means of direct access whether in person or by telephone/modem or other automated processing methodology. Franchise Agreement Paragraph IX(S). The estimated cost to purchase the cash register and the related software for the register is \$3,000, with annual maintenance of about \$250 per register. FUJI GRILL does not derive any revenue from Your purchase or lease of such computer equipment.

**F. Software.**

Company may develop custom designed Software for conducting accounting, inventory control, point-of-sale functions and related activities ("Software") as these pertain to the operation of a FUJI GRILL restaurant as part of the FUJI GRILL System. If developed, the Software will be proprietary and the confidential information of the Company. You must comply with Company's standards and specifications developed regarding the Software, as provided in the Manual. This proprietary Software is in an ongoing developmental and testing stage and upgrades may be implemented into the System at the Company's discretion. The Company will lease the Software to You at the then-current rates published in the Manual. Because the Software has not yet been developed, THE COMPANY CANNOT ESTIMATE YOUR INITIAL OR ONGOING COSTS RELATIVE TO THE PURCHASE OR LEASE OF THE SOFTWARE. Franchise Agreement Paragraph VIII(N). The Company expects to be the sole supplier of its proprietary Software. FUJI GRILL does not derive any revenue from Your purchase or lease of such software.

**G. Trademarked Products.**

Company may develop certain Trademarked Products ("Trademarked Products") that are specially developed or private labeled merchandise and products bearing the FUJI GRILL Marks, such as FUJI GRILL Teriyaki Sauce. You must carry an adequate supply or representative inventory of these products. You must purchase Trademarked Products only from designated sources which manufacture the Trademarked Products to the Company's precise specifications. Franchise Agreement Paragraph VIII(L). FUJI GRILL does not derive any revenue from Your purchase or lease of such Trademarked Products.

## **H. Trade Secret Food Products.**

The Company has developed Trade Secret Food Products, and will continue to develop and own proprietary lists of products in the operation of Your restaurant. You must use the Trade Secret Food Products at all times in the operation of the franchise. Company will manufacture, supply and sell Trade Secret Food Products to You and disclose the formula for, and the methods of preparing the Trade Secret Food Products to a limited number of suppliers who are authorized to manufacture the Trade Secret Food Products to Company's precise specifications, and to then sell the Trade Secret Food Products to You. Company may also authorize You to manufacture Your own sauce until there is sufficient volume to warrant licensing its production. You must acknowledge that You will purchase and use the Trade Secret Food Products only from the Company or a limited number of authorized suppliers. Franchise Agreement Paragraphs VIII(L) and IX(O). FUJI GRILL does not derive any revenue from Your purchase or lease of such Trade Secret Food Products.

## **I. Insurance.**

As Your expense, You must obtain and maintain insurance protecting You, Your restaurant, the Company and the Company's officers, directors and employees against loss, liability, personal injury, death, property damage or expense concerning the Franchised Business as the Company may reasonably require for its own and Your protection. The insurance policies will contain certain Company approved clauses and waivers. The Company must be named as an additional insured on each policy or policies. Franchise Agreement Paragraph IX(V).

The liability insurance may not be limited in any way by reason of any insurance that the Company may maintain on its own. Within 90 days of signing the Franchise Agreement, but at the latest by the date You acquire an interest in the real property on which You will develop and operate Your Franchised Business, You must furnish the Company with an Accord Form Certificate of Insurance showing compliance with the Company's insurance requirements. The certificate will state that the policy or policies will not be cancelled or materially altered without at least 30 days written notice to Company. The certificate will reflect proof of payment of premium(s). Maintenance of the insurance and Your performance of the obligations under the insurance provisions of the Franchise Agreement will not relieve You of liability under the Franchise Agreement's indemnity provisions. Franchise Agreement Paragraph IX(V). The Company may modify the minimum insurance requirements and notify You of the changes in writing. Franchise Agreement Paragraph IX(V).

## **9. FRANCHISEE'S OBLIGATIONS**

### **FRANCHISEE'S OBLIGATIONS**

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

<b><u>Obligation</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Disclosure Document Item</u></b>
a. Site selection, acquisition/lease	Section I, II, VIII, IX	Items 6, 7, 11
b. Pre-opening purchases/leases	Section II, VIII, IX	Item 6, 7, 8, 11
c. Site development and other pre-opening requirements	Sections I, II, VIII, IX	Item 6, 7, 8, 11
d. Initial and ongoing training	Section VIII, IX	Item 6, 7, 11
e. Opening	Section VIII, IX	Item 6, 7, 11
f. Fees	Section II, IV, VII, VIII, IX, X, XIV, XV, XVI	Item 5, 6, 7, 8, 11
g. Compliance with standards and policies/Operating Manual	Section II, III, IV, V, VI, VII, VIII, IX, X, XI, XII, XIII, XIV, XV, XVI, <i>ex c, d, e</i>	Item 8, 11, 12, 13, 14, 15, 16
h. Trademarks and proprietary information	Section III, IV, V, VI, VII, VIII, IX, XIV, XV, <i>ex c, d, e</i>	Item 11, 13, 14, 16
i. Restrictions on products/services offered	Section III, IV, V, VI, VII, VIII, IX, XIV	Item 8, 11, 12, 13, 14, 15, 16
j. Warranty and customer service requirements	Section IX	Not Applicable.
k. Territorial development and	Section I	Items 11, 12

<b><u>Obligation</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Disclosure Document Item</u></b>
sales quota		
l. Ongoing product/service purchases	Section IV, VI, VII, VIII, IX, X, XIV	Item 6, 8, 11
m. Maintenance, appearance and remodeling requirements	Section I, II, IV, VI, VII, VIII, IX, XIV, XV, XVI	Item 6, 7, 11, 17
n. Insurance	Section IX	Item 6, 7, 8
o. Advertising	Section VII, VIII, IX, X	Item 6, 7, 11, 13, 14
p. Indemnification	Section III, IV, V, VI, IX, XI, XIV, XVI, <i>ex. c, d, e</i>	Item 6, 13, 14, 17
q. Owner's participation/management/staffing	Section I, II, III, IV, V, VI, VII, VIII, IX, XI, XIII, XIV, XV, XVI, <i>ex. c, d, e</i>	Item 11, 14, 15
r. Records and reports	Section IV, VII, VIII, IX, X, XV	Item 8, 11, 14
s. Inspections and Audits	Section V, VI, VII, VIII, IX, XV	Item 6, 7, 11, 13
t. Transfer	Section XI, XII, XIII, XIV, XV, <i>ex. c, d, e</i>	Item 6, 17
u. Renewal	Section I	Item 17

<b><u>Obligation</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Disclosure Document Item</u></b>
v. Post-Termination obligations	Section IX, XIV XV, <i>ex. E</i>	Item 17
w. Non-competition covenants	Section IX, XIV, XV, <i>ex. E</i>	Item 17
x. Dispute Resolution	Section III, IV, XV, XVI <i>ex. c, d, e</i>	Item 17
y. Other – Termination	Section XIV	Item 16, 17

## **10. FINANCING**

FUJI GRILL does not offer direct or indirect financing. FUJI GRILL does not guarantee Your note, lease or obligation.

No FUJI GRILL document that You must sign contains any waiver of defenses, other legal rights (e.g. confession of judgment), or bars franchisees from asserting a defense against the lender, the lender's assignee FUJI GRILL.

FUJI GRILL does not sell, assign, or discount to a third party, any note, contract, or other document signed by You.

FUJI GRILL does not receive any direct or indirect payment or other consideration from any person or lender for the placement of financing.

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

**Except as listed below, FUJI GRILL is not required to provide you with any assistance.**

**A. *Pre-Opening Obligations.*** FUJI GRILL has the following obligations to You before You open Your restaurant for business:

### **1. Methods Used to Select the Location of Franchisee's Business.**

You must select the site for Your FUJI GRILL restaurant within the area designated in the Franchise Agreement, and the Company must first approve this site as an Authorized Location for Your Franchised Business. Franchise Agreement Paragraphs II(B) and IX(A).

The Company will assist You in locating a site for Your enterprise if You request assistance. Franchise Agreement Paragraph II(B), VIII(A) and IX(A).

FUJI GRILL uses informal procedures to analyze and approve YOUR territory and to determine site feasibility. In this regard some of the factors we consider in analyzing a proposed site include general location, visibility of the location, neighborhood, traffic patterns, parking, size of the facility, physical characteristics and condition of existing buildings, condition of adjacent buildings and character of their operation, distance from competition, proximity to residential or commercial settings and lease terms. We will approve or disapprove of any site You select as a proposed location for Your franchised restaurant within 7 days of Your submittal a written description and photographs of the proposed site to the Company. Franchise Agreement Paragraph II(B). Failure to agree on a site, and to secure an approved lease for a FUJI GRILL restaurant at that location within 90 days after signing the Franchise Agreement, unless extended by mutual written agreement, will allow You or us to terminate the Franchise Agreement, and refund Your initial franchise fee, less certain charges. Franchise Agreement Paragraph II(B).

2. FUJI GRILL will assist You in analyzing Your market area, using informal procedures, to determine site feasibility, and generally assist You in choosing an Authorized Location. Franchise Agreement, Paragraph II(B). You will select the site, but we have final approval of the site selection, which approval will not be unreasonably withheld. Franchise Agreement, Paragraph II(B). Generally, FUJI GRILL does not own the franchise site and lease it back to you. If You request that we offer assistance in this regard You may not construe our assistance as a guarantee or other assurance that the site will be successful. Some of the factors we consider in approving the site as an Authorized Location include general location, neighborhood, traffic patterns, parking, size and physical characteristics of existing buildings and lease terms. If You do not purchase or lease a site for Your restaurant within 90 days after execution of Your Franchise Agreement, we may terminate Your Agreement. Franchise Agreement, Paragraphs II(B)(2) and VIII(A).

3. FUJI GRILL must approve the lease for the Authorized Location, and such approval will not be unreasonably withheld. You must submit a copy of the lease to FUJI GRILL for review and approval. Review and approval by FUJI GRILL does not include review and approval of the legal sufficiency of the lease and must not be considered an assurance that Your rights are adequately protected. Your attorney should review the lease. AS A CONDITION TO FUJI GRILL APPROVING A LEASE, THE LANDLORD MUST: 1) approve of FUJI GRILL as a prospective assignee under the lease; 2) must agree to provide FUJI GRILL with information related to operation of the Franchised Business upon request; 3) to provide FUJI GRILL with any deficiency notice or lease default at the same time as You would receive such a notice, and to allow us to cure any such default within 15 days; 4) allow the display of FUJI GRILL'S Marks on the premises; 5) agree that the leased premises be used for operating a FUJI GRILL restaurant. Franchise Agreement, Paragraph II(B)(5).

4. When You sign the Franchise Agreement we will provide You with the basic plans and specifications for the architectural layout, signage and interior décor of a prototypical Fuji Grill restaurant. Franchise Agreement, Paragraph VIII(B).

5. After You have reviewed the basic plans and specifications, if You make any architectural modifications to the basic plans we will review Your modifications and approve or reject them in a reasonable manner and time. Franchise Agreement, Paragraph IX(C).

6. We will also provide You with a list of approved architects and contractors in the local area of Your proposed restaurant at the time of Your signing the Franchise Agreement. Franchise Agreement, Paragraph VIII(B)(2-3) and IX(C)(2). After obtaining our approval of any architectural modifications to the basic prototypical plans, You must have finished plans drawn by an architect which conform to local building codes, and have them approved and permitted by the local building authorities, but we must first review and approve the architect's plans prior to Your expending anything on permits regarding construction. Franchise Agreement, Paragraph VIII(B)(3) and IX(C). You must then retain an approved contractor to build the modifications, tenant improvements or build-outs to the premises at the site of the Approved Location in conformance with the finished plans and building permits. Construction must be completed within 180 days following execution of the Franchise Agreement, or You will be in breach of the Agreement. Franchise Agreement, Paragraph IX(C).

7. Upon signing the Franchise Agreement FUJI GRILL will also provide You with an Approved Supplies List and an Approved Suppliers List. Initial equipment, supplies, fixtures, signs and inventory may be obtained and purchased in the quantities listed from the suppliers listed, as FUJI GRILL does not supply these supplies or equipment. Franchise Agreement, Paragraphs VIII(L) and IX(N).

8. We will loan You one copy of our confidential operation manual to use during the term of the Franchise Agreement. This manual contains our standard operational policies, procedures, rules and regulations for running a FUJI GRILL restaurant with which You must comply. Franchise Agreement, Paragraphs VIII(G), IX(M) and IV.

9. We will conduct an initial training program before opening of Your restaurant for Yourself and another employee for up to four weeks as described in Item 11 E below. Franchise Agreement, Paragraph VIII(H).

**B. *Typical Length of Time Before Commencing Operation.***

The typical length of time between the signing of the Franchise Agreement and the opening of the Franchised Business is approximately six months.

The date of opening Your restaurant may exceed the six month period provided that You and the Company agree to such an extension in writing. Some of the factors which delay opening are unreasonable failure or refusal of local authorities to issue permits and licenses, weather conditions, shortages or delays in manufacture, procurement or delivery of fixtures, equipment, supplies and signs through no fault of the Franchisee.



The Franchise Agreement requires that You commence operations no later than 180 days after signing the Agreement, however, this can be modified by both parties agreeing to an extension of time in writing. Franchise Agreement Paragraph II(C) and IX(A).

**C. *Post Opening Obligations.*** We have the following obligations to You during the operation of Your Franchised Business:

1. We will provide You with the following ongoing assistance:
  - a. We will regulate the standard of quality with respect to products, procedures for service and sale of menu items, and other food and beverage items which have been approved by the Company throughout the Company's franchised locations. Franchise Agreement, Paragraph VIII(D-F). This also includes proper administration of the facility, bookkeeping, accounting, inventory control, general supervision of customers and employees and general operating procedures, site condition and appearance and updating You on new products/services, procedures and overall improvements in the FUJI GRILL SYSTEM;
  - b. We will provide continuing education for previously trained employees and initial training of new managers. Each Franchise is expected to provide one employee or supervisor for two days of continuing education each year. This education includes a review of the most current operation manual, plus reviews and demonstrations of food preparation, food presentation and the latest food service techniques, customer service procedural review, a review of restaurant marketing, advertising and promotion, record keeping and reporting update, review of the most current sanitation and safe food handling techniques, repair and maintenance issues, ordering and inventory control, employee and human resource issues, staff scheduling, vendor relations and financial management. This continuing education is provided at the corporate headquarters in Orange, California, and each franchise pays for its representative to the annual continuing education training. See Item 6 above and Franchise Agreement, Paragraphs VIII(H), IX(G).
  - c. FUJI GRILL will continue to publish a list of suggested sources of supplies which are necessary to operate the Franchised Business, and we will from time to time negotiate with suppliers to provide the best available rates to You for the purchase of products, supplies, equipment and materials on the approved list of suppliers. Franchise Agreement, Paragraph VIII(F).
  - d. During the first week of operation of the Franchised Business, and during the week immediately preceding the opening of Your restaurant, FUJI GRILL will furnish to You, at no cost to You, one of FUJI GRILL's representatives to facilitate the successful opening of the

Franchised Business. The representative assists You in establishing procedures and techniques essential to operating a FUJI GRILL Restaurant. Franchise Agreement, Paragraphs VIII(H-I).

e. FUJI GRILL provides, to the extent required in FUJI GRILL's judgment, a continuing advisory service which includes consultation on promotional, business or operational problems, and analysis of Your service, sales, marketing, and financial data. This may involve periodic visits to Your restaurant. We will continue to provide general consultation and assistance at Your request to the extent we are able to assist regarding the general operation of Your restaurant, including assistance in determining the appropriate prices for the menu items, food and other products offered to the public at Your restaurant. Franchise Agreement, Paragraph VIII(J).

f. FUJI GRILL, or its designated suppliers, will provide You with FUJI GRILL Trademarked Products and proprietary food products. The sale of proprietary food products may include a profit to FUJI GRILL. Franchise Agreement, Paragraphs VIII(D) and IX(O).

g. FUJI GRILL tests and approves or withholds approval of new products and suggested menu items, and will advise You of all new products and menu items that satisfy our high standards of quality. You may then offer these new products and menu items for sale. Franchise Agreement, Paragraphs VIII(F and L).

h. We will review the System from time to time to determine if the adoption of new or modified trade names, trademarks, service marks, copyrighted materials, new Menu Items, new products, new equipment or new techniques are appropriate. If so determined we will communicate this information to You in a reasonable and timely fashion.

**D. *Advertising Program.***

1. As a Franchisee, You are required to spend a minimum of 1% of Your Net Sales, or \$1,000.00 per month, whichever is greater, on local advertising and FUJI GRILL has the right to review proposed advertising materials desired to use prior to publication. This is in addition to the Advertising Fund contribution you are required to make each month as described in Section D.1.a. below. Franchise Agreement, Paragraph VII(D). If You submit local advertising for review, FUJI GRILL will generally communicate its approval or rejection of the submittal within 10 days. If the submitted ad creates legal issues which need to be submitted to legal counsel for review, notice of the approval or rejection could take up to 30 days following its submittal. Franchise Agreement, Paragraph IX(R).

2. The Company has established its Advertising Fund. As such, You must contribute an amount not to exceed 1% of Your Net Sales. This contribution is in

additional to the local advertising You are required spend each month, which is the greater of 1% of Your Net Sales or \$1,000. The Company will direct all advertising programs with sole discretion over the creative concepts, materials and media used in these programs and their placement and allocation. The media includes print, television or other media and may be local, regional or national in scope. The Company is not obligated to make expenditures from the Advertising Fund which are equivalent or proportionate to Your contribution. For each of its Company-owned restaurants offering products and services similar to Your franchised restaurant, if any, Company will contribute to the Advertising Fund on the same basis as You. The Advertising Fund may be used for the cost of creating, producing and distributing advertising and promotion, in any form, in any media of FUJI GRILL restaurants, including any public relations and marketing activities that are reasonable. Company will conduct all advertising in-house, but may use a national or regional advertising agency in the future. Company will not be compensated for providing services to the Advertising Fund. Company's expenses in administering the Advertising Fund and Company's costs in creating, producing and distributing advertising and promotion in-house, including salaries of Company's employees, if any, may be paid from the Advertising Fund. An accounting of the operation of the Advertising Fund will be prepared annually and will be made available to You on request. The Company reserves the right, to require that this annual accounting include an audit of the operation of the Advertising Fund prepared by an independent certified public accountant Company selects and said audit shall be prepared at the expense of the Advertising Fund. All contributions to the Advertising Fund will be expended during the same calendar year in which the contributions were made. All expenditures in the following fiscal years will be made first out of any current interest or other earnings of the Advertising Fund, next out of any accumulated earnings and finally from principal. Funds not spent in the year in which they were contributed will be kept in the fund and used for advertising costs in the following year. Company may terminate the Advertising Fund at any time once all monies in the Advertising Fund have been expended for advertising or promotional purposes. Franchise Agreement Paragraph VII(C-D).

3. No part of the Advertising Fund will be used to solicit new franchisees.

**E. *Electronic Cash Registers/Computer Systems.***

As a Franchisee, You must use a computerized point-of-sale cash register, or terminal. Franchise Agreement Paragraph IX(S). We currently require that You use a Panasonic Ethernet Color KVS terminal with a JS 5500 workstation including a #750 cash drawer (or updated equivalents of these models). We will consider alternate equipment that meets all the specifications of this Panasonic product. Neither Company, nor any third party have any obligation to maintain or repair Your point of sale cash register, or any other of Your equipment. Optional service contracts are currently available from Appel Company in Van Nuys, California. This recommended equipment is upgradeable, but the cost of the upgrade is dependent upon the features selected and Your negotiations with the distributor or dealer.

This terminal records all sales information, and the Company may independently access Your terminal's information, and any other data kept or recorded in the course of Your operation of Your franchised restaurant at any time. Franchise Agreement Paragraph IX(S).

The Company's current distributor for this type of cash terminal is Aldelo Systems, Inc., 4641 Spyres Way, Suite 4, Modesto, CA 95356, (209) 338-5481.

You must maintain Your cash register at Your cost. You must also update and upgrade Your software and hardware when the Company requires. There is no contractual limit on the cost or frequency of software or hardware upgrades. Company has no obligation to upgrade You, or to assist You with obtaining any of the items or services dealing with hardware or software. Franchise Agreement Paragraph IX(S). The estimated cost to purchase the cash register and the related software for the register is \$3,000, with annual maintenance of about \$250 per register.

The Company has not yet developed software for supporting and operational systems, and does not expect to do so for another few years. The Company will not decide which computer hardware requirements are to be utilized by Franchisees until the development of its software. Because the Software has not yet been developed, THE COMPANY CANNOT ESTIMATE YOUR INITIAL OR ONGOING COSTS RELATIVE TO THE PURCHASE OR LEASE OF THE SOFTWARE. Franchise Agreement Paragraph VIII(N).

**F.     *Operating Manual Table of Contents.***

The Table of Contents for the Operating manual is attached as Exhibit D to the Disclosure Statement.

**G.     *Training.***

At all times during the term of the Agreement, at least two management personnel employed at Your restaurant must have attended and completed our full-time management training course to our satisfaction. In addition, if Franchisee is a business entity, You (or Your designated representative) may complete our full-time training course to our satisfaction.

Training courses are held at the franchise location located at 1515 West Chapman Avenue, Orange, CA 92868, or in one of the FUJI GRILL restaurants located in Orange County, California. Training programs are offered periodically on an as-needed basis to meet the demands of new franchisees.

We may periodically offer additional training programs to You, Your manager or designated representative, covering such subjects as new products or procedures, cooking techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures and the establishment, development and improvement of computerized systems. Attendance by You, Your manager or representative may be mandatory or optional, at our discretion.

Our training staff consists of 2 persons who have at least 5 years of experience with FUJI GRILL, in various operational capacities. All of the instructors have at least 15 years of prior experience in food service or education.

Our training material consists of our Operation Manual and various handouts, examples and problems particular to the subject matter of the class.

FUJI GRILL will train You and another candidate of Your choice at Company's headquarters, or other designated FUJI GRILL location. The initial training program for You and another employee is included with the Initial Franchise Fee. Any new manager hired by You during the term of this agreement must also go through the management training course at a cost of \$500.00 per day.

The training program for the management and operation of the Franchised Business lasts approximately 4 weeks, the first three weeks of which training must be completed to FUJI GRILL'S satisfaction at least 2 weeks prior to Your restaurant's opening, with an option to complete the fourth week of training after Your restaurant's opening (Franchise Agreement Paragraph VIII(H)). The training program covers the following:

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FUJI GRILL INITIAL TRAINING & ASSISTANCE SCHEDULE (NEW FRANCHISEE)					
Wk	Day	Subject	Location	Instructor	Hours
1	1	Establishing Your Fuji Grill Business	Fuji Grill H.Q.	TBD	
		Fuji Grill, Inc Services, Management,	Fuji Grill H.Q.	TBD	
		Employee Management, Policies and Procedures	Fuji Grill H.Q.	TBD	
		Customer Service, Food Handling	Fuji Grill H.Q.	TBD	
		Restaurant Operations	Fuji Grill H.Q.	TBD	8:00
	2	Understanding Electronic Office Systems	Fuji Grill H.Q.	TBD	8:00
		including Quick Books, Fuji Grill web site, and e-mail	Fuji Grill H.Q.	TBD	
	3	Advertising	Fuji Grill H.Q.	TBD	8:00
	4	Familiarization with Fuji Grill's recipes and cooking procedure	Fuji Grill H.Q.	TBD	8:00
	5	Familiarization with Fuji Grill's recipes and cooking procedure	Fuji Grill H.Q.	TBD	8:00
2	1	Familiarization with Fuji Grill's recipes and cooking procedure	TBD	TBD	8:00
	2	Familiarization with Fuji Grill's recipes and cooking procedure	TBD	TBD	8:00
	3	Familiarization with Fuji Grill's recipes and cooking procedure	TBD	TBD	8:00
	4	Familiarization with Fuji Grill's recipes and cooking procedure	TBD	TBD	8:00
	5	Understanding Electronic Office System / POS, Web, E-mail	TBD	TBD	8:00
3	1	Pre-Opening, establishing, standardizing, and techniques	TBD	TBD	8:00
	2	Pre-Opening, establishing, standardizing, and techniques	TBD	TBD	8:00
	3	Pre-Opening, establishing, standardizing, and techniques	TBD	TBD	8:00
	4	Pre-Opening, establishing, standardizing, and techniques	TBD	TBD	8:00
	5	Final review procedures and check-up for Grand Opening	TBD	TBD	8:00
4	1	Store Opening	TBD	TBD	8:00
	2	Store Opening	TBD	TBD	8:00
	3	Store Opening	TBD	TBD	8:00
	4	Store Opening	TBD	TBD	8:00
	5	Final review and preparation for normal business operations	TBD	TBD	8:00
1. Franchisee has option to take 4th week as a training period after opening store, or may train at an existing facility.					
2. All schedules are approximate; actual schedules may vary depending on individual circumstances.					
3. Fuji Grill will designate instructors according to franchisee needs and instructor availability.					
Instructors: Sujong (Eric) Son and John J. Lee					

(A) All schedules are approximated and actual schedule will vary upon their own circumstance. The initial training that the Company provides is described above.

1. All classroom training is conducted at the FUJI GRILL located at 1515 West Chapman Avenue, Orange, CA 92868, or in one of the FUJI GRILL restaurants located in Orange County, California.

2. All in-store, on-the-job, training will be conducted at the Orange-West restaurant.

(B) Instructors:

1. Sujong (Eric) Son, has more than 20 years of experience in being an independent business owner, including as restaurant owner since 2008.

2. John Lee founded FUJI GRILL in 2004. He has operated FUJI GRILL Restaurants from 2004 through April 2016, and has been involved in establishing and operating fast service restaurants for more than 20 years.

(C) FUJI GRILL does not charge for the initial training. However, You must pay for all travel and accommodation expenses You or Your designated manager incur during the training period.

(D) FUJI GRILL also provides mandatory continuing education for previously trained employees and supervisors. Each Franchise is expected to provide one employee or supervisor for two days of continuing education each year. This education includes a review of the most current operation manual, plus reviews and demonstrations of food preparation, food presentation and the latest food service techniques, customer service procedural review, a review of restaurant marketing, advertising and promotion, record keeping and reporting update, review of the most current sanitation and safe food handling techniques, repair and maintenance issues, ordering and inventory control, employee and human resource issues, staff scheduling, vendor relations and financial management. This continuing education is provided at the corporate headquarters in Orange, California, and each franchise pays for its representative to attend the annual continuing education training. See Franchise Agreement, Paragraphs VIII(H), IX(G).

(E) FUJI GRILL occasionally offers additional training programs or refresher courses. When FUJI GRILL offers additional training programs periodically, it charges no fee for attendance. You must pay for all Your costs incurred in attending any additional training programs, including cost of transportation, lodging and meals.

## **12. TERRITORY**

### **A. Location.**

Your franchise will be at a location that must be approved by FUJI GRILL.

**B. Territory.**

Every franchise covers a specific, exclusive Authorized Location within a defined protected area. The protected area, or Territory, is approximately a 3 mile radius from the Authorized Location, depending upon the location, and never less than 1 mile radius from the Authorized Location. We will also attempt to limit the population density in Your Territory to approximately 30,000 persons at the time we approve the Authorized Location. FUJI GRILL utilizes U.S. census data from 2002 and Microsoft Map Point as its sources of its population density. The Authorized Location is not transferable to any other location without the prior written consent of FUJI GRILL.

**C. Conditions for Relocation.**

If You consider relocating after establishing Your franchised restaurant You must first receive Company authorization before Your relocating. You must pay all relocations costs and any relocation fees associated with the move to a new authorized location. If the lease for the site expires, or the premises are destroyed or condemned through no fault of Yours, then You may relocate to a site which the Company approves.

**D. Franchisee Options.**

You will receive a designated Territory with an area outlined on the map attached as Exhibit A to the Franchise Agreement. Under the Agreement You may only operate Your restaurant at the specific location that the Company approves within this Territory. You do not have the right to acquire additional franchises, although You may apply for the right to operate additional FUJI GRILL restaurants pursuant to separate Franchise Agreements. You will have no other options, rights of first refusal or similar rights to acquire additional franchises within the Territory or contiguous territories.

**E. Protected Territory.**

Under the Franchise Agreement, the continuation of Your territorial exclusivity does not depend upon achieving a certain sales volume, but is dependent upon Your compliance with Your development and other obligations under the Franchise Agreement as described above.

**F. General Conditions Re Territory.**

There are no restrictions on the location of customers You may solicit to patronize Your facility, nor are other franchisees restricted from soliciting customers from Your Territory. The Company will not pay You for soliciting or accepting orders from outside Your Territory.

The Company reserves the right to sell at wholesale, both within and outside Your designated Territory, products and services which are, or may in the future be a part of the FUJI GRILL System, and which may be resold at retail to the general public. Franchise Agreement Paragraph I(A)(3) and VIII(L).



The Company also reserves the right to sell at either wholesale or retail, both within and outside Your Territory, products and services which are not part of the FUJI GRILL System. Likewise, the Company also reserves the right to establish food service units operating under a format and marks distinct from the FUJI GRILL System, both within and outside Your Territory. Franchise Agreement Paragraph I(A)(3).

The Company has no right to franchise another FUJI GRILL restaurant within Your designated Territory, nor may we solicit or accept sales or orders of Menu or System Items at retail within Your Territory. Franchise Agreement Paragraph I(A)(3).

The Company has no present intention of establishing any Company-owned similar products or services within Your designated Territory. The Company has no other product, system, mark or outlet location than that which is revealed in this Disclosure Document. Neither FUJI GRILL nor any affiliate has established any company owned stores which sell products or services similar to those offered by FUJI GRILL Restaurants under a different trade name or trademark.

In the operation of Your franchised restaurant You may only engage in the retail sale of Menu Items and You cannot wholesale and/or distribute any product offered for sale through the Franchised Restaurant unless the Company authorizes such sale or distribution in writing. Franchise Agreement Paragraph IX(G).

### **13. TRADEMARKS**

FUJI GRILL grants You the right to operate a FUJI GRILL Restaurant under the name “FUJI GRILL” and its associated logos and other Marks of FUJI GRILL. By “Mark” we mean any trade name, trademark, service mark or logos used to identify Your restaurant as a FUJI GRILL restaurant.

FUJI GRILL is the owner of all right, title and interest in the trade name, trademark, service mark and has received registration of the following Marks on the principal register of the U.S. Patent and Trademark Office:

<b>Service Mark</b>	<b>Registration #</b>	<b>Issue Date</b>	<b>First Use</b>
FUJI GRILL - LOGO	2,983,735	8/9/2005	11/20/2003
FUJI GRILL FRESH & NATURAL	3,202,487	1/23/2007	6/1/2004
FUJI GRILL HEALTHY & DELICIOUS JAPANESE CUISINE	3,236,689	5/1/2007	July, 2004
FUJI GRILL BENTO	3,392,663	3/4/2008	3/1/2007
FUJI GRILL – NEW LOGO	3,921,738	2/22/2011	11/08/2008

<b>Service Mark</b>	<b>Registration #</b>	<b>Issue Date</b>	<b>First Use</b>
SEOUL B-BAP	4,004,487	8/02/2011	11/08/2008
FUJI GRILL – HORIZONTAL LOGO	4,010,449	8/09/2011	9/10/2010

FUJI GRILL has filed all required affidavits for the use of the trademark.

There is presently no effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or any trademark administrator in any state or any court proceedings which limits our right to use the above-described Marks, which are relevant to Your use of said marks for Your restaurant. In addition, there is presently no pending federal or state court litigation regarding FUJI GRILL's use or ownership rights in the trademark.

We have no agreements presently in effect that would significantly limit our rights to use or license the use of the Marks which are material to You and Your operation.

All Your usage and goodwill derived from the usage of these Marks will inure to the exclusive benefit of FUJI GRILL. As a franchisee You will not receive any interest in the Marks, and may not contest the validity or ownership of these Marks. Franchise Agreement Paragraph IX(L).

The Company has no responsibility to defend or indemnify You or hold You harmless in any claim, action or proceeding against You which arises out of the use of these Marks. Franchise Agreement Paragraph III (C).

If You learn of any claim, suit or demand against You by a third party for any alleged infringement, unfair competition or similar matter due to Your use of the Marks, in accordance with the terms of the Franchise Agreement, You must promptly notify us of the claim, suit or demand. Franchise Agreement Paragraph III(C). We will then take whatever action we, in our sole discretion, consider necessary to protect and defend You and the Company against any claim.

If FUJI GRILL changes its trademarks, You must use the new trademarks, and must follow FUJI GRILL rules in the use of the Marks. Franchise Agreement Paragraph III(D).

You must modify or discontinue using any Mark within a reasonable time following notice from the Company that the mark being used is non-conforming. You have no recourse against the Company for the loss, or the loss of use of any Mark. Paragraph Franchise Agreement III(D).

You must not use any Mark or portion of any Mark as part of any corporate or trade name, in any modified form, in the sale of any unauthorized product or service or in any other manner Company does not authorize in writing. Franchise Agreement Paragraph III(B).

You must not use any merchandising, advertising or promotional practice which is unethical or may be injurious to the business of the Company, other franchised restaurants or the goodwill associated with the Marks. Franchise Agreement Paragraph IX(AA).

You must use the designation ®, <sup>SM</sup>, <sup>TM</sup>, or other trademark registration notice where applicable or otherwise indicated in Your advertising of the name FUJI GRILL or its Marks. Paragraph III(B) and IX(K).

You may not establish a web site on the internet using any domain name containing the words “FUJI GRILL” or any variation of the Company’s name or Marks, without the written consent of the Company. Franchise Agreement Paragraph III(F). The Company is the owner of all domain name references to its Marks, and retains the right to pre-approve Your use of linking or framing between Your business’s web pages and all other web sites. If the Company finds Your web site to be non-compliant You must dismantle or amend the site within 5 days to bring it into compliance with approved and authorized uses of the Marks. Franchise Agreement Paragraph III(F).

FUJI GRILL knows of no infringing uses which could materially affect YOUR use of the trademarks. If You learn of any infringing use You must notify us promptly. Paragraphs Franchise Agreement III(C) and V(E), and we will decide in our sole discretion whether or not to prosecute the infringing use. Franchise Agreement Paragraph III(C).

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

There are no patents or copyrights material to the franchise. However, You must operate Your restaurant in accordance with our standards, specifications, policies and procedures as set forth in the Operations Manual, or otherwise communicated to You. You must treat the information communicated to You in the Operations Manual, and in any other manual or supplemental material supplied by us to You as confidential.

The Operations Manual is our property and You may not duplicate, copy, disseminate or disclose the contents of the Operations Manual (except to employees as described in the Manual) at any time, without our prior written consent. We have the right to supplement or modify the Operations Manual upon notice or delivery to You. You must keep the Operations Manual current at all times, and upon termination or non-renewal of Your franchise return the Operations Manual to us. Franchise Agreement Paragraph IX(M).

The Company owns, and may in the future own copyrights in the Manual, marketing or advertising material, software or other writings or copyrightable items which the Company may permit or require that You use in the operation of Your

franchised restaurant. Further, all information, knowledge, recipes and know-how, which the Company designates as confidential will be deemed confidential for purposes of the Franchise Agreement. Franchise Agreement Paragraph IX(T).

You may not divulge or use any confidential information concerning the FUJI GRILL method or System, or procedures during, or after, the term of the Franchise Agreement. Information made available to You may not be divulged to anyone other than Your employees, attorneys or financial advisors who reasonably need to access to such information for purposes of fulfilling their employment of contractual responsibilities. All employees to whom our confidential information, or any of it, is made available shall be informed of this obligation of confidence. Franchise Agreement Paragraph IX(T).

Upon our request, each manager and any other employee who has access to any confidential information must sign a written agreement (on our standard form, see Exhibit B to Franchise Agreement) imposing an obligation of confidence regarding the Operations Manual, or other confidential information. If You are a corporation or limited partnership, we may require Your shareholders, members and limited partners to sign a similar agreement. Franchise Agreement Paragraph V(C).

If You make or acquire any improvements, including enhancements, adaptations, derivative works or new processes (“Improvements”) in the operation of Your restaurant, You will be required to release, at our election, any interest in and transfer all right to these improvements to FUJI GRILL for the grant of franchise, and without the payment of any additional or further consideration by the Company. You will sign or have the creator of the Improvement sign all documents necessary to enable the Company to apply for intellectual property right protection and to secure all rights to the Improvement. You or Your shareholders or members, respectfully, and each of Your employees, will sign a Release and Assignment of Rights to Improvements Agreement (see Exhibit C to Franchise Agreement) requiring compliance with the above, and You must get our written consent before attempting to make any Improvements. Franchise Agreement Paragraph V(E-F).

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

You are expected to provide on-premises management and supervision for the operation of Your restaurant, and unless we approve Your employment of a manager to operate Your franchised restaurant, You must actively participate in the actual operation of Your FUJI GRILL restaurant, and devote as much of Your time as is reasonably necessary for the efficient operation of the business. Franchise Agreement Paragraph IX(E).

If You employ a full time on-premises manager, he or she must have successfully completed our training, and You still remain obligated to supervise the operation of the restaurant. Franchise Agreement Paragraph IX(E). You and Your approved manager must attend the FUJI GRILL training program. Please refer to Item 11 above for further

details regarding training. Your manager, if any, must complete training to our sole subjective satisfaction prior to assuming managerial control for You, however, we do not require that Your manager hold any equity interest in Your restaurant. Any manager must sign a written agreement to maintain confidentiality of the proprietary information described in item 14 above, and to conform with the covenants not to compete described in item 17 below.

Upon the death, disability, or termination of employment of the manager, You must designate a successor manager within 60 calendar days. The successor manager must promptly complete the training program, at an extra charge to be determined by FUJI GRILL, or otherwise satisfy FUJI GRILL's requirements regarding management experience. Franchise Agreement Paragraph IX(E).

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

You must offer and sell only those goods and services that FUJI GRILL has approved. Franchise Agreement Paragraph IX(G). We may add, delete and change the menu items that You must offer, in our unrestricted discretion, and this may require You to purchase additional equipment. You may serve customers only from the restaurant You have been authorized to operate. Franchise Agreement Paragraph IX(G-H).

Approved goods and services must be sold at retail to customers in conformity with the Company's marketing plan and Operations Manual. Franchise Agreement Paragraph IX(G-H).

You must adequately supply Your restaurant with representative inventory of an assortment of products and supplies of the type, quality and quantity that we specify. Franchise Agreement Paragraph IX(M).

You must use only displays, trays, napkins, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the FUJI GRILL Marks and color scheme. Franchise Agreement Paragraph IX(N).

You may not install on the premises of Your restaurant any newspaper/magazine racks, video games, juke boxes, gaming machines, gum machines, vending machines or similar devices without the Company's written authorization. Franchise Agreement Paragraph IX(W).

You must serve all menu items which FUJI GRILL deems appropriate to achieve standardization in the FUJI GRILL franchise system. You may not serve any items which are not approved by the Company. You must adhere to all FUJI GRILL specifications for ingredients, recipes, methods of preparation and service of menu items and standards of cleanliness, health and sanitation. Franchise Agreement Paragraph IX(F-G and O).

## 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**

<b><u>Provision</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Summary</u></b>
a. Length of the term of the franchise	I.B.	Unless You are purchasing an existing franchised restaurant the term is 10 years from the date Your facility opens. If You are purchasing an existing franchise in a transfer the term will be equal to the remaining term on the franchise You purchased.
b. Renewal of extension of the term	I.B.2.	If You are not in default, and Your lease permits, You can renew for two 5 year terms. If You intend to renew, and are not in default You must give notice to us of Your intention to renew not more than 180 days nor less than 90 days prior to the expiration of the preceding term.
c. Requirements for You to renew or extend	I.B.2.; I.B. 3.	Sign renewal agreement and remodel restaurant to conform to the physical standards currently in effect. You may sell the franchise to a qualified buyer, but we have a right of first refusal on any sale. The Company may give You notice that it does not intend to renew the franchise if grounds to terminate the franchise exist, or the Company has decided to cease carrying on its business through franchises, or You and the Company agree to terminate the franchise, or You fail to agree to make changes or unreasonably fail to perform financially over the last 2 years of Your term, as compared to other franchised restaurants.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
d. Termination by You	XIV.A.	<p>Prior to expiration of the initial franchise term of ten years, You may terminate the Franchise Agreement by mutual agreement with the Franchisor, or for cause if You are in compliance, and the Company materially breaches the Agreement, and then fails to cure the breach within 30 days of receipt of Your written notice complaining of the breach.</p> <p>During any renewal term, You may terminate the Franchise Agreement by mutual agreement with the Franchisor, or for cause if You are in compliance, and the Company materially breaches the Agreement, and then fails to cure the breach within 60 days of receipt of Your written notice complaining of the breach.</p>
e. Termination by FUJI GRILL without cause	XIV.B.	Fuji Grill may not terminate the Franchise Agreement without cause.
f. Termination by FUJI GRILL with cause	XIV.B.	FUJI GRILL can terminate Your franchise upon delivery of various notices to You if You default under the terms of the Franchise Agreement.
g. “Cause” defined – defaults which can be cured	XIV.B.1.a; XIV.B.1.b	You have within 70 days to cure the defaults listed in Section XIV(B)(1)(a), and 5 days to cure any failure to pay franchise fees or other amounts due under the Agreement.

<b><u>Provision</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Summary</u></b>
h. “Cause” defined – defaults which cannot be cured	XIV.B.1.c.	Non-curable defaults: insolvency, abandonment, repeated non-compliance, government seizure, non-payment, dissolution of the partnership or corporation holding title to the franchise, material misrepresentations relative to the acquisition of the franchise or conviction of a felony. These defaults are listed in Section XIV(B)(1)(c), are non-curable and may result in immediate termination of the Franchise Agreement.
i. Your obligations on termination/ non-renewal	XV, IX.T.	If you agree or if Fuji Grill has received a final adjudication of any amounts owed, You must pay sums owing, pay all damages, cease use of Marks, de- identify the premises, assign assets including telephone number, turn over records, return the Operation Manual and any other confidential information, and comply with the covenants after termination set forth in item “r” below.
j. FUJI GRILL’s obligations on termination/ non-renewal	XV	Subject to certain exceptions, FUJI GRILL shall purchase from the Franchisee, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of this Agreement or any ancillary or collateral agreement by Franchisee to Franchisor or its approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in the possession of Franchisee or used by Franchisee in the franchise business.
k. Assignment of contract by FUJI GRILL	XI.A.	There is no restriction on our right to assign except that the assignee must be financially responsible and economically capable of performing the Company’s obligations under the Agreement, and assignee must expressly



<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		assume to do so.
l. “Transfer” by You - definition	XI.B.	Includes transfer of any of the Franchisee’s assets or the lease, including the Agreement and change in ownership of partnership or corporation. Also includes sale of the assets to a proposed new transferee who will take over the Franchise (a new franchisee) or one who will not take over the Franchise (non-franchisee buyer).
m. FUJI GRILL’s approval of transfer by You	XI.B.2., XI.C.	FUJI GRILL must approve any transfer, but will not unreasonably withhold consent, following Company’s first right to acquire the franchise from You.
n. Conditions for FUJI GRILL approval of transfer	XI.B., XI.C., XI.D.	<p>New franchisee must meet Company’s qualifications and be trained, pay the transfer fee listed in Item 6 of this Disclosure Document, and sign the current Franchise Agreement, Non-Disclosure, Assignment of Improvements and Guaranty Agreements. For any new franchisee, You must provide proof of the transferee’s ability to meet FUJI GRILL standards, assure that the location is in compliance; and fees due are paid.</p> <p>Whether the sale is to a new franchisee or non-franchisee buyer, You must first offer the franchise to FUJI GRILL.</p> <p>Whether the sale is to a new franchisee or non-franchisee buyer, upon transfer You will sign a general release and pay all sums owed to the Company, including a transfer fee. You must not be in default of any term of the Franchise Agreement.</p>

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
o. FUJI GRILL's right of first refusal to acquire YOUR business	XIII	FUJI GRILL can match any offer for Your business.
p. FUJI GRILL's option to purchase Your business	XIII	Company may purchase the assets of the franchised restaurant bearing the Marks at cost or fair market value, whichever is less, within 30 days after expiration or termination of the Franchise Agreement.
q. Your death or disability	XII	Your survivors/estate, if You are an individual, or a majority shareholder, can operate the Franchised Restaurant without breach, and either meet the Company's standards to continue operation, or sell the franchise following the Company's right of first refusal within 180 days of the death. Failure to perform the terms of the Franchise Agreement after Your death will constitute a breach of the Agreement. If you become disabled Your spouse or attorney-in-fact have the same rights under the same terms and time limits as a spouse or estate of the decedent above.
r. Non-competition covenants during the term of the franchise	IX.T.; IX.U.	You may not have any involvement in any competing business. You must not divert or attempt to divert any business or customer to a competitor, or perform any act which will harm the goodwill associated with the Marks and the System. You may not employ or seek to employ any person employed by the Company or any other franchisee of the Company, or cause that person to abandon his or her employment. You may not own any interest in a business specializing in dispensing, promoting or selling family style Japanese food or other prepared food

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		products similar to any product or service provided through the FUJI GRILL System unless You receive written approval to do so from FUJI GRILL, and You may not reveal any trade secrets or proprietary information.
s. Non-competition covenants after the franchise is terminated, sold or expires	IX.T.; IX.U.3; IX.U.4.	You must not divulge to anyone information, trade secrets, ingredients, techniques of preparing food, recipes, processes or other items of the System or information contained in the Operations Manual. You may not have any involvement in any business that features the sale of family style Japanese food, or other food featured for sale at FUJI GRILL restaurants within 5 miles of any FUJI GRILL franchise for a period of five years following termination of the Franchise Agreement, unless You receive written approval to do so from FUJI GRILL.
t. Modification of the Agreement	XVI.E., IV	Any modification to Agreement must be in writing and signed by You and FUJI GRILL. The Operations Manual is subject to change and becomes effective upon delivery to You. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u. Integration/ merger clause	XVI.K.	The Franchise Agreement and its Exhibits, and all agreements required to be signed under the terms of the Franchise Agreement constitute the full, entire agreement between You and the Company. It is also a requirement that You comply with the terms of the Operations Manual. However, nothing in the Franchise Agreement or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		you.
v. Dispute resolution by binding arbitration	XVI.Q.	Any dispute must be arbitrated in Orange County, California, pursuant to the rules of the American Arbitration Association or the Judicial Arbitration and Mediation Service.
w. Choice of forum	XVI.A; XVI.Q.	Except for certain claims, all disputes must be arbitrated in Orange County, California.
x. Choice of law	XVI.A.	California law applies, unless the dispute deals with trademark issues, and then federal law will apply.

## **18. PUBLIC FIGURES**

FUJI GRILL does not use any public figure to promote its franchise.

## **19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing any existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mr. Sujong (Eric) Son (1515 West Chapman Avenue, Orange, CA 92868; (949) 477-1200), the Federal Trade Commission, and the appropriate state regulatory agencies.

**20. OUTLETS AND FRANCHISEE INFORMATION**

**1. TOTAL OUTLETS FISCAL YEARS ENDING DECEMBER 31, 2020/2021/2022**

**System Wide Outlet Summary For Years 2020 To 2022**

<u>Outlet Type</u>	<u>Year</u>	<u>Outlets at the Start of the Year</u>	<u>Outlets at the End of the Year</u>	<u>Net Change</u>
Franchised	2020	7	7	0
	2021	7	6	1*
	2022	6	6	0
Company Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	7	7	0
	2021	7	6	1*
	2022	6	6	0

\*The Fuji Grill location in Yorba Linda closed in March 2021 due to COVID-19 related reasons.

**2. TRANSFERS OF FRANCHISED OUTLETS FOR YEARS ENDING DECEMBER 31, 2020/2021/2022**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2020 to 2022**

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
CA	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**3. STATUS OF FRANCHISED OUTLETS FOR YEARS ENDING  
DECEMBER 31, 2020/2021/2022**

**Status of Franchise Outlets  
for Years 2020 to 2022**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Term- inations</u>	<u>Non- Renewals</u>	<u>Reacquired By Franchisor</u>	<u>Ceased Operations - Other Reasons</u>	<u>Outlets at End of the Year</u>
CA	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	1*	6
	2022	6	0	0	0	0	0	6
Totals	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	1*	6
	2022	6	0	0	0	0	0	6

\*The Fuji Grill location in Yorba Linda closed in March 2021 due to COVID-19 related reasons.

**4. STATUS OF COMPANY-OWNED OUTLETS FOR YEARS  
ENDING DECEMBER 31, 2020/2021/2022**

**Status of Company-Owned Outlets  
For Years 2020 to 2022**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Outlets Reacquired From Franchisees</u>	<u>Outlets Closed</u>	<u>Outlets Sold to Franchisees</u>	<u>Outlets at End of the Year</u>
CA	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**5. PROJECTED NEW FRANCHISED OUTLETS**

**Projected New Franchised Outlets  
As of December 31, 2022**

<u>State</u>	<u>Franchise Agreements Signed But Outlet Not Opened</u>	<u>Projected New Franchised Outlet in the Next Fiscal Year</u>	<u>Projected New Company-Owned Outlets in the Current Fiscal Year</u>
CA	0	1-2	1-2
Total	0	1-2	1-2

**6. LIST OF CURRENT FRANCHISED OUTLETS AS OF  
DECEMBER 31, 2022**

Attached as Exhibit C to the Disclosure Document is a list which identifies the names, addresses and telephone numbers of all current FUJI GRILL restaurants operated by its current franchisees, as of year ending December 31, 2022.

**7. TERMINATED FRANCHISED OUTLETS FOR YEARS ENDING  
DECEMBER 31, 2020/2021/2022**

The Fuji Grill location in Yorba Linda closed in March 2021 due to COVID-19 related reasons.

**21. FINANCIAL STATEMENTS**

Audited Financial Statements as of December 31, 2020, 2021 and 2022 are attached as Exhibit B. FUJI GRILL's fiscal year end is December 31<sup>st</sup>.

**22. CONTRACTS**

Copies of the contracts that You would or might execute in becoming a FUJI GRILL franchisee are listed below. The Continuing Guaranty (item e below) would be required if You held an equity interest in a partnership, corporation or limited liability company which became a franchisee. The Release and Waiver of Rights (item d below) would be required if You as a franchisee were to transfer ownership in the franchise or under certain conditions if the franchise is cancelled.

a. A copy of the FUJI GRILL current "Franchise Agreement" (with b-e below attached as exhibits) is attached to this Disclosure Document as Exhibit A.

b. A copy of our current "Proprietary Information and Non-Disclosure

Agreement” is attached to this Disclosure Document as Exhibit B to the Franchise Agreement.

c. A copy of the FUJI GRILL “Release and Assignment of Rights to Improvements Agreement” is attached to this Disclosure Document as Exhibit C to the Franchise Agreement.

d. A copy of the FUJI GRILL “Release and Waiver of Rights” is attached to this Disclosure Document as Exhibit D to the Franchise Agreement.

e. A copy of the FUJI GRILL Continuing Guaranty is attached to this Disclosure Document as Exhibit D to the Franchise Agreement.

### **23. RECEIPT**

The last page of the Disclosure Document is a detachable document, in duplicate, acknowledging receipt of the Disclosure Document by the prospective Franchisee. You must sign one copy of the Acknowledgment of Receipt and provide it to FUJI GRILL. You may sign and retain the other Acknowledgment of Receipt.



**FUJI GRILL, INC.**

**EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT (with exhibits)**

**FUJI GRILL, INC.**  
**FRANCHISE AGREEMENT**

**FUJI GRILL, INC.**

**FRANCHISE AGREEMENT**

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- EXHIBIT B -- PROPRIETARY INFORMATION NON-DISCLOSURE AGREEMENT
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- EXHIBIT D -- CONTINUING GUARANTY
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## FUJI GRILL, INC.

### FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made by and between FUJI GRILL, INC., a California corporation ("Franchisor") and \_\_\_\_\_ ("Franchisee").

### RECITALS

#### A. Franchisor:

1. Franchisor possesses proprietary knowledge and owns trade secrets regarding the establishment, development and operation of restaurant facilities featuring Japanese style food and presentation, which these Parties acknowledge include:

a. Franchisor, over a period of time and as the result of its effort and the expenditure of money and other capital, has developed and owns a business system ("System"), identified by the Mark "FUJI GRILL", relating to the establishment, development and operation of restaurant facilities providing quick service casual dining in a relaxed family-style atmosphere featuring Japanese style food and beverages prepared in accordance with specified recipes and procedures for carry-out or on-premises dining.

b. Franchisor has expended time, effort and capital to develop and protect proprietary recipes, formulae and menus ("Trade Secret Food Products") utilized by FUJI GRILL which are included in and are part of the System.

c. Franchisor has also expended time, effort and capital to develop certain presentation, packaging, food and beverage presentations, marketing techniques and standards for all Menu Items and Trade Secret Food Products which are included in and are part of the System.

d. Franchisor has also expended time, effort, and money to develop and protect business plans, operating and marketing procedures and a confidential Operation Manual developed in connection with the operation of a FUJI GRILL Restaurant which are included in and are part of the System.

e. The System developed and owned by Franchisor is also comprised of distinguishing characteristics, including, without limitation, distinctive exterior and interior layout, design, color scheme, exclusive signage, decorations, furnishings and materials, the combination of which are unique to FUJI GRILL.

2. Franchisor is the owner of and has rights and title to the trade name, service marks, distinctive associated logo[s], trademarks and identifying commercial symbol and design "FUJI GRILL" and the hereinabove articulated System, and the goodwill connected thereto; and other additional trademarks, trade names, service marks, and other commercial symbols that are now designated or may hereafter be

designated by Franchisor as part of the System (the "Marks"). Franchisor has the right to use and to franchise the use of the Marks for restaurant and food take-out services as described herein.

3. In its business operations, Franchisor maintains high standards of quality for its food products such that valuable goodwill is attached to the Marks. Franchisor shall continue to develop, use and control said Marks for the benefit and use of itself and Franchisees in order to identify for the public the source of food products and services marketed thereunder, and representing the System's high standards or quality regarding Menu Items, Trademarked products, operations, food products, ingredients, appearance and service.

4. Franchisor desires and intends to grant franchises to qualified persons and entities to own and operate FUJI GRILL restaurants offering food products and services approved by Franchisor, including the authorized utilization of the System and Marks.

**B. Franchisee:**

1. Franchisee desires to obtain the right to own and operate a FUJI GRILL Restaurant using the identity, System and Marks of Franchisor upon the terms and conditions set forth herein.

2. Franchisee represents that it understands the importance of maintaining the high and uniform standards of quality and customer service associated with the operation of the FUJI GRILL restaurant in conformance with Franchisor's standards and specifications.

**C. Parties:**

1. Franchisee acknowledges that it has not received nor relied upon any warranty, guarantee, express or implied, as to revenues, profits or success of the business undertaking set forth in this Agreement. Franchisee acknowledges that it has read this Agreement and has no knowledge of any of the representations made by Franchisor, its officers, directors, shareholders, employees, and/or agents that are contrary to the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the promises contained herein, the Parties agree as follows:

**I. FRANCHISE AND TERM**

**A. Grant of Franchise.**

Franchisor hereby grants to Franchisee the right to use the Marks and the System of Franchisor to operate a FUJI GRILL restaurant featuring Menu Items and Trademarked Products in Franchisee's operation of carry-out, delivery and on-premises



dining services (the "Franchised Business") on the terms and conditions set forth in this Agreement. The Franchisee shall not sell any FUJI GRILL products at wholesale, nor shall Franchisee operate a commissary or otherwise engage in mass distribution or sale of FUJI GRILL Menu Items or Trademarked Products and shall only use said items and products solely in connection with the Franchised Business in accordance with the System.

### **1. Authorized Location.**

Franchisee shall be responsible for providing a suitable site to operate the Franchised Business as described herein, either by purchase or lease of the site which shall be identified herein as the "Authorized Location" of the Franchised Business.

The Franchised Business controlled by this Agreement shall be operated only at the following Authorized Location:

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a. If the Authorized Location has not been determined as of the date of Franchisee's signing of this Agreement, Franchisee shall follow the procedures set forth herein to select a site as an authorized location for a FUJI GRILL restaurant within Franchisee's Authorized Territory. A lease for the Authorized Location must be approved by Franchisor in accordance with section II(B)(5) below and entered into within ninety (90) days from the execution of this Franchise Agreement. Likewise, the FUJI GRILL restaurant which is the Franchised Business must be ready to open to the public within one hundred eighty (180) days of execution of this Agreement.

b. Every FUJI GRILL franchise is granted for a specific Authorized Location and is not transferable to any other location without the prior written consent of Franchisor. In order for the Franchisee to operate a FUJI GRILL Restaurant in an additional location a separate franchise agreement must be signed and an additional franchise fee must be paid.

### **2. Franchisee's Authorized Territory.**

So long as Franchisee is not in default under this Agreement, Franchisor will not grant any other person or entity a franchise to operate, nor will Franchisor operate, a FUJI GRILL Restaurant within the Franchisee's Authorized Territory which is the area described on Exhibit "A" attached hereto and incorporated herein by reference. The designation of Franchisee's Authorized Location or Authorized Territory does not grant exclusivity of marketing territory or clientele. All FUJI GRILL Restaurants may sell their products to any customer.

### **3. Franchisor's Reservations.**

Franchisor reserves the right to offer and sell at wholesale, both within and outside the Authorized Territory, products and services which comprise, or may in the future comprise, part of the System. Franchisor also reserves the right to sell products and services which are not part of the System at wholesale or retail, both within and outside the Authorized Territory.

### **B. Term.**

#### **1. Initial Term.**

This Agreement shall be in effect and binding for an initial term commencing on the date of its execution and continuing until the tenth (10th) annual anniversary of the execution of this Agreement by all of the parties thereto, unless sooner terminated as provided herein.

#### **2. Renewal Term.**

If Franchisee is not in default under this Agreement, Franchisee shall have the right to renew the Agreement for two (2) successive five (5) year periods on the same terms and conditions on which Franchisor is then customarily granting new franchises; or, if Franchisor is not granting any new franchises, then on the same terms and conditions on which Franchisor is then customarily granting renewal franchises. The Franchisee shall provide Franchisor written notice of its intent to renew the term of the Agreement not more than one hundred eighty (180) calendar days nor less than ninety (90) calendar days prior to the expiration of the preceding term.

As a condition of renewal, Franchisee, at its sole cost and expense, shall remodel, redecorate, or otherwise update its business premises to conform with the then current physical appearance of new, comparably located FUJI GRILL Restaurants, to the extent that the remodel work can be accomplished within the architectural and design limitations and requirements of the Authorized Location. All plans for any remodel work performed pursuant to this Agreement must be approved in writing by Franchisor prior to the commencement of any construction. In the event that Franchisee agrees to perform remodel work and the agreed work is not completed within one year after the renewal date, this franchise shall automatically expire at the end of the one year period.

#### **3. Refusal to Renew.**

Notwithstanding the foregoing provisions, Franchisor shall not be obligated to renew this Franchise Agreement if:

a. Franchisor has determined in good faith to cease carrying on its business through franchises in the area which includes the Authorized Location, and has given Franchisee at least one hundred eighty (180) calendar days notice of intent

not to renew and has otherwise complied with applicable law concerning renewal of franchises; or

b. Experience has shown that over any consecutive twelve (12) month period, Franchisee has repeatedly failed to make payments and reports within ten (10) business days of the date they are actually due or has repeatedly and unreasonably been in material default of this Agreement; or

c. Franchisee's revenues have been consistently low as compared with all franchisees similarly situated over the past 2-year period and Franchisee has consistently demonstrated an unwillingness to take remedial actions recommended by Franchisor to improve Franchisee's sales and marketing methods.

## **II. DETERMINING THE AUTHORIZED LOCATION**

### **A. Authorized Location Established at the Time Parties Execute Agreement.**

If an Authorized Location has been set forth in paragraph I(A)(1) herein, Franchisee shall operate the FUJI GRILL restaurant, the Franchised Business, only at the identified Authorized Location, and the Parties' execution of this agreement is evidence of the Franchisor's approval of the identified location as an Authorized Location.

### **B. Authorized Location Not Established at the Time Parties Execute Agreement.**

If, however, there is no specifically identified Authorized Location at the time when the Parties executed this agreement, Franchisee shall be responsible for purchasing or leasing a suitable site for a FUJI GRILL restaurant within ninety (90) days after execution of this agreement and obtaining the approvals from Franchisor necessary to assure that the site selected is an Authorized Location for the Franchised Business.

#### **1. Site Selection of Authorized Location.**

Franchisee is responsible for selecting an appropriate site for the operation of the FUJI GRILL restaurant prior to commencement of any construction or operations. All sites which are candidates for development by FRANCHISEE shall be in locations suitable to a FUJI GRILL and shall constitute premises appropriate in size and basic design for a FUJI GRILL restaurant. The location of said site, with a description of the site and photographs of the location and the condition of its premises (the "Site Survey"), must be submitted to and approved in writing by the Franchisor as the Authorized Location for the Franchised Business articulated in this Agreement prior to Franchisee's commencement of any operations at the site.

##### **a. Franchisor Assistance.**

If requested by Franchisee, Franchisor shall use reasonable efforts and its marketing experience to help analyze Franchisee's market area, using informal procedures, to determine traffic patterns, business opportunities, site feasibility and generally to assist Franchisee in determining feasibility of possible sites for an Authorized Location. Franchisor must approve any site and Franchisor shall have seven (7) days after identification of a physical site and submission of the Site Survey by Franchisee, to reject the site. If Franchisor does not reject the physical site within 7 days, Franchisee must still obtain full written approval of the site, including compliance with subparagraph 2 below [II(B)(2)], in compliance with this section of the Agreement before the physical site becomes an Authorized Location.

While Franchisor will utilize its experience and expertise in evaluating sites as possible Authorized Locations, nothing contained in Franchisor's analysis or approval of a site as an Authorized Location shall be interpreted as an indicator or a guarantee of Franchisee success at the location. Regardless of any assistance provided by Franchisor, it remains the sole responsibility of Franchisee to select a suitable site and otherwise secure an Authorized Location for Franchisee's Franchised Business.

In the event no acceptable site is established within ninety (90) days or such other time as provided by these Parties, then, on notice from Franchisor or Franchisee, this Agreement may be terminated and a fee, for the services of the Franchisor requested, through date of termination, may be charged against the Franchisee, or the Relocation Fee, as applicable at the rate of THREE HUNDRED FIFTY DOLLARS (\$350.00) per day, or any fraction thereof, for services rendered by Franchisor's staff. On termination, the remaining balance of the fee, after charges, shall be refunded to the Franchisee. Upon return of said amount, Franchisor shall be fully and forever released from any claims or causes of action Franchisee may have under or pursuant to this Agreement and any right, title or interest of Franchisee in the Marks or the System and any rights shall automatically revert to Franchisor. A copy of the release form is attached hereto as Exhibit E.

## **2. Franchisor General Approval in 90 Day Timeframe.**

a. Establishing a FUJI GRILL restaurant which qualifies as a Franchised Business at an Authorized Location requires that the Franchisee obtain written approval of the proposed site and the condition of the premises, the terms and conditions upon which the site is leased or owned (with possible amendments to any lease as stated below), approval of any general modifications to the basic architectural plans and specifications for a FUJI GRILL restaurant which are contemplated or required to effectively establish a facility compatible with the FUJI GRILL System, specific approval of finalized architectural plans for a FUJI GRILL restaurant at the Authorized Location and verification that Franchisee has obtained all required licenses and permits to operate a FUJI GRILL restaurant at the site. The Parties hereto agree that Franchisee may not commence any development, construction or operation of a FUJI GRILL restaurant until the written approvals from Franchisor as set forth herein are obtained.

b. Franchisee shall be responsible for purchasing a suitable site, or leasing same, at Franchisee's option. Said purchase or lease shall occur within ninety (90) days after date of execution hereof, in the case of a new franchise, or, in the case of the relocation/rebuilding of a restaurant, within ninety (90) days of the termination, destruction, condemnation, or prior Agreement, unless the Parties otherwise agree in writing.

Final site approval of Franchisor may be withheld for any business reason in the sole discretion of the Franchisor. Franchisor's approval of the site location and condition of the Premises may also be made contingent upon its approval of the terms and purchase or lease, as applicable and set forth in paragraph 5 below [II(B)(5)], and/or approval of the plans for the development of the restaurant at the proposed site as set forth in paragraphs 3, 6 and C below [II(B)(3 and 6) and II(C)], at Franchisor's option.

### **3. Franchisor Approval of Architectural Modifications.**

Franchisor will provide to Franchisee a set of basic architectural designs or plans for a prototype FUJI GRILL restaurant pursuant to the FUJI GRILL System per paragraph VIII(B) below. Franchisor will also provide to Franchisee the basic specifications to be utilized as the minimum standards for the establishment of a FUJI GRILL restaurant according to the FUJI GRILL System. Franchisee shall then apply and tailor the prototypical architectural designs and specifications to the specific site under consideration, making whatever modifications to these designs and specifications that Franchisee deems appropriate. All modifications to the basic architectural design of a FUJI GRILL restaurant required or contemplated by Franchisee at the site, must be approved in writing by the Franchisor prior to any operation of the Franchised Business. These architectural modifications and site improvements are conditions at the site which in Franchisee's opinion require modifications to the prototypical architectural plans and specifications provided by Franchisor for the development of a facility compatible with the FUJI GRILL System (including restaurant dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, trade dress, signs and décor), provided that said proposed modifications to Franchisor's prototypical plans and specifications are made only to the extent required to comply with applicable local ordinances, building codes, and permit requirements. Once Franchisee's general architectural modifications have been approved by Franchisor, Franchisee shall then submit these proposed modifications to a local architect, selected from a list approved by Franchisor, for finalized adaptation and creation of the final plans for the Franchised Business at the Authorized Location pursuant to paragraphs VIII(B)(1-2) and IX(C), below.

### **4. Franchisor Verification of Licensing Requirements.**

Franchisee shall also obtain all required zoning changes, if any, to operate a FUJI GRILL restaurant, and likewise, shall obtain the necessary business, building, health, sanitation, utility and sign permits and licenses required to establish a FUJI GRILL restaurant at the Authorized Location, per paragraph IX(C)(1) below. Franchisee shall provide copies of the required licenses and permits to Franchisor prior to undertaking any

operation at the site, and Franchisor will then confirm to Franchisee that these licenses and permits are in good order, per paragraphs VIII(B)(1) and IX(C)(1) below.

## **5. Franchisor Review and Approval of Real Property Agreements.**

At or about the same time Franchisee submits the site survey, basic architectural modifications and licensing certifications for Franchisor review, Franchisee shall also submit the lease for the premises (if site is to be leased), or a purchase agreement for the premises (if site is to be purchased). If Franchisee owns the site Franchisee shall submit to Franchisor proof of title to the premises, and any encumbrances thereupon.

For any site which is to be a leased, Franchisor shall have prior approval of the lease, and approval shall be conditioned upon the inclusion in the lease of terms acceptable to the Franchisor, which at Franchisor's option shall contain provisions including, but not limited to:

a. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant;

b. A provision which expressly requires the lessor to provide to Franchisor all sales and other information lessor may have related to the operation of the Franchised Business, as Franchisor may request;

c. A provision which requires the lessor concurrently to provide to Franchisor a copy of any written notice of deficiency or default under the lease sent to Franchisee and which grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so;

d. A provision which evidences the right of Franchisee to display the Marks in accordance with the specifications required by Franchisor's Operation Manual or prototypical plans and specifications, subject only to the provisions of applicable law;

e. A provision that the Premises be used for the operation of a Franchised Business; and

f. A provision which expressly states that any default under the lease shall constitute default under this agreement.

These lease provisions shall be obtained by Franchisee and submitted to Franchisor not later than ninety (90) days after execution of this Agreement.

## **6. Approval of Finished Architectural Plans.**

After determining the general architectural modifications needed to construct and operate a FUJI GRILL restaurant at the Authorized Location, and obtaining Franchisor's approvals, Franchisee shall select a local architect, recommended and/or approved by Franchisor, to prepare finished plans suitable for use as construction documents and for obtaining approvals required by local building authorities and in compliance with local building codes, pursuant to paragraphs VIII(B)(3) and IX(C) below. When the finished plans are completed, a copy will be presented to Franchisor for approval. After Franchisor approves these finished plans, Franchisee may then obtain the necessary building permits and licenses required to commence construction or build-out, and then begin actual construction of the Franchised Business.

### **C. Further Preparation of Site.**

After obtaining Franchisor's written approval of the finished plans for Franchised Business at the Authorized Location Franchisee may then proceed to purchase or lease equipment, fixtures, furniture. Franchisee may also retain contractors and execute installation and decoration agreements for the Franchised Business, in compliance with the finished plans and specifications previously approved by Franchisor, and in conformance with all applicable building codes, ordinances and permits. Franchisee may also obtain all customary contractors' sworn statements and partial and final waivers of liens for construction, remodeling, decorating and installation services, and otherwise complete the development of the Fuji Grill restaurant per this Agreement. Said further preparation following written approval of the finished plans by the Franchisor shall be completed not later than one hundred eighty (180) days after execution of this Agreement, or after the date of termination, destruction, condemnation or agreement to relocate as set forth below.

### **D. Relocation.**

As seen from the preceding paragraphs it is the intention of the Parties that the Franchisee operate the Franchised Business only in the Authorized Location. However, if the lease for the site of the Franchised Business at the Authorized Location expires or terminates without fault of the Franchisee, or if the site is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor shall grant permission for relocation of the Franchised Business at a location and site acceptable to the Franchisor, pursuant to the procedures described herein. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge Franchisee a relocation fee in the sum of EIGHT THOUSAND FIVE HUNDRED DOLLARS (\$8,500.00) payable on Franchisee's application to Franchisor to relocate as a condition to Franchisor's approval. Said fee is a nonrefundable fee, subject only to Franchisee's failure to establish a relocation site for the restaurant, and Franchisee may be charged for Franchisor's assistance with site selection, if any, at the rate set forth in Paragraph 1(a), before the balance, if any, is refunded.

**E. Full Compliance Required.**

Execution of the Franchise Agreement by the Franchisor shall not constitute approval, promise of approval, or waiver of any term or condition to be performed by Franchisee under Paragraphs II or IX hereof, notwithstanding that Franchisee may have submitted documentation regarding site selection, lease/purchase terms for a site, or plans for development, or any of these categories of documentation, concurrently with the execution of this Agreement. Nor shall a concurrent submission of any or all of the foregoing documentation, plans or leases, constitute complete consideration for Franchisee's signature hereto. The Franchisee further understands that successful completion of the performance required of the Franchisee under paragraph II shall not constitute Franchisor's approval, promise of approval, or waiver of Franchisee's full performance of all of Franchisee's other obligations under this Agreement.

**III. PROPRIETARY MARKS**

A. Franchisee acknowledges that Franchisor is the owner of all right, title and interest, together with all the goodwill, of the Marks. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of the Franchised Business by Franchisee pursuant to and in compliance with this Agreement, the FUJI GRILL System, and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time during the term of this Agreement. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee acknowledges that all usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor, and that this Agreement does not confer any goodwill or other interest in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of the Marks. All provisions of this Agreement applicable to the Marks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Franchisor.

B. Franchisee shall not use any Mark or portion of any Mark as part of a corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law.

C. Franchisee shall promptly notify Franchisor of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm, partnership or corporation to use the Marks or any colorable imitation thereof. Franchisee shall also notify Franchisor of any action, cause of action, claim, lawsuit or demand against Franchisee relating to the Marks within ten (10) days after Franchisee receives



initial notice of said action, claim, lawsuit or demand. Upon receipt of timely notice of an action, claim, lawsuit or demand against Franchisee relating to the Marks, Franchisor may assert any legal remedy on its behalf that it deems appropriate, and shall have the right to control all action taken against said action, claim, lawsuit or demand. Franchisor shall have no obligation to defend, indemnify or hold Franchisee harmless as to any claim, demand or action against Franchisee arising out of the use of the Mark on any grounds. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and shall exercise such right in its sole discretion. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by the Franchisor, Franchisee shall cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary in the opinion of their counsel, to carry out such defense or prosecution. Both Parties shall make every effort consistent with the foregoing to protect, maintain and promote the Marks as identifying the System and only the System. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, MAY BE MADE AT THIS TIME AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS IN THE FRANCHISOR, EXCEPT THE PRINCIPAL MARK, WHICH HAS BEEN REGISTERED UNDER LAW.

D. If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor to modify or discontinue use of any Mark, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within a reasonable time after notice to Franchisee of such modifications by Franchisor. Franchisee hereby waives any rights or recourse against, and covenants not to sue Franchisor for any loss or damages from the loss of, loss of use of, or modification of any Mark. Franchisee shall defend, indemnify and hold Franchisor harmless for any claim, demand or action arising out of Franchisee's unauthorized modification, alteration or misuse of any Mark by the Franchisee.

E. In order to preserve the validity and integrity of the Marks and copyrighted materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Franchised Business, Franchisor or its agents shall have the right of entry and inspection of the Franchised Business at the Authorized Location and the operating procedures at said location at all reasonable times. Franchisor shall have the right to observe the manner in which Franchisee is rendering its FUJI GRILL services and conducting its operations, to confer with Franchisee's employees and customers, and to select Menu Items, Trademarked Products, ingredients, food and non-food products, beverages and other items, products and supplies for test of content and evaluation purposes in order to make certain that the Menu Items, Trademarked Products, ingredients, food and non-food products, beverages and other items, products, materials and supplies are satisfactory and meet the quality control provisions and performance standards established by Franchisor.

F. Franchisee shall not establish a Web site on the Internet using any domain name containing the words "FUJI GRILL" or any variation thereof without prior written

consent from Franchisor. Franchisor retains the sole right to advertise on the Internet and create a Web site using “FUJI GRILL” domain name. Franchisee acknowledges that Franchisor is the owner of all rights, title and interest in and to such domain names as Franchisor shall designate in the Operation Manual. Franchisor retains the right to pre-approve Franchisee’s use of linking and framing between Franchisee’s Web pages and all other Web sites. If requested by Franchisor, Franchisee shall, within five (5) days, dismantle any frames and links between Franchisee’s Web pages and any other Web sites.

#### **IV. CONFIDENTIAL OPERATION MANUAL**

A. Franchisor shall loan to Franchisee during the term of this Agreement and any renewal thereof one (1) copy of the FUJI GRILL Operation Manual (“Manual” or “OPERATION MANUAL”) containing specifications, standards, operating procedures and rules prescribed by Franchisor for FUJI GRILL restaurants and information relative to other obligations of Franchisee hereunder. The manual is also used to convey from Franchisor to Franchisee advancements and new developments in sales, marketing, operational techniques and other items and procedures relevant to the operation of the Franchised Business. Franchisor retains the right to add to and otherwise modify the Manual from time to time, to make changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for FUJI GRILL restaurants, provided that no such addition or modification shall alter any term or provision hereof, or any agreement referred to herein.

B. The Manual shall at all times remain the sole property of the Franchisor and shall promptly be returned upon the expiration or other termination of Agreement.

C. Franchisee acknowledges that the Operation Manual contains proprietary information of Franchisor and shall be kept confidential by Franchisee both during the term of this Agreement and any renewal thereof. Further, Franchisee agrees that the Operation Manual and its contents shall be kept confidential subsequent to the expiration and/or termination of this Agreement, if termination occurs. Franchisee shall at all times also ensure that its copy of the Manual be available at the Premises and in a current and up-to-date manner, and likewise promises that at no time shall the Manual be used or provided to unauthorized personnel. Franchisee shall maintain the Manual in a locked location at the Authorized Location, and shall only grant authorized personnel, as defined in the Manual, access to the key or lock combination of such location. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor’s home office shall be controlling.

#### **V. CONFIDENTIAL INFORMATION**

A. Franchisee acknowledges that its entire knowledge of the operation of a FUJI GRILL restaurant including, without limitation, the method of preparation of Menu Items, Trademarked Product and other food products, and other specifications, product formulae, standards and operating procedures of a FUJI GRILL restaurant is derived from information disclosed to Franchisee by Franchisor and that such information is

proprietary, confidential and the trade secret of Franchisor. In addition, any enhancements, adaptations, derivative works, modifications or new processes ("Improvements") developed by Franchisee, its owners or employees for use in the processes, services or products of FUJI GRILL Copyrighted Works, Manual or System shall constitute proprietary information of Franchisor. "Trade Secrets" refer to the whole or any portion of know-how, knowledge, methods, recipes, formulae, specifications, processes, procedures and/or Improvements regarding the FUJI GRILL restaurant and the System that is valuable and secret in the sense that it is not generally known to competitors of Franchisor. Franchisee shall maintain the absolute confidentiality of all such information during and after the term of this Agreement, and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor.

B. Franchisee shall divulge such confidential information as described herein only to the extent, and only to such of its employees, as must have access to it in order to operate the Franchised Business. Any and all information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulae, recipes and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate lawfully came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had lawfully become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, lawfully becomes a part of the public domain, through publication or communication by others.

C. Due to the special nature of the confidential information, Marks and Operation Manual of Franchisor, Franchisee hereby acknowledges that Franchisor shall be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Paragraphs III, IV and V of this Agreement. Franchisee, each owner of Franchisee, and all persons employed in the operation of the Franchised Business by the Franchisee shall execute a Proprietary Information Non-Disclosure Agreement in the form and format prescribed by the Franchisor (a copy of said non-disclosure agreement is attached hereto as Exhibit B), on the execution of the Franchise Agreement. The Franchisee shall have a continuing responsibility thereafter to obtain the signature of each person employed in any manner in the operation of the Franchised Business by the Franchisee, and of each person to whom, or all partners, shareholders or members of each business entity to which any interest in the Franchisee is sold or transferred at any time thereafter, for any cause or reason. Signatures required hereunder shall be an express term of, and constitute a material consideration for the sale/transfer, or employment, as applicable. Compliance herewith is a condition to, and in consideration of the grant of the Franchised Business, and a violation thereof at any time by the Franchisee, constitutes a default hereunder.

D. Franchisee acknowledges and agrees that Franchisor owns or is the licensee of the owner of the copyrighted works and may further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Franchised Business including, but not limited to, all categories of works eligible for protection under the United States Copyright Law, all of which shall be deemed to be "Copyrighted Works" under this Agreement. Such Copyrighted Works include, but are not limited to, the Operation Manual, advertisements, promotional materials, posters and signs, and may include all or part of the Marks, Software, trade dress and other portions of the System. Franchisor intends that all works of authorship related to the System which are created in the future shall be owned by it.

1. Franchisor may authorize Franchisee to use the Operation Manual, marketing material, artwork, including the Software and other items subject to copyright projection;

2. The Copyrighted Works are the valuable property of Franchisor or its licensors;

3. Franchisee's right to use the Copyrighted Works are granted solely on the condition that Franchisee complies with the terms of Paragraph VII of this Agreement; and

4. Franchisee will use the Copyrighted Works only as Franchisor designates.

E. Franchisee must promptly notify Franchisor when Franchisee learns of an unauthorized use of the confidential information or any Copyrighted Work. Franchisor does not have to take any action against any unauthorized user of the confidential information or Manual, but will respond to this information as Franchisor deems appropriate and shall control any action taken. Franchisee shall cooperate with Franchisor and execute any and all documents and take all actions as may be directed by Franchisor in the course of preparing or participating in any action. If it becomes necessary or desirable to the Franchisor to modify or discontinue use of any copyright or proprietary information, Franchisee shall comply within a reasonable time after notice. Franchisee hereby waives any rights or recourse against, and covenants not to sue Franchisor for any loss or damages as a result of the loss, or loss of use of any copyright of proprietary information. Franchisor shall have no obligation to defend, indemnify or hold Franchisee harmless as to any claim, demand or action against Franchisee in connection with, or arising out of the use of any confidential information, or the copyright, on any grounds.

F. If Franchisee makes or acquires any Improvements to the process, services or products of FUJI GRILL Copyrighted Works, Manual or System, Franchisee agrees to release any interest in, and transfer all right, title or claim in and to such Improvements to Franchisor, on demand, in accordance with the agreement of the Parties entitled, "Release and Assignment of Rights to Improvements Agreement," (a copy of which is attached hereto as Exhibit C) in consideration of the grant of the Franchised Business made under this Agreement and without the payment of additional consideration by Franchisor.

Franchisor may include any Improvements made or acquired by Franchisor in the FUJI GRILL Copyrighted Works, Manual and the System for use by all FUJI GRILL Franchisees or Franchisor. If Franchisor seeks patent protection or copyright registration for any such Improvements, it shall do so at its own expense. Franchisee shall also execute or have the creator of said Improvements execute all documents necessary to enable Franchisor to apply for intellectual property rights protection and to secure all rights to such Improvements. Franchisee shall assign or have the authors assign to Franchisor any intellectual property rights in such Improvements, pursuant to the Release and Assignment of Rights to Improvements Agreement, and shall require all owners of at least 10% interest in the Franchisee, and each person employed in the operation of the Franchised Business by the Franchisee, to execute same, on the execution of the Franchise Agreement. The Franchisee shall have a continuing responsibility thereafter to obtain the signature of each person employed in any matter in the operation of the Franchised Business by the Franchisee, and of each person to whom, or all partners, shareholders or members of each business entity to which any interest in the Franchisee is sold or transferred at any time thereafter, for any cause or reason. Signatures required hereunder shall be an express term, and constitute a material consideration for the sale/transfer, or employment, as applicable. Compliance herewith is a condition to, and in consideration of the grant of the Franchised Business, and a violation thereof at any time by Franchisee constitutes a default hereunder. Franchisee agrees to the requirements of this Paragraph in recognition of the benefits that can be derived by FUJI GRILL Franchisees from the Improvements made by other FUJI GRILL Franchisees. The provisions of this Paragraph shall not constitute consent by Franchisor to the modification by Franchisee of any FUJI GRILL Copyrighted Works, Manual or the System or the creation of any derivative work based on any FUJI GRILL copyright and Franchisee must obtain Franchisor's express written consent prior to making such modification or derivative work.

## **VI. DEVELOPMENT OF THE SYSTEM**

Franchisor reserves the right to add to, develop and improve the FUJI GRILL System ("System") presently identified by the Marks, including, without limitation, new and modified trade names, marks and other proprietary information, specifications for food storage, preparation and service equipment, computer hardware and software, food products, Menu Items and techniques for the improved operation of all FUJI GRILL restaurants. Some Improvements may be mandated by law. Other improvements or modifications may occur through the ongoing improvement of the Franchised Business by the Franchisor. Franchisee shall pay for the cost of acquiring and/or incorporating said Improvements into each restaurant owned by the Franchisee, within the time established in the Operation Manual. The cost of acquiring and/or incorporating Improvements to the Franchisee may not exceed the sum of TEN THOUSAND DOLLARS (\$10,000.00) per year, or the total sum of TWENTY-FIVE THOUSAND DOLLARS (\$25,000.00) (both figures shall be adjusted subject to increases in the Department of Labor Consumer Price Index [CPI]) during the initial term of this Agreement. No Franchisee shall be required to incur any cost for the acquisition/incorporation of Improvements, beyond the investment made to open a FUJI GRILL restaurant, for a period of at least (1) year after the date of opening.

## **VII. ADVERTISING**

Recognizing 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 FUJI GRILL Franchised Business, Franchisee agrees as follows:

A. Franchisee shall submit to Franchisor or its designated agency, for its prior approval, all promotional materials and advertising to be used by Franchisee including, but not limited to, newspapers, radio, television and internet advertising, specialty and novelty items, signs, containers and boxes. In the event written disapproval of said advertising and promotional material is not given by Franchisor to Franchisee within thirty (30) days from the date such material is received by Franchisor, said materials shall be deemed approved. Failure by Franchisee to conform with the provisions for submission of advertising and promotional materials, and any subsequent non-action by Franchisor to require Franchisee to cure or remedy this failure and default, shall not be deemed a waiver of future requirements to submit promotional materials and advertising, nor shall it be deemed a waiver of any other provision of this Agreement. The submission of advertising to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells its products or services. Franchisor also reserves the right, at its option, to revoke its approval of advertising at any time the advertising fails to continue to meet Franchisor's criteria.

B. Franchisee shall spend a minimum of ONE THOUSAND FIVE HUNDRED DOLLARS (\$1,500.00) on newspaper, direct mail advertising, and other advertising or promotional items through other media including, without limitation, product samples, during the two or three weeks prior to the opening of the Franchised Business to the general public ("Grand Opening Advertising"). Such Grand Opening Advertising shall be conducted in accordance with the Manual.

C. As Franchisor has established the system-wide FUJI GRILL Advertising and Development Fund ("Advertising Fund"), each calendar month Franchisee shall contribute to the Advertising Fund an amount not to exceed one percent (1%) of the Net Sales derived from the Franchised Business, as defined in Paragraph X(B)(2) of this Agreement. Franchisee's required payments to the Advertising Fund shall be made at the same time, in the same manner as and in addition to the Royalty Fee provided in Paragraph X herein. Such payment shall be made in addition to and exclusive of any sums that Franchisee may be required to spend on local advertising and promotion. The Advertising Fund shall be maintained and administered by Franchisor or its designee, as follows:

1. Franchisor shall direct all advertising programs with sole discretion over the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Advertising Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System and that Franchisor and its designee undertake no obligation in administering the Advertising Fund to make expenditures for Franchisee which are

equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly pro rata from the placement of advertising by the Advertising Fund.

2. The Advertising Fund may be used to cover the cost of creating, producing and distribution of advertising and promotion, in any form, in any media, of the FUJI GRILL restaurants, including such related public relations and marketing activities as are reasonable to that end. Advertising Funds shall be maintained in an account separate from all other funds of the Franchisor. Franchisor may receive a reasonable fee for its services to administer, create, produce, direct, and distribute advertising and promotional activities.

3. It is anticipated that all contributions to the Advertising Fund shall be expended for advertising and promotional purposes during Franchisor's fiscal year when contributions are made. If, however, excess amounts remain in the Advertising Fund at the end of each fiscal year, all expenditures of the Advertising Fund in the following fiscal year(s) shall be made first out of any current interest or other earnings of the Advertising Fund, next out of any accumulated earnings and finally from principal.

4. Although Franchisor intends the Advertising Fund to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and promotional purposes.

5. An accounting of the operation of the Advertising Fund shall be prepared annually and shall be made available to Franchisee upon request. Franchisor reserves the right, at its option, to require that such annual accounting include an audit of the operation of the Advertising Fund prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Advertising Fund.

6. Each FUJI GRILL restaurant operated by Franchisor offering products and services similar to the Franchised Business shall make contributions to the Advertising Fund equivalent to the contributions required of Franchised Business within the System.

7. The media selected by the Advertising Fund to advertise and promote the interests of FUJI GRILL may be print, radio, television or other, and may be local, regional or national, at Franchisor's discretion. Franchisor may conduct said advertising through in-house operations or through an agency.

D. Franchisee shall also spend each calendar month on local advertising and promotion, an additional amount equal to ONE THOUSAND DOLLARS (\$1,000.00) or one percent (1%) of Net Sales, whichever is greater, as defined in Paragraph X(B)(2) of this Agreement and in the Operation Manual. Franchisee shall make all local advertising and promotion expenditures pursuant to Franchisor's guidelines as stated in the Operation Manual. Any deviation from such guidelines requires prior approval by Franchisor or Franchisor's designed advertising agency. Franchisor reserves the right, in Franchisor's sole discretion, to require Franchisee to contribute up to one hundred percent (100%) of

the required local advertising expenditures to cooperative advertising as provided in Paragraph VII(E) of this agreement below. Within thirty (30) days of the end of each month, Franchisee shall furnish to Franchisor, in a manner approved by Franchisor, an accurate accounting of Franchisee's expenditures on local advertising and promotion for the preceding month just ended. Franchisor shall provide guidelines for local advertising and any deviation from such guidelines requires the prior approval of Franchisor or Franchisor's designated advertising agency.

E. Franchisee shall not advertise or use in advertising or any other form of promotion, the copyrighted materials, trademarks, service marks or other symbols of Franchisor without the appropriate © or ® registration marks or the designation "TM" or "SM", for trademark or service mark, where applicable.

## **VIII. OBLIGATIONS OF FRANCHISOR**

### **A. Site Approval and Assistance.**

As noted in paragraph II(B)(1) above Franchisee is responsible for submitting a site acceptable to Franchisor as a proposed site to operate a FUJI GRILL restaurant as a Franchised Business, and Franchisor retains the right to approve or reject the submitted site as an Authorized Location. The approval of Franchisor shall be provided in good faith and be based upon Franchisor's experience in operating and franchising of FUJI GRILL restaurants, and said written approval must be obtained by Franchisee prior to Franchisee's commencement of any operations as a Franchised Business.

Upon request from Franchisee, Franchisor shall assist Franchisee to analyze Franchisee's market area, using informal procedures and experience, to determine site feasibility, and to assist Franchisee in choosing candidate sites for an Authorized Location per paragraph II(B)(1)(a) above. While Franchisor will utilize its experience and expertise in evaluating physical sites, nothing contained herein shall be interpreted as an indication of or guarantee of success for the location. Franchisee assumes all risk related to the selection of a site, including its suitability for success or failure. Final site selection as an Authorized Location shall be subject to the approval of Franchisor, which approval may be withheld for any business reason. Approval shall be obtained by Franchisee giving Franchisor written notice of the proposed location along with such additional information as described in the site survey described in paragraph II(B)(1) above.

### **B. Provide Basic Plans and Specifications for Architectural Lay-Out and Interior Décor.**

At the time of execution of this Agreement Franchisor will provide to Franchisee prototypical architectural plans showing the basic architectural design and configuration of a prototype FUJI GRILL restaurant. Franchisor will also provide the basic specifications for construction of a prototype FUJI GRILL restaurant in accordance with the Fuji Grill System. These plans and specifications are provided as a guide for



assessment of the location. They are basic concepts but not finalized for construction, making improvements, furnishing and equipping the proposed Franchised Business. These plans and specifications are designations of a prototype FUJI GRILL restaurant, and are not actual construction documents appropriate for any specific location. Franchisee may then utilize these basic documents to tailor the prototype architectural plans and specifications for its specific and individualized use at Franchised Business operated by Franchisee at the Authorized Location.

**1. List of Approved Architects.**

Franchisor will also provide Franchisee with a list of architects in the general area of Franchisee's Territory which have been approved by Franchisor as design professionals who are familiar with the basic plans and specifications of a FUJI GRILL restaurant, and who have the needed skills and ability to adapt and incorporate any architectural modifications or changes in the specifications in the design and construction of the prototypical FUJI GRILL restaurant necessitated by the site or desired by the Franchisee at the Authorized Location. The professionals on the list shall also be competent in the adaptation of FUJI GRILL prototypical plans and specifications to local building codes.

**2. Approval of Architect's Finished Plans of Franchised Business at Authorized Location.**

Upon completion of the Architect's finished plans including all of the proposed modifications and improvements for the proposed Franchised FUJI GRILL restaurant, which also incorporate the requirements of all applicable local building codes, Franchisee shall provide Franchisor with a copy of said finished plans, prior to obtaining the necessary permits and licenses to begin construction. Franchisor shall review the finished plans, and no actual construction or premises improvement may commence on the proposed restaurant until Franchisor gives written approval of the finished plans submitted by Franchisee. Following approval of the finished plans by Franchisor Franchisee shall then proceed to obtain the necessary permits and licenses to commence construction, and shall also retain an approved contractor. Franchisor must receive and approve the finished plans in a timely manner so that the necessary building permits may be obtained and construction or modification of the premises can be completed to enable the restaurant to open to the public within 180 days of execution of this Agreement.

**3. List of Approved Contractors.**

After Franchisee has determined what architectural modifications are to be made to the prototypical plans, if any, Franchisor will provide Franchisee with a list of approved contractors who are located in the general area of the Approved Location, and are experienced in the construction or build-out of fast food restaurants in Franchisee's Territory. Franchisee, at its own expense will select one of the approved contractors to do the actual building of the Franchised Business at the Approved Location in accordance with the final architectural plans submitted by the architect and in compliance with all local building codes and permits.

**C. Lease Approval.**

If the Franchised Business is to be operated pursuant to a lease Franchisee shall submit a copy of the lease or proposed lease for the Authorized Location, along with such additional information as Franchisor may request, to Franchisor. Franchisor shall review the lease and make recommendations for inclusion of terms and conditions into the lease of provisions particular to the franchise relationship as indicated in paragraph II(B)(5) above. Approval may be withheld for any business reason. Review and approval of a lease by Franchisor does not include review or approval of the legal sufficiency of the lease and shall not be interpreted as an assurance that the rights or interests of the Franchisee are adequately protected.

**D. Proprietary Food Products.**

Franchisor or its designated suppliers shall provide Franchisee with FUJI GRILL Menu Items, recipes and mixes which are secret and proprietary food products of Franchisor. The sale of proprietary food products to Franchisee may include a markup or profit to Franchisor.

**E. Quality Control.**

Franchisor shall regulate quality standards applied to the Franchised Business and all other aspects of the restaurant's operating pursuant to the FUJI GRILL System, according to the standards set for all Franchised Businesses: including procedures for the service and sale of Menu Items, other food and beverage items, and related items approved by Franchisor, the proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures, restaurant condition, health and safety of employees and public, the general appearance of the restaurant and updating Franchisee on new products/services and Improvements to System, as set forth herein or in the Operation Manual.

**F. Inventory and Supplies.**

Franchisor will publish a list of suggested sources of inventory and supplies which are necessary to operate the Franchised Business. Franchisor may also make some inventory and supply items available for purchase by Franchisee, which may include a markup or profit to Franchisor. Franchisee is not required to purchase any inventory or supply items from Franchisor, except as stated herein, or in the Operation Manual. Franchisee may purchase other inventory and supplies to whatever extent Franchisee determines to be in its best interest.

**1. Approved Inventory, Products, Ingredients, Fixtures, Furniture and Equipment.**

Upon execution of this Agreement Franchisor shall provide to Franchisee a list of manufacturers, suppliers and distributors ("Suppliers List") and approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or

services necessary to operate the Franchised Business (“Approved Supplies List”). The Approved Supplies List shall specify the manufacturer, brand name, suggested supplier and distributor and the products, fixtures, furniture, equipment, signs, stationery, supplies and services which Franchisor has approved to be carried or used in the System. Franchisor may revise the Supplies List and Approved Supplies List from time to time in its sole discretion and such lists shall be submitted to Franchisee.

All inventory, products and materials and other items and supplies used in the operation of the Franchised Business which are not specifically required to be purchased in accordance with Franchisor’s Approved Supplies List or in compliance with the Operation Manual shall conform to the specifications and quality standards set by Franchisor which are in place when the Franchised Business opens to the public. Franchisor reserves the right to established new specifications and quality standards from time to time, and when so established shall inform Franchisee of the new standard.

Franchisor requires that the Franchised Business shall at times maintain an on-hand inventory of ingredients, food and beverage products and other products, materials and supplies sufficient to operate the FUJI GRILL restaurant at maximum capacity, or as specified in the Operation Manual.

**a. Imprinted Materials, Displays and Paper Products.**

Franchisor requires that the Franchised FUJI GRILL restaurant use only displays, trays, napkins, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors as prescribed from time to time by Franchisor.

**2. Approved List of Suppliers.**

Upon execution of this Agreement Franchisor shall provide to Franchisee a list of manufacturers, suppliers and distributors of approved inventory, products, fixtures, furniture, equipment, signs, stationery, imprinted paper products, supplies and other items or services necessary to operate the Franchised Business (“Suppliers List”). Franchisor may revise the Suppliers List from time to time in its sole discretion and such lists shall be submitted to Franchisee.

Throughout the term of this Agreement Franchisor shall negotiate best available rates for the purchase of products and prices for materials, and for distribution of same from the entities on the Suppliers List, and will recommend to suppliers that these rates be available to Franchisee.

**G. Confidential Operation Manual.**

As stated in paragraph IV above, Franchisor shall loan Franchisee a copy of the FUJI GRILL Confidential Operation Manual. Franchisor may from time to time revise the contents of the Confidential Operation Manual so as to convey to Franchisee

advancements and new developments in sales, marketing, operational techniques and other items and procedures relevant to the operation of the Franchised Business.

Franchisor will send new pages or completely revised Confidential Operation Manuals to Franchisee, at no cost to Franchisee.

#### **H. Training and Assistance.**

Franchisor will conduct a comprehensive training program in the management and operation of the Franchised Business for the Franchisee, as specifically designated below. The Franchisee or Franchisee's designated manager must attend and successfully complete the first portion of the training program to the satisfaction of Franchisor prior to the opening of the Franchised Business. There is no charge for the training program. However, Franchisee is responsible for all travel, food, lodging, and other expenses incurred by Franchisee or Franchisee's manager in connection with attendance at the training program.

If Franchisee or Franchisee's designated manager fail to complete the training program to the satisfaction of Franchisor, then Franchisor shall have the right to terminate this Franchise Agreement and all rights granted to Franchisee hereunder as described below.

1. Approximately four (4) weeks prior to Franchisee's commencement of operations, Franchisor shall make an initial training program available to any two (2) employees of Franchisee. The initial training program shall be up to four (4) weeks in duration. The selected candidates are required to attend and successfully complete such program. The initial training program shall be conducted at Franchisor's headquarters or other location agreed upon by the Parties and consists of two weeks of training. Said training program shall include classroom training and on-the-job training at a FUJI GRILL restaurant and shall cover the material aspects of the operation of a FUJI GRILL restaurant, including financial controls, general bookkeeping procedures, food preparation, service and operational techniques, familiarization with recipes and cooking procedures, marketing and advertising techniques, sanitation and maintenance procedures, deployment of labor, basic human resources and personnel management, customer service, maintenance of quality standards and an understanding of the FUJI GRILL Operation Manual. All expenses incurred by Franchisee and its employees in attending such program including, without limitation, travel costs, room and board expenses and employee's salaries shall be the sole responsibility of the Franchisee.

2. The second two weeks of initial training shall occur at the Franchised Business. For up to one (1) week immediately preceding the initial opening of the Franchised Business, and for one (1) week after the opening of the restaurant, Franchisor shall furnish to Franchisee one (1) of Franchisor's representatives for the purpose of assisting and facilitating the opening of the Franchised Business. During this period, said representative shall also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a FUJI GRILL restaurant, assist in implementation of the FUJI GRILL System and shall also assist in training Franchisee's

personnel. Requests by Franchisee for additional staff, or for assistance beyond the period set forth herein, shall be honored, at the sole discretion of the Franchisor, at the rate set forth in Paragraph VIII(I)(3) below, which shall be paid by the Franchisee on a daily basis, as incurred.

3. If Franchisor determines, in its sole discretion, that Franchisee or the other persons designated as training candidates by Franchisee are unable to satisfactorily complete the initial training program, Franchisor shall have the right to terminate this Agreement in the manner provided for herein, despite the fact that a restaurant site has been established, and all other terms have been complied with as of the date Franchisor gives notice to Franchisee of cancellation for failure to satisfactorily complete training. Franchisee shall have thirty (30) days from the Franchisor's notice of the training default to cure the default, and within the thirty (30) day period after notice of training default to the Franchisee, Franchisor shall offer such additional training, upon request by Franchisee, at the Franchisor's rate for services set forth herein. Franchisee's compliance with the additional training requirements after Franchisor's notice of training default, shall require completion of FUJI GRILL training to the satisfaction of the Franchisor, and payment in full to the Franchisor, on demand, for the cost of the additional training at the rate of FIVE HUNDRED DOLLARS (\$500.00) per day, or any fraction thereof. On termination of this Agreement, the remaining balance of the Franchise Fee, after charges, shall be refunded to the Franchisee. Upon return of said amount, Franchisee shall be fully and forever released from any claims or causes of action Franchisee may have under or pursuant to this Agreement and any right, title or interest of Franchisee in the Marks, and any such rights shall automatically revert to the Franchisor.

4. Franchisor from time to time, and in its sole discretion, may provide or may require that previously-trained and experienced franchisees, their managers and/or employees attend and successfully complete refresher training programs or seminars to be conducted at Franchisor's location. Attendance at such refresher training programs or seminars shall be at Franchisee's sole expense, provided, however, that attendance shall not be required by Franchisee or its employees at more than two (2) such programs in any calendar year, and shall not exceed five (5) business days in duration during any calendar year.

5. Franchisor will conduct annual continuing education for no more than two (2) days per year. Continuing education covers the most current operations manual, plus reviews and demonstrations of food preparation, service techniques, customer service reviews, advertising and promotions, record keeping, sanitation, ordering, inventory control, and human resources issues, as examples of possible topics. Continuing education is conducted at corporate headquarters and all franchised restaurants are expected to send one representative, and Franchisee shall cover the expenses incurred by the attending representative.

6. If Franchisee designates new or additional managers after the initial training program, Franchisor shall provide training to such managers at the rate set forth above. Any and all designated managers shall be required to successfully complete

the training program provided at Franchisor's headquarters or such other location designated by Franchisor. Franchisee shall bear all costs incurred by Franchisee's employees in attending such training program.

**I. Restaurant Opening.**

During the week prior to opening and the first week of operation of the Franchised Business as a FUJI GRILL restaurant open to the public, Franchisor will furnish to Franchisee one representative for the purpose of facilitating the successful opening of the Franchised Business. The representative will advise and assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a FUJI GRILL Restaurant pursuant to the FUJI GRILL System. The costs for the provision of the representative from Franchisor for any period in excess of the two (2) week period provided by Franchisor shall be borne by Franchisee pursuant to paragraphs 2 and 3 above [VIII(H)(2 and 3)].

**J. Advisory Services.**

Franchisor may provide to the extent required in Franchisor's sole judgment a continuing advisory service which may include, but is not limited to, consultation on promotional, business or operational problems, and analysis of Franchisee's service, sales, marketing, and financial data. The purpose of the advisory service is to provide and preserve a consistently high level of quality FUJI GRILL food products, presentation and customer service. Field representatives will be available for additional consultation and assistance requested by Franchisee on a fee basis by appointment only.

**K. Inspections and Periodic Visits.**

In order to preserve the validity and integrity of the Marks, and to assure that Franchisee is properly employing the FUJI GRILL System in the operation of the Franchised Business, Franchisor or its agents shall at all reasonable times have the right of entry and inspection of Franchisee's premises, and shall have the right to observe the manner in which Franchisee is rendering its services and to confer with Franchisee's employees and customers.

Franchisor, in its sole discretion, may also make periodic visits to the Franchised Business for the purposes of consultation, assistance and guidance of Franchisee regarding the operation and management of the Franchised Business in conformance with the FUJI GRILL System. Franchisor or Franchisor's representatives who visit the Franchised Business may in their sole judgment prepare written reports with respect to such visits outlining any suggested changes or improvements in the operations of the Franchised Business and detailing any defaults in such operations which become evident as a result of any such visit.

**L. New Products.**

Franchisor may develop proprietary or private-labeled Trademarked Products related to the Franchised Business, such as FUJI GRILL Teriyaki Sauce. In order to monitor the manufacture, packaging, processing and sale of the Trademarked Products, Franchisor shall: (i) manufacture, supply and sell the Trademarked Products to Franchisor's franchisees; and/or (ii) disclose the designs or specifications of the Trademarked Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture the Trademarked Products to Franchisor's precise specifications and to sell the Trademarked Products to Franchisor's franchisees. Franchisee acknowledges that Franchisee shall be required to use the Trademarked Products.

Franchisor will test and approve new products and menu items from time to time during the term of this Agreement. All new products and menu items that satisfy the high standards of quality established and maintained by Franchisor, and which Franchisor in its sole discretion deems to be marketable, will be made available to Franchisee and may thereafter be offered and sold by Franchisee in the operation of the Franchised Business.

**M. Advertising.**

Franchisor shall coordinate all advertising materials, promotional programs and administer advertising funds per Section VII above.

Franchisor will maintain an internet corporate web site promoting FUJI GRILL family style dining with pages and photographs of each franchised location. Franchisor also reserves the right to solicit franchisees through its corporate website.

Franchisor shall review any promotional materials submitted by Franchisee, and Franchisee shall not use any advertising or promotional materials unless supplied by Franchisor or submitted to and approved by Franchisor before publication or use. Franchisor shall have the right to disapprove any proposed advertising and promotional materials submitted by Franchisee. However, any materials not disapproved in writing by Franchisor within ten (10) business days shall be deemed approved. Any advertising or promotional materials approved by Franchisor may be presented to all other FUJI GRILL franchisees for their use and benefit.

**N. Future Computer and Software Systems.**

Franchisor may, in the future, develop and custom design Software for conducting accounting, inventory control, point-of-sale functions and related activities. If developed, the Software shall be proprietary to and the confidential information of Franchisor and will be covered by current confidential non-disclosure and proprietary agreements. Franchisee shall implement and utilize the Software in the operation of the Franchised Business and comply with all specifications and standards prescribed by Franchisor regarding the Software, as provided from time to time in the Manual. This proprietary software is an ongoing development and in a testing stage and upgrades may be

implemented into the System at Franchisor's discretion. Once developed, Franchisee shall be responsible for maintaining ongoing service and support regarding the Software, and Franchisor shall lease such software to Franchisee at the then-current rates published by Franchisor.

## **IX. OBLIGATIONS OF FRANCHISEE**

### **A. Site Selection and Opening.**

Franchisee acknowledges and agrees that the franchised FUJI GRILL restaurant which is the subject of this Agreement is to be open to the public and fully operational within six (6) months [for purposes of this Agreement the six month period is equal to 180 days] from the date of execution of this Agreement by the Parties. As such, Franchisee shall not delay in selecting possible physical sites for the location of its Franchised Business. Franchisee shall select an appropriate physical site for the construction or build-out and operation of a FUJI GRILL restaurant in conformity with the FUJI GRILL System, with or without the assistance of Franchisor, and be fully prepared to open the facility to the public within one hundred and eighty (180) days of execution of this Agreement.

The Site Survey (consisting of a written description and photographs of the proposed site) for all possible locations must be submitted to Franchisor for approval by Franchisor per paragraph II(B)(1) above. If and when Franchisor provides written approval of the site submitted by Franchisee said site shall then become the Authorized Location of the Franchised Business.

The Authorized Location shall be used solely for the purpose of conducting a FUJI GRILL Franchised Business during the term of this Agreement, or any extension thereof.

### **B. Lease.**

If the Authorized Location is held by Franchisee pursuant to a lease, Franchisee shall execute a lease approved by Franchisor for the operation of the Franchised Business at the Authorized Location within ninety (90) days after the date of this Agreement. Said lease shall also be in conformance with the provisions of paragraph II(B)(5) above.

If Franchisee fails to perform these obligations relative to the lease for any reason whatsoever, Franchisor shall have the option by written notice to cancel this Franchise Agreement and retain such portion of the initial franchise fee as has been paid by Franchisee to the date of cancellation, in the discretion of the Franchisor.

### **C. Architectural Modifications.**

At the time of execution of this Agreement Franchisee shall receive from Franchisor a basic set of plans and specifications for a prototypical FUJI GRILL restaurant which conforms with the FUJI GRILL System per paragraph VIII(B) above.



The plans and specifications provided by Franchisor are not suitable for construction or application to local municipalities for appropriate building permits, and must be further modified and adapted by Franchisee to the Authorized Location. Franchisee shall also receive from Franchisor a list of approved architects in area per paragraph VIII(B) above.

Franchisee shall examine and analyze the basic plans and specification for a prototypical FUJI GRILL restaurant in light of the Authorized Location selected for its Franchised Business, making whatever modifications or adjustments which Franchisee believes are appropriate and necessary to the operation of its Franchised Business at the Authorized Location.

Franchisee will then submit the specific changes and modifications of the prototypical architectural plans and specifications which Franchisee believes to be required for the individualized operation of the Franchised Business at the Authorized Location to Franchisor for written approval. If Franchisor approves of the modifications Franchisee shall then retain at its own expense an approved architect to finalize the modifications and to create a set of finished plans and specifications for the construction of the Franchised Business at the Authorized Location. Said finished plans shall also meet all applicable building codes.

If Franchisor does not approve the suggested modifications of Franchisee, Franchisor shall explain why and work with Franchisee to create modifications which both Franchisee and Franchisor approve. Failure to reach agreement between these Parties on the requisite architectural modifications to allow for full and complete construction of the Franchised Business at the Authorized Location to be ready to open within 180 days of execution of this Agreement shall constitute a dissolution of this Agreement, absent a written modification to the contrary executed by both Parties.

### **1. Local Architectural Review and Building Code Compliance.**

Franchisee agrees that prior to the commencement of any construction build-outs or improvements of the site Franchisee must, at its own expense, have any agreed upon architectural modifications in the prototype plans and specifications which are to be applied to Franchisee's proposed FUJI GRILL restaurant incorporated into a new set of finished plans prepared by a licensed architect. Said finished plans shall also incorporate all applicable building codes, and be suitable for use as construction plans. These finished architectural plans for the Franchised Business must then be first approved by Franchisor in writing, and then approved by the local building authority. All permits associated with the construction, renovation or improvement of the Authorized Location in accordance with the finished plans must also be obtained by Franchisee.

Even if Franchisee proposes no architectural modifications or changes from the basic prototypical plans and specifications provided by Franchisor, Franchisee must still, at its own expense, have a licensed architect, who has been previously approved by Franchisor, prepare a set of finished plans for the restaurant which Franchisee proposes to operate as its Franchised Business at the Authorized Location. Said finished plans shall incorporate all of the required provisions of any applicable building code, and be suitable

for use as construction plans. Said plans for the Franchised Business must then be approved first by Franchisor in writing, and then by the local building authority. All necessary permits for construction, renovation or improvement in accordance with said finished plans must also be obtained by Franchisee.

**D. Restaurant Construction, Layout and Improvements.**

Upon approval of the lease and the finished plans for architectural changes at the Authorized Location, as set forth above, Franchisee, at its own costs, will select an approved contractor and will commence construction and installation of the tenant improvements, trade fixtures, displays, and interior decor in accordance with the generalized space plan, work flow and general layout of a typical FUJI GRILL Restaurant as set forth in the prototype plans and specifications provided by Franchisor, and any approved architectural modifications. Franchisee shall not make any further changes to the restaurant layout or design without the prior written consent of Franchisor.

Franchisee shall complete the FUJI GRILL restaurant as the Franchised Business at the Authorized Location, and be ready to open the premises to the public, within one hundred eighty (180) days from the date of execution of this Agreement, or as otherwise agreed upon by these Parties.

**E. Manager.**

The Franchised Business shall at all times be under the direct, on-premises supervision of Franchisee or a trained and competent full-time manager who shall have direct authority to conduct all business operations of the Franchised Business. If Franchisee employs a full-time manager, Franchisee acknowledges that it shall remain obligated to supervise the operations of the Franchised Business as agreed upon by Franchisee and Franchisor. In the event Franchisee operates more than one (1) franchise, at least one (1) trained and competent employee referred to above shall act as a full-time manager. Franchisee shall keep Franchisor informed at all times of the identity of any manager(s) of the Franchised Business. Prior to appointing any person to the position of manager, the Franchisee shall advise Franchisor of the appointment with sufficient lead-time to allow the appointee to complete the initial training program set forth in Paragraph VIII(I) above, prior to assuming any duties as a manager. Franchisee shall pay all expenses incurred by the designated manager, including the cost of training by Franchisor at the rate of FIVE HUNDRED DOLLARS (\$500.00) per day, for each day of training, or fraction thereof. Except as expressly provided for in this Agreement, Franchisor shall have no obligation to train Franchisee, its owners, managers or employees.

Upon the death, disability, or termination of employment of the manager, Franchisee shall designate a successor manager within sixty (60) days. The successor manager must promptly complete the training program or otherwise satisfy Franchisor's requirements regarding management experience.

**F. Standards of Quality.**

In order to ensure that all Menu Items produced by Franchisee meet Franchisor's high standards of taste, texture, appearance and freshness, and in order to protect Franchisor's goodwill and Marks, the Menu Items and other food products shall be prepared only by properly trained personnel strictly in accordance with Franchisor's recipes, cooking techniques and processes as designated by Franchisor in its training and in its Operation Manual, and shall be sold only at retail to customers in conformity with Franchisor's marketing plan and concept. Franchisee acknowledges that such recipes, cooking techniques and processes are integral to the FUJI GRILL System and failure to adhere to such recipes, cooking techniques and processes (including the handling and storage of both ingredients and fully prepared Menu Items) shall be detrimental to the System and the Marks.

**G. Quality Control.**

Franchisee recognizes that it is essential to the proper marketing of FUJI GRILL products and to the preservation and promotion of its reputation and acceptance by the public at large, that certain uniform operating procedures, standards of quality and appearance of premises and merchandise be maintained. Accordingly, Franchisee agrees that:

1. Franchisee shall comply with all requirements set forth in the FUJI GRILL Operation Manual. Compliance with all terms, specifications and conditions in the Manual, and its amendments and all procedures, rules and policies shall be required of Franchisee as a term and condition to Franchisee's rights hereunder. Franchisee shall comply with the entire FUJI GRILL System including, but not limited to, the requirements of this Paragraph.

2. Franchisee will serve all menu items which Franchisor deems appropriate to take full advantage of the potential market and to achieve standardization in the FUJI GRILL franchise system;

3. Franchisee will not serve any items which are not set forth in the Confidential Operation Manual unless approved in writing by Franchisor;

4. Franchisee shall adhere to all specifications contained in the Confidential Operation Manual or as otherwise prescribed by Franchisor as to ingredients, methods of preparation and service, and standards of cleanliness, health and sanitation.

5. All food, drink and other items will be served and sold in packaging that meets Franchisor's specifications.

6. Franchisee shall use only displays, trays, napkins, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors as prescribed from time to time by Franchisor.

7. In order to ensure that all Menu Items produced by Franchisee meet Franchisor's high standards of taste, texture, appearance and freshness, and in order to protect Franchisor's goodwill and Marks, the Menu Items and other food products shall be prepared only by properly trained personnel strictly in accordance with Franchisor's recipes, cooking techniques and processes as designated by Franchisor in the Operation Manual, and shall be sold only at retail to customers in conformity with Franchisor's marketing plan and concept. Franchisee acknowledges that such recipes, cooking techniques and processes are integral to the FUJI GRILL System and failure to adhere to such recipes, cooking techniques and processes (including the handling and storage of both ingredients and fully prepared Menu Items) shall be detrimental to the System and the Marks.

8. Franchisee shall participate in annual continuing education as provided by Franchisor. Franchisee shall send at least one representative to Franchisor's continuing education course. Franchisee shall be responsible for the representative's attendance and associated expenses of the representative for no more than two (2) days of continuing education per year.

9. Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to occupational hazards and health, dispensing of food products, consumer protection, trade regulation, workers' compensation, unemployment insurance, wage and hour requirements, anti-discrimination laws and withholding and payment of federal and state income taxes and Social Security taxes and sales, use and property taxes.

10. Franchisee shall refrain from any merchandising, advertising, promotional practice or making any publication which is defamatory, unethical or may be injurious to the business of Franchisor and/or other Franchised Businesses or to the goodwill associated with the Marks.

#### **H. Opening of Business.**

Franchisee shall commence business operations as a Franchised Business open to the public not less than one hundred eighty (180) days after execution of this Agreement, or as otherwise required or approved in writing by Franchisor, including the requirements of paragraph II(B)(5) herein relating to the securing of a lease for the Authorized Location. Prior to such opening, Franchisee shall have procured all necessary licenses, permits and approvals to operate a FUJI GRILL restaurant open to the public including, but not limited to, business, construction, health and safety permits, hired and trained the personnel to staff the restaurant, made all of the improvements to the facility approved by Franchisor and purchased the initial inventory.

If Franchisee for any reason fails to commence operation as herein provided, absent Franchisee being precluded from doing so by force majeure, within 180 days after the execution of this Agreement or written modification of this period by the Parties, such

failure shall be considered a default and Franchisor may terminate this Agreement as herein provided per paragraph II(C) above.

In conjunction with the opening of the business, and within the two to three weeks prior to the opening, Franchisee shall expend at least One Thousand Five Hundred Dollars (\$1,500.00) in local advertising to promote the opening of the Franchised Business within the Franchisee's designated Territory.

After opening its Franchised Business as a FUJI GRILL restaurant Franchisee shall maintain business operations continuously during prevailing business hours in the area of the Authorized Location.

**I. Appearance and Condition of Premises.**

Franchisee shall maintain the condition and appearance of the premises of its Franchised Business consistent with Franchisor's quality controls and standards. Franchisee shall effect such reasonable maintenance of the Franchised Business as is from time to time required to maintain or improve the appearance and efficient operation of the FUJI GRILL Restaurant including, but not limited to, replacement of worn out or obsolete fixtures, signs and equipment, and the repair of the exterior and interior of the Premises. If at any time in Franchisor's judgment the general state of repair or the appearance of the Premises or its equipment, fixtures, signs or décor does not meet Franchisor's quality control and standards therefore, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. At all times, Franchisor shall have access to Franchisee's Premises at such reasonable times and intervals, with or without notice, to inspect same for the purposes of this Paragraph. Franchisee's obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is impractical due to force majeure.

Franchisee shall make no material unilateral alterations to the Premises nor shall Franchisee make material replacements of or alterations to the equipment, fixtures or signs of the Franchised Business without the prior written approval by Franchisor.

**J. Use of Premises.**

Franchisee shall use the Franchised Business only for the purpose of offering for sale to the general retail public the types of Menu Items and other categories of food and beverage products that Franchisor has authorized Franchisee to sell. Franchisee shall not offer for sale or sell at the Franchised Business any other category of products, or services and shall not use the premises of the Franchised Business for any purpose other than the operation of a Franchised FUJI GRILL restaurant in full compliance with this Agreement, the FUJI GRILL System and the Operation Manual.

**K.     Use of Name.**

Franchisee shall conduct the Franchised Business only under the Marks and in strict compliance with the Operation Manual and paragraphs III-VI of this Agreement.

**1.     Display of Name.**

At all times during the term of this Agreement, Franchisee will use the Marks in all advertising, promotion, and communications involving the Franchised Business, including but not limited to, yellow page listings, signs, banners, business cards, stationery, promotional and advertising materials, forms, contracts, and all other materials which identify the Franchised Business. All advertising shall clearly state that "EACH FUJI GRILL RESTAURANT IS INDEPENDENTLY OWNED AND OPERATED".

**2.     Name Infringement.**

Franchisee shall promptly notify Franchisor of any claim, demand or suit based upon, or arising in connection with, any attempt by an individual, trust, partnership, association, company or corporation to use the Marks or any colorable variation thereof. Franchisor, at its sole discretion, may elect to defend or prosecute, or to participate in the defense or prosecution of, any action relating to the Marks. In the event that Franchisor undertakes the defense or prosecution of any litigation relating to the Marks, Franchisee shall execute any and all documents and do all acts which may be necessary or of aid, at the determination of Franchisor's legal counsel, to carry out such litigation.

**L.     Proprietary Rights.**

Franchisee acknowledges the exclusive right, title and interest of Franchisor in and to the Marks per paragraphs III and V above, and will not, at any time, do or cause to be done any act or thing contesting or in any way impairing or tending to impair the right, title and interest of Franchisor. Franchisee shall not, in any manner, represent that Franchisee has any ownership rights in the Marks, and acknowledges that its use thereof shall not create in its favor any right, title, or interest in or to the marks, but that all uses shall inure to the benefit of Franchisor. Franchisee shall affix trademark notices and indication of registration when necessary or proper in accordance with applicable laws, and shall add notices of any new trademarks or service marks owned by Franchisor as they issue from time to time during the term of this Agreement.

**M.     Confidential Operation Manual.**

In order to protect the reputation and goodwill associated with the Marks, and to maintain the uniform standards of quality and operations thereunder, Franchisee shall conduct its Franchised Business in strict accordance with the FUJI GRILL Confidential Operation Manual, as amended, as set forth in paragraph IV above. Franchisee shall insert any updated pages in the Confidential Operation Manual upon receipt from

Franchisor, and shall remove all superseded pages and return them to Franchisor within five (5) business days.

**N. Minimum Inventory.**

Franchisee shall at all times during the term of this Agreement maintain minimum inventory levels of ingredients, food and beverage products and other products, materials and supplies that shall permit operation of the Franchised Business at maximum capacity as specified in the Operation Manual in order to satisfy customer demand for the food products which are offered and sold by FUJI GRILL Restaurants. Toward this end Franchisee acknowledges that the Franchised Business shall at times maintain an inventory of ingredients, food and beverage products and other products, materials and supplies that shall permit operation of the Franchised Business at maximum capacity.

**1. Approved Suppliers List and Approved Supplies List.**

Franchisee acknowledges that upon execution of this Agreement that Franchisor provided to Franchisee a list of manufacturers, suppliers and distributors (“Suppliers List”) and approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Franchised Business (“Approved Supplies List”). Such list shall specify the manufacturer, brand name, suggested supplier and distributor and the inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and services which Franchisor has approved to be carried or used in the System. Franchisee also acknowledges that Franchisor may revise the Suppliers List and Approved Supplies List from time to time in its sole discretion and such lists shall be submitted to Franchisee.

If Franchisee proposes to offer for sale at the Franchised Business any brand of product, or to use in the operation of Franchised Business any brand of food ingredient or other material or service which is not then approved by Franchisor as meeting its minimum specifications and quality standards, but which Franchisee contends is of at least equal quality as items on said Lists, Franchisee must notify Franchisor of the desire to utilize the unapproved ingredient, material or service and shall upon request by Franchisor submit samples and other such information as Franchisor requires for examination and/or testing or to otherwise determine whether such unapproved product, material or service meets its specifications and quality standards. A charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test and in all cases, not to exceed ONE THOUSAND DOLLARS (\$1,000.00) shall be paid by Franchisee or the supplier to Franchisor when the testing has been completed. Franchisor shall have a reasonable period (not to exceed 60 days) in which to conduct the test and give its approval or disapproval to the product. Franchisor also reserves the right, at its option, to re-inspect the products of any supplier of an approved item and to revoke its approval of any item which fails to continue to meet any of Franchisor’s criteria. Franchisor reserves the right, in its sole discretion, to approve or reject any and all supplies, brand name products and other products, ingredients and services, whether currently approved by Franchisor or submitted to Franchisor by Franchisee for approval, for use by or sale from the Franchised Business.

All inventory, products and materials and other items and supplies used in the operation of the Franchised Business which are not specifically required to be purchased in accordance with Franchisor's Approved Supplies List or the Approved Suppliers List shall conform to the specifications and quality standards established by Franchisor, the FUJI GRILL System or the Operation Manual.

**O. Proprietary Food Products.**

Franchisee acknowledges and agrees that certain food products offered and sold at FUJI GRILL Restaurants are comprised of secret recipes and are proprietary products of Franchisor. In order to maintain and protect the rights of Franchisor in and to its proprietary products, Franchisee shall purchase FUJI GRILL proprietary food products only from Franchisor or its designated suppliers. In order to maintain the high standards of quality associated with the proprietary food products served at FUJI GRILL Restaurants, Franchisee shall not use any other ingredients or recipes with regard to these proprietary food products in the operation of the Franchised Business.

Franchisor has developed Trade Secret Food Products, such as FUJI GRILL Teriyaki Sauce, and may continue to develop its own proprietary recipes and products. In order to protect its Trade Secrets and to monitor the manufacture, packaging, processing and sale of the Trade Secret Food Products, Franchisor shall: (i) manufacture, supply and sell the Trade Secret Food Products to franchisees of Franchisor; and/or (ii) disclose the formulae for and methods of preparation of the Trade Secret Food Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture the Trade Secret Food Products to Franchisor's precise specifications and to sell the Trade Secret Food Products to franchisees of Franchisor; and/or (iii) disclose the formula and methods of preparation to each Franchisee, who shall manufacture their own product for use, at Franchisor's election. Franchisee acknowledges that it must use the Trade Secret Food Products at all times in the operation of the Franchised Business.

**P. New Food Products and Packaging.**

If Franchisee or employee of Franchisee conceives of or develops a new food product that it desires to offer and sell at its FUJI GRILL Restaurant, Franchisee shall first deliver to Franchisor all recipes, preparation and baking instructions for review and testing per paragraph VIII(G). If the new product satisfies the high standards of quality established and maintained by Franchisor and the product is approved by Franchisor in its sole discretion, the product may thereafter be offered and sold by Franchisee and by all other FUJI GRILL franchisees as an approved Menu Item. All new products developed by Franchisee are considered Improvements and become the property of Franchisor per Exhibit C.

**Q. Pricing.**

Franchisee has the right and authority to set its own prices, pricing policies, discounting policies and customer relations policies. Franchisor may from time to time communicate with Franchisee about prices and may issue suggested price schedules



periodically. Franchisee understands, however, that Franchisee is under no obligation to accept the pricing suggestions of Franchisor. Franchisee has the right to deviate from the suggested price schedules and no imposition of any sanctions may be made by Franchisor, overtly or covertly, because of Franchisee's pricing policies.

**R. Independent Advertising.**

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and public image of its FUJI GRILL Restaurant, Franchisee agrees to conduct, at its own expense, local advertising and promotional campaigns and activities pursuant to paragraph VII(D) above.

Franchisee shall not use any advertising and sales promotion materials of any kind other than those produced and distributed by Franchisor, or conduct any broadcast advertising or promotion, without first obtaining the approval of Franchisor, which approval shall not unreasonably be withheld. Approval shall be obtained by Franchisee submitting a copy of the proposed advertising to Franchisor for review. Approval or rejection will be communicated within ten (10) days of the submittal, unless legal review is required. If so, approval or rejection could take up to 30 days.

**S. Accounting Records and Reports.**

The Parties hereto agree to the keeping of accurate and timely records of all business operations, including, but not limited to, sales, costs of sales, cost of equipment and supplies, procurements, expenses, payroll costs, operational costs and others as more specifically detailed in the Operation Manual. Further, the Parties agree that the recording and reporting of accounting should be standardized in accordance with Franchisor's Operation Manual. In order to make certain that all recording and reporting of accounting data is standardized Franchisee agrees to utilize computers, point-of-sale ("POS") cash registers or cash receipt recording devices and software that are compatible and integratable with the FUJI GRILL System. Therefore, at the time of execution of this Agreement Franchisor shall provide Franchisee with a list of approved computers, POS cash registers and software which Franchisee hereby agrees to utilize in the operation of the Franchised Business.

1. Franchisee shall maintain during the term of this Agreement, and shall preserve for the time period specified in the Manual, full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain for a period of three (3) years thereafter all books and records relating to the FRANCHISED BUSINESS including, without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals and general ledgers.

2. Franchisee shall supply to Franchisor on or before the tenth (10th) day of each quarter, in such form as prescribed in the Manual, a profit and loss statement and balance sheet for the last preceding quarter just ended. Additionally, Franchisee shall,

at its expense, submit to Franchisor within ninety (90) days after the end of each fiscal year during the term of this Agreement, a profit and loss statement for said fiscal year and a balance sheet as of the last day of said fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements. Such financial statements shall be certified in writing to be true and correct by Franchisee. Franchisor reserves the right to require annual financial statements, prepared in accordance with general accepted accounting standards, audited by an independent certified public accountant at Franchisor's expense.

3. Franchisee shall submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manual.

4. Franchisee shall record all sales and related activities on computer-based point-of-sale cash registers which are fully compatible with any program or system which Franchisor, in its discretion, may now or in the future employ. As stated above, Franchisee must procure a computer system meeting the specifications and standards prescribed by Franchisor. All Net Sales and sales information shall be recorded on Franchisor approved equipment. Franchisor shall have full access to all of Franchisee's data, system and related information by means of direct access whether in person, by telephone/modem or other automated communication devices selected by Franchisor.

5. Franchisor or its designated agents shall have the right at all reasonable times to inspect, examine, audit and copy, at its expense, the books, records, cash control devices or systems and tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books and records of Franchisee at Franchisor's expense. If an inspection or audit reveals that any payments due to Franchisor have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at 3% the maximum rate permitted by law. If an inspection or audit discloses an understatement in any report of three percent (3%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection or audit (including, without limitation, reasonable accounting and attorneys' fees). The remedies listed in this paragraph shall be in addition to any other remedies Franchisor may have.

6. Franchisee acknowledges that nothing contained herein constitutes Franchisor's agreement to accept any payments after same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the FRANCHISED BUSINESS. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute a material default of, and grounds for termination of this Agreement.

**T. Confidentiality.**

Franchisee shall at all times treat as confidential and shall not at any time disclose, copy, duplicate, record or otherwise reproduce, in whole or in part, or otherwise

make available to any unauthorized person or source, the contents of the Confidential Operation Manual. The Confidential Operation Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon the expiration, non-renewal, or other termination of this Franchise Agreement. Franchisee shall not, during the term of this Agreement or after its termination, communicate or divulge (or allow others to communicate or divulge) to any other person, partnership or corporation, any information or knowledge concerning the methods of operation, promotion, sale or distribution used in the FUJI GRILL Restaurants nor shall Franchisee communicate or divulge (or allow others to communicate or divulge) in whole or in part any proprietary information or trade secrets of Franchisor or its affiliated companies.

The Parties acknowledge that upon violation of any of the covenants contained in this Paragraph, it will be difficult to determine the resulting damages to Franchisor and, in addition to any other remedies it may have, Franchisor shall be entitled to make application in a court of competent jurisdiction for temporary and permanent injunctive relief without the necessity of proving actual damages.

**U. Duty of Loyalty and Covenants Regarding Competition.**

1. Franchisee covenants and promises that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall devote full-time energy and his or her best efforts to the management and operation of the FRANCHISED BUSINESS. During the term of this Agreement, Franchisee shall not, either directly or indirectly, for itself or on behalf of or in conjunction with any other person, partnership or corporation, own, maintain, engage in, participate or have any interest in the operation of any competing business except other authorized FUJI GRILL franchises.

2. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for himself, or through, on behalf or in conjunction with any person, persons, partnership, corporation or limited liability company:

a. Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement, or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

b. Employ or seek to employ any person who is at that time employed by Franchisor, or by any other franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat.

c. Own, maintain, engage in or have any interest in any business (including any business operated by Franchisee prior to entry into this Agreement) specializing in whole or in part, in dispensing, promoting or selling family-style Japanese food and other prepared food products, or any other business which sells or offers to sell family-style Japanese and other prepared food products or services, the

same as or similar to those sold in the FUJI GRILL System, absent written authorization from FUJI GRILL to do so.

3. At no time during or after the termination of this Agreement shall the Franchisee divulge to any person, partnership, corporation or any other entity any information, trade secrets, ingredients, formulae, recipes, cooking techniques and processes, used in the Menu Items and other food and beverage products used in the FUJI GRILL System or any information stated in the Operation Manual or in paragraphs III, IV or V herein.

4. For a period of five (5) years after the termination of this Agreement, regardless of the cause of termination, Franchisee shall not, either directly or indirectly, for itself, or on behalf of or in conjunction with any other person, partnership or corporation, own, maintain, engage in, or participate in the operation of any business selling family-style Japanese food and other prepared food products, within five (5) miles of any FUJI GRILL franchisee or other authorized FUJI GRILL Restaurant, absent written authorization from FUJI GRILL to do so.

5. Each of the covenants of Franchisee contained in this Paragraph is a separate and independent covenant covering the subject matter of the covenant in each of the separate counties and states in the United States in which Franchisor transacts business. To the extent that any covenant shall be determined to be judicially unenforceable in any one or more county or state, that covenant shall not be affected with respect to any other county or state, each covenant being severable and independent.

6. The Parties acknowledge that upon violation of any of the covenants contained in this paragraph, it will be difficult to determine the resulting damages to Franchisor and, in addition to any other remedies it may have, Franchisor shall be entitled to make application in a court of competent jurisdiction for temporary and permanent injunctive relief without the necessity of proving actual damages.

## **V. Insurance.**

1. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, their officers, directors and employees against any loss, liability, personal injury, bodily injury, death or property damage, broad form contractual liability or expense whatsoever arising or occurring upon or in connection with the Franchised Business, as Franchisor may reasonably require for its own and Franchisee's protection. All insurance policies shall be issued by insurance companies of recognized responsibility as indicated in paragraph 2 below [IX(V)(2)], shall designate Franchisor as an additional named insured party, and shall be satisfactory to Franchisor in form, substance and coverage. Every insurance policy obtained in accordance with this Agreement shall also contain an endorsement requiring that the policy cannot be canceled or changed in scope or amount without at least thirty (30) days prior written notice to Franchisor. Such insurance is limited to its "conditions, provisions and exclusions" and

does not necessarily include any expense arising or occurring upon or in connection with the FRANCHISED BUSINESS.

2. Such policy or policies shall be written by an insurance company licensed in the state in which Franchisee operates and shall have at least an “A” Rating Classification as indicated in A.M. Best’s Key Rating Guide, in accordance with standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as different coverage and policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manual or otherwise in writing), the following:

a. All “Risks” coverage insurance on all furniture, fixtures, equipment, supplies, products and other property used in the operation of the FRANCHISED BUSINESS (which coverage may include flood and/or earthquake coverage where there are known exposures to either peril and theft insurance) for full repair as well as replacement value, except that an appropriate deductible clause shall be permitted not to exceed ONE THOUSAND DOLLARS (\$1,000.00).

b. Workers’ Compensation and Employer’s Liability insurance as well as such other insurance as may be required by statute or rule of the state or county in which the FRANCHISED BUSINESS is located and operated.

c. Comprehensive General Liability insurance, including a per premises aggregate with the following coverages: broad form contractual liability; personal and advertising injury; products/completed operations; medical payments and fire damage liability; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorney’s fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, occurring in the course of or on or about or otherwise relating to the FRANCHISED BUSINESS, including General Aggregate coverage in the following limits:

<b><u>Coverage</u></b>	<b><u>Minimum Limits of Coverage</u></b>
General Aggregate.....	\$1,000,000.00
Products/Completed Operations Aggregate.....	\$1,000,000.00
Personal and Advertising Injury .....	\$1,000,000.00
Each Occurrence.....	\$1,000,000.00
Fire Damage (any one fire).....	\$50,000.00
Medical Expense (any one person).....	\$5,000.00

The amounts required herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

d. Business interruption insurance for actual losses sustained, for a twelve (12) month period.

e. Automobile Liability Insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00).

f. Such insurance and types of coverage as may be required by the terms of any lease for the FRANCHISED BUSINESS, or as may be required from time to time by Franchisor.

3. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Within ninety (90) days of the signing of this Agreement, but in no event later than the date on which Franchisee acquires an interest in the real property from which it shall operate the Franchised Business, Franchisee shall furnish to Franchisor a Certificate or Certificates of Insurance evidencing compliance with the foregoing insurance coverage requirements. Such certificate(s) shall state that said policy or policies procured hereunder shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor, shall show Franchisor as an additional named insured on each certificate of insurance and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Minimum limits of coverage as required above may be modified from time to time, as conditions require, by written notice to Franchisee.

4. If Franchisee, for any reason, fails to procure and maintain such insurance coverage as required by this Agreement, Franchisor, may, but is not obligated to, obtain the required insurance at the sole cost and expense of Franchisee. All costs incurred by Franchisor in obtaining said insurance shall be reimbursed upon demand, together with interest at one and one-half percent (1-1/2%) per month, unless otherwise limited by applicable law, from the date the expense is incurred until the date payment is received by Franchisor.

#### **W. Video and Vending Machines.**

In order to maintain uniformity in the FUJI GRILL franchise system, telephone booths, newspaper and magazine racks, video games, gaming machines, juke boxes, cigarette, gum and candy machines, games, rides, and other vending machines or similar devices will not be installed on the premises of the Franchised Business without the prior written approval of Franchisor.

**X. Signage.**

Franchisee shall maintain and display signs reflecting the current image of FUJI GRILL Restaurant and shall not place additional signs or posters on the premises without the prior written consent of Franchisor.

**Y. Taxes.**

Franchisee shall promptly pay when due all taxes and assessments against the premises or the equipment used in the Franchised Business, and all liens or encumbrances of every kind or character created or placed upon or against any of its property, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business.

**Z. Compliance with Law.**

Franchisee shall comply with all federal, state, and local laws and regulations pertaining to the operation of the Franchisee Business, and shall secure and obtain in a timely manner any and all required permits, certificates or licenses necessary for the full and proper conduct of its Franchised Business. Franchisee shall then maintain all required licenses and permits relating to the operation of the franchised FUJI GRILL restaurant in good order during the term of this Agreement and any subsequent Agreements. Franchisee shall also operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to occupational hazards and health, dispensing of food products, consumer protection, labor and employment, trade regulation, workers' compensation, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes. Franchisee shall pay promptly, as due, all state, city, and county licensing and permit fees and charges in connection with the operation of the Franchised Business.

**AA. Ethical Operations.**

Franchisee shall refrain from any merchandising, advertising or promotional practice which is unethical or may be injurious to the business of Franchisor and/or other Franchised Business or to the goodwill associated with the Marks.

Franchisee shall at all times faithfully, honestly and diligently perform its obligations hereunder and shall not engage in any business, business practice or other activities that conflict with its obligations hereunder.

**BB. Costs of Doing Business.**

Franchisee shall maintain and pay its own costs of doing business, including rent, telephone, utilities, insurance, payroll expenses, equipment, inventory, supplies and all other fixed and variable expenses incurred in the operation of the Franchised Business.

**CC. Franchise Sales Promotion.**

At the request of Franchisor, Franchisee shall maintain at the Authorized Location a display containing information furnished by Franchisor regarding the availability of FUJI GRILL franchises.

**DD. Notice of Legal Action.**

Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any claim, lawsuit, action, cause of action or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

**EE. Indemnity.**

Franchisee shall indemnify and hold Franchisor free and harmless from and against any and all cost (including reasonable attorneys' fees), liability, expense, claim, demand, action, or cause of action, which may be incurred by or threatened against Franchisor, and arising out of (a) the operation of the Franchised Business, or (b) any transaction entered into between Franchisee and any third party, or (c) Franchisee's improper use of the Marks.

**X. FEES**

**A. Franchise Fee.**

In consideration of the franchise granted herein, Franchisee shall pay to the Franchisor upon execution of this Agreement, an initial franchise fee of THIRTY THOUSAND DOLLARS (\$30,000.00) ("Franchise Fee"). The Franchise Fee shall be deemed fully earned and non-refundable upon execution of this Agreement as consideration for expenses incurred by Franchisor in furnishing assistance and services to Franchisee, and for Franchisor's lost or deferred opportunity to franchise others, except as may be otherwise specifically provided in this Agreement and/or any exhibit attached hereto.

**1. Alternative and Additional Locations.**

The Franchise Fee for an alternative Authorized Location is presently \$8,500.00, subject to change by Franchisor in its discretion. If any additional location is contemplated, Franchisee shall be required to execute the then current form of Franchise Agreement prior to establishing an additional or alternative Authorized Location.

The Franchise Fee for additional FUJI GRILL locations requires that Franchisee pay to Franchisor a fee of \$25,000.00 upon approval of a second Authorized Location for a Franchised Business and execution of another Franchise Agreement; and the payment of a fee of \$22,500.00 to Franchisor is required for each Authorized Location for a



Franchised Business in excess of two, following similar approval and execution of the appropriate Franchise Agreements.

The Franchise Fee is non-refundable and any portion thereof once paid is fully earned by Franchisor upon payment.

**B. Royalty Fee for Continuing Services.**

Franchisee shall pay to Franchisor each week without offset, credit or deduction of any nature, for so long as this Agreement shall be in effect, a Royalty Fee equal to five percent (5%) of the Net Sales derived from the Franchised Business. Said Royalty Fee shall be paid weekly in the manner specified below or as otherwise stated in the Operation Manual.

1. Each week, Franchisee shall submit to Franchisor in such form as prescribed in the Manual, a correct statement, signed by Franchisee, of Franchisee's Net Sales for the preceding week ended Sunday. Each weekly statement of Net Sales shall be accompanied by a copy of the direct deposit slip indicating that the Royalty Fee for the week in question has been deposited in accordance with paragraph E below [X(E)]. Said Royalty Fee payment shall be based on the Net Sales reported in the submitted statement. Franchisee shall make available to Franchisor at Franchisor's request all original books and records that Franchisor may deem necessary to ascertain Franchisee's Net Sales for reasonable inspection at reasonable times.

2. The term "Net Sales," as used herein and throughout this Agreement, shall mean and include the total of all revenues and income from the sale of all Menu Items, Trade Secret Food Products, and any other food products, beverages and other related merchandise, products and services to customers of Franchisee, or from any other source, whether or not sold or performed at or from the FUJI GRILL Franchised Business, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment has been received therefore) or otherwise. There shall be deducted from Net Sales for purposes of said computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority. There shall be further deducted from Net Sales the amount of any documented refunds, charge-backs, credits and allowances given in good faith to customers by Franchisee. All barter and/or exchange transactions pursuant to which Franchisee furnishes services and/or products in exchange for good or services to be provided to Franchisee by a vendor, supplier or customer will, for the purpose of determining Net Sales, be valued at the full retail value of the goods and/or services so provided to Franchisee. All items which are claimed as deductions in determining Net Sales must be supported by proper documentation.

**C. Interest for Late Payments.**

All Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor, and other amounts which Franchisee owes to Franchisor

shall bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed one and one-half percent (1.5%) per month unless otherwise limited by applicable law, from the date payment was due to the date payment is received by Franchisor. Franchisee acknowledges that this Paragraph shall not constitute agreement by Franchisor to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Paragraph XIV hereof, notwithstanding the provisions of this Paragraph.

**D. Application for Past Indebtedness.**

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, advertising contributions, purchases from Franchisor, interest or any other indebtedness.

**E. Direct Deposit.**

All Royalty Fees, advertising contributions, promotional fund fees, amounts due for purchases by Franchisee from Franchisor and other amounts which Franchisee owes to Franchisor shall be paid through an Electronic Depository Transfer Account ("EDTA") as further described in the Operation Manual. Immediately following execution of this Agreement, Franchisee shall set up an EDTA and Franchisor shall have access to such account for the purpose of receiving payment for Royalty Fees, advertising contributions, promotional fund fees, amounts due for purchases by Franchisee from Franchisor and any other amounts which Franchisee owes to Franchisor. Every week, Franchisee shall make deposits to the EDTA sufficient to cover amounts owed to Franchisor on Monday for Royalty Fees, advertising contributions and other funds owed to Franchisor for the preceding week ending on Sunday. Deposits for all other amounts owed to Franchisor shall be in accordance with the procedures set forth in the Operation Manual.

**XI. TRANSFERABILITY OF INTEREST**

**A. Transfer by Franchisor.**

Nothing contained in this Agreement shall require Franchisor to remain in the business in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

Franchisee expressly agrees that Franchisor may sell its assets, Marks or System outright to a third party; may make a public offering of securities; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or entities, or be acquired by another corporation or entity; may undertake a refinancing, re-capitalization, leveraged buy out or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages against Franchisor

arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of FUJI GRILL, INC. as Franchisor hereunder.

This Agreement and all rights hereunder may be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor as stated herein, the assignee shall:

1. At the time of such assignment, be financially responsible and economically capable of performing the obligations of Franchisor hereunder; and
2. Expressly assume and agree to perform the Franchisor's obligations, specifically, and without limitation as stated herein.

**B. Transfer of Franchise Agreement by Franchisee.**

This Agreement and all rights hereunder may also be assigned and transferred by Franchisee and, if so, shall be binding upon and inure to the benefit of Franchisee's successors and assigns, subject to the following conditions and requirements, and Franchisor's right of first refusal as set forth herein:

1. Franchisee shall give Franchisor written notice of any intent to sell, assign, transfer, or convey any interest in this Agreement, in the franchise granted hereby, any assets of the franchise, or in any proprietorship, partnership or corporation which owns any interest in the franchise at least forty-five (45) days prior to taking any action with respect to the intended transfer, per paragraph XIII below. No Franchisee, partner (if Franchisee is a partnership), member (if Franchisee is a limited liability company), or shareholder (if Franchisee is a corporation), shall, without the prior written consent of Franchisor, by operation of law or otherwise, sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, any legal or beneficial interest in this Agreement, in the Franchised Business granted hereby, or in any proprietorship, partnership or corporation which owns any interest in the Franchised Business. Any purported transfer or assignment not having the prior written consent of Franchisor shall be null and void and shall constitute material default under this Agreement. The term "transfer" hereunder shall include any change in the form by which the Franchisee does business, including change from proprietor to partnership, corporation, Limited Liability Company or other association, or from any business form, above, to any other, wherein the Franchisee elects to continue the Franchised Business after the change. Any decision to continue the franchise after change in business form shall be restricted by, and subject to the Franchisor's right of first refusal per the terms of this Paragraph and Paragraph XIII.

2. Franchisor shall not unreasonably withhold its consent to any transfer when requested; provided, however, that the following conditions and requirements shall first be met to the full satisfaction of Franchisor:

(a) Franchisee shall first extend a Right of First Refusal to Franchisor per the terms of Paragraph XIII below.

(b) No fractional interest in the license granted by this Franchise Agreement may be created or transferred. The rights and duties created by the Franchise Agreement are unitary and may not be divided in any way.

(c) The proposed transferee or its principals must meet Franchisor's reasonable requirements for satisfactory net worth, education, competent business experience and qualifications, good credit rating, and to be of good moral character, as applied by Franchisor on a non-discriminatory basis in selecting new franchisees, and must have or obtain before transfer all licenses required by law for operation of the Franchised Business. Franchisee shall provide Franchisor with such information as Franchisor may require to make a reasoned determination concerning each such proposed transferee(s). Franchisee shall also provide such information to Franchisor concurrently with notice of transfer and offer of sale as required by Paragraph XIII below. Said financial information shall be sufficient to the satisfaction of the Franchisor to make a determination of the matters set forth in this Paragraph. Failure to provide information to the satisfaction of the Franchisor hereunder shall extend all performance deadlines of the Franchisor's Right of First Refusal under Paragraph XIII until satisfactory information is received.

(d) The proposed transferee, or one of its principals, and its designated manager, if applicable, must have attended and satisfactorily completed Franchisor's initial training course.

(e) The proposed transferee (or its owners, if the proposed transferee is not an individual) must have duly executed an agreement to be bound by, and to assume and perform all the duties of the Franchisee under the Franchise Agreement.

(f) All maintenance, repairs, and renovation required to bring the Franchisee's premises at the Authorized Location into compliance with Franchisor's standards must have been completed.

(g) Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor, and the transferee or Franchisee shall have fully paid in full to Franchisor a non-refundable transfer fee of one-half of the then-current initial franchise fee (\$15,000.00) on or before the date of execution of the agreement(s) under subparagraph (l) below by the transferee.

(h) Consent by Franchisor to a transfer of the franchise shall not constitute or be interpreted as consent for any future transfer hereof.

(i) The term of said agreements required pursuant to subparagraph (l) [XI(B)(2)(l)] below shall be for the un-expired term of this Agreement and for any extensions or renewals as provided herein.

(j) Any offer or acceptance of offer by Franchisee to transfer the franchise hereunder, shall contain an express provision that the offer or acceptance, as applicable, is subject to the terms of this Paragraph, and the Franchisor's Right of First Refusal under Paragraph XIII below.

(k) Further, in the event that any of Franchisee's rights under this Agreement are, or become, the property of or are held by a corporation or a limited liability company or similar entity (the "Business Entity"), then any issuance, redemption, or transfer of the equity or voting securities of the Business Entity, or any disposition of the assets of the Business Entity in one transaction or in a series of transactions which, in the aggregate, result in more than a twenty-five percent (25%) change in the beneficial ownership of the Business Entity shall be deemed to be a transfer which requires the Consent of Franchisor. The relevant documents of Business Entity and all certificates or documents evidencing ownership of this Business Entity shall contain the following provision:

"The transfer of ownership in this Business Entity is subject to the restrictive provisions of a Franchise Agreement with FUJI GRILL, INC. Reference is made to the Franchise Agreement for all particulars."

In the event that any of Franchisee's rights under this Agreement are, or become, the property of or are held by a general or limited partnership (the "Partnership"), then the admission of a new partner, or the redemption, purchase, liquidation, or transfer of a Partnership interest, or any disposition of the assets of the Partnership, in one transaction or in a series of transactions which, in the aggregate, result in more than a twenty-five percent (25%) change in the beneficial ownership of Partnership shall be deemed to be a transfer which requires the consent of Franchisor. The partnership Agreement shall contain the following provision:

"This transfer of a legal or beneficial interest in the partnership is subject to the restrictive provisions of a Franchise Agreement with FUJI GRILL, INC. Reference is made to the Franchise Agreement for all particulars."

(l) The Parties to the transfer (Franchisor, Franchisee and "Transferee" [i.e. the recipient of the transferred Franchised Business at the Authorized Location]) shall execute all of the following within ninety (90) days of the receipt by the Franchisee of the Franchisor's refusal to purchase the franchise:

(1) A new Franchise Agreement under which the Franchisor is then granting franchise to transferee(s) and other standard ancillary agreements, including an individual and personal guarantee if new Franchisee is a partnership, corporation or a limited liability company, a copy of said guarantee is attached hereto as Exhibit "D" and Paragraph XVI(O). Likewise, any transferee shall receive the caveats as may be required by Franchisor under Paragraph XVI(T) below, and requisite Proprietary Information Non-Disclosure, and Release and Assignment of Rights to Improvements Agreements referenced herein, on the forms then used by the Franchisor which are incorporated herein as Exhibits "B" and "C" respectively.

(2) Franchisee shall also execute a general release, in a form prescribed by the Franchisor, of any and all existing claims against Franchisor, its officers, directors, agents and employees, except such claims as may not be waived by law. A copy of said general release is attached hereto as Exhibit "E."

3. In the case of any transfer hereunder on which the date of execution under subparagraph (l) [XI(B)(2)(l)] above, falls within the period of notice required for non-renewal under Paragraph II, above, and the Parties have failed to execute same before notice of non-renewal under law is required, Franchisor, at its option, may extend the current term of the franchise under California Business and Professions Code, Section 20026 for a sufficient time past date of execution to enable Franchisor to give sufficient notice of non-renewal under law in the event the Parties fail to execute their agreements timely.

4. Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising, or list with any business, real estate broker, agent or attorney any information relating to the sale of the Franchised Business or the rights granted hereunder.

5. No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Franchise Agreement, or in the franchise granted hereby, shall relieve Franchisee, or the shareholders or partners participating in any transfer, of the obligations of the covenant not to compete contained in paragraph IX(U) of this Franchise Agreement, unless expressly waived in writing by Franchisor.

**C. Transfer by Franchisee – Name Change Only.**

If Franchisee has amended or changed its name (but not its organizational structure) and such amendment or change is not deemed a transfer as set forth in paragraph XI.B.2.(l) of this Agreement, this Agreement and all rights hereunder may also be assigned and transferred by Franchisee and, if so, shall be binding upon and inure to the benefit of Franchisee's successors and assigns; provided, however, that the Franchisee timely complies with and the transfer is made pursuant to and consistent with paragraphs XI.B.2. (including obtaining Franchisor's prior written consent), XI.B.3., XI.B.4. or XI.B.5. above, and the non-refundable transfer fee will be reduced to \$1,500.00.

**D. Transfer by Franchisee – Assets Only (Not Franchise Agreement).**

If Franchisee desires to transfer, sell or assign the assets (but not the Franchise Agreement) to a third party and such transfer is not deemed a transfer as set forth in paragraph XI.B.2.(l) of this Agreement, then Franchisee may do so provided Franchisee timely complies with and the transfer is made pursuant to and consistent with paragraph XI.B. above (including obtaining Franchisor's prior written consent), and paragraph XV below, including the termination of the Agreement.

**E. Death of Franchisee.**

The death of the Franchisee during the term of this Agreement shall affect a transfer of the interests held by the Franchisee to the Franchisee's heirs, survivors or estate per the terms set forth in paragraph XII below.

**F. Right of First Refusal in Franchisor.**

If at any time during the term of this Agreement, Franchisee receives a bona fide offer to purchase or transfer the franchise, which offer Franchisee is willing to accept, Franchisee shall give Franchisor written notice of the terms of the offer and the name of the offeror pursuant with the terms and conditions set forth in paragraph XIII below.

**G. Hold Harmless Relative to Franchisee's Transfer.**

Franchisee shall defend, indemnify and hold Franchisor harmless against any claim by a transferee or proposed transferee arising out of, or in connection with any transfer or attempted transfer of the franchise between Franchisee and said transferee under the terms of this Paragraph including any exercise of Franchisor's rights thereunder that may affect the transfer.

**XII. DEATH OR INCAPACITY OF FRANCHISEE**

A. Upon the death of the Franchisee, if the Franchisee is an individual, or upon the death of the majority shareholder or partner of Franchisee if Franchisee is a corporation or a partnership, the surviving spouse, adult children, or estate of the decedent shall have the right to operate the Franchised Business under the terms of this Agreement for a period of one hundred eighty days (180) from the date of said death. During that time, the surviving spouse, adult children, or estate of the decedent must either:

1. Satisfy all of the qualifications for a transferee or purchaser of a FUJI GRILL franchise as stated above, except that no transfer fee or initial franchise fee shall be charged; or

2. Subject to Franchisor's Right of First Refusal, sell, transfer, or assign the franchise to a person who satisfies all of the qualifications for a transferee or purchaser of a FUJI GRILL franchise.

B. The failure of the spouse, heirs or estate to perform the obligations set forth in paragraph A [XII(A)] above within the 180 day time limit, or failure to comply with one or more of Franchisee's obligations during said time limit shall constitute grounds for termination of the Franchise Agreement with proper notice hereunder.

C. If the Franchisee suffers an incapacitating disability, the Franchisor shall allow the spouse or attorney-in-fact of the person disabled, the same opportunities afforded the survivors of a decedent under Paragraphs A and B above, subject to the same

terms and conditions. Disability, hereunder, shall be defined as the precipitous substantial loss of/impairment to the ability of the Franchisee to devote the equivalent time, personal attention and effort to administer the franchise after the disabling event, that the Franchisee devoted to the franchise before the disabling event. Franchisee acknowledges the possibility of the sale of the franchise hereunder, before recovery from the disability, but consents thereto, despite the fact that a recovery may follow the sale. Franchisee further acknowledges and agrees that “loss” or “impairment” as used herein as constituting a disability hereunder, shall be a determination made at the sole discretion of the Franchisor, exercised in a reasonable manner, and with all due regard to available medical information and advice.

### **XIII. RIGHT OF FIRST REFUSAL PROCEDURES**

A. If at any time during the term of this Agreement, Franchisee receives an offer from a third party to purchase, transfer or assign the franchise (“Offer”), which offer Franchisee is willing to accept, Franchisee shall first provide Franchisor written notice of the terms of the offer, including the purchase price and the terms of payment, and shall contain an express term that said offer is subject to the terms of transferability as set forth in Paragraph XI above, and the name or identity of the offeror. Said written notice shall be provided to Franchisor at least forty-five (45) days prior to the proposed date of sale, assignment or transfer.

B. Franchisor may elect to purchase the franchise on the same terms as contained in the notice of offer transmitted by Franchisee by giving notice back to Franchisee within thirty (30) calendar days after receipt of Franchisee's written notice of said offer. If Franchisor elects to purchase the franchise, Franchisor shall give written notice of its intent to exercise its rights hereunder to the Franchisee and to the proposed transferee. Franchisee hereby also agrees that Franchisor may pay the purchase price stated in the offer in cash, in lieu of any other term of payment in the offer, at Franchisor's option. Franchisor shall tender payment to Franchisee within ninety (90) days after giving notice of its intent to exercise its right of first refusal regarding said offer.

If Franchisor fails to give written notice of election within thirty (30) calendar days, or if Franchisor fails to tender payment as stated above following its election of its right of first refusal, Franchisee may sell to the offeror on the terms offered, subject to the provisions relating to transferability as set forth in paragraph XI above.

C. The sale of the franchise to any proposed transferee hereunder, may proceed only on such terms of payment as were presented to the Franchisor, or for cash. Transfer, sale or payments on any other terms must again be presented first to the Franchisor pursuant to paragraph A above [XIII(A)].

D. Nothing in this Paragraph XIII shall be construed to relieve the Franchisee and transferee from compliance with the terms and provisions of Paragraph XI above, as a condition to the completion of the transfer, after Franchisor's refusal to purchase.



#### **XIV. TERMINATION AND DEFAULTS**

##### **A. Termination by Franchisee.**

Prior to the termination of the initial term (as defined in paragraph I.B.1.) or prior to the termination of any renewal term (as defined in paragraph I.B.2.), if Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within a reasonable time after written notice thereof is delivered to Franchisor, Franchisee may terminate this Agreement for cause. Such termination shall be effective thirty (30) days after delivery to Franchisor of written notice that such breach has not been cured and that Franchisee elects to terminate the Agreement. A termination of this Agreement by Franchisee for any reason other than breach of this Agreement by Franchisor and Franchisor's failure to cure such breach within a reasonable time after receipt of written notice thereof shall be deemed a termination by Franchisee without cause.

##### **B. Termination by Franchisor.**

1. Franchisor may terminate the Franchise Agreement upon any of the following circumstances:

a. Upon seventy (70) days' prior written notice, if Franchisee fails to substantially comply with the lawful requirements imposed upon Franchisee under this Franchise Agreement and fails to cure such breach within the seventy (70) day notice period;

b. If Franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five (5) days after receiving written notice that such fees are overdue; or

c. Immediately, and without an opportunity to cure such default, if Franchisee does any of the following:

(1) Franchisee or the business to which the franchise relates has been the subject of an order for relief in bankruptcy, judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the Franchisee admits his, her or its inability to pay his or her debts as they come due;

(2) Franchisee abandons the franchise by failing to operate the business for five (5) consecutive days during which the Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for the Franchisor to conclude that the Franchisee does not intend to continue to operate the business, unless

such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the Franchisee's control;

(3) Franchisee makes any material misrepresentations relating to the acquisition of the business or Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or system;

(4) Franchisee fails, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(5) Franchisee, after curing any failure in accordance with Section XIV.B.1.a. above engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(6) Franchisee repeatedly fails to comply with one or more requirements of this Agreement, whether or not corrected after notice;

(7) The Franchisee's franchise or the business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the Franchisee remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the Agreement or upon any property used in the Franchisee's business, and it is not discharged within five (5) days of such levy;

(8) Franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(9) Franchisor makes a reasonable determination that continued operation of the franchise by Franchisee will result in an imminent danger to public health or safety.

**C. Mutual Termination.**

Franchisee and Franchisor can terminate the Agreement by mutual written Agreement.

**D. Conformance With Law.**

To the extent that any of the provisions of this Section provide for periods of notice less than those required by applicable federal, state or local law, or provide for terminations, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in conformance with

applicable law, not be effective, and Franchisor and Franchisee agree to comply with applicable law in connection with each of these matters.

**XV. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION.**

Upon termination or expiration of this Franchise Agreement or the franchise for any reason, all rights of the Franchisee under the Franchise Agreement shall immediately terminate, but Franchisee agrees that the following duties shall survive termination of the Franchise Agreement:

A. Franchisee shall immediately cease to operate the Franchised Business under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold himself out as a present or former franchisee of Franchisor.

B. Franchisee shall promptly pay Franchisor all sums owing under the terms of this Agreement, including all damages, costs, expenses, and reasonable attorneys' fees, incurred by Franchisor by reason of default on the part of Franchisee, whether or not the expenses occur before or after the termination or expiration of the franchise.

C. Franchisee shall immediately cease to use the Marks in advertising, forms, manuals, slogans, signs or in any other manner whatsoever. Franchisee shall not represent or advertise that Franchisee was formerly a FUJI GRILL franchisee, or that Franchisee did business under the Marks. Franchisee shall deliver to Franchisor, or its duly authorized representative, all materials and papers upon which the Marks appear. Franchisee will not, at any time, adopt or use any word or mark which is similar to or confusing with the Marks.

D. Franchisee shall ensure, at its own expense, that all mention of the Marks in connection with Franchisee is removed at the earliest possible time from all telephone and other directories, directory assistance records, building directories, signboards, membership rosters and every other place and publication.

E. Franchisee shall take all action necessary to cancel any assumed name or equivalent registration which contains any of the marks, and shall furnish Franchisor with satisfactory evidence of cancellation.

F. Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any confidential methods, procedures and techniques.

G. Franchisee shall, in the event it continues to operate or subsequently begins to operate any other business, not use any reproduction, counterfeit, copy or colorable imitation of the Marks either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Marks and shall not utilize any designation of origin or description or representation which falsely suggests or represents association or connection with Franchisor so as to constitute unfair competition.

Franchisee shall make such modifications or alterations to the Premises (including, without limitation, the changing of telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business thereon subsequently operated by Franchisee or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose, including, without limitation, removal of all distinctive physical and structural features identifying the System.

H. Franchisee shall immediately turn over to Franchisor all manuals, including the Operation Manual, customer lists, records, files, instructions, ingredient lists, recipes, brochures, agreements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property). Franchisee shall also turn over to Franchisor such documents and records as may be reasonably necessary or important to the continuation of business at the Authorized Location, including customer and vendor lists, leases and other contracts and legal documents or lists of outstanding payables and receivables.

I. Franchisor shall have the option to acquire any sign or sign faces bearing the Marks under subparagraph M below [XV(M)].

J. Franchisee hereby acknowledges that all telephone and facsimile numbers and Internet and electronic mail addresses used in the operation of the Franchised Business constitute assets of the Franchisor. Upon termination or expiration of this Agreement, Franchisee hereby assigns to Franchisor or its designee all Franchisee's right, title and interest in and to said telephone numbers and facsimile numbers and Internet addresses, and Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers and facsimile numbers and Internet and electronic mail addresses and any regular, classified or other telephone directory listing associated with the Marks and authorize a transfer of same to or at the direction of Franchisor.

K. At the request of Franchisor, Franchisee shall assign all its interest in equipment or fixture leases and manufacturer and supplier agreements to Franchisor or its designee, and the assignee shall assume all continuing obligations thereunder.

L. At the request of Franchisor, Franchisee shall assign all its interest in any lease for the Authorized Location to Franchisor or its designee, and the assignee shall assume all continuing obligations thereunder.

M. Franchisee shall comply with the promises of confidentiality and the covenants regarding competition as set forth in paragraphs IX(T-U) herein which apply after termination of this Agreement.

N. Except where specifically released, all obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this

Agreement may be enforced by arbitration or other legal remedy, in accordance with the terms hereof.

O. Except as provided below, Franchisor shall purchase from the Franchisee, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of this Agreement or any ancillary or collateral agreement by Franchisee to Franchisor or its approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in the possession of Franchisee or used by Franchisee in the franchise business. Franchisor shall have the right to receive clear title to and possession of all items purchased from the franchisee under this section. However, Franchisor will not be required to purchase any personalized items, inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the franchise business in accordance with this Agreement or any ancillary or collateral agreement or to which Franchisee, at the cessation of operation of the franchise business by Franchisee, cannot lawfully, or does not, grant Franchisor clear title and possession upon Franchisor's payment to Franchisee for the inventory, supplies, equipment, fixtures, or furnishings. Notwithstanding the above:

1. Franchisor's obligation under this section shall not apply when (a) Franchisor and Franchisee mutually agree to terminate or not renew the Agreement; (b) Franchisee declines a bona fide offer of renewal from the Franchisor; (c) Franchisor does not prevent Franchisee from retaining control of the principal place of the franchise business; (d) the franchise is terminated or not renewed due to a publicly announced and nondiscriminatory decision by Franchisor to completely withdraw from all franchise activity within the relevant geographic market area in which the franchise is located. For the purpose of this section "relevant geographic market area" shall have the same meaning as in California Business & Professions Code Section 20999; (e) any inventory, supplies, equipment, fixtures, or furnishings that are sold by Franchisee between the date of the notice of termination or nonrenewal, and the cessation of operation of the Franchisee's business, by Franchisee, pursuant to the termination or nonrenewal;

P. Upon the termination or nonrenewal of this Agreement, if Franchisee and Franchisor agree or if Franchisor has received a final adjudication of any amounts owed, Franchisor may offset against the amounts owed to Franchisee any amounts owed by Franchisee to Franchisor.

## **XVI. MISCELLANEOUS**

### **A. Governing Law.**

1. This Agreement, and the rights of the Parties hereunder, takes effect upon execution of this Agreement by Franchisor and Franchisee and shall be construed, interpreted and governed by the laws of the State of California except to the extent it is governed by the United States Trademark Act of 1946 (Lanham Act, 15,

U.S.C. Sections 1051 et seq.). Nothing herein contained shall be deemed to waive the right of either party to obtain injunctive relief against threatened conduct that will cause loss or damage under the usual equity rules including the applicable rules for obtaining a preliminary injunction provided an appropriate bond against damages be provided.

2. Franchisee acknowledges that this agreement is entered into in Orange County, California, and that any action sought to be brought by either party, except those claims required to be submitted to arbitration shall be brought in the appropriate state or federal court with jurisdiction over Orange County, California. The Parties do hereby waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

3. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

4. Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

**B. Waiver.**

Waiver of any default or breach of this Agreement by either Franchisee or Franchisor shall not be interpreted as a waiver of any subsequent default or breach.

Also, any failure of Franchisor to exercise any power reserved to it hereunder, or Franchisor's failure to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the Parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof at any time thereafter. Waiver by Franchisor of any particular default by Franchisee shall not affect or impair Franchisor's right with any respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due hereunder shall not be deemed to be a waiver by Franchisor of its right to declare a default resulting from Franchisee's failure to make any other payment(s) hereunder.

**C. Notices and Communications.**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, delivered by messenger or delivery services, mailed by certified mail return receipt requested, or facsimile transmission, and shall be

effective when received or confirmation of receipt is acknowledged to the respective Parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: FUJI GRILL, INC.  
1515 West Chapman Avenue  
Orange, CA 92868

Courtesy Copy to:

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Facsimile No.: \_\_\_\_\_

Notices to Franchisee:

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Facsimile No.: \_\_\_\_\_

Courtesy Copy to:

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Facsimile No.: \_\_\_\_\_

Any notice by certified mail shall be deemed to have been given at the date and time of mailing.

**D. Approvals.**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing, unless otherwise stated herein.

**E. Amendment.**

This Agreement may be amended, modified or discharged, in whole or in part, only by a document in writing subscribed by all of the Parties subscribing this Agreement. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by the Parties in accordance with applicable law and regulations.

**F. Remedies Cumulative.**

The Parties shall be entitled to any and all remedies at law or in equity, in addition to any remedies set forth in this Agreement.

**G. Other Franchises.**

The Parties hereby acknowledge and agree that Franchisor contemplates granting other franchises similar to the franchise granted herein.

**H. Successors and Assigns.**

This franchise shall inure to the benefit of, and be binding upon, the Parties hereto and their heirs, successors, representatives, assigns and transferees to the extent this Agreement is transferable and assignable.

**I. Independent Contractor Relationship of the Parties.**

Franchisee in its relationship with Franchisor hereunder is an independent contractor.

1. Nothing in this Agreement creates an agency or employment relationship between the Parties, nor is Franchisee a legal representative, joint venture, or partner of Franchisor for any purpose whatsoever. Franchisee shall make no representation to third Parties that it is an agent of Franchisor and it is understood between the Parties hereto that Franchisee shall be an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor.

2. As stated in paragraph IX(J)(1) above, Franchisee shall prominently display a sign in public view, on or in the Premises, which contains a statement that clearly indicates that the FUJI GRILL Restaurant is independently owned and operated by Franchisee.

**J. Indemnity.**

Franchisee hereby agrees to defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including reasonable attorneys' fees), damages



and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition, or construction, equipping, decorating, maintenance or operation of the Franchised Business, including the sale of any food products, service or merchandise sold from the Franchised Business. Such loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchised Business, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

**K. Entire Agreement.**

This Agreement, together with its exhibits, and any agreements required to be signed under the terms hereof, shall be construed together and constitute the entire agreement between Franchisor and Franchisee relating to the complete rights, duties and obligations of the Parties. All agreements binding on these Parties are incorporated into this Agreement and its exhibits, and this Agreement supersedes any and all prior agreements of these Parties, if any.

Franchisee further warrants that no other representation has induced Franchisee to execute this Agreement, other than as stated herein, and there are no representations, inducements, promises or agreements, oral or otherwise, between the Parties not embodied in said Agreement. Statements or representations not incorporated into this Agreement, in writing, were neither relied upon, nor form a part of, this Agreement. However, nothing in the Franchise Agreement or in any related agreement, however, is intended to disclaim the representations Franchisor made to Franchisee in the Franchise Disclosure Document that Franchisor furnished to Franchisee.

**L. Severability and Construction.**

1. Each paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with any existing or future law or regulation, such invalidity shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the Parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not part of this Agreement.

2. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

3. All captions herein are intended solely for the convenience of the Parties, and none shall be deemed to affect the meaning or construction of any provision hereof. The singular usage includes the plural, where appropriate in the context, and the masculine and neuter usages include the other and the feminine.

4. The recitals set forth in this Agreement are specifically incorporated into the terms of this Agreement and hereby constitute a part thereof.

5. Franchisor further warrants that nothing in this Agreement or its related documents is intended repudiate any of the representations Franchisor has made in Franchisor's Uniform Franchise Disclosure Document.

**M. Other Parties.**

If Franchisee is other than an individual, then all persons who have any beneficial ownership interest in Franchisee or this Franchise by way of partnership, joint venture, association, incorporation, or otherwise, shall be Parties to this franchise and shall execute this Franchise Agreement and shall jointly and severally be bound by all terms and provisions hereof.

**N. Additional Representations.**

Franchisee makes the following additional warranties and representations:

(a) Franchisee is a (check one) \_\_\_\_ partnership, \_\_\_\_ corporation or \_\_\_\_ sole proprietorship.

(b) If Franchisee is a corporation or partnership, there is set forth below the name and address of each shareholder or partner in Franchisee:

<u>NAME</u>	<u>ADDRESS</u>	<u>NO. OF</u>
<u>PERCENTAGE</u>		<u>SHARES</u>
_____	_____	_____
_____	_____	_____

(c) The address where Franchisee's records are maintained is:

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(d) The name and address of Franchisee's designated agent to receive notice is:

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Franchisee shall not substitute a new designated agent without prior written notice to Franchisor.

(e) The name and address of Franchisee's manager is:

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**O. Obligations of a Corporate or Partnership Franchisee and Guaranty by Franchisee.**

As a condition to, and in consideration of the grant of the franchise to a partnership, corporation or limited liability company, each Franchisee corporation or limited liability company shall obtain the signature of each shareholder or member thereof on a Continuing Guaranty, jointly and severally guaranteeing the full performance of the Franchisee hereunder. It shall remain the responsibility of the Franchisee to obtain the signature of each person to whom, or of all owners, partners or members of each business entity to which any interest in said Franchisee is sold or transferred for any cause or reason during the term, or any renewal thereof. The execution of the Continuing Guaranty shall be an express term or condition of and constitute a material consideration for the sale or transfer. As a condition to, and in consideration of the grant of the franchise to an individual or partnership Franchisee, the full performance of the Franchisee hereunder, shall be jointly and severally guaranteed by at least two (2) persons who are acceptable to Franchisor. It shall be the continuing responsibility of the individual or partnership Franchisee, and shall constitute a material consideration for the grant of the franchise hereunder, to replace any lost or revoked guarantor hereunder and maintain the same number of guarantors who meet Franchisor's requirements as that initially agreed to by the Franchisor for the balance of the term and any renewals thereof. A copy of the Continuing Guaranty form is attached hereto as Exhibit "D."

**P. Counterparts.**

This franchise may be executed in counterparts, all of which together shall constitute the franchise authorized by this Franchise Agreement.

**Q. Arbitration.**

Any claim or controversy arising out of or relating to this Agreement or the breach thereof which cannot be resolved by the Parties hereto shall be first submitted to mediation, and if not successful, shall then be settled by binding arbitration, in accordance with the then prevailing commercial rules of the American Arbitration Association ("AAA") or the Judicial Arbitration and Mediation Service ("JAMS").

Arbitration shall be conducted in Orange County, California. The Parties agree that the arbitrator or arbitrators selected may grant injunctive relief as well as damages to the prevailing party. The failure of one party to respond to any Demand filed and served by the other party shall constitute a default by the non responding party and any arbitration award so entered shall be binding. Judgment upon an award by the aforementioned arbitrator(s) filed in a court of competent jurisdiction shall be binding. Each party shall initially pay one-half (1/2) of the expenses and fees of the neutral arbitrator(s) and other expenses of the arbitration incurred or approved by the neutral arbitrator(s), not including attorney fees, witness fees or other expenses incurred by one of the Parties for its own benefit.

**R. Force Majeure.**

Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the Parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. Delay of any period caused by, or resulting from force majeure, shall not result in an extension of any term of this Agreement.

**S. Attorney's Fees.**

If any action at law or equity is necessary to enforce or interpret the terms of this Agreement including arbitration, the prevailing party shall be entitled to reasonable attorney's fees, costs and expenses incident to such action, in addition to any other relief to which such party may be entitled.

**T. No Assurance of Success.**

Franchisee acknowledges that neither Franchisor nor any other person can in any manner assure the success of the business of Franchisee. The success of the business venture contemplated to be undertaken by Franchisee by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Franchisee as an independent businessperson, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not, in this Agreement or otherwise, make any representation or warranty, express or implied, as to the potential success of this business venture.

**U. Acknowledgements.**

A. Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Uniform Franchise Disclosure Document and all exhibits and attachments thereto; and that Franchisor has fully and adequately explained the provisions of each to Franchisee's satisfaction; and that

Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

B. Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby, and the prospects for that business. Franchisee has either consulted with such advisors or has voluntarily declined to do so.

C. Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with Franchisee expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

D. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognized that, like any other business, an investment in a FUJI GRILL Franchised Business involves business risks and that the success of the venture is primarily dependent upon the business abilities and efforts of Franchisee.

IN WITNESS WHEREOF, the undersigned have executed this Franchise Agreement on \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

FUJI GRILL, INC.  
a California corporation

By\_\_\_\_\_

**FRANCHISEE:**

(If Franchisee is a corporation,  
insert the names and capacities  
of the officers signing.)

By\_\_\_\_\_

By\_\_\_\_\_

(If Franchisee is a corporation/  
partnership, insert the names of  
ALL shareholders/general partners

- Note, ALL must sign in their individual capacities.)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(If Franchisee is an individual or individuals, insert the names of ALL owners - Note, ALL must sign.)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

THIS AGREEMENT IS NOT EFFECTIVE UNTIL SIGNED BY A CORPORATE OFFICER OF FUJI GRILL, INC. NO FIELD REPRESENTATIVE OR SALESMAN IS AUTHORIZED TO EXECUTE THIS AGREEMENT ON BEHALF OF FUJI GRILL, INC. FRANCHISEE IS ADVISED NOT TO INCUR ANY EXPENSE OR OBLIGATION WITH RESPECT TO THE PROPOSED FRANCHISED BUSINESS UNTIL FRANCHISEE HAS RECEIVED A FULLY EXECUTED COPY OF THIS AGREEMENT FROM FUJI GRILL, INC.

**EXHIBIT A TO THE FRANCHISE AGREEMENT**

**DESCRIPTION OF AUTHORIZED TERRITORY**

FUJI GRILL, INC.:

FRANCHISEE:

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT B TO THE FRANCHISE AGREEMENT**

**PROPRIETARY INFORMATION  
NON-DISCLOSURE AGREEMENT**



## **PROPRIETARY INFORMATION AND NON-DISCLOSURE AGREEMENT**

**PARTIES:** The parties to this agreement are FUJI GRILL, INC., hereafter, COMPANY; and

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hereafter YOU or YOUR; YOUR (a) partners, if you are a partnership, (b) shareholders, if YOU are a corporation, or (c) members, if YOU are a limited liability company, hereafter as applicable, OWNERS, or PERSONS WITH AN OWNERSHIP INTEREST (said terms may be used interchangeably); and all persons not identified above, who are employed in any manner in the operation of the Franchise by YOU, hereafter EMPLOYEES. The effective date of this Agreement shall coincide with the date of COMPANY'S execution of a Franchise Agreement with YOU. That date shall be [\_\_\_\_\_]. This Agreement shall remain effective for the duration of the term of the Franchise, and any renewals thereof.

**THIRD PARTY BENEFICIARY:** All promises in this Agreement between YOUR OWNERS/PERSONS WITH AN OWNERSHIP INTEREST, YOUR EMPLOYEES, and YOU, made now, or consented to, by later signature to a copy of this Agreement, are made at the request of COMPANY, in consideration of the grant of the Franchise to YOU, and are expressly intended for the benefit of the COMPANY.

**SIGNATURES:** All signatures on this Agreement that YOU obtained before the execution of a Franchise Agreement with COMPANY are effective only upon COMPANY'S execution of this Agreement, and the execution of a Franchise Agreement with YOU, on or before the effective date above. COMPANY'S signature hereon is required to make this agreement binding on COMPANY. YOUR compliance hereunder is a condition to the execution of the Franchise Agreement by COMPANY, but does not bind the COMPANY to the execution of a Franchise Agreement.

In consideration of the grant of a Franchise from COMPANY, YOU agree to obtain the signatures of all YOUR OWNERS, and all YOUR EMPLOYEES, on the terms and conditions following:

**OWNERS:** YOU shall obtain the signature of each OWNER on this Agreement, or copy thereof, on or before the date of execution of a Franchise Agreement with COMPANY, as a condition to COMPANY'S execution of the Franchise Agreement. Thereafter, in the event that any OWNER or PERSON WITH AN OWNERSHIP INTEREST of 10% or more in YOU seeks to sell or transfer all or any part of said ownership interest, the sale or transfer shall be expressly conditioned upon, and made in consideration of the execution of this Agreement by the recipient transferee, or by all of its partners, shareholders or members, if the transferee is a partnership, corporation or limited liability company, respectively.

**EMPLOYEES:** YOU shall obtain the signature, on this Agreement, or copy thereof, of each person YOU employ in any manner in the operation of the Franchise, on or before the execution of a Franchise Agreement with COMPANY, as a condition to COMPANY's execution of a Franchise Agreement. Signing this Agreement shall be an express term of, and be given in consideration for said employment. After execution of a Franchise Agreement with COMPANY, YOU shall obtain the signature on this Agreement, or copy thereof, of each person YOU employ prior to employing same. No term or condition of this Agreement is intended to create an express or implied employment relationship between COMPANY and any person employed by YOU. YOU establish all terms and conditions of employment for your employees, once employed.

**DEFINITIONS:**

The following terms apply:

(a) The term, "proprietary information" means information that is not known by actual or potential competitors of the COMPANY, or not generally available to the public, that has been created, developed or become known to the COMPANY, or in which COMPANY has acquired or been assigned property rights, and has material, or potential material economic value to COMPANY, now or in the future. It includes trade secrets, discoveries, developments, designs, improvements, formulas, programs, processes, techniques, research, data, customer and supplier lists and all modifications, enhancements thereof, and such marketing, sales and financial information to which the undersigned may have access or become aware by reason of their relationship to YOU.

(b) The term “rights” means all patents, trademarks, service marks and copyrights of COMPANY.

**CONFIDENTIALITY:** You, and each of YOUR OWNERS and EMPLOYEES, acknowledge a duty to observe and protect the rights YOU have acquired from COMPANY to use its proprietary information that is:

- (a) related, useful or applicable to the operation of YOUR Franchise,
- (b) acquired or learned by the undersigned, while doing work for, or making use of the equipment, supplies, products or systems of the Franchise,
- (c) related, useful or applicable to the business of YOUR customers or clients, or those of COMPANY, which may become known to or retained by the undersigned in the course of their relationship with YOU.

**TERMS OF NON-DISCLOSURE:** Each person who signs this Agreement, promises:

- (a) to keep all proprietary information of COMPANY in strictest confidence,
- (b) not to disclose, use, induce or assist in the use or disclosure of any proprietary information under any circumstances, except in the course of doing work for the Franchisee, as an OWNER or EMPLOYEE,
- (c) to take all reasonable precautions to prevent any unauthorized person or entity from having access to, obtaining, or being furnished with any proprietary information.
- (d) to disclose to YOU any knowledge of unauthorized release or use of the proprietary information.

The promises above apply both during, and after termination of ownership of, or employment with YOU, and apply without regard to whether the termination was voluntary or involuntary.

Each person signing below further understands and agrees to hold any proprietary information that YOU may receive from any third party at any time in the future, for which YOU have a duty to maintain its confidentiality, in the strictest of confidences, and not to disclose, use, induce or assist in the use or disclosure of said information, except as may be necessary in the course of working for YOU.

**TERMINATION OF RELATIONSHIP:** Each person signing this Agreement as an OWNER or EMPLOYEE, promises to prevent any person from using or taking, and shall deliver only to YOU, without demand, all proprietary information, and all other materials and property of any nature belonging to YOU, or acquired, prepared or produced during employment with YOU, in his/her care, custody or control, upon termination of ownership of, and/or employment with YOU, as applicable. At all times after termination, the said undersigned agrees to remain bound by, and hereby affirms his/her duty to observe all promises made to YOU under the paragraph above entitled.

**TERMS OF NON-DISCLOSURE.**

**NON WAIVER:** No waiver of a breach, failure of a condition, or any right or remedy contained in, or granted by the terms of this Agreement shall be effective, unless the same is in writing and signed by the party against whom the waiver is asserted. No waiver shall constitute a continuing waiver of any other breach, failure, right or remedy.

**SUCCESSORS:** The terms of this Agreement are binding upon all successors of COMPANY, and all heirs, beneficiaries and persons or entities who become successors to any OWNER, by operation of law.

**MODIFICATION:** No term or provision of this Agreement shall be modified by any party or parties, without the prior written consent of COMPANY.

**PHOTOCOPIES:** A photocopy of this Agreement with signatures affixed as of the date of execution of a Franchise Agreement by COMPANY shall be a sufficient restatement of the terms herein as to constitute a “copy” of this Agreement, as that term is used above, to which the signatures of any later OWNER or EMPLOYEE may be affixed.

**ENFORCEMENT/INDEMNIFICATION:** YOU shall enforce all promises in this Agreement by your OWNERS and your EMPLOYEES, forthwith upon breach, at your sole expense. YOU shall indemnify COMPANY against any loss or damage resulting from a breach hereof by YOUR OWNER(S) or EMPLOYEE(S), and for the expense, including attorneys fees, of any proceeding instituted by COMPANY for any breach hereof by YOUR OWNER(S) or EMPLOYEE(S), on demand. COMPANY reserves the right to exercise all rights it may have under law. Any later determination that a term or provision of this Agreement is invalid or unenforceable, will not affect all

rights under the remaining terms or provisions.

**ATTORNEYS FEES**: The prevailing party in any dispute to enforce the terms hereof shall be entitled to reasonable attorneys fees and legal costs.

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

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Franchisor

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Franchisee

**EXHIBIT C TO THE FRANCHISE AGREEMENT**

**RELEASE AND ASSIGNMENT OF RIGHTS  
TO IMPROVEMENTS AGREEMENT**

**RELEASE AND ASSIGNMENT OF RIGHTS  
TO IMPROVEMENTS AGREEMENT**

**PARTIES:** The parties to this agreement are FUJI GRILL, INC., hereafter, COMPANY; and

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hereafter, YOU or YOUR; YOUR (a) partners, if YOU are a partnership, (b) shareholders, if YOU are a corporation, or (c) members, if YOU are a limited liability company, hereafter as applicable, OWNERS, or PERSONS WITH AN OWNERSHIP INTEREST (said terms may be used interchangeably); and all persons not identified above, who are employed in any manner in the operation of the Franchise by YOU, hereafter EMPLOYEES. The effective date of this Agreement shall coincide with the date of COMPANY'S execution of a Franchise Agreement with YOU. That date shall be [ \_\_\_\_\_ ]. This Agreement shall remain effective for the duration of the term of the Franchise, and any renewals thereof.

**THIRD PARTY BENEFICIARY:** All promises in this Agreement between YOUR OWNERS/PERSONS WITH AN OWNERSHIP INTEREST of more than 10%, YOUR EMPLOYEES, and YOU, made now, or consented to, by later signature to a copy of this Agreement, are made at the request of COMPANY, in consideration of the grant of the Franchise to YOU, and are expressly intended for the benefit of the COMPANY.

**SIGNATURES:** All signatures on this Agreement that YOU obtained before the execution of a Franchise Agreement with COMPANY are effective only upon COMPANY'S execution of this Agreement, and the execution of a Franchise Agreement with YOU, on or before the effective date above. COMPANY'S signature hereon is required to make this agreement binding on COMPANY. YOUR compliance hereunder is a condition to the execution of the Franchise Agreement by COMPANY, but does not bind the COMPANY to the execution of a Franchise Agreement.

In consideration of the grant of a Franchise from COMPANY, YOU agree to obtain the signatures of all YOUR OWNERS, and all YOUR EMPLOYEES, on the

terms and conditions following:

**OWNERS:** YOU shall obtain the signature of each OWNER on this Agreement, or copy thereof, on or before the date of execution of a Franchise Agreement with COMPANY, as a condition to COMPANY'S execution of the Franchise Agreement. Thereafter, in the event that any OWNER or PERSON WITH AN OWNERSHIP INTEREST of more than 10% in YOU seeks to sell or transfer all or any part of said ownership interest, the sale or transfer shall be expressly conditioned upon, and made in consideration of the execution of this Agreement by the recipient transferee, or by all of its partners, shareholders or members, if the transferee is a partnership, corporation or limited liability company, respectively.

**EMPLOYEES:** YOU shall obtain the signature on this Agreement, or copy thereof, of each person YOU employ in any manner in the operations of the Franchise, on or before the execution of a Franchise Agreement with COMPANY, as a condition to COMPANY's execution of a Franchise Agreement. Signing this Agreement shall be an express term of, and be given in consideration for said employment. After execution of a Franchise Agreement with COMPANY, YOU shall obtain the signature on this Agreement, or copy thereof, of each person YOU employ prior to employing same. No term or condition of this Agreement is intended to create an express or implied employment relationship between COMPANY and any person employed by YOU. YOU establish all terms and conditions of employment for your employees, once employed.

**DEFINITIONS:**

The following terms apply:

(a) The term, "improvements" means all discoveries, developments, derivations, modifications, alterations, deletions or changes of any kind, whether reduced to a written form or not, that are now or hereafter made to any property of COMPANY.

(b) The term "property" shall mean all designs, inventions, formulas, programs, techniques, processes of data, discovered, developed, compiled, published, instituted, practiced, patented, trademarked or copyrighted, now or hereafter, by COMPANY, and includes all actual or demonstrably anticipated research and development by COMPANY.

**OWNERSHIP:** All property is owned exclusively by COMPANY.



COMPANY'S property, only, shall be used, referred to or employed in the operation of the Franchise. Each person signing this Agreement shall cooperate with and assist COMPANY, at COMPANY'S expense, in the enforcement and protection of all COMPANY'S rights to property. No person signing this Agreement may assert any right, title or interest in or to property that is adverse to COMPANY'S.

**DISCLOSURE OF DISCOVERIES:** Each person who signs below, who, alone or with others, conceives, discovers, by accident or design, investigates, or develops any improvements in or to COMPANY'S property at any time during ownership, or in the course and scope of employment, shall disclose the discovery, investigation or development to YOU, immediately, when made. YOU shall notify COMPANY, immediately, when YOU receive notice.

**ASSIGNMENT OF IMPROVEMENTS:** This Agreement is an assignment. By signing this contract, each party below makes a present assignment to COMPANY of all right, title and interest, and waives any rights in or to any improvements to property he/she may have, or hereafter acquire. This waiver includes all rights to intellectual property under statute that may be waived under law. Each person signing this Agreement shall cooperate with COMPANY, at COMPANY'S request and sole expense, to establish COMPANY'S rights to all discoveries covered by this agreement, including the application or registration for state or federal intellectual property protection, and/or the enforcement thereof, once established.

**APPOINTMENT OF ATTORNEY:** Each person who signs below, for him/herself, irrevocably appoints COMPANY his/her agent and attorney-in-fact to act for, and on behalf of said person for the special purpose of executing all documents reasonable and necessary to the discharge of the person's obligations hereunder, with the same legal force and effect as if said acts were performed by the person, him/herself. The appointment under this paragraph shall survive the termination of ownership of, or employment with YOU, for said limited purposes only, above.

**NON WAIVER:** No waiver of a breach, failure of a condition, or any right or remedy contained in, or granted by the terms of this Agreement shall be effective, unless the same is in writing and signed by the party against whom the waiver is asserted. No waiver shall constitute a continuing waiver of any other breach, failure, right or remedy.

**SUCCESSORS:** The terms of this Agreement are binding upon all successors of COMPANY, and all heirs, beneficiaries and persons or entities who become successors to any OWNER, by operation of law.

**MODIFICATION:** No term or provision of this Agreement shall be modified by any party or parties, without the prior written consent of COMPANY.

**PHOTOCOPIES:** A photocopy of this Agreement with signatures affixed as of the date of execution of a Franchise Agreement by COMPANY, shall be a sufficient restatement of the terms herein as to constitute a “copy” of this Agreement, as that term is used above, to which the signatures of any later OWNER or EMPLOYEE may be affixed.

**ENFORCEMENT/INDEMNIFICATION:** YOU shall enforce all promises in this Agreement by your OWNERS and YOUR EMPLOYEES, forthwith upon breach, at your sole expense. YOU shall indemnify COMPANY against any loss or damage resulting from a breach hereof by YOUR OWNER(S) or EMPLOYEE(S), and for the expense, including attorneys fees, of any proceeding instituted by COMPANY for any breach hereof by YOUR OWNER(S) or EMPLOYEE(S), on demand. COMPANY reserves the right to exercise all rights it may have under law. Any later determination that a term or provision of this Agreement is invalid or unenforceable, will not affect all rights under the remaining terms or provisions.

**ATTORNEYS FEES:** The prevailing party in any dispute to enforce the terms hereof shall be entitled to reasonable attorneys fees and legal costs.

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

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

**EXHIBIT D TO THE FRANCHISE AGREEMENT**

**CONTINUING GUARANTY**

## CONTINUING GUARANTY

This GUARANTY is given this [ \_\_\_\_ ] day of [ \_\_\_\_\_ ], [ \_\_\_\_ ], by

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hereafter GUARANTOR, or the UNDERSIGNED, for and in consideration of the execution of a Franchise Agreement (hereafter "AGREEMENT"), by FUJI GRILL, INC., hereafter COMPANY, granting a franchise to:

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hereafter FRANCHISEE.

By his/her signature hereto, the UNDERSIGNED, for him/herself, successors and personal representatives, jointly and severally, unconditionally guarantees to COMPANY, and its successors, to pay and perform, when due, each and every undertaking, promise and covenant of the FRANCHISEE set forth in the AGREEMENT, as presently written, and as may changed, added to or modified, from time to time, under the terms thereof.

The liability of each GUARANTOR under this guaranty is unlimited. This guaranty is a continuing guaranty covering every indebtedness, liability and obligation of the FRANCHISEE to COMPANY, including that arising under successive transactions, which may continue, renew, or modify the indebtedness, liability or obligation in accordance with the AGREEMENT. The liability of the UNDERSIGNED, and each of them, is not contingent upon, nor in consideration of the liability of any other person or GUARANTOR hereto, and the release of any GUARANTOR or other person shall not act as a release, or otherwise affect the continuing liability of all remaining GUARANTORS hereunder.

The liability of each GUARANTOR under this guaranty is not affected by, and COMPANY has full authority and discretion hereunder, with or without notice to, knowledge or consent of GUARANTOR, to undertake, or agree to:

(a) the extension of time, other forbearance or indulgence in favor of FRANCHISEE, the acceptance of partial payment or performance therefrom, the compromise or release of any claim against, or the acceptance, release, substitution, alteration or loss of any security given by FRANCHISEE;

(b) the renewal, extension or modification of any indebtedness, liability, or obligation of the FRANCHISEE under the AGREEMENT, or the loss, impairment or waiver of any rights against FRANCHISEE thereunder by COMPANY;

(c) the discharge of any indebtedness, liability or obligation of the FRANCHISEE by operation of law;

(d) the assignment of the Guaranty by COMPANY;

(e) the addition, substitution or release of any co-guarantor.

Each GUARANTOR hereby waives notice of acceptance of guaranty, of any transaction, or creation, renewal or modification of any indebtedness, liability, or obligation entered into in reliance hereon; notice of demand, presentment or protest upon default or non-performance by FRANCHISEE; the right that COMPANY first proceed against FRANCHISEE, a co-guarantor or any other person, or to first proceed against or exhaust any security or other property of FRANCHISEE, before proceeding against the undersigned for the enforcement of the guaranty; all rights under California Civil Code §2809, which provides that a guarantor's liability not exceed his original obligation, and all rights, to the extent applicable, under California Civil Code, Sections 2810, 2815, 2819, 2839, 2845, 2847-2850, 2899 and 3433, to the fullest extent permitted by law; any applicable defenses under U.S. Bankruptcy Code, Sections 364 and 1111(b)(2); and all applicable statutes of limitation, as a defense or defenses to the obligations under this Guaranty.

The UNDERSIGNED further waives, to the extent applicable, and agrees not to assert any claim under Title 11, Section 101 of the United States Code, that he/she may not or later have against FRANCHISEE for any payment or transfer that the UNDERSIGNED is obligated to make to COMPANY under this Guaranty. The obligations of the UNDERSIGNED include all amounts paid to COMPANY by FRANCHISEE that are later recovered from COMPANY in a legal proceeding.

Any indebtedness of FRANCHISEE now or later owed to the GUARANTOR,

and any security received by the GUARANTOR from the FRANCHISEE in consideration of the GUARANTOR'S signature hereto, is subordinated to the GUARANTOR'S obligations hereunder, and shall be collected, enforced and received by the GUARANTOR as trustee for the COMPANY, and paid thereto on demand, without affecting GUARANTOR'S obligations hereunder.

COMPANY shall have no duty to advise or inform the UNDERSIGNED of the financial condition of FRANCHISEE, or of circumstances bearing on the risk of non-payment or performance. On COMPANY'S reasonable request, the UNDERSIGNED shall provide complete and current financial information about the UNDERSIGNED in the form and format requested.

This Guaranty is assignable with any one of several, or all of the indebtedness, liability and obligations that it guarantees, and when so assigned, GUARANTORS shall be bound, as set forth herein, to the transferees.

The UNDERSIGNED herewith warrants to COMPANY that the FRANCHISEE is authorized to execute the AGREEMENT.

If there is more than one signatory to the AGREEMENT, or more than one GUARANTOR, the terms "FRANCHISEE" and "GUARANTOR" shall refer to all, or any one or more of the persons within the term.

The UNDERSIGNED shall, without demand, reimburse COMPANY for all costs and expenses, including attorneys fees, incurred in the enforcement hereof, in the enforcement of the indebtedness, liability or obligations of the FRANCHISEE to COMPANY under the AGREEMENT or the engagement of counsel by COMPANY during a restructuring or "workout" of the indebtedness.

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

\_\_\_\_\_

**EXHIBIT E TO THE FRANCHISE AGREEMENT**

**RELEASE AND WAIVER OF RIGHTS**

## RELEASE AND WAIVER OF RIGHTS

This instrument is executed this [ \_\_\_\_ ] day of [ \_\_\_\_\_ ], [ \_\_\_\_ ] at [ \_\_\_\_\_ ], California by and between FUJI GRILL, INC., hereafter, COMPANY, and

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hereafter FRANCHISEE, whereby the parties intend to release and extinguish their rights and claims against each other.

IN CONSIDERATION of their mutual promises below, the parties agree as follows:

**Except as otherwise provided below**, each party, on its behalf, and on behalf of its successors, assigns and personal representatives, as applicable, hereby fully releases and discharges the other, and its successors, assigns and personal representatives, as applicable, from all rights, obligations, claims, demands, liabilities and actions which each, and its successors above, may have now, or acquire after the signing hereof, against the other, arising out of, or in any manner connected with: (1) the Franchise Agreement entered into on \_\_\_\_\_, by and between COMPANY and FRANCHISEE, as renewed and amended from time to time, and all ancillary or related agreements between the parties that were signed thereunder, and (2) the operation of the Franchise.

With full knowledge of, and despite the fact that California Civil Code, Section 1542 expressly provides that:

A general release does not extend to claims which 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, each party hereby releases all others of all rights, obligations, claims, demands, liabilities and actions, whether known or unknown, foreseen, unforeseen, patent or latent, suspected or unsuspected, which each, and its successors above, may have now, or acquire after the signing hereof, against the other, arising out of, or in any manner connected with said Franchise



Agreement, above.

This release is freely and voluntarily made by both parties hereto. **Except as otherwise provided below**, each party understands and agrees to assume all loss, damage and liability for injury arising out of the relationship of the parties under the Franchise Agreement above that has occurred, or may occur to said party at any time after the execution hereof.

Both parties intend that this Release and Waiver of Rights constitutes a full and final resolution of all claims either may have, or may acquire against the other. **This release, however, does not relieve the FRANCHISEE of the obligation not to divulge information, trade secrets, ingredients, recipes, cooking techniques and processes, used in the Menu Items and other food and beverage products used in the system or any information stated in the Manual, and to respond in damages, if any, that result.**

This Release effects a settlement of claims which are contested or denied. Nothing herein shall be construed to be an admission by any party of any liability of any kind to the other, except as created or referred to herein.

Should any action or other proceeding be instituted to enforce the terms hereof, the prevailing party shall be entitled to reimbursement of reasonable attorneys' fees from the other.

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

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

**FUJI GRILL, INC.**

**EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT**

**Financial Statements**

**FUJI GRILL, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2022, 2021 AND 2020

WITH INDEPENDENT AUDITORS' REPORT

**FUJI GRILL, INC.**  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

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## **Independent Auditors' Report**

To the Board of Directors  
Fuji Grill, Inc.  
Orange, California

### **Opinion**

We have audited the accompanying financial statements of Fuji Grill, Inc., (a California corporation), which comprise the balance sheets as of December 31, 2022, 2021 and 2020, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fuji Grill, Inc. as of December 31, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

### **Basis for Opinion**

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

Los Angeles, California  
February 24, 2023

**FUJI GRILL, INC.****BALANCE SHEETS****DECEMBER 31, 2022, 2021 AND 2020**

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**ASSETS**

	2022	2021	2020
CURRENT ASSETS:			
Cash	\$ 115,919	\$ 78,139	\$ 42,448
Accounts receivable	2,498	2,711	1,699
Restricted cash	38,660	31,337	18,531
TOTAL CURRENT ASSETS	157,077	112,187	62,678
PROPERTY AND EQUIPMENT, net	19,273	29,319	45,836
INTANGIBLE ASSETS, net	135,391	151,396	168,461
TOTAL ASSETS	<u>\$ 311,741</u>	<u>\$ 292,902</u>	<u>\$ 276,975</u>

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

**FUJI GRILL, INC.**

## BALANCE SHEETS (Continued)

DECEMBER 31, 2022, 2021 AND 2020

**LIABILITIES AND STOCKHOLDER'S EQUITY**

	2022	2021	2020
CURRENT LIABILITIES:			
Advertising cooperative liability	\$ 38,660	\$ 31,337	\$ 18,531
Current portion of notes payable	31,392	31,207	29,908
Deferred franchise fee revenue	4,185	4,666	7,021
Payroll liabilities	2,502	2,481	2,481
Other current liabilities	650	142	693
TOTAL CURRENT LIABILITIES	77,389	69,833	58,634
LONG-TERM LIABILITIES:			
Deferred franchise fee revenue, net of current	13,177	10,455	32,554
Notes payable, net of current	89,525	118,694	149,931
TOTAL LONG-TERM LIABILITIES	102,702	129,149	182,485
TOTAL LIABILITIES	180,091	198,982	241,119
STOCKHOLDER'S EQUITY:			
Common stock, no par value, 100,000 shares authorized, 20,010 shares issued and outstanding	96,991	96,991	96,991
Retained earnings (accumulated deficit)	34,659	(3,071)	(61,135)
TOTAL STOCKHOLDER'S EQUITY	131,650	93,920	35,856
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 311,741	\$ 292,902	\$ 276,975

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



**FUJI GRILL, INC.**

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	2022	2021	2020
REVENUE:			
Franchise fee income	\$ 12,759	\$ 24,454	\$ 8,757
Franchise termination fee income	-	15,000	-
Royalty income	179,815	159,876	147,893
TOTAL REVENUE	192,574	199,330	156,650
OPERATING EXPENSES	108,413	113,716	110,457
INCOME FROM OPERATIONS	84,161	85,614	46,193
OTHER INCOME AND EXPENSES:			
Employee retention credit income	23,831	-	6,562
SBA relief income	-	11,244	13,493
Interest expenses	(8,697)	(7,132)	(7,641)
TOTAL OTHER INCOME AND EXPENSES	15,134	4,112	12,414
INCOME BEFORE TAX	99,295	89,726	58,607
INCOME TAX	1,400	800	800
NET INCOME	\$ 97,895	\$ 88,926	\$ 57,807

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

**FUJI GRILL, INC.**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	COMMON STOCK		RETAINED	TOTAL
	SHARES	AMOUNTS	EARNINGS	STOCKHOLDER'S
				EQUITY
BALANCE AT JANUARY 1, 2020	20,010	\$ 96,991	\$ (46,743)	\$ 50,248
DISTRIBUTION TO STOCKHOLDER	-	-	(72,199)	(72,199)
NET INCOME	-	-	57,807	57,807
BALANCE AT DECEMBER 31, 2020	20,010	96,991	(61,135)	35,856
DISTRIBUTION TO STOCKHOLDER	-	-	(30,862)	(30,862)
NET INCOME	-	-	88,926	88,926
BALANCE AT DECEMBER 31, 2021	20,010	96,991	(3,071)	93,920
DISTRIBUTION TO STOCKHOLDER	-	-	(60,165)	(60,165)
NET INCOME	-	-	97,895	97,895
BALANCE AT DECEMBER 31, 2022	20,010	\$ 96,991	\$ 34,659	\$ 131,650

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

**FUJI GRILL, INC.**

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 97,895	\$ 88,926	\$ 57,807
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and depreciation	26,051	33,582	28,818
Changes in operating assets and liabilities:			
Restricted cash	(7,323)	1,778	33,115
Accounts receivable	213	(1,012)	(612)
Advertising cooperative liability	7,323	(1,778)	(33,115)
Deferred franchise fee revenue	2,241	(24,454)	(8,757)
Payroll liabilities	21	-	-
Other current liabilities	508	(551)	(581)
Net cash provided by operating activities	126,929	96,491	76,675
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment to note payable	(28,984)	(29,938)	(22,170)
Distribution to stockholder	(60,165)	(30,862)	(72,199)
Net cash used in financing activities	(89,149)	(60,800)	(94,369)
NET INCREASE (DECREASE) IN CASH	37,780	35,691	(17,694)
CASH AT BEGINNING OF YEAR	78,139	42,448	60,142
CASH AT END OF YEAR	<u>\$ 115,919</u>	<u>\$ 78,139</u>	<u>\$ 42,448</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income tax	\$ 1,400	\$ 800	\$ 800
Interest	\$ 6,866	\$ 7,132	\$ 7,641

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

NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

Fuji Grill, Inc. (the "Company"), incorporated in California in November 2003, is primarily engaged in franchise operations to authorize and manage franchises sold by the Company. The franchisees are granted the right to operate Japanese restaurants under the brand name "FUJI GRILL".

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Franchise Operations:

The franchise agreements representing opened stores at December 31, 2022 consist of following:

	Number of Stores
At January 1, 2020	7
Stores opened	—
Stores closed	—
At December 31, 2020	7
Stores opened	—
Stores closed	(1)
At December 31, 2021	6
Stores opened	—
Stores closed	—
At December 31, 2022	6

The Company typically grants a franchise the right to open one or more franchise stores. Under the franchise agreement, a franchise is required to pay a non-refundable franchise fee, which is range from \$15,000 to \$30,000. Thereafter, the franchisee pays royalties of 5% of its net sales to the Company. Franchise agreements generally have an initial term of ten years and franchisee will have the right to extend the term of agreement for another ten years.

During the year ended December 31, 2022, one of franchisee was exchanged. The Company received \$15,000 transfer fee by the franchise agreement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

The Company adopted Topic 606 on December 31, 2018 using the modified retrospective transition method. The adoption of this standard update resulted in no tax impact. The Company adopted Topic 606 only for contracts with remaining performance obligations as of December 31, 2018, under the modified retrospective transition method.

Comparative information from prior year periods has not been adjusted and continues to be reported under the accounting standards in effect for those periods under Topic 605. The adoption changed the timing of recognition of initial franchise fees, development fees, the reporting of advertising fund contributions and related expenditures.

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective locations, and continuing royalty fees on a weekly basis based upon a percentage of franchisee net sales. The initial term of franchise agreements are typically 10 years. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If a contract is terminated prior to its term, it is a breach of contract and a penalty is assessed based on a formula reviewed and approved by management. Revenue generated from a contract breach is termed settlement income by the Company and included in licensing fees and other income.

Under the terms of the Company's franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as blueprints, operational materials, planning and functional training courses, and ongoing services, such as management of the marketing fund. Under ASC 605, initial franchise fees paid by franchisees for each arrangement were deferred until the store opened and were recognized as revenue in their entirety on that date. Upon adoption of Topic 606, the Company determined that certain pre-opening activities, and the franchise rights and related ongoing services, represented two separate performance obligations.

The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. Revenue allocated to franchise rights and ongoing services is deferred until the store opens and recognized on a straight-line basis over the duration of the agreement, as this ensures that revenue recognition aligns with the customer's access to the franchise right.

Royalty income is recognized during the respective franchise agreement based on the royalties earned each period as the underlying franchise store sales occur. Adoption of ASC 606 will not change when the royalty revenue is recognized, this new guidance did not impact the recognition of royalty income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of the Adoption of ASC 606

The adoption changed the timing of recognition of initial franchise fees. In accordance with the new revenue standard requirements, the following tables summarize the effects of the new standard on the Company's Balance Sheet and Statement of income for the year ended December 31, 2020.

	As reported December 31, 2022	Effect of change	Balance without ASC 606 adoption
Liabilities:			
Deferred revenue	\$ 17,362	\$ 17,362	\$ –
Stockholder's equity:			
Retained earnings	\$ 36,490	\$ (17,362)	\$ 53,852
	As reported December 31, 2022	Effect of change	Balance without ASC 606 adoption
Franchise fee income	\$ 12,759	\$ 12,759	\$ –
Franchise exchange fee	–	(15,000)	15,000
Royalty income	179,815	–	179,815
Total revenue	192,574	2,241	194,815
Operating expenses	108,413	–	108,413
Other Income (add)	16,965	–	16,965
Income tax	1,400	–	1,400
Net income	\$ 99,726	\$ 2,241	\$ 101,967

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

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

Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed using the double decline method based on the estimated useful lives of the assets, generally ranging five to ten years. Leasehold improvements are amortized on the straight-line method over shorter of lease term or estimated useful life of assets. Repair and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized.

Intangible Assets:

The Company amortizes intangible asset with finite lives on a straight-line basis over their estimated useful lives. Intangible assets consist of patent and goodwill which was stated at its development costs and is amortized over the period of fifteen years using the straight-line method.

Impairment of Long-Lived Assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling expenses. Management determined that there was no impairment in the value of long-lived assets for the years ended December 31, 2022, 2021 and 2020, respectively.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax:

The Company, with consent of its shareholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporate income taxes, the shareholder of an S corporation is responsible for reporting the income or loss based on its respective share of the Company's revenues and expenses for income tax purpose. Accordingly, no provision or liability for income taxes has been included in the accompanying financial statements. The Company accounts for uncertainties in income tax law under a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns as prescribed by Generally Accepted Accounting Principles ("GAAP").

Reclassification:

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications decreased on the reported results of operations as \$7,580 and \$8,012 for the year ended December 31, 2021 and 2020. An adjustment has been made to the balance Sheet, statement of income, changes in stockholder's equity and cash flows for years ended December 31, 2021 and 2020, to reclassify the equipment, accumulated depreciation, note payable, depreciation expenses, operating expenses and interest expenses.

NOTE 3: CONCENTRATIONS IN CASH

The Company maintains cash balances at a bank where amounts on deposit may exceed \$250,000 throughout the year. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company has not experienced losses in such account and believes it is not exposed to any significant credit risk on cash.



**FUJI GRILL, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022, 2021 AND 2020

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NOTE 4: PROPERTY AND EQUIPMENT

As of December 31, 2022, 2021 and 2020, property and equipment consisted as follows:

	2022	2021	2020
Automobile	\$ 55,000	\$ 55,000	\$ 55,000
Furniture and equipment	22,371	22,371	22,371
Sub total	77,371	77,371	77,371
Less: accumulated depreciation	(58,098)	(48,052)	(31,535)
Net property and equipment	<u>\$ 19,273</u>	<u>\$ 29,319</u>	<u>\$ 45,836</u>

During the years ended December 31, 2022, 2021 and 2020, depreciation expense amounted to \$10,046, \$16,517 and \$10,726, respectively.

NOTE 5: INTANGIBLE ASSETS

As of December 31, 2022, 2021 and 2020, intangible assets consisted as follows:

	2022	2021	2020
Patent	\$ 80,848	\$ 80,848	\$ 80,848
Goodwill	210,000	210,000	210,000
Sub total	290,848	290,848	290,848
Less: accumulated amortization	(155,457)	(139,452)	(122,387)
Net intangible assets	<u>\$ 135,391</u>	<u>\$ 151,396</u>	<u>\$ 168,461</u>

During the years ended December 31, 2022, 2021 and 2020, amortization expense amounted to \$16,055, \$17,065 and \$18,231, respectively.

**NOTE 6: NOTES PAYABLE**

On April 21, 2016, the Company entered into an SBA loan with Bank for \$210,000, bearing interest at Prime Rate as published in the Wall Street Journal plus 1.5% (7.75% at December 31, 2022) and maturing on April 26, 2026. All Company's inventory, accounts receivable, machinery and equipment, furniture and fixtures, and leasehold improvements are pledged to the bank as collateral. The outstanding balance was \$85,321 on December 31, 2022.

On October 5, 2020, the Company entered into an automobile loan with bank for \$55,000, bearing interest 3.19% and maturing September 5, 2026. The automobile is pledged to the bank as collateral. The outstanding balance was \$35,596 on December 31, 2022.

The following is a schedule of future minimum notes payments by years.

<u>Year ending December 31,</u>	
2023	\$ 31,392
2024	33,779
2025	36,371
2026	<u>19,374</u>
	<u>\$ 120,917</u>

**NOTE 7: RELATED PARTY TRANSACTION**

The Company leases its office in Orange, California on monthly basis from the related party under common ownership. During the years ended December 31, 2022, 2021 and 2020 the lease payment was \$18,000, \$18,000, and \$18,000, respectively.

**NOTE 8: SUBSEQUENT EVENTS**

The Company has evaluated subsequent events from the balance sheet date through February 24, 2023, the date at which the financial statements were available to be issued and determined that there are no other items to disclose.

## CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

FUJI GRILL, INC.  
BOARD OF DIRECTORS

GSK LLP hereby consents to the use of our report dated February 24, 2023 for Fuji Grill, Inc. for the years ended December 31, 2022, 2021 and 2020 to appear in Fuji Grill, Inc.'s Franchise Disclosure Document for distribution to prospective franchisees as required by the Federal Trade Commission.



Los Angeles, California  
February 24, 2023

**FUJI GRILL, INC.**

**EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT**

**List of Franchised Restaurants**

**List of Company-Owned Restaurants**

## **LIST OF FUJI GRILL RESTAURANTS**

Currently operating Fuji Grill Restaurants, none terminated or cancelled as of 12/31/2022

### **Franchisees**

<b>Identification</b>	<b>Franchisee(s)</b>	<b>Address of Restaurant</b>	<b>Telephone</b>	<b>Date Opened*</b>
Fuji Grill Anaheim Hills	Kent Chau	5655 E. La Palma Avenue, #105, Anaheim, CA 92807	(714) 719-4535	11/26/2012
Fuji Grill Brea	Fuji Grill-Brea, Corporation**	101 West Imperial Highway, Unit #D, Brea, CA 92821	(714) 257-9110	10/24/08
Fuji Grill Huntington Beach	Sun Hong Park	19752 Beach Boulevard, Huntington Beach, CA 92648	(714) 593-6400	6/15/2007
Fuji Grill Lake Forest*	Excellent Favor LLC	20702 Lake Forest Dr., Lake Forest, CA 92630	(949) 768-5750	3/1/2005
Fuji Grill Lakewood*	Urban Eateries, LLC	2704 Carson St. Lakewood, CA 90712	(562) 627-8300	5/28/2006
Fuji Grill Orange – West	M & S California Corporation	1515 Chapman Avenue, Orange, CA 92868	(714) 937-1320	1/2/2007

\* Locations in Lake Forest and Lakewood were initially opened as licensees, and became franchised locations in August 2006.

\*\* FUJI GRILL had a 50% ownership interest in the Brea restaurant which opened on October 24, 2008; however, FUJI GRILL sold its remaining 50% ownership interest in the Brea restaurant to the franchisee effective as of January 4, 2010.

### **Company-Owned**

There are currently no Company-owned franchises in that the Newport Beach location licensed to Fuji Yama, Inc. was sold in the first quarter of 2012.

**FUJI GRILL, INC.**

**EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT**

**Table of Contents from Fuji Grill Operations Manual**



## **SECTION #1**

# **BUSINESS OPERATION MANUAL**

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**BY**

**FUJI GRILL, INC.**

ALL RIGHTS RESERVED. NO PART OF THIS PUBLICATION MAY BE REPRODUCED  
IN ANY *FORM* WITHOUT PERMISSION IN WRITING FROM FUJI GRILL, INC.

This manual must be kept under lock and key at your restaurant. Employees are encouraged to read this manual, but you as a Licensee Owner are ultimately responsible to ensure that the contents are kept strictly confidential. Failure to do so is a breach of the agreement you have signed with Fuji Grill, Inc.

**Manual #**\_\_\_\_\_

\_\_\_\_\_  
**Signature of Acceptance**

\_\_\_\_/\_\_\_\_/\_\_\_\_  
**Date**

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**FUJI GRILL, INC.**

**EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT**

**List of Administrators of State of  
California Department of Financial Protection and Innovation**

1. Commissioner of Financial Protection and Innovation, One Sansome Street, Suite 600, San Francisco, CA 94104-4428, (415) 972-8565 or (866) 275-2677.
2. Commissioner of Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, CA 95834; (916) 445-7205 or (866) 275-2677.
3. Commissioner of Financial Protection and Innovation, 300 S. Spring Street, Suite 15513, Los Angeles, CA 90013-1259; (213) 897-2085 or (866) 275-2677.
4. Commissioner of Financial Protection and Innovation, 320 W. 4<sup>th</sup> Street, Suite 750, Los Angeles, California 90013-2344; (213) 576-7500 or (866) 275-2677.
5. Commissioner of Financial Protection and Innovation, 1455 Frazee Road, Suite 315, San Diego, CA 92108; (619) 610-2093 or (866) 275-2677.

**FUJI GRILL, INC.**

**EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT**

**INTENTIONALLY DELETED**

**FUJI GRILL, INC.**

**EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT**

**Franchisee Disclosure Questionnaire**

# FUJI GRILL, INC.

## Franchisee Disclosure Questionnaire

As you know, FUJI GRILL, INC. and you are considering entering into a Franchise Agreement for the operation of a Fuji Grill Restaurant. In this Franchise Disclosure Questionnaire, FUJI GRILL is referred to as “we” or “us.” The purpose of this Disclosure Questionnaire is to determine whether any statements or promises were made to you which FUJI GRILL did not authorize, or may be untrue or misleading. Please review each of the following questions carefully and provide honest and complete answers to each question.

1. Have you received and personally reviewed the FUJI GRILL Franchise Agreement, including each exhibit, addendum and schedule attached to the Agreement?

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

2. Do you understand all of the information contained in the Franchise Agreement, including all of its exhibits?

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

If your response was “No,” what parts of the Franchise Agreement do you not understand? Attach additional pages if necessary.

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3. Have you received and personally reviewed our Franchise Disclosure Document which was provided to you?

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

4. Do you understand all of the information contained in the Franchise Disclosure Document?

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

If your response to question number 4 was “No,” what parts of our Franchise Disclosure Document do you not understand? (Attach pages if necessary)

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5. Have you discussed the benefits and risks of operating a FUJI GRILL Franchised Restaurant with an attorney, accountant and other professional advisors, and do you understand the risks of opening a franchised business?

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

6. Has any employee or other person speaking on our behalf made any statement or promise to you concerning potential revenues, profits or operating costs of any FUJI GRILL Restaurant operated by us or any of our franchisees?

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

7. Has any employee or other person speaking for FUJI GRILL, INC. made any statement or promise concerning a FUJI GRILL Restaurant that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

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

8. Has any employee or any other person speaking on our behalf made any statement or promise to you regarding the amount of money you may earn from operating a FUJI GRILL Restaurant?

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

9. Has any employee or any other person speaking on our behalf made any statement or promise to you about the total amount of revenue that a FUJI GRILL Restaurant will generate?

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

10. Has any employee or any other person speaking on our behalf made any statement or promise to you regarding the costs you may incur in operating a FUJI

GRILL Restaurant that is contrary or different from the information contained in our Franchise Disclosure Document?

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

11. Has any employee or any other person speaking on our behalf made any statement or promise to you concerning the likelihood of success that you should or might expect to achieve from operating a FUJI GRILL Restaurant?

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

12. Has any employee or any other person speaking on our behalf made any statement, promise or agreement with you regarding the advertising, marketing, training, support services or assistance that we will provide to you that is contrary or different from the information contained in our Franchise Disclosure Document?

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

13. If you answered “Yes” to any of questions seven (7) through thirteen (13), please provide a full explanation of your answer(s) in the following spaces (attach additional sheets if needed). If you have answered “No” to each of these questions, please leave the following lines blank.

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14. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in their individual capacity, and such dealings are only between you and FUJI GRILL, INC.?

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



You understand that the answers which you have provided are important to us and that we rely upon them.

By signing this Franchise Disclosure Questionnaire you are representing that you have responded truthfully to all of the above questions.

---

Name of Franchisee/Applicant

Date: \_\_\_\_\_

---

Signature of Franchisee/Applicant

---

Title of Person Signing for Franchisee/Applicant

**FUJI GRILL, INC.**

**EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT**

**California State Addendum to the Franchise Disclosure Document**

Any prospective Fuji Grill franchisee must note that:

**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 14 DAYS PRIOR TO THE EXECUTION OF ANY PROPOSED AGREEMENTS.**

In addition, note:

- A. The franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
- B. 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](http://www.dfpi.ca.gov).
- C. California Business and Professions Code 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.
- D. 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.)
- E. 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.

- F. The franchise agreement requires binding arbitration. The arbitration will occur at Orange County, California, with the costs initially being borne equally by Fuji Grill and its franchisee, but upon judgment or final resolution of the arbitration the arbitrator may award the prevailing party its reasonable attorney's fees, costs and expenses incident to such action, in addition to any other relief to which such party may be entitled. 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.
- G. The franchise agreement requires application of the laws of California, except to the extent it is governed by the United States Trademark Act of 1946 (Lanham Act, 15, U.S.C. Sections 1051 et seq.). This provision may not be enforceable under California law.
- H. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
- I. You must sign a general release of claims if you 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).

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	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.

**ORIGINAL RECEIPT  
(KEEP THIS COPY FOR YOUR RECORDS)**

**This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.**

**If FUJI GRILL offers YOU a franchise, FUJI GRILL must provide this Disclosure Document to YOU.**

**If FUJI GRILL offers you a franchise, it must provide this 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.**

**If FUJI GRILL does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the California Department of Financial Protection and Innovation.**

**FUJI GRILL has authorized Mr. Sujong (Eric) Son, at 1515 West Chapman Avenue, Orange, CA 92868, to receive service of process for FUJI GRILL.**

**I have received a Franchise Disclosure Document from FUJI GRILL, INC. dated as of the Date of Issuance of the FDD (February 24, 2023), which included the following exhibits:**

- A. Franchise Agreement (with five attached exhibits)**
- B. Financial Statements**
- C. List of Franchised and Licensed Restaurants**
- D. Table of Contents of Operations Manual**
- E. List of Administrators of State of California Department of Financial Protection and Innovation**
- F. Internet Advertising Notice**
- G. Franchisee Disclosure Questionnaire**
- H. Notice to Recipient of Franchise Disclosure Document That a Copy of All Proposed Agreements Which are Related to the Sale of a Franchise Must be Presented Together With the Franchise Disclosure Document**

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

\_\_\_\_\_  
**Signature**

**DUPLICATE RECEIPT  
(RETURN SIGNED COPY TO FUJI GRILL)**

**This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.**

**If FUJI GRILL offers YOU a franchise, FUJI GRILL must provide this Disclosure Document to YOU.**

**If FUJI GRILL offers you a franchise, it must provide this 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.**

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- H. Notice to Recipient of Franchise Disclosure Document That a Copy of All Proposed Agreements Which are Related to the Sale of a Franchise Must be Presented Together With the Franchise Disclosure Document**

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

\_\_\_\_\_  
**Signature**