

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 ~~and when all Pre-Opening Obligations (which includes the initial training) for the Approved Location have been satisfied in the Company's reasonable discretion, then~~ You must pay the Franchise Fee of \$30,000.00 in a single, lump sum payment.

~~While~~ ~~the initial franchise fee is deferred until the conditions in the prior paragraph have been met~~ 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. ~~You shall pay~~ The Company shall deduct from the initial fee paid for 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. ~~You will be required to reimburse the Company for~~ 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

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
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	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)

	<u>21</u>						
Totals	2018 <u>2019</u>	0	0	0	0	0	0
	2019 <u>2020</u>	0	0	0	0	0	0
	2020 <u>2021</u>	0	0	0	0	0	0

5. PROJECTED NEW FRANCHISED OUTLETS

Projected New Franchised Outlets As of December 31, ~~2020~~2021

<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, ~~2020~~2021

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, ~~2020~~2021.

7. —TERMINATED FRANCHISED OUTLETS FOR YEARS ENDING DECEMBER 31, 2019/2020/2021

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, ~~2018~~2019, ~~2019~~2020 and ~~2020~~2021 are attached as Exhibit B. FUJI GRILL's fiscal year end is December 31st.

- 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).

~~J. 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 and when all Pre-Opening Obligations (which includes the initial training) for the Approved Location have been satisfied in the Company's reasonable discretion, then You must pay the Franchise Fee of \$30,000.00 in a single, lump sum payment.~~

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