FRANCHISE DISCLOSURE DOCUMENT

Tabu Shabu Holdings, LLC
170 E 17th St #200C
Costa Mesa, California 92627
(949) 500-4423
jeff@tabushabu.com
www.tabushabu.com

You will operate a restaurant offering traditional Japanese hot pot fare with proprietary sauces, related menu items, and alcoholic and non-alcoholic beverages in a modern environment under the TABU SHABU™ trademarks.

The initial investment necessary to begin operation of a TABU SHABU™ franchise ranges from $281,300 to $876,100. This includes $35,000 that must be paid to the franchisor or its affiliates. If you are acquiring the right to open three restaurants under the franchisor's development agreement, instead of paying the $35,000 initial franchise fee you will pay to the franchisor $70,000 for the development of three restaurants or under the terms of the franchisor's development agreement.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Jeff Chon at 170 E 17th St #200C, Costa Mesa, California 92627, (949) 500-4423, jeff@tabushabu.com.

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

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

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

Issuance Date: April 11, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

<u>Business model can change</u>. 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.

<u>Supplier restrictions</u>. 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.

<u>Operating restrictions</u>. 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.

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

<u>Renewal</u>. 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.

<u>When your franchise ends</u>. 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 G.

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.

2. **Short Operating History**. This new franchisor has been in business for such a short period of time that its franchises are a higher risk investment than franchisors with a longer-term operating history.

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.

TABLE OF CONTENTS

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

To simplify the language in this disclosure document, "we", "us" or "our" means Tabu Shabu Holdings, LLC, the franchisor. "You" means the business entity, persons, or persons who sign the franchise agreement, the franchisee. If the franchisee is a corporation, limited liability company, partnership, or other entity, the term "you" does not include the entity's principals unless otherwise stated.

The Franchisor, and Any Parents, Predecessors and Affiliates

We are a California limited liability company formed on September 26, 2016, and only do business under our corporate name. Our principal business address is 170 E 17th St #200C, Costa Mesa, California 92627. Our agents for service of process are listed in Exhibit G of this disclosure document. We do not have any predecessors. We have never offered franchises in any other lines of business and began offering franchises of the type described in this disclosure document in April 2017. We do not conduct any other business activities other than offering and supporting TABU SHABU™ franchised restaurants.

We do not have any parent companies or predecessors.

Tabu Shabu Restaurant, LLC ("TSR") is a California limited liability company formed on March 25, 2011 with a principal business address at 333 E 17th Street, Unit 19, Costa Mesa, California 92627. As of the date of this disclosure document TSR owns, or jointly owns, and operates two TABU SHABU™ Restaurants. TSR also owns and licenses the TABU SHABU™ family of trademarks to us for our use and sublicense to franchisees. TSR has never offered franchises of the type described in this disclosure document, nor in any other line of business.

The Franchise Offered

We grant franchises for the operation of restaurants ("Restaurants") that offer traditional Japanese hot pot fare with proprietary sauces, related menu items, and alcoholic and non-alcoholic beverages in a modern environment under the TABU SHABU™ trademarks as well as other trademarks, service marks, logos, catch phrases, and indicia of origin ("Marks").

Our proprietary business format and system ("System") includes distinctive interior and exterior design, décor, color scheme, graphics, fixtures and furnishings; our proprietary recipes; operation, and customer service standards and procedures; advertising and marketing specifications and requirements; and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing a TABU SHABU™ Restaurant, all of which we may change, improve, and further develop (collectively, our "Standards").

A typical Restaurant is located in densely populated suburban or metropolitan areas or in close proximity to regional shopping centers, and ranges between 1,500 to 2,000 square feet. You will operate the Restaurant according to our standard franchise agreement (see Exhibit B) and our Standards, specification, policies, and procedures which will be communicated to you via our confidential operations manuals and other written directors (collectively, our "Manuals").

Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Restaurants under our current form of development agreement attached to this Disclosure Document as Exhibit C (the "Development Agreement"). In the Development Agreement, we outline a schedule that sets forth the periods of time by which you must open and begin operating each Restaurant (the "Development Schedule"). You have the right to search for a location for each of the restaurants you develop under a Development Agreement in any geographic area within the United States we have not contractually granted to another, and in which we are authorized to sell franchises at the time you execute the Development Agreement.

You will be required to sign a Franchise Agreement for your initial Restaurant at the same time you sign your Development Agreement, and you will need to sign our then-current form of franchise agreement for each Restaurant.

Under the Development Agreement, you will pay to us a one-time development fee of $70,000 for the development of three Restaurants (the "Development Fee"). You will not be required to pay any other initial franchise fee at the time you execute the franchise agreements for each Restaurant to be developed pursuant to your Development Agreement.

Market and Competition

The food service business is highly competitive in pricing, service, location and food quality. Business is often affected by changes in consumer tastes, economic conditions, convenience, demographics and traffic patterns. You must expect to compete with many other restaurants offering a wide range of comparably priced food and beverage. Competitors include large numbers of national and regional restaurant chains and franchised restaurant systems, as well as locally owned independent restaurants. There is also active competition for management and service personnel, as well as for attractive commercial real estate sites suitable for restaurants.

Currently, restaurants offering traditional Japanese hot pot restaurants are generally located in markets with larger Asian populations and cater specifically to an Asian audience and clientele. The market for Japanese, Chinese, Asian fusion, and other Asian cuisines, however, is highly competitive and well-established. There is no apparent seasonality to a TABU SHABU™ Restaurant business.

Industry Specific Regulations

A number of states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Restaurant, including those which (1) establish licensing and certification requirements for businesses in general, (2) establish general standards, specifications and requirements for the construction, design and maintenance of the Restaurant location; (3) regulate food preparation, food service, food handling, and menu labeling requirements; (4) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements; (5) set standards pertaining to employee health and safety, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws; (6) set standards and requirements for fire safety and general emergency preparedness, (7) regulate the proper use, storage and disposal of waste and other hazardous materials; (8) set data privacy standards; (9) regulate an establishment's right to offer and sell alcoholic beverages . Regulations, laws, and licensing requirements vary widely from area to area and you will have to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Restaurant.

It is your responsibility to comply with all applicable laws and regulations and to obtain and keep in force all necessary licenses and permits required by public authorities. Before purchasing the franchise, we strongly urge you to consult with your attorney concerning these and other local, state, and federal laws and ordinances that may affect your Restaurant's construction and operation.

ITEM 2
BUSINESS EXPERIENCE

Founder and Chief Executive Officer: Jeff Chon

Jeff is the founder of Tabu Shabu Holdings, LLC and has been its Chief Executive Officer since its inception. Jeff is also the co-founder of Tabu Shabu Restaurant, LLC and has been its Chief Executive Officer since its inception in March 2011. Jeff has served as the Managing Member of Oak & Coal, LLC since November 2015 in Costa Mesa, California. Jeff also served as the Managing Member of Pure Start Organics, LLC from December 2016 until January 2021, the Member of Wayfarer Group, LLC from February 2014 until August 2023, and the Chief Executive Officer of Haun Development, Inc. from March

2007 until January 2021, each located in Costa Mesa, California, except for Haun Development, Inc., which is located in Newport Beach, California.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement, you will pay us an Initial Franchise Fee of $35,000. The Initial Franchise Fee is uniform for all franchisees and is considered fully earned and nonrefundable upon payment. We may, however, elect to return one half of the Initial Franchise Fee to you and terminate your Franchise Agreement if you or your Designated Principal fail to satisfactorily complete our initial training program, as determined in our discretion.

Development Fee

If we grant you the right to develop three Restaurants, at the time you execute the Development Agreement, you will pay to us a one-time Development Fee equal $70,000 for the right to develop the Restaurants. Your Development Fee will be deemed fully earned upon payment and is not refundable under any circumstances. The Development Fee is applied uniformly to all of our franchisees.

You will be required to enter into our then-current form of Franchise Agreement for each Restaurant you wish to open under your Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these Franchise Agreements. If you enter into a Development Agreement, you must execute our current form of Franchise Agreement for the first Restaurant we grant you the right to develop within your Site Selection Area concurrently with the Development Agreement.

ITEM 6
OTHER FEES

FRANCHISE AGREEMENT

Type of Fee[1]	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Sales[2]	Monthly, cleared on the 10th day of each month for sales from the prior month	See Note 2 for the definition of "Gross Sales"
Marketing Fee	Currently, 1% of Gross Sales; Up to 2% of Gross Sales	Monthly, cleared on the 10th day of each month for	See Note 2 for the definition of "Gross Sales." This fee is not applied uniformily. The 1% of Gross Sales amount will not increase until at least 10 TABU

Type of Fee[1]	Amount	Due Date	Remarks
		sales from the prior month	SHABU Restaurants are open and operating.
Local Marketing Expenditure	$1,500 per calendar quarter	As incurred	You will spend at $1,500 each calendar quarter on approved local marketing and advertising activities
POS System	Currently, $250 to $500 per month	Monthly	The license fee is payable to our designated POS supplier. See Item 11.
Loyalty, Gift Card, and Remote Access fees	Currently , $120 per month	Monthly	These fees are payable to our designated third party suppliers. See Item 11.
Bookkeeping services fee	Currently, $750 per month	Monthly	Currently we require that you engage either out designated bookkeeping services provider or an alternative bookkeeping service that you propose to us in writing and that we accept.
Intranet	Currently, $0	Periodically, as determined	If or when implemented, the intranet will contain pertinent documents, manuals, and instructional material for the operation of a TABU SHABU™ Restaurant.
Additional Training	Currently, $300 per person per day plus	Before training begins	We have the right to charge for additional training provided, including: (i) initial training provided to persons repeating or replacing a person who did not pass initial training; (ii) initial training for subsequent trainees; and (iii) periodic additional training we may provide or require, including any annual convention. Required additional training may be applicable in cases of default and/or failure to pass inspections. You are responsible for the travel, lodging, and dining costs, wages, and other expenses incurred by your trainees.

Type of Fee[1]	Amount	Due Date	Remarks
Additional Assistance	Currently $300 per trainer per day, plus our related travel, lodging, and dining costs	Before assistance	Payable if we provide requested or required consulting services in-person at your Restaurant location or at a place other than our offices. Required additional assistance may be applicable in cases of default and/or failure to pass inspections.
Transfer Fee – (payable if you are an individual transferring to a business entity for convenience of operation)	Varies	Before transfer	We do not charge a fee if the transfer of the franchised business is from an individual to a business entity for convenience of operation, however, you must reimburse us for our related costs and expenditures.
Transfer Fee – (payable if your owners are transferring among themselves or transferring a minority ownership interest to one or more third parties)	$2,500	Before transfer	If our costs related to the transfer exceed the Transfer Fee, we may ask that you reimburse us for our related expenses.
Transfer Fee – (payable if you are assigning your interest in the Franchise Agreement, transferring all or substantially all of the assets of the Franchised Business, or your owners are transferring a controlling interest)	50% of then-current initial franchise fee if transferring to an existing TABU SHABU™ franchisee; 75% of then-current initial franchise fee if transferring to a new franchisee to the System	Before transfer	
Relocation Fee	$5,000	Before relocation	This fee is to compensate us for services related to assistance rendered in reviewing, accepting, and establishing the new Restaurant location.
Late Charge	Currently, Late Fee of $100 per overdue payment; and interest of 18% per annum from the date due	Upon demand	Payable only on overdue amounts. Interest cannot exceed the maximum allowed by law.

Type of Fee[1]	Amount	Due Date	Remarks
Audit	Cost of audit	Upon demand	For accounting audits, only if audit shows an understatement of 2% or more
Renewal Fee	$5,000	Before renewal	
Supplier Review	Our reasonable costs and expenses for inspecting the supplier and/or testing the proposed equipment, including personnel and travel, lodging, and dining costs	On demand	Payable if you wish to offer or use any supplies or equipment that we have not approved or to purchase from a supplier that we have not approved, whether or not we approve the item or supplier.
Mystery Shopper Programs	Actual costs, estimated at $150 per month	As invoiced	Payable if we require you to participate in a mystery shop program.
Quality Assurance Audit Program	Actual costs, estimated at $300 per calendar quarter	As invoiced	Payable if we engage a third party to perform periodic quality assurance audits.
Reimbursement of monies paid by us on your behalf	Varies with circumstances	On demand	Covers cost of insurance and other payments you fail to make and which we make on your behalf.
Re-Inspection Fee	Currently, our reasonable expenses incurred in inspecting your Restaurant, including travel, lodging, and meals, and compensation for our representatives	On demand	Payable if inspection is necessitated by a repeated or continuing failure to comply with any provision of the Franchise Agreement.
Remedial Expenses	Our reasonable expenses incurred in correcting your operational deficiencies	On demand	If we give you notice of deficiencies we identify during an inspection and you fail to correct the deficiencies in a reasonable time, we may correct the deficiencies at your expense.
Costs, Expenses, and Attorneys' Fees	Varies with circumstances	On demand	You must reimburse us for our expenses in enforcing or terminating any agreements between us, including any Franchise Agreement, which costs may include collection agency costs, court costs, expert witness

Type of Fee[1]	Amount	Due Date	Remarks
			fees, discovery costs, and reasonable attorneys' fees and costs on appeal, together with interest charges on all the foregoing.
Indemnification	Varies with circumstances	On demand	You must reimburse and pay our costs and attorneys' fees with respect to any and all losses and expenses incurred by us arising or resulting from your operation of the Restaurant.
Holdover Period	150% of the Royalty Fee and Marketing Fee due in the Franchise Agreement	Weekly	If the Franchise Agreement expires and you continue to operate the Restaurant after expiration (a) either party may terminate the relationship at any time, for any reason, or no reason by providing written notice, and (b) the Royalty Fee and Marketing Fee during any hold over period will be 150% of the original amounts due under the Franchise Agreement.
Liquidated Damages	(i) your average monthly Royalty Fee plus your average monthly Marketing Fee due for the last 12 months (or, if less, the period the Restaurant has been open) before your termination, (ii) multiplied by the lesser of 48 months or number of months remaining in the then-current Term of the Franchise Agreement, and (iii) discounted to present value.	On demand	Payable only if you prematurely close the Restaurant or if we terminate the Franchise Agreement on account of your material breach.

Notes.

Note 1. Unless otherwise noted, fees payable directly to us or our affiliates are uniformly imposed and non-refundable. Also, fees payable to us or our affiliates are currently required to be made electronically via direct debit.

Note 2. "Gross Sales" means the total gross amount of all revenues, excluding only (1) sales tax or other receipts you collect and remit to the proper taxing authorities and (2) authorized coupon or other promotional discounts you provide to your customers. Included in the definition is revenue from whatever source derived (whether in the form of cash, credit, agreements to pay, or other consideration (such as bartering), and whether or not payment is received at the time of sale or any of those amounts prove uncollectible. Also included is revenue that in any manner at all arises from or is derived by you or by any other business conducted or which originate in, on, from or through the Restaurant or Restaurant location. This includes revenue you derive through the Restaurant, from the sale of products associated with the Restaurant, and revenue derived from your use of the Marks, whether or not you conduct those operations in compliance with or in violation of the franchise agreement.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Single-Unit Franchise

Type of Expenditure[1]	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[2]	$35,000	Lump Sum	When Franchise Agreement is signed	Us
Real Estate Rent and Security Deposit – 3 months[3]	$6,000 to $25,000	As arranged	As incurred	Landlord
Real Estate Construction and Improvements[4]	$135,000 to $500,000	As arranged	As incurred	Contractors, suppliers, and/or Landlord
Architect and Engineer	$10,000 to $40,000	As arranged	As incurred	Architect and Engineer
Fixtures, Furnishings, and Equipment[5]	$45,000 to $125,000	As arranged	As incurred	Suppliers
Signage[6]	$1,000 to $15,000	As arranged	As incurred	Suppliers
POS, Music, and Computer Systems (Hardware and Software)[7]	$5,000 to $20,000	As arranged	As incurred	Suppliers
Miscellaneous Opening Costs[8]	$500 to $1,000	As arranged	As incurred	Suppliers, utilities, etc.
Opening Inventory[9]	$5,000 to $20,000	As arranged	As incurred	Suppliers
Uniforms[10]	$300 to $600	As arranged	As incurred	Suppliers
Training[11]	$2,500 to $6,000	As arranged	As incurred	Airlines, hotels, and restaurants
Grand Opening Marketing[12]	$2,500 to $7,500	As arranged	As incurred	Suppliers

Type of Expenditure[1]	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Utilities and Permits[13]	$5,000 to $20,000	As arranged	As incurred	Suppliers
Professional Fees[14]	$2,500 to $6,000	As arranged	As incurred	Attorneys, accountants, business advisors
Insurance - 3 Months[15]	$1,000 to $5,000	As arranged	As required	Insurers
Additional Funds – 3 Months[16]	$25,000 to $50,000	As incurred	As incurred	Employees, suppliers, utility providers
Total[17]	$281,300 to $876,100			

Multi-Unit Development (3-Pack)

Type of Expenditure[1]	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee[2]	$70,000	Lump Sum	When Development Agreement is signed	Us
Initial Investment to Open Initial Restaurant	$246,300 to $691,100	Totals from "Single-Unit Franchise" chart of this Item 7 less the Initial Franchise Fee.		
Grand Total[14]	$316,300 to $761,100 (3-Restaurants)	This is the total estimated initial investment to enter into a Development Agreement for the right to develop a total of three Restaurants, as well as the estimated initial costs to open and begin operating your initial Restaurant for the first three months (as described more fully in the "Single-Unit Franchise" chart above).		

Notes:

Note 1. The amounts that you pay to us are not refundable, unless stated otherwise. Your payment obligations to vendors are not likely to be refundable unless you negotiate those arrangements.

Note 2. The Initial Franchise Fee and Development Fee are uniform to all franchisees and due in lump sum when you sign the Franchise Agreement. We may refund half of your Initial Franchise Fee and terminate your Franchise Agreement if you or your Designated Principal don't successfully complete our initial training program.

Note 3. If you do not already own or lease adequate restaurant space, you will need to lease the space for the TABU SHABU™ Restaurant. We require that the restaurant location be approximately 1,500 to 2,000 square feet. The above estimate reflects an approximate range of the security deposit and first three months of rent for a commercial location meeting these specifications.

Note 4. You must construct, remodel, alter and improve the Restaurant location to our specifications. These figures assume that your location will be a leased, unimproved, unfinished retail store-type unit.

Note 5. This range estimates your cost of purchasing all required fixtures, furnishings, and décor that conform to our specifications and standards. This range also estimates your cost of purchasing all required equipment including, for example, refrigeration units, meat slicer, kitchen equipment, smallware, plates and glasses, table top "hot pots", and any other equipment that we require in the operation of the Restaurant.

Note 6. This range includes both exterior and interior Restaurant signage.

Note 7. This range includes the initial hardware and software licensing costs for our current required POS System, back office computer system, merchant services, internet, phone, and IT setup costs. This cost also includes the purchase and installation of your Restaurant music service system.

Note 8. Additional expenses you may incur before opening may include food and beverages consumed during training, costs related to job postings, and other miscellaneous pre-opening costs.

Note 9. This range includes the estimated cost of stocking your Restaurant with the required inventory for the first two weeks of operation including meats, produce, ingredients, alcoholic and non-alcoholic beverages, paper supplies, and kitchen and pantry supplies. On an ongoing basis, some items are replenished daily while others are replenished over a much longer period.

Note 10. The cost of uniforms will vary depending on the size of your staff. We will provide you with specifications for uniforms.

Note 11. You must make arrangements for, and pay the expenses of, each individual who attends our initial training program. Such expenses will include transportation, lodging, meals, and wages. The amount of the expense will depend, in part, on the distance you must travel and the type of accommodation you choose. The figures in the chart represent the estimated cost for two individuals to attend our initial training program.

Note 12. This range estimates your approved grand opening advertising and marketing expenses for initial approved promotional activities. This may include discount programs for local government, food bloggers, influencers, etc. It may also include banners, flyers, coupon drops, social media campaign, and PR assistance. You must spend at least $2,500 on approved initial marketing and promotional activities, but may choose to spend more.

Note 13. Utility providers and equipment lessors typically require payment of a security deposit. This range includes the estimated amount of such deposits, which may vary depending on utility provider policies and your credit rating. This range also includes permits and licenses required to develop and operate the Restaurant, including food and liquor-related licenses.

Note 14. This range is for the cost of engaging an attorney, accountant, and other business advisors to assist you in reviewing this disclosure document, the Franchise Agreement, your business plan, and any other contracts or items related to your Franchised Business as well as to assist you in the formation of a legal entity to act as the franchisee. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity.

Note 15. This range includes the down payment on insurance premiums for required coverages before opening and for the first three months of operation of your TABU SHABU™ Restaurant.

Note 16. This range does not include managerial salaries or any payment to you, neither does it take into account finance payments, charges, interest, and related costs you may incur if any portion of the initial investment is financed. These amounts are the minimum recommended levels to cover operating expenses, including your employees' salaries for three months, however, we cannot guarantee that these amounts will be sufficient. Additional working capital may be required if sales are low or fixed costs are high. We relied on TSR's operating experience in compiling these working capital estimates.

Note 17. This range estimates your total initial startup expenses. We relied on TSR's experience in compiling the above chart. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products; the prevailing wage rates; competition; construction costs; requirement to use union labor; availability of skilled labor in the market; accessibility to the site for construction and deliveries; landlord tenant improvement allowance; and the sales level reached during the initial period. Your initial costs may also differ due to numerous variables, including your Restaurant location, local licensing and contracting costs, and your tastes and preferences. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Note 18. This range represents the total estimated initial investment required to open the initial Restaurant you agreed to open and operate under the Development Agreement and does not include any of the costs you will incur in opening any additional Restaurants you agree to develop under your Development Agreement.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure that the quality of the goods and services you offer under our Marks is consistent with those we offer, you must develop and operate the Restaurant under our standards and specifications, like the following that apply to the terms of your lease or other occupancy contract and your insurance requirements.

Franchised Location and Lease

You must acquire a site for your Restaurant that meets our site selection criteria and that we accept. If you occupy the Restaurant according to a commercial lease or other occupancy contract, the lease or contract must contain terms that we specify. (See Lease Addendum attached as Attachment F to the Franchise Agreement).

You must construct, equip, and improve the Restaurant in compliance with our current design standards and trade dress. You must purchase and install, at your expense, all millwork and customized fixtures, furnishings, equipment (including a point-of-sale cash register system), décor, and signs from our approved third party suppliers.

Insurance

You must have or purchase insurance coverage of the types and with the minimum limits that we specify in the franchise Operations Manual. You must obtain and maintain insurance policies protecting you, and us as additional insured, on a primary non-contributory basis, or as a third-party insured, as applicable. The additional insured should be listed on the certificate as follows: Tabu Shabu Holdings, LLC, and its officers, managers, members, partners, shareholders, regional directors, subsidiaries and affiliates, agents and employees; and it must be provided on an Additional Insured Grantor of Franchise Endorsement per form CG2029 (or an endorsement form with comparable wording acceptable to us). The policy must contain a waiver of all subrogation rights against us, our affiliates, and their successors and assigns, and must provide for 30 days' prior written notice to us of any material modifications, cancellations, or expirations. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Restaurant is located and must have an A.M. Best rating of "A" or higher. Each year we may unilaterally modify the insurance minimum coverage requirements which may include an increase to the minimum coverage requirements to reflect changes in inflation or as market conditions warrant.

Currently, the required insurance policies include, at a minimum, the following: (1) Commercial General

Liability Insurance, providing coverage for products liability, completed operations, and hired and non-owned automobile liability insurance with a limit of not less than $1,000,000 per occurrence and $2,000,000 in aggregate; (2) liquor liability/dram shop insurance with a minimum limit of $100,000; (3) Workers Compensation Insurance in such amount as may be required by applicable statute or rule; (4) Employer's Liability Insurance with a limit of not less than $1,000,000; (5) "All Risk" Property Insurance on the Restaurant with replacement costs coverage and business interruption insurance covering our fees, with Tabu Shabu Holdings, LLC named as a loss payee on the policy with respect to those fees; and (6) Builder's All Risk Insurance in connection with the initial construction, facilities remodeling, relocation or any other substantial construction of the Restaurant.

<u>Required Purchases</u>

You must purchase all food and beverage inventory, ingredients, and supplies from designated or approved suppliers. You must also purchase from us or from our designated suppliers any items that bear our Marks.

We also may establish designated or approved suppliers for: (1) fixtures, furniture, equipment, signs, items of décor, and audio/visual systems; (2) food and beverage products and ingredients, whether or not developed by or for us pursuant to a special recipe, formula, or specifications; (3) uniforms, shirts, and all merchandise, private label products, and other items intended for retail sale (whether or not bearing our Marks); (4) advertising, point-of-purchase materials, and other printed promotional materials; (5) gift certificates and stored value cards; (6) stationery, business cards, contracts, and forms; and (7) bags, packaging, and supplies bearing our Marks. In addition to approved suppliers, we may require you to buy your requirements of food, ingredients, beverages, and supplies from approved or designated third party distributors. Information concerning approved and designated suppliers will be communicated to you via the Manuals.

Neither we, TSR, nor any affiliate of ours are currently approved suppliers, however we, TSR, or any other affiliate, may, in the future, become approved suppliers or the only approved supplier for products or services described above. None of our officers currently own an interest in any approved or designated supplier.

<u>Computer System</u>

Before you open the franchised outlet you must purchase a computer system, with all required hardware and software that meets our standards and specifications.

<u>Supplier Approval</u>

We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards, and restrictions on your purchase of products and services. Upon request, we will furnish to you an approved list of suppliers which we may update periodically.

We base our specifications and product and supplier approvals on discretionary determination of quality, value and appearance. We do not have a formal procedure for supplier approval. If you want to use a supplier we have not designated or approved, you must submit a written request for approval, and we must first approve that supplier in writing. We may require suppliers to provide certain information, sign a non-disclosure agreement, guarantee our level of quality, and produce sufficient samples to allow us to test the sample at your expense. You must submit adequate information to us regarding that supplier, including samples, where appropriate, so that we may determine whether that supplier's goods or supplies are appropriate, in our judgment, for use in the TABU SHABU™ System. We may inspect and evaluate the supplier's facilities and products before we approve or disapprove your proposed supplier, and you must pay all of our reasonable costs and expenses incurred in doing so. We make our specifications and quality control standards available to you, and we will not unreasonably withhold our approval. We typically give our decision within ten business days. You may not use a supplier before you receive our written approval. A supplier must continually adhere to our standards and specifications to maintain its approval. We may revoke our approval of a supplier, in our sole discretion, at any time. We do not have a formal procedure for revocation of supplier approval, but will do so in writing stating our reasons for revocation.

Our Specifications and Standards

To maintain uniform standards of quality, appearance, and marketing, it is essential that you conform to our standards and specifications. Therefore, you must conform all leases, fixtures, goods, services, inventory, equipment, software, advertising, marketing, trademark usage, trade dress, and materials required for the operation of the franchised business, to our standards and specifications.

Revenues on Purchases or Leases

We may derive revenue from your purchases from approved or designated suppliers. As of the end of our respective fiscal year ending December 31, 2023, neither we nor our affiliate TSR have derived revenue from franchisee purchases or leases.

Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that your initial expenditures from us and our approved and designated suppliers will be between 85% to 95% of your total initial purchases. During the operation of the franchised business, required purchases or leases from us, or our approved and designated suppliers are estimated to total between 75% to 90% of total ongoing purchases.

Description of Purchasing Cooperatives; Purchasing Arrangements

We reserve the right to establish franchisee purchasing or distribution cooperatives. Currently, our affiliate Restaurants have joined an existing purchasing cooperative for the purchase of food products and you will be required to participate in the same.

We do intend to negotiate purchase arrangements with suppliers for the TABU SHABU™ System.

We do not provide material benefits to franchisees based on your use of approved or designated suppliers or your purchase of particular products and services.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

FRANCHISEE'S OBLIGATIONS

Obligation	Section in Franchise Agreement and Development Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Franchise Agreement: Sections 1.2 and 3.1-3.5 and Section 1 Development Agreement: Attachment A	Items 7, 11 and 12
b. Pre-opening purchase/leases	Franchise Agreement: Sections 3.1-3.5	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Franchise Agreement: Sections 3.1-3.5 Development Agreement: Section 1 and Attachment A	Items 7 and 11
d. Initial and ongoing training	Franchise Agreement: Sections 5.1-5.6	Items 11 and 15

Obligation	Section in Franchise Agreement and Development Agreement	Item in Disclosure Document
e. Opening	Franchise Agreement: Section 3.6 Development Agreement: Attachment A	Item 11
f. Fees	Franchise Agreement: Sections 4.1-4.3, 4.7 and 4.8 Development Agreement: Section 2	Items 5 and 6
g. Compliance with standards and policies/operating manual	Franchise Agreement: Sections 1.1, 7.1, 7.2 and 11	Items 8, 11 and 16
h. Trademarks and proprietary information	Franchise Agreement: Sections 6.1-6.7	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement: Section 11.3	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Franchise Agreement: Not Applicable Development Agreement: Section 1 and Attachment A	Items 1 and 12
l. Ongoing product/service purchases	Franchise Agreement: Sections 3.7, 7.2 and 11.3	Item 8
m. Maintenance, appearance, and remodeling requirements	Franchise Agreement: Section 11.4	Item 17
n. Insurance	Franchise Agreement: Sections 3.5 and 12	Items 7 and 8
o. Advertising	Franchise Agreement: Section 9	Items 7 and 11
p. Indemnification	Franchise Agreement: Section 17.2	Item 6
q. Owner's participation/ management/staffing	Franchise Agreement: Sections 11.5 and 11.6	Item 15
r. Records and reports	Franchise Agreement: Section 10	Item 17
s. Inspections and audits	Franchise Agreement: Section 10.8	Item 17
t. Transfer	Franchise Agreement: Section 16 Development Agreement: Section 8	Item 17
u. Renewal	Franchise Agreement: Section 2	Item 17
v. Post-termination obligations	Franchise Agreement: Section 15 Development Agreement: Sections 12 and 13	Item 17
w. Non-competition covenants	Franchise Agreement: Sections 13 and 15, and Attachment D-2	Items 15 and 17
x. Dispute resolution	Franchise Agreement: Section 20 Development Agreement: Sections 12, 13 and 15	Item 17
y. Guaranty	Franchise Agreement: Section 19 and Attachment D-1	Item 15

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guaranty your note, lease or obligation.

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

Except as disclosed below, Tabu Shabu Holdings, LLC is not required to provide you with any assistance.

Pre-opening Obligations.

Before you open the Restaurant for business, we will:

1. Identify your Site Selection Area and, once you have selected and we have accepted the location for your Restaurant, identify your Designated Area. (Franchise Agreement, Sections 1.2 and 3.2)

2. Approve or disapprove your proposed location within 30 days of receiving all requested information. (Franchise Agreement, Section 3.3)

3. Admit all of your owners, including your Designated Principal, and your Restaurant manager to our initial training program, described below. (Franchise Agreement, Section 5.1)

4. If this is your first Restaurant, provide you with up to five days of on-site opening assistance in connection with the opening of the Restaurant. If this is your second or subsequent Restaurant, provide up to two days of on-site opening assistance in connection with the opening of your Restaurant. (Franchise Agreement, Section 5.2)

5. Provide such pre-opening consultation and advice as we deem appropriate, which may include advice with regard to the development and operation of the Restaurant, building layout, furnishings, fixtures, and equipment, sample plans and specifications, training, purchasing and inventory control, and such other matters as we deem appropriate. (Franchise Agreement, Section 5.3)

6. Loan you a copy of our operations manual for franchisees and all related manuals, to which we may periodically make updates and modifications. (Franchise Agreement, Section 7.1). The table of contents of this manual is attached as Exhibit F to this disclosure document. The operations manual currently contains a total of 45 pages.

Continuing Obligations.

During the operation of your Restaurant we will:

1. Provide such continuing advice and guidance as is reasonably required by our judgment, including consultation and advice regarding new service and product development, instruction concerning the operation and management of TABU SHABU™ Restaurants, advertising and marketing advice, and financial and accounting advice. (Franchise Agreement, Section 5.7)

2. Communicate to you information about our approved and designated suppliers, and as we develop new products and services we will provide you provide you with information about such developments to the System. (Franchise Agreement, Section 11.3)

Advertising

Our advertising program for the products and services offered by TABU SHABU™ Restaurants currently consists of online advertising in certain targeted markets, as well as dissemination of promotional materials through networking at the local and regional level. Our advertising materials currently are created in-house.

You will have access to all of our marketing and advertising templates. You may develop your own advertising and marketing materials, at your own expense, subject to the requirements described below.

We must approve all of your promotional and marketing materials before you use them. To obtain approval, you must submit to us samples of the proposed materials and notify us of the intended media. We will use good faith efforts to approve or disapprove your materials within five days from the date we receive them. You may not use the materials until they are expressly approved by us, and we have the right to disapprove materials that we have previously approved. Approval, if granted, will remain in effect until you receive notice from us to discontinue further use. We must also approve all of your promotional and marketing programs, events, and all other related activities before their implementation. To obtain approval, you must submit a detailed outline of all proposed promotional and marketing activities, as well as all other information we may reasonably request. Once we have received the requested information we will use good faith efforts to approve or disapprove your proposed promotional activities within five days.

Grand Opening Marketing

You must spend at least $2,500 to promote your Restaurant's grand opening. We anticipate that this amount will be spent during the period beginning one month before the Restaurant opens through your soft opening and first month in operation, and will include such activities as direct mail coupons, local print marketing, and social media optimizing. We will assist you in customizing a marketing and promotional strategy for the launch of your Restaurant and all expenditure amounts related to the launch must be approved by us in advance. We may request that you provide us with proof of expenditures. This grand opening expenditure amount is in addition to the local advertising requirement.

Local Advertising

You must spend at least $1,500 per quarter on Local Advertising for your Restaurant. All local advertising and promotion by you must be conducted in the media, type and format that we previously approve, must be conducted in a dignified manner, and must conform to the standards and requirements described in the Manuals or otherwise in writing. At our request, you must furnish to us, within 30 days after request, any evidence we may reasonably require concerning the nature and amount of your expenditures for local advertising.

Marketing Fee

We impose and collect a Marketing Fee of up to 2% of Gross Sales which compensates us for certain marketing and promotional activities such as the creation and production of promotional materials, third party marketing supplier expenses, or supporting in-house marketing efforts, including salary expenses. Currently, we charge only 1% of Gross Sales as the Marketing Fee, and we will not increase this amount until there are at least 10 TABU SHABU™ Restaurants open and operating. While we have no contractual obligation to do so, it is our intent to spend Marketing Fee monies, or an equivalent amount, on regional and national brand development. We do not guarantee that you will benefit from the Marketing Fee in proportion to your Marketing Fee payments. Marketing Fee payments are not contributions to a fund.

Marketing Fee monies will not be held in a trust or escrow account, nor do we have any contractual obligation to account for Marketing Fee monies separately, and we will not have any fiduciary obligations to you with respect to the Marketing Fee. We will determine the use of the Marketing Fee monies. If Marketing Fee monies are not spent in the fiscal year in which they accrue then, as these amounts are general operating funds, we may spend such monies as we deem appropriate. We will not be required to spend any particular amount on marketing, advertising, or promotion in your Restaurant's market area, nor any pro rata amount based upon your Marketing Fee payment.

Advertising Cooperatives and Councils

We may, in our discretion, elect to form an advertising cooperative and/or advertising council for the benefit of the franchise system. If advertising cooperatives or councils are formed, we will retain the right to change, dissolve or merge any such cooperative or council, and to create and amend any organizational and governing documents of any cooperative or council, in our sole discretion. We have the right to establish the rate of a cooperative's contributions, provided, however, that a franchisee's contributions to a cooperative will be credit toward their local advertising expenditure requirement. If we elect not to determine the rate, a rate will be determined by a vote of the cooperative. Company, or affiliate, owned restaurants are not required to contribute to a cooperative. You must submit to the cooperative and to us all statements and reports that we, or the cooperative, may require. Cooperative contributions will be maintained and administered under the cooperative's governing documents. Governing documents will be available to franchisees. The Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions.

As of the date of this disclosure document we have not established any advertising cooperative or council, however, when applicable, the terms of the Franchise Agreement require you to participate in any such advertising cooperative or council as directed by us.

Site Selection and Opening

When you sign the Franchise Agreement, we will agree on a non-exclusive "Site Selection Area" within which you must locate the Restaurant. Once you have identified an accepted location, we will agree on a "Designated Area." You must acquire an acceptable site for the Restaurant by no later than the Control Date identified in the Franchise Agreement (which will be no more than six months after the date you sign the Franchise Agreement). If you fail to acquire an acceptable site by the date that we mutually agree on before you sign the Franchise Agreement ("Control Date") we may terminate the Franchise Agreement. For each proposed site that you identify, you must deliver to us a franchise site application in a form that we prescribe, including information about the site as we may reasonably request to perform our evaluation. We will accept or refuse to accept your proposed site within 30 days of receiving all requested information about the site. The criteria that we use to evaluate the site include general location, neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.

Once we have accepted a site for your Restaurant, we will mutually agree on an Opening Date, which will be no later than six months after site acceptance. If you fail to open the Restaurant by the Opening Date, we can terminate the Franchise Agreement.

We expect that most franchises will open for business within approximately eight months from the date the Franchise Agreement is signed. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a location which we will accept; to obtain any financing you need; to obtain required licenses, permits, and governmental agency approvals; to fulfill local ordinance requirements; to complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; and to complete our initial training program and to complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor, slow deliveries, equipment shortages and similar factors.

If we grant you the right to open and operate multiple Restaurants under a Development Agreement, you may not enter into your Franchise Agreement for each Restaurant to be developed under your Development Schedule until you have found a site for that Restaurant that we accept. If you fail to open each Restaurant by the Opening Date set forth in the Development Schedule, we may terminate the Development Agreement.

Training

Initial Training Program

Before opening the franchised business, we will provide training to your owners and your Restaurant's General Manager. All attendees must successfully complete the initial training to our reasonable satisfaction. The cost of the initial training program is included in the initial franchise fee but you will be responsible for all travel, meal and lodging related expenses incurred by you and your trainees during the initial training.

Our seven to nine day initial training program is held on an as needed basis and is directed and conducted primarily by our training manager. Approximately 30 of this training program is conducted in the classroom while the remainder is on-site Restaurant training. Each of our restaurant managers has a minimum of 10 years' experience in the food service industry. Other instructors include Jeff Chon, our CEO and founder, Christian Fernandez, our VP Franchise Development, and Sol An, our VP Franchise Sales and Real Estate. Jeff has been with us since our inception and has 16 years experience in restaurant operations and menu development. Christian has been with us since our inception and has seven years experience in the restaurant industry and 15 years in fire and life safety. Sol has also been with us since our inception and has six years experience in the restaurant industry and another 10 years in real estate development and design.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation / Mission Statement	4	0	Our headquarters in Costa Mesa, California
Food Preparation	6	16	Our headquarters in Costa Mesa, California and training Restaurant located near our headquarters
Ordering and Inventory	4	8	Our headquarters in Costa Mesa, California and training Restaurant located near our headquarters
Standards Training and Health, Safety, Sanitation	4	8	Our headquarters in Costa Mesa, California and training Restaurant located near our headquarters
Marketing	4	4	Our headquarters in Costa Mesa, California and training Restaurant located near our headquarters
POS Reporting and Business Mgmt	4	4	Our headquarters in Costa Mesa, California and training Restaurant located near our headquarters
Quality Control & Guest Satisfaction	4	6	Our headquarters in Costa Mesa, California and training Restaurant located near our headquarters
Totals	30 hours	46 hours	

The instructional materials for the initial training program consist namely of our operations manual but may include other supplementary materials.

Additional Assistance

We may provide additional optional start-up assistance or retraining or refresher courses that you request and we agree to provide or that we require at a cost to you based on our then current daily fee for our personnel performing such assistance, plus other reasonable expenses, including all travel, lodging, and dining costs. We may require additional training if you are in default or if you fail to pass certain inspections.

Additional Training

We have the right to charge for additional training provided, including: (i) initial training provided to persons repeating or replacing a person who did not pass initial training; (ii) initial training for subsequent trainees; and (iii) periodic additional training we may provide or require, including our annual convention. Required additional training may be applicable in cases of default and/or failure to pass inspections. You are responsible for the travel, lodging, and dining costs, wages, and other expenses incurred by your trainees as well as any tuition we may set.

Computer Hardware and Software

You must purchase, install, maintain, and use the computer hardware, software, on-line services, and communication links that we specify periodically.

You must purchase and use our designated POS system at each TABU SHABU™ Restaurant, including two front-of-house terminals, and a back of house PC that is equipped with high speed Internet access and a combination printer/scanner/copier. We estimate the cost to purchase the required hardware and software will range between $5,000 and $20,000, plus an on-going license fee payable to the POS system provider, currently set at $250 to $500 per month. You must also establish systems for purchasing and inventory control, and for books, records and accounts of the franchised business. You must maintain and update these systems in accordance with the requirements that we, or the vendor, may periodically prescribe. You must also participate in and engage our service providers for our loyalty program, gift cards, and remove access. Currently the fees for these service providers totals $120 per month.

You must, at your expense, maintain, upgrade and update all hardware, software, and ISP or other POS communications systems during the term of the franchise, as we periodically determine. We estimate that the cost of these required maintenance and upgrades will not exceed $1,000 annually. You must install any other hardware or software for the operation of the Restaurant that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. There is no contractual limitation on the frequency or cost of these obligations. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by TABU SHABU™ Restaurants. We will establish reasonable deadlines for implementation of any changes to our computer system requirements. We do not currently require that you enter into any maintenance, updating, upgrading, or support contracts for your computer systems, but we may recommend that you do so. The vendor or supplier of the hardware components would typically provide such ongoing maintenance, updating, upgrading, or support services, the cost of which varies by vendor.

We will have, or you must grant us, unrestricted access to your computer systems and software. There are no contractual limitations on our right to access, collect, and use the data and information relating to your Restaurant. You must permit us to independently download and transfer data via any connection we designate and must not, at any time, restrict our access to your computer systems. There are no contractual limitations on our right to access, collect, and use the data stored in your computer system.

ITEM 12
TERRITORY

Franchise Agreement

You will operate the TABU SHABU™ Restaurant at a location that we have approved, and may relocate the Restaurant only with our prior written consent.

When the Restaurant location is identified, we will mutually agree on a "Designated Area," which will also be identified in Attachment B to the Franchise Agreement. Your Designated Area will be described in terms of identifiable boundaries, such as streets, county lines, rivers, etc., clearly noted on a map included in Attachment B.

During the franchise term, and so long as you are in compliance with the terms of your Franchise Agreement, we will not own or operate, or grant anyone else the right to operate, a Restaurant under the trademark TABU SHABU™ within the Designated Area. Excepted out from the Designated Area will be venues within the Designated Area that we consider "Closed Markets." These include any facility serving a captive market, including hotels, resorts, shopping malls (defined as enclosed or open retail centers with gross leasable area in excess of 350,000 square feet), airports, public facilities, college and school campuses, military bases, and any other mass gathering events or locations, and facilities of any kind for which restaurants are, or may reasonably be anticipated to be, contracted to a third party or parties. You will not receive an exclusive territory. The territory is not exclusive. You may face competition from other franchisees, from franchisor owned outlets or from other channels of distribution or competitive brands franchisor controls. Franchisee can only solicit or accept orders from their Restaurant location, unless otherwise approved by us.

We reserve to ourselves all other rights, including the right: (a) to own and operate and to grant others the right to own and operate Restaurants outside the Designated Area, regardless of their proximity to the Designated Area; (b) to own and operate and grant others the right to own and operate TABU SHABU™ Restaurants, and license the use of the Marks and System, in "Closed Markets" within and outside the Designated Area; and (c) the right to distribute products and services identified by the Marks, such as TABU SHABU™ branded beverages and food products, clothing, souvenirs, and novelty items, through alternative channels of distribution including mail order, catalog sales, department stores, retail stores, supermarkets, and/or Internet sales. We are not required to compensate you if we exercise any of the rights specified above inside your Designated Area.

Nothing in the Franchise Agreement prohibits us from (a) owning, acquiring, establishing, operating, or granting franchise rights for one or more other businesses under a different trademark or service mark (*i.e.*, a mark other than TABU SHABU), whether or not the business is the same as or competitive with TABU SHABU™ Restaurants; or (b) owning, operating, or franchising one or more businesses offering products or services other than those provided at TABU SHABU™ Restaurants under the name TABU SHABU™ or some derivative of the Marks. We are not required to compensate you if we exercise any of the rights specified above inside your Designated Area.

We do not grant any rights of first refusal to obtain additional franchise rights. If you wish to develop additional Restaurants you must enter into a new Franchise Agreement and meet all our then-current requirements for franchisees.

Development Agreement

If you enter into a Development Agreement, you have the right to search for a location for each of the Restaurants you develop under a Development Agreement in any geographic area within the United States we have not contractually granted to another, and in which we are authorized to sell franchises at the time you execute the Development Agreement ("Development Area"). As a result, your territorial rights are non-exclusive. You do not receive an exclusive territory under your Development Agreement. You may face competition from other franchisees, from outlets that we control, or from other channels of distribution or competitive brands that we control.

Once you have secured a site for a given Restaurant to be developed per your Development Agreement, we will grant you a Designated Area around that Restaurant as described above.

We reserve to ourselves all other rights, including the right: (a) to own and operate and grant others the right to own and operate TABU SHABU® Restaurants, and license the use of the Marks and System, in "Closed Markets" within the Development Area; and (b) the right to distribute products and services identified by the Marks through alternative channels of distribution including retail stores, supermarkets, and/or Internet sales. We are not required to compensate you if we exercise any of the rights specified above inside your Development Area.

Other than the rights granted under our Development Agreement, we do not grant you any other option or rights of first refusal to acquire additional development areas.

Development Schedule

Your Development Schedule will depend on the number of units you acquire the rights to develop in your Development Agreement. If you enter into an agreement granting you the rights to develop three units, your Development Schedule will be as follows:

Expiration of Development Period (each, a "Development Period")	**No. of New Restaurants Opened Within Development Period**	**Cumulative No. of Restaurants that Must Be Open and Operating**
1 Year from Effective Date	1	1
Beginning of Year 1 through End of Year 2 of the Development Agreement	1	2
Beginning of Year 4 through End of Year 3 of the Development Agreement	1	3

ITEM 13
TRADEMARKS

Our affiliate, TSR, owns and has filed the following trademark applications for registration on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	**Registration Number**	**Registration Date**
TABU SHABU (standard characters)	5,175,928	April 4, 2017
TABU SHABU (logo design)	5,175,935	April 4, 2017

TSR owns and has granted us the right to use the "TABU SHABU" trademark and family of marks ("Marks") in connection with the franchising of TABU SHABU™ Restaurants. Our agreement with TSR, dated April 4, 2017, is perpetual unless otherwise terminated by mutual agreement, by TSR on account of our material breach, if we dissolve the franchisor entity, or if we become insolvent, file for bankruptcy, or are a party to a merger, consolidation, or conversion where TSR is not the surviving entity. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to you.

No agreements limit our right to use or license the use of our trademarks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the Trademark administrator of this state or any court. There is no pending infringement, opposition, or cancellation proceeding and there is no pending material litigation involving the trademarks that may be relevant to their use in this state or in any other state.

You must use the Marks in full compliance with the provisions of the Franchise Agreement and according to the rules we periodically prescribe. You may not use any Mark, or any part of any Mark, as a part of your corporate name. Nor may you use any Mark with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than the logos we license to you). You may not use the Marks in connection with the offer or sale of any unauthorized products or services or in any other manner not explicitly authorized in writing by us.

You may not use the Marks, any recognizable portion of the Marks, or any of the Copyrighted Works on the Internet, in any electronic or digital form, or on or through any electronic or digital medium, unless expressly permitted by us in writing. Also, you may not establish or maintain any recognizable portion of the Marks, or terms that may suggest an affiliation with us, for use or display as all or part of an e-mail address, Internet domain name, uniform resource locator ("URL"), or meta-tag, or in connection with any Internet home page, web site, or any other Internet-related activity without our express written consent, and then only in accordance with our procedures, standards, and specifications. This prohibition also includes the use or registration of the Marks, or any derivative of the Marks, as a part of any user name, account, or in any other way that may suggest an affiliation with us or the franchise system, on any gaming, blogging, user review, video sharing, or social networking website, or as part of any unauthorized email address.

If there is any infringement of, or challenge to, your use of any name, mark, or symbol, you must immediately notify us, and we may take any action that we deem appropriate, in our sole discretion. The Franchise Agreement does not require us to take affirmative action if notified of the claim. We have the right, but no contractual obligation, to initiate, direct, defend you against, and control any litigation or administrative proceeding relating to the Marks, including, but not limited to, any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You must execute all documents and render any other assistance we or may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Marks.

We have the right, upon reasonable notice, to change, discontinue, or substitute any of the Marks and to adopt new Marks for use with the System without any liability to you. You must implement any of these changes at your own expense within the time we reasonably specify.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or registered copyrights material to the franchise. However, we claim copyright protection in the Manual, the design elements of our marks, our product packaging, advertising and promotional materials, and the content and design of our website (the "Copyrighted Works").

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We have no obligation to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the copyrights. You may not use any of our Copyrighted Works on the Internet without our written permission. This includes display of the Copyrighted Works on commercial websites, gaming websites, and social networking websites.

You and your employees must maintain the confidentiality of all information contained in the Manuals and other information that we consider confidential, proprietary, or trade secret information. Confidential Information means all trade secrets, and other elements of the System; all customer information; all information contained in the Manuals; and standards and specifications for services and products offered; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Restaurant which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, any training we provide, and all other information that we designate (collectively, "Confidential Information"). You must implement any reasonable procedures we may adopt to protect our Confidential Information including restrictions on disclosures to your employees and requiring employees who will have access to our Confidential Information to sign employment agreements containing non-disclosure and non-competition provisions.

You may not contest our exclusive ownership of the copyrights, trade secrets, processes, methods, procedures, formulae, techniques and other proprietary information to which we claim exclusive rights.

If you or your employees or owners develop any new concept, process or improvement in the operation or promotion of your Restaurant, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your owners agree that any of these concepts, processes, or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

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

You or an owner of yours acceptable to us who owns at least a 10% ownership interest, and who has successfully completed the initial training program to our satisfaction, will be the Designated Principal and must actively oversee the franchised business operations. Each TABU SHABU™ Restaurant must employ a full-time general manager who has also successfully completed our initial training program to our satisfaction and who is responsible for the oversight of operations your TABU SHABU™ Restaurant. Your Designated Principal may, but is not required to, also act as your general manager. We will have the right to rely on your Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

The general manager may not engage in any other business or activity that requires substantial management responsibility or time commitment. If your general manager ceases to serve in, or no longer qualifies for, the position, you must designate a new general manager within 30 days. Each replacement general manager must successfully complete our initial training program before assuming responsibility.

If the franchisee is a business entity, each owner identified in Attachment C to the Franchise Agreement must sign a Personal Guaranty and Undertaking substantially in the form attached as Attachment D-1 to the Franchise Agreement. An owner's spouse is not required to sign a personal guaranty. Any individual who attends our initial training program, including your general manager, must sign a confidentiality and non-competition agreement substantially in the form attached as Attachment D-2 to the Franchise Agreement.

The term "owner" means each individual or entity holding a direct or indirect beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust, as well as each of their owners, if any.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Except as described below, you must offer and sell all products and services that we require, and only the products and services that we have approved. We may add, eliminate and change products and service items periodically, and you must comply with all directives (which may require purchasing and installing additional equipment). There are no limits on our right to make changes. We may, on occasion, require you to test market products and/or services at your Restaurant. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations that we establish.

All sales must be for retail consumption only and you may not engage in wholesale or e-commerce sales of any kind nor are you permitted to offer products or services through any channels of distribution without our prior written consent. We have the right to establish maximum, minimum or other retail pricing requirements to the extent permitted by law.

You may not operate any co-branding marketing system without our prior written consent, which may be withheld in our sole discretion. No vending, gaming machines, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Restaurant.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise agreement, development agreement, and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the franchise agreement attached to this disclosure document.

Franchise Agreement

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	10 years
b. Renewal or extension of the term	Section 2.2	We may, at our option, grant you two renewal terms of 5 years each.
c. Requirements for franchisee to renew or extend	Section 2.2	You are not in default under any terms of any agreements with us; you have substantially complied with all of the Franchise Agreement's (or first renewal franchise agreement, if applicable), provisions during that entire agreement's term; you have brought the Restaurant into compliance with our current standards; you remain in possession or you secure substitute premises; you meet our then-current qualifications; you have given timely notice of renewal to us; you have satisfied all monetary obligations owed to us, our affiliates, and your suppliers; you have signed our then-current form of franchise agreement (which may be materially different that the form attached to this disclosure document); you have met our then-current training requirements; and you and your guarantors have signed an agreement containing general release language as provided by us. You must give us notice of your intent to renew between nine and 12 months before the Franchise Agreement, or the first renewal franchise agreement (if applicable), expires. The Franchise Agreement also contains a hold over provision which states if the Franchise Agreement expires and you continue to operate the Restaurant after expiration, we may, at our option, declare you to be holding over, and the Royalty and Marketing Fee during any hold over period will be 150% of the applicable fee due under the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 14.1 and 14.2	We can terminate only if you default.
g. "Cause" defined—curable defaults	Section 14.2	You fail or refuse to make payments due us or to comply with your Grand Opening expenditure obligations and do not cure such defaults within 10 business days, or you otherwise fail to comply the Franchise Agreement and do not cure within 30 days
h. "Cause" defined—non-curable defaults	Section 14.1	We may terminate without opportunity to cure if you commit any of the following defaults: failure to find suitable location or open the Restaurant within the specified period of time; failure to complete training; making a material misrepresentation or omission in application for the franchise; conviction or plea of no contest to a felony or other crime or offense that can adversely affect your reputation or the reputation of the System or Restaurant; misuse of the Manual; abandonment of business for two business days in any 12-month period; failure to relocate; surrender of control of business; submission of reports understating Royalty Fees by more than 2%; submission of reports late on two occasions in any 12-month period; violation of any health, safety or sanitation law or operation in a manner that presents a health or safety hazard; failure to pass two or more quality assurance inspections during any 12-month period; your receipt of three or more notices of default, regardless of whether cured, during any 12-month period; your offer of any unauthorized products or services from the Restaurant; your bankruptcy; your misuse of Marks; your attempt to unilaterally terminate the Franchise Agreement.
i. Franchisee's obligations on termination/non-renewal	Section 15	Obligations include: stop operation of the Restaurant; sell the Restaurant's assets and/or interest in premises to us if we exercise our purchase option; assign or sublease premises to us (or on our behalf) if we elect not to purchase the Restaurant premises; stop using the Marks; stop identifying yourself as a current or former franchisee of ours (except if you continue to own and operate another Restaurant); assign any assumed names to us; de-identify the premises from any confusingly similar decoration, design or other

Provision	Section in Franchise Agreement	Summary
		imitation of a TABU SHABU™ restaurant (including removing decorations, fixtures and equipment that we specify); pay all amounts owed to us and all damages and costs incurred by us in enforcing the termination provisions; pay liquidated damages to us for remaining term if you terminate without cause or we terminate for valid cause; return all manuals and other confidential information to us; return all signs to us; notify directories (web-based and print) of your lost rights to listings; transfer listing as we direct; and comply with the covenants not to compete (see (r) below).
j. Assignment of contract by franchisor	Section 16	No restriction on our right to assign our interest.
k. "Transfer" by franchisee—defined	Section 16.2	Includes transfer of assets, contract and all rights under the contract, or change of ownership.
l. Franchisor approval of transfer by franchisee	Section 16.2	We have the right to approve transfers, but we will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 16.2	For a transfer to a third party, you must request our consent in writing; deliver copy of the proposed transfer agreement; transferee must meet our qualifications, successfully complete the training program and sign the then-current form of Franchise Agreement; refurbish the Restaurant premises at our request; your landlord must allow you to assign or sublease to transferee; we determine that purchase price and payment terms will not adversely affect transferee's operation of the Restaurant; you or your owners subordinate all of transferee's obligations to you; you pay the transfer fee and all sums owed to us or our affiliate; all owners execute personal guaranties; and you and your owners and guarantors sign a release.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 16.2	We have the right of first refusal to purchase your Restaurant if you or your owners receive and consider a formal, valid, written offer to purchase.
o. Franchisor's option to purchase franchisee's business	Section 15.10	Upon termination or expiration of Franchise Agreement, we have the right to purchase the premises at fair market value and the Restaurant assets at forced liquidation value (excluding any value for leasehold improvements or fixtures belonging to landlord under your lease, franchise rights, goodwill associated with Marks or franchise network, and assets not reasonably necessary to the operation of the Restaurant) by

Provision	Section in Franchise Agreement	Summary
		providing you notice within 30 days after expiration or termination of the Franchise Agreement.
p. Death or disability of franchisee	Sections 14.4 and 16.2	Your heirs, beneficiaries, devisees or legal representative can apply to us to continue operation of the Restaurant, or sell or otherwise transfer interest in the Restaurant, within 90 days after death or incapacity. If they fail to do so, the Franchise Agreement will terminate and we will have the option to buy the Restaurant.
q. Non-competition covenants during the term of the franchise	Section 13.3	You must not divert or attempt to divert any business or customer to a competitor or perform any act which may harm the goodwill associated with the Marks and the System; employ or seek to employ without our consent any person then employed, or who was employed within the preceding one-year period, by us or another franchisee of ours or otherwise cause that person to leave his or her employ; or own, perform services for, or otherwise have any interest in a competing business.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.4	You may not hire our or our affiliate's employees; own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a competing business for two years after the Franchise Agreement is terminated within the Designated Area, within a 10-mile radius of the Restaurant, or within a 15-mile radius of any other business using the System.
s. Modification of the agreement	Section 21.2	The Franchise Agreement can be modified only by written agreement between the parties. We can modify or change the System through changes in the Manual.
t. Integration/merger clause	Section 21.1	Only the provisions of the Franchise Agreement and other related written agreements are binding (subject to state law), Any other representations or promises made outside of the Franchise Agreement and the disclosure document may not be enforceable. Nothing in the Franchise Agreement or any other related written agreement is intended to disclaim representations made in the disclosure document.
u. Dispute resolution by arbitration or mediation	Section 20	Claims, controversies, or disputes from or relating to the Franchise Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to your nonpayment or based on our Marks or Confidential Information.

Provision	Section in Franchise Agreement	Summary
		If the claims, controversies, or disputes are not resolved in mediation, they must be submitted for arbitration. These provisions are subject to state law.
v. Choice of forum	Sections 20.1 – 20.2	Mediation and arbitration will take place in the city where our principal business office is located, currently Costa Mesa, California, at the time mediation and/or arbitration occurs. Venue for injunctive or collection proceedings will be in any court of competent jurisdiction (subject to applicable state law). See the State Specific Addenda attached to this disclosure document. These provisions are subject to state law
w. Choice of law	Section 20.3	The law of California, unless the law of the State in which you reside will render a provision unenforceable under California law enforceable under your State law; subject to state law.

<u>Development Agreement</u>

Provision	Section in Development Agreement	Summary
a. Length of the franchise term	Section 6.1	The term begins on the effective date and ends on the earlier of the date you open the last Restaurant you are required to open under your Development Schedule or the expiration of your Development Schedule.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 6.2	We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g. "Cause" defined – curable defaults	Section 6.2	We may terminate the Development Agreement if you fail to meet your development obligations under the Development Agreement during the Development Period (including any monetary default) and you fail to cure such default within 30 days of receiving notice.

Provision	Section in Development Agreement	Summary
h. “Cause” defined – non-curable defaults	Section 6.2	We may terminate the Development Agreement if you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for 12 consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Restaurants; you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against the you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit or creditors or a receiver is appointed by you; and any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i. Developer’s obligations on termination/ nonrenewal	Not Applicable	Not Applicable
j. Assignment of contract by franchisor	Section 8	We have the right to transfer or assign the Development Agreement and all or any part of our rights, duties or obligations to any person or legal entity without your consent.
k. “Transfer” by developer – definition	Section 8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l. Developer’s approval of transfer by developer	Section 8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m. Conditions for franchisor’s approval of transfer	Not Applicable	Not Applicable
n. Franchisor’s right of first refusal to acquire developer’s business	Not Applicable	Not Applicable
o. Franchisor’s option to purchase developer’s business	Not Applicable	Not Applicable
p. Death or disability of developer	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.

Provision	Section in Development Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
s. Modification of the agreement	Section 27	Your Development Agreement may not be modified, except by a writing signed by both parties.
t. Integration/merger clause	Section 27	Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Sections 12 and 13	Claims, controversies, or disputes from or relating to the Development Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to your nonpayment or based on our Marks or Confidential Information. If the claims, controversies, or disputes are not resolved in mediation, they must be submitted for arbitration. These provisions are subject to state law.
v. Choice of forum	Section 15	Mediation and arbitration will take place in the city where our principal business office is located, currently Costa Mesa, California, at the time mediation and/or arbitration occurs. Venue for injunctive or collection proceedings will be in any court of competent jurisdiction (subject to applicable state law). See the State Specific Addenda attached to this disclosure document. These provisions are subject to state law.
w. Choice of law	Section 11	The law of California, unless the law of the State in which you reside will render a provision unenforceable under California law enforceable under your State law; subject to state law.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and or franchisor-owned Restaurant, 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 Restaurant 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.

As of January 1, 2023, four affiliate-owned and four franchisee-owned TABU SHABU™ Restaurants were open and operating. The table below discloses certain financial information related to the four affiliate-owned Restaurants and four franchisee-owned Restaurants that have been in operation for at least the full 2023 calendar year.

2023 Gross Sales and Certain Related Expenditure Information

Gross Sales & Certain Expenditures	Costa Mesa (affiliate-owned)	North Park (affiliate-owned)	Carlsbad (affiliate-owned)	Huntington Beach (affiliate-owned)	Orange (franchisee-owned)	Thousand Oaks (franchisee-owned)	San Jose (franchisee-owned)	McKinney (franchisee-owned)
Gross Sales	$1,475,237	$1,244,135	$1,121,245	$475,655	$1,254,763	$909,877	$649,605	$438,292
Cost of Goods Sold	$418,754	$290,253	$311,137	$126,048	N/A	N/A	N/A	N/A
Payroll	$372,334	$386,290	$373,179	$127,237	N/A	N/A	N/A	N/A
Royalty Fees	$0	$0	$0	$0	$62,738	$45,494	$32,480	$21,915
Marketing Fees	$14,752	$12,441	$11,212	$4,756	$12,548	$9,099	$6,496	$4,383
Net Gross Sales	$669,397	$555,151	$425,717	$217,614	N/A	N/A	N/A	N/A

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Note 1. The term "Gross Sales" as used in the above table is each Restaurant's total gross amount of all revenues, excluding only (1) sales tax or other receipts collected and remitted to the proper taxing authorities and (2) authorized coupon or other promotional discounts provided to customers.

Note 2. The affiliate-owned location in Costa Mesa, California opened in April 2012, the affiliate-owned location in North Park, California opened in November 2019, the affiliate-owned location in Carlsbad, California opened in November 2020, and the affiliate-owned joint venture location in Huntington Beach, California opened in January 2016. The franchisee-owned location in Orange, California opened in June 2021, the franchisee-owned location in Thousand Oaks, California opened in December 2019, the franchisee-owned location in San Jose, California opened in May 2021, and the franchisee-owned location in Mckinney, Texas opened in September 2022.

Note 3. The term "Cost of Goods Sold" as used in the above table is each Restaurant's expens for the wholesale cost of items purchased for resale as well as the cost of meat, produce, and all other ingredients needed to create sale items made on-premises, including related shipping and freight costs.

Note 4. The term "Payroll Costs" as used in the above table is each Restaurant's expense for all employee salaries including payroll taxes and any benefits offered to employees.

Note 5. The term "Royalty Fee" as used in the above table is the Royalty Fee accounting for 5% of Gross Sales which franchisees must pay to us under their franchise agreements.

Note 6. The term "Marketing Fee" as used in the above table is the current Marketing Fee accounting for 1% of Gross Sales which franchisees must pay to us under their franchise agreements.

Note 7. The information in this Item 19 is derived from Restaurant point of sale systems and submitted reports, and has not been audited or independently verified.

Written substantiation for the financial performance representations will be made available to you upon reasonable request. Please carefully read all of the information in these financial performance representations, and the notes following the charts, in conjunction with your review of the historical data.

You are strongly advised to perform an independent investigation of this opportunity to determine whether or not the franchise may be profitable and to consult your attorney, accountant, and other professional advisors before entering into any agreement with us. You should conduct an independent investigation of the costs and expenses you will incur in operating a Restaurant.

Other than the information provided above in this Item 19, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Restaurant, however, we may provide you with the actual records of that Restaurant. 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 Jeff Chon at 170 E 17th St #200C, Costa Mesa, California 92627, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	1	3	+2
	2022	3	4	+1
	2023	4	4	0
Company-Owned[1]	2021	4	4	0
	2022	4	4	0
	2023	4	4	0
Total Outlets	2021	5	7	+2
	2022	7	8	+1
	2023	8	8	0

Note 1: These outlets are owned and operated or jointly owned and operated by affiliate-owned licensees.

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

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

Table 3
Status of Franchised Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
California	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Texas	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4

Table 4
Status Of Company Owned Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
Totals	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4

Note 1: These outlets are owned and operated or jointly owned and operated by affiliate-owned licensees.

Table 5
Projected New Franchised Outlets
As of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
California	1	1	0
Texas	0	0	0
Total	1	1	0

Exhibit E lists the names of our current franchisees and the addresses and telephone numbers of their Restaurants. Exhibit E also lists the name, city and state, and business telephone number (of, if unknown, the last known telephone number) of every franchisee who had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

There are no known trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit A to this disclosure document are our audited balance sheets as of December 31, 2023, 2022, and 2021 and the related statements of income, changes in members equity and cash flows for the period then ended.

Our fiscal year ends on December 31.

ITEM 22
CONTRACTS

The following agreements are attached to this disclosure document:

Exhibit B	Franchise Agreement with all Attachments
Exhibit C	Development Agreement with all Attachments
Exhibit D	General Release (Sample Form Only)

ITEM 23
RECEIPT

Two copies of a receipt of this disclosure document appear as Exhibit I. Please return one copy to us and retain the other for your records.

TABU SHABU HOLDINGS, LLC
STATE ADDENDA TO DISCLOSURE DOCUMENT

FOR THE STATE OF CALIFORNIA

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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Financial Protection and Innovation, prior to solicitation of a proposed material modification of your Franchise Agreement and Development Agreement.Item 1 of the Disclosure Document is supplemented by the following:

> The State of California has codified regulations specific to the food service industry. You may refer to California Plan Check Guide for Retail Food Facilities at http://www.ccdeh.com/resources/documents/food-safety-guidelines-1/152-california-plan-check-guide-for-retail-food-facilities-2/file. For further requirements, please see the California Retail Food Code at http://www.cdph.ca.gov/services/Documents/fdbRFC.pdf.
>
> If serving alcohol, mandatory compliance with the California Department of Alcohol Beverage Control laws pertaining to the sale and consumption of alcoholic beverages related to the franchisor's business is required. Franchisee must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.

Item 3 of the Disclosure Document is supplemented by the following:

> Neither the franchisor nor any person identified in Item 2 of the Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A., 78a *et. seq.*, suspending or expelling such persons from membership in such association or exchange.

Item 6 of the Disclosure Document is supplemented by the following:

> With respect to Restaurants operated within the State of California, the following late charge will apply:

Late Charge	Interest of 10% per annum from the date due	Monthly	Payable only on overdue amounts. Interest cannot exceed the maximum allowed by law.

Item 17 of the Disclosure Document is supplemented by the following:

> California Business and Professions Code sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement and Development Agreement contain a provision that is inconsistent with the law, the law will control.
>
> You must sign a release if you renew or transfer your franchise. California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

The Franchise Agreement and Development Agreement each contain covenants not to compete that extend beyond expiration or termination of the agreement. This provision may not be enforceable under California law.

The Franchise Agreement and Development Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

While the earnings claims figures do reflect certain costs of goods sold, they do not reflect all operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy: Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
(d) Violations of any provision of this division.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The indemnification provision in the Franchise Agreement and Development Agreement may not be fully enforceable as to punitive damages under California law.

OUR WEBSITE CAN BE FOUND AT www.tabushabu.com. 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.

EXHIBIT A

FINANCIAL STATEMENTS

TABU SHABU HOLDINGS, LLC

dba TABU SHABU

Go on...Play with your Food

Independent Auditor's Report and
Financial Statements
December 31, 2023 and 2022

SCHILD & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

TABU SHABU HOLDINGS, LLC

CONTENTS

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Tabu Shabu Holdings, LLC

Opinion

We have audited the accompanying financial statements of Tabu Shabu Holdings LLC (a California Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Tabu Shabu Holdings LLC as of December 31, 2023 and 2022, 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 Tabu Shabu Holdings LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tabu Shabu Holdings, LLC'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 Tabu Shabu Holdings LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tabu Shabu Holdings LLC's ability to continue as a going concern for a reasonable period of time.

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

Fountain Valley, California
March 15, 2024

TABU SHABU HOLDINGS, LLC
Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	$ 112,757	$ 160,226
Gift card receivable	12,758	-
Ad fund receivable	14,436	33,533
Total current assets	139,951	193,759
Other assets		
Deposit	1,400	1,400
Deferred commission fees	21,437	22,787
Total other assets	22,837	24,187
TOTAL ASSETS	**$ 162,788**	**$ 217,946**
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accrued expenses	$ -	$ 2,994
Gift card liability	-	1,832
Deferred revenue, current	20,000	20,000
Total current liabilities	20,000	24,826
Long-term liabilities:		
Deferred revenue, non-current	140,791	153,791
SBA EIDL Loan payable	76,500	76,500
Due to affiliate	4,118	6,095
Total long-term liabilities	221,409	236,386
TOTAL LIABILITIES	241,409	261,212
MEMBERS' EQUITY (DEFICIT)	(78,621)	(43,266)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	**$ 162,788**	**$ 217,946**

TABU SHABU HOLDINGS, LLC

Statements of Income
For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUES		
Franchise fees	$ 13,000	$ 10,375
Royalty fees	161,063	138,338
Total Revenues	174,063	148,713
Operating expenses:		
Payroll expenses	50,093	19,910
Advertising and promotion	36,255	13,622
Rent expense	19,500	15,400
Legal and professional fees	15,971	18,751
Computer expense	13,421	-
Automobile	6,550	6,558
Travel and entertainment	5,447	10,323
Office expenses	4,798	3,537
Supplies	3,116	-
Amortization	1,350	563
Taxes and licenses	1,005	249
Consulting expense	-	1,010
Total operating expenses	157,506	89,923
Income from operations	16,557	58,790
Other Income (expenses)		
Interest expense	(6,112)	-
Total other income (expenses)	(6,112)	-
Income before income taxes	10,445	58,790
Provision for Income Taxes	(800)	(800)
NET INCOME	**$ 9,645**	**$ 57,990**

TABU SHABU HOLDINGS, LLC
Statements of Changes in Members' Equity
For the Years Ended December 31, 2023 and 2022

	2023	2022
Members' Equity (Deficit), beginning of year	$ (43,266)	$ (71,256)
Distributions	(45,000)	(30,000)
Net income	9,645	57,990
Members' Equity (Deficit), end of year	**$ (78,621)**	**$ (43,266)**

TABU SHABU HOLDINGS, LLC

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 9,645	$ 57,990
Adjustments to reconcile net income to		
net cash provided by (used for) operations:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Ad fund receivable	19,097	(33,533)
Gift card receivable	(12,758)	-
Deferred commission fees	1,350	(9,937)
Increase (decrease) in:		
Accrued expenses	(2,994)	2,994
Ad fund payable	-	(2,788)
Gift card liability	(1,832)	1,832
Deferred revenue	(13,000)	59,625
Net cash provided by (used in) operating activities	(492)	76,183
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital distributions to members	(45,000)	(30,000)
Repayments on due to affiliate	(1,977)	(34,944)
Net cash provided (used) by financing activities	(46,977)	(64,944)
NET INCREASE (DECREASE) IN CASH	**(47,469)**	**11,239**
CASH - beginning of year	**160,226**	**148,987**
CASH - end of year	**$ 112,757**	**$ 160,226**

SUPPLEMENTAL INFORMATION		
Cash paid for interest	**$ 6,112**	**$ -**
Cash paid for taxes	**$ 800**	**$ 800**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

History and organization – Tabu Shabu Holdings, LLC (TSH) was organized in California on September 28, 2016 and maintains its corporate office in Costa Mesa, CA. The Company was organized for the purpose of franchising upscale casual Japanese style hot pot restaurants with beer and wine. TSH is engaged in the administration, development, operation, and licensing of businesses that operate restaurants offering the sale of Tabu Shabu's franchise services and food products.

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

As of December 31, 2023, there were 4 operating locations franchised by TSH.

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

Franchise operations are regulated by the Federal Trade Commission (FTC). The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. Once registered, the Company will provide franchises with uniform standards and procedures efficient business operations, territorial rights, management training, and a license to use specified names and trademarks. The Company is currently going through the registration process.

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

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2023 and 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Income taxes – The Company has elected to be treated as a Partnership for federal and state income tax purposes. The Company's taxable income or losses, as well as certain other tax attributes, are passed through directly to the Company's members and are reported in each member's individual income tax return. Consequently, the financial statements do not include any provision for federal or state income tax expense.

California Limited Liabilities Companies (LLC's) that are classified as partnerships are subject to a $800 tax for the privilege of doing business in the State. In addition to the annual tax, California imposes an annual fee based on total income from all sources that is reportable to State.

For the years ended December 31, 2023 and 2022, state income tax expense consists of California annual tax of $800.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties and interest as a result of such challenge.

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

Leases – In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of right-of-use lease assets and liabilities on the balance sheet of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for in a manner similar to existing guidance for operating leases (Topic 840). The ASU is effective for fiscal year beginning after December 15, 2021.

The Company made an accounting policy election not to recognize right-of-use lease assets and lease liabilities that arise from short-term leases that have a lease term of 12 months or less. Lease payments are recognized as an expense on a straight-line basis over the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

- ***Franchise fees*** – The Company collects initial franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years. Amounts recognized for franchise fees were $13,000 and $10,375 at December 31, 2023 and 2022, respectively.

- ***Royalties*** – The Company collects royalties from each retail franchise based upon a percentage of restaurant's adjusted gross sales. The Company recognizes royalties as revenue when earned. The Company recognized $161,063 and $138,338 at December 31, 2023 and 2022, respectively.

- ***Deferred costs-Commission Fees*** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2023 and 2022 were $21,437 and $22,787, respectively.

- ***Advertising/Marketing Fund fee*** – The Company bills and collects marketing fund fee from each retail franchise based upon a percentage of restaurant's adjusted gross sales. A liability is recorded for the 3% of marketing fund fee billed to franchisees. The liability is offset when marketing fund expenditures are incurred. The Company had advertising fund receivables of $14,436 and $33,533 at December 31, 2023 and 2022, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

The following table reflects the change in contract liabilities between December 31, 2023 and 2022:

	2023	2022
Balance at beginning of year	$ 173,792	$ 114,167
Revenue recognized during the year	(13,000)	(10,375)
New deferred revenue during the year	-	70,000
Balance at end of year	$ 160,792	$ 173,792

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

Future revenue to be recognized in:	Amount
2024	$ 20,000
2025	20,000
2026	20,000
2027	20,000
2028	20,000
Thereafter	60,792
Total	$ 160,792

NOTE 2 – DUE TO AFFILIATE

From time to time and in the normal course of business, a related party advanced funds to the company for additional working capital. These advances are non-interest bearing and are due on demand. At December 31, 2023 and 2022, due to affiliate totaled $4,118 and $6,095, respectively.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2023 and 2022.

NOTE 4 – GIFT CARD

The Company is the custodian of a checking account that holds gift card account on behalf of all gift cards sold at Tabu Shabu locations. Thus, the gift card account acts as a pass through whereby gift cards sold and redeemed at the store level are credited or debited accordingly. The Company does not sell, redeem, or otherwise interact with gift cards, other than tracking credits and debits to the bank account. The Company therefore will never realize gift cards as income because there was never a transaction taking place between the franchisor and the gift card purchaser. Again, the selling and redeeming of gift cards takes place at the store level and the Company's gift card account acts solely as a pass through whereby individual store locations can pool gift card purchases and redemptions such that gift cards can be redeemed at any location, not just the store where the original gift card was sold. At December 31, 2023 and 2022 gift card receivable/payable totaled $12,758 and ($1,832), respectively.

NOTE 5 – SBA LOAN PAYABLE

On November 25, 2020, the Company applied for and received an Economic Injury Disaster Loan through the U.S. Small Business Administration (SBA) of $12,500. On July 29, 2021, the Company applied for and received an additional $64,000 loan. The term of the note requires 300 monthly payments of $389, including interest at 3.75%, accrued from the date of the loan. Loan repayment was deferred from inception and extended for a total of 30 months.

At December 31, 2023 and 2022, SBA loan payable was $76,500 and $76,500, respectively.

Maturity requirements on the SBA loan payable are as follows:

Year ending December 31,	Amount
2024	$ 1,831
2025	1,900
2026	1,973
2027	2,048
2028	2,126
Thereafter	66,622
	$ 76,500

NOTE 6 – OPERATING LEASE

The Company entered into a lease agreement for its business premises on March 12, 2019 that was renewed on August 3, 2023. This lease is currently on a month-to- month basis and requires a monthly rental of $2,300. The Company is also responsible for paying its share of the utility services used on the premises. Total rent paid under this lease was $19,500 and $15,400 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee of $35,000 for a single franchised restaurant and is non-refundable. Initial franchise fees are generally recognized over the estimated life of the franchise. Services provided by the Company include assistance to establish and operate the franchised business, training, and implementation of a uniform system which has high standards of services, and quality control system.

Under the current standard franchise agreement, each franchisee is required to pay a royalty of 5% of their adjusted gross sales. Each restaurant also contributes 2% of adjusted gross sales to fund marketing fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend the minimum amount specified from time to time on local advertising and promotions.

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

NOTE 7 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through March 15, 2024, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.

TABU SHABU HOLDINGS, LLC

dba TABU SHABU

Go on...Play with your Food

Independent Auditor's Report and
Financial Statements
December 31, 2022 and 2021

SCHILD & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Tabu Shabu Holdings, LLC

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

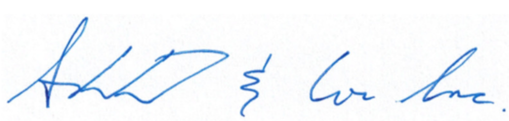
Auditor's Responsibilities for the Audit of the Financial Statements

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 Tabu Shabu Holdings LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tabu Shabu Holdings LLC's ability to continue as a going concern for a reasonable period of time.

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



Fountain Valley, California
April 25, 2023

TABU SHABU HOLDINGS, LLC

CONTENTS

TABU SHABU HOLDINGS, LLC

Balance Sheets
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash	$ 160,226	$ 148,987
Total current assets	160,226	148,987
Other assets		
Ad fund deposits	33,533	-
Deposit	1,400	1,400
Deferred commission fees	22,787	12,850
Total other assets	57,720	14,250
TOTAL ASSETS	**$ 217,946**	**$ 163,237**
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Ad fund payable	$ -	$ 2,788
Accrued expenses	2,994	-
Gift card	1,832	-
Deferred revenue, current	20,000	9,500
Total current liabilities	24,826	12,288
Long-term liabilities:		
Deferred revenue, non-current	153,791	104,666
SBA EIDL Loan payable	76,500	76,500
Due to affiliate	6,095	41,039
Total long-term liabilities	236,386	222,205
TOTAL LIABILITIES	261,212	234,493
MEMBERS' EQUITY (DEFICIT)	(43,266)	(71,256)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	**$ 217,946**	**$ 163,237**

TABU SHABU HOLDINGS, LLC

Statements of Income
For the Years Ended December 31, 2022 and 2021

	2022	2021
REVENUES		
Franchise fees	$ 10,375	$ 8,250
Royalty fees	138,338	72,901
Total Revenues	148,713	81,151
Operating expenses:		
Payroll expenses	19,910	9,417
Legal and professional fees	18,751	17,718
Rent expense	15,400	16,800
Advertising and promotion	13,622	13,024
Travel	10,323	17,821
Automobile	6,558	-
Office expenses	3,786	3,294
Consulting expense	1,010	-
Amortization	563	-
Total operating expenses	89,923	78,074
Income (loss) from operations	58,790	3,077
Provision for Income Taxes	(800)	(800)
NET INCOME	**$ 57,990**	**$ 2,277**

TABU SHABU HOLDINGS, LLC

Statements of Changes in Members' Equity

For the Years Ended December 31, 2022 and 2021

	2022	2021
Members' Equity (Deficit), beginning of year	$ (71,256)	$ (73,533)
Distributions	(30,000)	-
Net income	57,990	2,277
Members' Equity (Deficit), end of year	**$ (43,266)**	**$ (71,256)**

TABU SHABU HOLDINGS, LLC

Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 57,990	$ 2,277
Adjustments to reconcile net income to		
net cash provided by (used for) operations:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Ad fund deposits	(33,533)	-
Deferred commission fees	(9,937)	(10,200)
Increase (decrease) in:		
Deferred revenue	59,625	51,750
Accrued payroll	2,994	-
Gift card	1,832	-
Ad fund payable	(2,788)	2,384
Net cash provided by (used in) operating activities	76,183	46,211
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA EIDL loan	-	64,000
Capital distributions	(30,000)	
Borrowings from affiliate	(34,944)	21,039
Net cash provided (used) by financing activities	(64,944)	85,039
NET INCREASE (DECREASE) IN CASH	**11,239**	**131,250**
CASH - beginning of year	**148,987**	**17,737**
CASH - end of year	**$ 160,226**	**$ 148,987**

	2022	2021
SUPPLEMENTAL INFORMATION		
Cash paid for interest	**$ -**	**$ -**
Cash paid for taxes	**$ -**	**$ 800**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

History and organization – Tabu Shabu Holdings, LLC (TSH) was organized in California on September 28, 2016 and maintains its corporate office in Costa Mesa, CA. The Company was organized for the purpose of franchising upscale casual Japanese style hot pot restaurants with beer and wine. TSH is engaged in the administration, development, operation, and licensing of businesses that operate restaurants offering the sale of Tabu Shabu's franchise services and food products.

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

As of December 31, 2022, there were 4 operating locations franchised by TSH, one of which opened in 2022.

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

Franchise operations are regulated by the Federal Trade Commission (FTC). The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. Once registered, the Company will provide franchises with uniform standards and procedures efficient business operations, territorial rights, management training, and a license to use specified names and trademarks. The Company is currently going through the registration process.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Income taxes – The Company has elected to be treated as a Partnership for federal and state income tax purposes. The Company's taxable income or losses, as well as certain other tax attributes, are passed through directly to the Company's members and are reported in each member's individual income tax return. Consequently, the financial statements do not include any provision for federal or state income tax expense.

California Limited Liabilities Companies (LLC's) that are classified as partnerships are subject to a $800 tax for the privilege of doing business in the State. In addition to the annual tax, California imposes an annual fee based on total income from all sources that is reportable to State.

For the years ended December 31, 2022 and 2021, state income tax expense consists of California annual tax of $800.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties and interest as a result of such challenge.

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

Leases – In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of right-of-use lease assets and liabilities on the balance sheet of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for in a manner similar to existing guidance for operating leases (Topic 840). The ASU is effective for fiscal year beginning after December 15, 2021.

The Company made an accounting policy election not to recognize right-of-use lease assets and lease liabilities that arise from short-term leases that have a lease term of 12 months or less. Lease payments are recognized as an expense on a straight-line basis over the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

- ***Franchise fees*** – The Company collects initial franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years. Amounts recognized for franchise fees were $10,375 and $8,250 at December 31, 2022 and 2021, respectively.

- ***Royalties*** – The Company collects royalties from each retail franchise based upon a percentage of restaurant's adjusted gross sales. The Company recognizes royalties as revenue when earned. The Company recognized $138,338 and $72,901 at December 31, 2022 and 2021, respectively.

- ***Deferred costs-Commission Fees*** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2022 and 2021 were $22,787 and $12,850, respectively.

- ***Advertising/Marketing Fund fee*** – The Company bills and collects marketing fund fee from each retail franchise based upon a percentage of restaurant's adjusted gross sales. A liability is recorded for the 3% of marketing fund fee billed to franchisees. The liability is offset when marketing fund expenditures are incurred. The Company had advertising fund deposits/(payable) of $33,533 and ($2,788 at December 31, 2022 and 2021, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

	2022	2021
Balance at beginning of year	$ 114,167	$ 62,417
Revenue recognized during the year	(10,375)	(8,250)
New deferred revenue during the year	70,000	60,000
Balance at end of year	$ 173,792	$ 114,167

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

Future revenue to be recognized in:	Amount
Remainder of 2022	$ 2,625
2023	20,000
2024	20,000
2025	20,000
2026	20,000
Thereafter	91,167
Total	$ 173,792

NOTE 2 – DUE TO AFFILIATE

From time to time and in the normal course of business, the Company advanced funds from an affiliated company for additional working capital. These advances are non-interest bearing and are due on demand. At December 31, 2022 and 2021, due to affiliate totaled $6,095 and $41,039, respectively.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTE – SBA LOAN PAYABLE

On November 25, 2020, the Company applied for and received an Economic Injury Disaster Loan through the U.S. Small Business Administration (SBA) of $12,500. On July 29, 2021, the Company applied for and received an additional $64,000 loan. The term of the note requires 300 monthly payments of $389, including interest at 3.75%, accrued from the date of the loan. Loan repayment was deferred from inception and extended for a total of 30 months.

At December 31, 2022 and 2021, SBA loan payable was $76,500 and $76,500, respectively.

Maturity requirements on the SBA loan payable are as follows:

Year ending December 31,		Amount
2024	$	1,831
2025		1,900
2026		1,973
2027		2,048
2028		2,126
Thereafter		66,622
	$	76,500

NOTE 5 – OPERATING LEASE

The Company entered into a lease agreement for its business premises on March 12, 2019 that expired on March 2022. This lease is currently on a month-to- month basis and requires a monthly rental of $1,400. The Company is also responsible for paying its share of the utility services used on the premises. Total rent paid under this lease was $15,400 and $16,800 for the years ended December 31, 2022 and 2021, respectively.

NOTE 6 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee of $35,000 for a single franchised restaurant and is non-refundable. Initial franchise fees are generally recognized over the estimated life of the franchise. Services provided by the Company include assistance to establish and operate the franchised business, training, and implementation of a uniform system which has high standards of services, and quality control system.

Under the current standard franchise agreement, each franchisee is required to pay a royalty of 5% of their adjusted gross sales. Each restaurant also contributes 2% of adjusted gross sales to fund marketing fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend the minimum amount specified from time to time on local advertising and promotions.

NOTE 6 – FRANCHISING (CONTINUED)

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

NOTE 7 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through April 25, 2023, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.

<u>EXHIBIT B</u>

FRANCHISE AGREEMENT

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

SUMMARY PAGES

EFFECTIVE DATE:	____
FRANCHISEE:	____
FRANCHISEE'S ADDRESS FOR NOTICES:	____ ____
TELEPHONE NUMBER:	____
FACSIMILE NUMBER:	____
E-MAIL ADDRESS:	____
DESIGNATED PRINCIPAL:	____
INITIAL FRANCHISE FEE:	$35,000
ROYALTY FEE:	5% of Gross Sales
MINIMUM GRAND OPENING EXPENDITURE:	$2,500
MARKETING FEE:	Up to 2% of Gross Sales
MINIMUM QUARTERLY MARKETING EXPENDITURE:	$1,500
RENEWAL FEE:	$5,000
TRANSFER FEE:	Reimbursement of Franchisor's related costs and expenditures for transfers made for convenience of operation (refer to Section 16.2.5 of this Agreement) $2,500 for assignments of non-controlling interest (refer to Section 16.2.4 of this Agreement), provided, however, that if Franchisor determines any new Owners must undergo training, Franchisor may charge a reasonable tuition for such training and Franchisee agrees to cover all related travel, lodging, and dinning costs. 50% of Franchisor's then-current initial franchise fee for assignments transferring controlling interest or complete interest to existing TABU SHABU™ franchisees plus reimbursement of Franchisor's costs in facilitating the transfer (including reasonable attorneys' fees) (refer to Section 16.2.3 of this Agreement) 75% of Franchisor's then-current initial franchise fee for assignments transferring controlling interest or complete

____________________ Franchisor Initials

____________________ Franchisee Initials

	interest to new System franchisees plus reimbursement of Franchisor's costs in facilitating the transfer (including reasonable attorneys' fees) (refer to Section 16.2.3 of this Agreement)
RELOCATION FEE:	$5,000
FRANCHISOR ADDRESS FOR NOTICES:	Tabu Shabu Holdings, LLC 170 E 17th St #200C Costa Mesa, California 92627 Attention: CEO With a copy to: Maral M. Kilejian, Esq. Haynes and Boone, LLP 2801 N. Harwood Street Suite 2300 Dallas, Texas 75201 Facsimile: (972) 692-9030

_____________________ Franchisor Initials

_____________________ Franchisee Initials

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TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

This FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the Effective Date reflected in the Summary Pages (the "**Effective Date**") by and between Tabu Shabu Holdings, LLC, a California limited liability company ("**Franchisor**"), and the franchisee identified in the Summary Pages ("**Franchisee**"). In this Agreement, "**we**", "**us**", and "**our**" refer to Franchisor. "**You**" and "**your**" refer to Franchisee.

RECITALS

A. We and our Affiliates have developed and own a distinctive business method, format, system and plan ("**System**"), identified by the "TABU SHABU" Marks, for the establishment, development, and operation of restaurants that offer traditional Japanese hot pot fare with proprietary sauces, related menu items, and alcoholic and non-alcoholic beverages in a modern environment ("**Restaurants**");

B. We and our Affiliates may continuously develop a proprietary line of specially formulated sauces and other food products ("**Trade Secret Food Products**") and related presentation, packaging, and marketing standards and techniques for such Trade Secret Food Products as with all products offered at the Restaurants;

C. You understand that the format, systems, techniques, specifications, standards, policies and controls established and insisted upon by us are fundamental to the System, and are for the purposes of establishing and maintaining certain standards of uniformity and quality control among all Affiliate-owned and franchised TABU SHABU™ Restaurants, to maintain the proprietary rights to the System and Marks for the benefit of the Franchisor and its franchisees; and

D. We grant to qualified persons franchises to own and operate TABU SHABU™ Restaurants and you now desire to operate a TABU SHABU™ Restaurant using the System and Marks and have applied for a franchise, which application has been approved by us in reliance upon all of the representations made therein; and

E. You understand and acknowledge the importance of our high and uniform standards of quality, operations, and customer service and the necessity of operating the TABU SHABU™ Restaurant in conformity with our standards and specifications;

D. In relying on your representations and statements, whether included in your application for the Restaurant, related documents and statements, this Agreement and its Attachments, or otherwise, we have agreed to grant to you the right to operate a TABU SHABU™ Restaurant at the Franchised Location upon the terms and conditions of this Agreement.

NOW THEREFORE in consideration of the premises and of the mutual covenants and agreements herein contained, and for other good and valuable consideration (the receipt and sufficiency of which is acknowledged by the parties), the parties agree as follows:

1. GRANT

1.1 Grant. We hereby grant to you the license to operate a TABU SHABU™ Restaurant utilizing the System and Marks at the Franchised Location specified in Attachment B (the "**Restaurant**"), and you hereby accept such grant and undertake the obligation to continuously operate the TABU SHABU™ Restaurant at the Franchised Location during the Term strictly in accordance with the System and the terms and conditions of this Agreement.

This Agreement specifically grants you no right, among others, to ***(a)*** sublicense the System or Marks; ***(b)*** to co-brand with another concept; ***(c)*** to provide delivery services, or to deliver or ship products offered for sale by or through the Restaurant, regardless of the destination, without our prior written consent; ***(d)*** to prepare or sell any product or item related to the Marks or the Restaurant at any location other than the

Franchised Location; or ***(e)*** to distribute products offered for sale by or through the Restaurant through wholesale channels, that is, to third parties for resale, retail sale, or further distribution by such third party, including such wholesale channels as supermarkets, convenience stores, or other retailers.

1.2 Designated Area. This Agreement grants you a "**Designated Area**", as identified in Attachment B. Except for sales in "Closed Markets" (as defined in Section 1.3 below, and which are carved out from territorial protection as described in Attachment B), during the term of this Agreement and as long you are not in default under this Agreement, we will not own or operate, or grant anyone else the right to own or operate a TABU SHABU™ Restaurant at a location in the Designated Area. We reserve for ourselves all other rights.

In consideration of our grant of a Designated Area to you, you agree to, at all times, use best efforts to promote and increase the sales and service of the menu items, to solicit and service all potential customers for TABU SHABU™ Restaurant products and services. Your failure to devote best efforts to adequately represent the TABU SHABU™ Restaurant in your Designated Area through your sales and service efforts will be deemed just cause for termination.

1.3 Designated Area and Reservation of Rights. Except for the restrictions described in Sections 1.1, 1.2, and this Section 1.3, there is no restriction on our right to use and to license the use of the Marks. Unless you are in default under this Agreement or any other Agreement between yourself or your Affiliates and us or our Affiliates, we will not operate or franchise to any other person the right to operate a TABU SHABU™ Restaurant within your Designated Area. We may own and operate and grant others the right to own and operate TABU SHABU™ Restaurants, and may sell and license others the right to sell products offered at the Restaurants and other products identified by the Marks anywhere outside the Designated Area, regardless of proximity to or economic effect on your Restaurant. We may also own and operate, and grant others the right to own and operate, TABU SHABU™ Restaurants in any format, and may sell and license others the right to sell items and products identified by the Marks in "Closed Markets" within the Designated Area. "Closed Market" venues include any facility serving a captive market, including hotels, resorts, shopping malls (defined as enclosed or open retail centers with gross leasable area in excess of 350,000 square feet), airports, public facilities, college and school campuses, military bases, and any other mass gathering events or locations, and facilities of any kind for which restaurants are, or may reasonably be anticipated to be, contracted to a third party or parties. We may also distribute products and services identified by the Marks, such as pre-packaged menu items or Trade Secret Food Products, through alternative channels of distribution including grocery stores, supermarkets, convenience stores, and via mail order, catalog sales and/or the Internet.

1.4 Right to Operate Businesses Under Different Marks. Nothing in this Agreement prohibits or restricts us from **(a)** owning, acquiring, establishing, operating, or granting franchise rights for one or more other businesses under a different trademark or service mark (i.e. a mark other than TABU SHABU™), whether or not the business is the same as or competitive with TABU SHABU™ Restaurants; or **(b)** owning, operating, or franchising one or more businesses offering products or services other than the Trade Secret Food Products under the TABU SHABU™ Marks or some derivative of the Marks.

1.5 Discretionary Exception to System Uniformity. You acknowledge that because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, at our sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any System franchisee based upon the peculiarities of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition or situation which we deem to be of importance to the successful operation of such franchisee's business. You will not be entitled to require us to grant you a like or similar variation hereunder.

2. TERM AND RENEWAL

2.1 Term and Effective Date. Unless sooner terminated as provided in this Agreement, the term of this Agreement ("**Term**") will begin on the Effective Date set forth on the Summary Page of this Agreement and will expire 10 years thereafter ("**Expiration Date**").

2.2 Renewal. We may, in our sole discretion, grant you the right to renew for two consecutive renewal terms of five years each, but may condition our agreement to renew your franchise rights upon the following terms and conditions:

(a) You have notified us, in writing, of your intent to renew at least nine months, but not more than twelve months, prior to the expiration of the then-current term;

(b) You nor your Affiliates are in default under the terms of this Agreement or any other agreement with us or our Affiliates, nor are you or your Affiliates in default under the terms of any agreements, including payment terms, with Restaurant suppliers;

(c) You and your Affiliates have fully complied and continue to fully comply with the material terms and conditions of this Agreement or any successor franchise agreement (as applicable) throughout the term and with the material terms of and any other agreement with us or our Affiliates;

(d) You have satisfied all amounts owed to us, our Affiliates, and third party suppliers, and have, throughout the term of this Agreement or, if applicable, the term of the first renewal agreement, timely met all payment obligations to us, our Affiliates, and third party suppliers;

(e) You have the right to remain in possession of the Franchised Location and are not in default of any provision of any lease for the Franchised Location, or you have secured a substitute premises that we have accepted in writing;

(f) The Restaurant has been renovated and refurbished so that it reflects our then-current image, trade dress, equipment, signage, and furnishings standards;

(g) You have met our then-current qualifications for new franchisees;

(h) You have complied with our then-current training requirements;

(i) You and each person who has guaranteed your obligations under this Agreement, or any successor agreement, signs a general release in favor of us and related parties in the form we prescribe;

(j) You have executed upon renewal our then-current form of franchise agreement, which may include terms and conditions which differ from those contained in this Agreement, including, without limitation, different royalty and marketing fees and expenditures for advertising and promotion than are provided in this Agreement; and

(k) You have paid to us the Renewal Fee indicated on the Summary Pages.

2.3 Holdover. If you continue to accept the benefits of this Agreement after the expiration of the term but do not complete the requirements in Sections 2.2 then, at our sole option, this Agreement may be treated as ***(a)*** expired as of the Expiration Date and you will be operating without a franchise or license to do so and in violation of our rights to the Marks and System; or ***(b)*** continued on a month-to-month basis (a "**Holdover Period**") and all your obligations will remain in full force and effect during the Holdover Period as if the Agreement had not expired; provided, however, that during any Holdover Period you will pay a Royalty Fee and Marketing Fee equal to 150% of the rates set forth in this Agreement. Each Holdover Period expires at the end of each calendar month unless this Agreement is continued as provided in this Section 2.2. The Holdover Period does not create any new franchise rights and upon expiration of the final Holdover Period, you will be bound by all post-term obligations as provided in this Agreement.

3. FRANCHISED LOCATION

3.1 General. The Franchised Business will be located at the address set forth in Attachment B to this Agreement (hereinafter referred to as the "**Franchised Location**") and you will not relocate the Franchised Business without our prior written approval which, unless otherwise provided for herein, may be withheld by us in our sole discretion.

3.2. Site Selection. You must identify and acquire a site for the Restaurant by the Control Date (the "**Control Date**") specified in the Attachment B. If no date has been provided in the Summary Pages, the Control Date will be six months from the Effective Date. The site must be located within the Site Selection Area (the "**Site Selection Area**") identified in Attachment B, must meet our then-current site selection criteria, and must otherwise be mutually acceptable to you and to us. Ultimately site selection is solely your responsibility. The Site Selection Area is not an exclusive area and we may grant more than one System franchisee the right to search within all or part of the Site Selection Area for a potential Restaurant location. We may require that you use only a real estate broker that we have designated or approved to assist you in locating a suitable site for the Restaurant. Once you have acquired the site for the Restaurant, we will mutually agree upon a Designated Area and an opening date ("**Opening Date**"), which unless mutually agreed to and set forth in Attachment B otherwise, will be no later than six months from the date we accept the proposed Franchised Location.

3.3 Franchise Site Application. For each proposed site that you identify, you must deliver to us a completed franchise site application in a form we prescribe, including such information about the site as we may reasonably request to perform our evaluation. This information may include, among other things, a description of the proposed site, demographic and psychographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase price, rental obligations, and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises. We will accept or refuse to accept a proposed site within 30 days after the receipt of these documents and any additional information as we may reasonably require. Our failure to provide notification within this time period will not be considered acceptance. **The parties acknowledge and agree that our acceptance of any proposed site is not an assurance that the Restaurant will achieve a certain sales volume or level of profitability; it means only that the proposed site meets our minimum criteria for a TABU SHABU™ Restaurant.**

3.4 Lease of Franchised Location. If you will occupy the Franchised Location under a lease, we will have the right to accept the lease terms, and the lease will not be signed until it has been reviewed and accepted by us. Our acceptance of a lease will be conditioned on the inclusion of terms acceptable to us. **The parties acknowledge and agree that our acceptance of a lease does not mean that the economic terms of the lease are favorable, it means only that the lease contains the lease terms that we require.** At our option, the lease will contain such provisions, including, but not limited to:

(a) A provision reserving to us the right, at our 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 us all sales and other information lessor may have related to the operation of the Restaurant, as we may request;

(c) A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants to us, in our 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 which you had to cure any such default should you fail to do so;

(d) A provision which evidence your right to display the Marks in accordance with our specifications, subject only to the provisions of applicable law;

(e) A provision which allows us or our designees the right to enter the Franchised Location at any reasonably time as required in order to enforce the terms of this Agreement;

(f) A provision that the Franchised Location be used only for the operation of a Restaurant;

(g) A provision which expressly states that any default under the lease shall constitute a default under this Agreement; and

(h) A provision which expressly states that if you or your Affiliate is the lessor of the Franchised Location, that lessor will not lease the Franchised Location to a Competing Business for a period of one (1) year after the termination or expiration of this Agreement.

You agree that we may negotiate directly with the landlord regarding the above matters, and that if the landlord enters into an agreement with us for the purposes described above, then you will also enter into and execute the such agreement with the landlord and us. Our current form of Lease Addendum is enclosed with this Agreement as <u>Attachment C</u> and must be executed by the landlord, if any, of the Franchised Location.

3.5 <u>Restaurant Design and Build Out</u>. You will, promptly after obtaining possession of the site for the Restaurant: ***(a)*** cause to be prepared and submitted for our approval a site survey and any modifications to our basic architectural plans and specifications (not for construction) for the development of a TABU SHABU™ Restaurant (including requirements for dimensions, exterior design, materials, interior design and layout, millwork, equipment, fixtures, furniture, signs, and decorating) at the site leased or purchased, provided that you may modify our basic plans and specifications only to the extent required to comply with all applicable ordinances, building codes and permit requirements and with prior notification to and approval by us; ***(b)*** obtain all required zoning changes, building, utility, health, sanitation and sign permits and licenses and any other required permits and licenses; ***(c)*** purchase or lease equipment, fixtures, furniture, décor, and signs according to our standards and specifications; ***(d)*** complete the construction and/or remodeling, equipment, fixtures, furniture and sign installation and decorating of the Restaurant in full and strict compliance with plans and specifications provided and approved by us and in compliance with all applicable ordinances, building codes and permit requirements; ***(e)*** obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and ***(f)*** otherwise complete development of the Restaurant and have it ready to open and begin operations on or by the Opening Date identified in <u>Attachment B</u>.

During construction, you must maintain the minimum general liability and property damage insurance of the type and with the limits we require, protecting you, us, and our Affiliates, and each of the foregoings' respective partners, shareholders, directors, agents, and employees. Such policy or policies shall be written by a responsible insurer or insurers acceptable to us and shall contain a waiver of subrogation in favor of us and our Affiliates, and our and their respective partners, shareholders, directors, agents, and employees. You will notify us in writing when construction begins, and thereafter will provide progress reports as frequently as we may require and in the form we designate. We and our designees have the right to inspect the site at all reasonable times.

3.6 <u>Opening</u>. You may open the Restaurant for business only with our prior written permission. We will grant permission to open only if ***(a)*** all amounts due to us and our Affiliates have been paid; ***(b)*** the Restaurant has been constructed and equipped according to our standards and specifications; ***(c)*** all of your pre-opening and training obligations have been satisfied; ***(d)*** we have received from you a fully executed copy of your Franchised Location lease containing the mandatory lease terms described in <u>Section 3.4</u>; ***(e)*** we have received from you certificates of insurance as required under this Agreement; and ***(f)*** you are otherwise in good standing under this Agreement.

3.7 <u>Operational Expenditures and Capital Expenses</u>. We may periodically modify standards, specifications, and operating procedures, and these modifications may obligate you to invest additional capital in the Restaurant and/or incur higher operating costs. You agree to implement any changes in standards, specifications, and operating procedures within the reasonable time period we request, whether they involve refurbishing or remodeling the Restaurant, buying new operating assets, adding new products or services, or otherwise modifying the nature of the Restaurant's operations, as if they were part of this Agreement as of the day it was signed.

3.8 Relocation of Restaurant. If the lease for the site of the Restaurant expires or terminates through no fault of your own, or if the site is destroyed, condemned or otherwise rendered unusable, or as otherwise may be mutually agreed upon in writing by you and us, we will grant permission for relocation of the Restaurant at a location and site acceptable to us, provided that the Restaurant must be open for business at the new location within twelve months of closing the previous location. If you are allowed to relocate your Restaurant, you must comply with our then-current standards and specifications for Restaurant and site selection will be governed by the terms of this Section 3. We will make no guarantee of your success at this new location. You are solely responsible for all relocation costs and expenses, and you agree to pay to us the Relocation Fee stated in the Summary Pages.

4. FEES

4.1 Franchise Fees. Upon execution of this Agreement, you will pay to us an Initial Franchise Fee in the amount specified in the Summary Pages. The Initial Franchise Fee is fully earned by us when paid and is not refundable, except as otherwise provided in this Agreement. The Initial Franchise Fee amount does not include any applicable taxes for which you will be solely responsible.

4.2 Royalty Fee. During the term of this Agreement, you will pay to us a nonrefundable royalty fee ("**Royalty Fee**") equal to the amount indicated in the Summary Pages for the right to use the System and Trademarks. If any taxes, fees, or assessments are imposed on your payment of the Royalty Fee (except taxes imposed on our net taxable income) you must also pay or reimburse us the amount of the taxes, fees, or assessments within fifteen (15) days after your receipt of our written notice.

4.3 Marketing Fee. You must pay to us a marketing fee ("**Marketing Fee**") equal to the amount indicated in the Summary Pages. In consideration for the Marketing Fee, we will provide such advertising, marketing, and promotional services as we deem appropriate.

4.5 Fee Due Dates. Each month, on such day as we designate, you must pay to us the Royalty Fee and Marketing Fee, (collectively, "**Operating Fees**") due to us under this Agreement (the "**Payment Date**"). We reserve the right to change the monthly fee to any other periodic payment, such as weekly payments, as we elect in our discretion. All Operating Fees must be paid in full by the Payment Date. If we accept any payment from you that is less than the full amount due, we have the right to recover the remaining balance due and to pursue any other remedy against you. For all other fees, the Payment Date will be the date stated in the demand. We reserve the right to change the payment schedule for payment of Operating Fees.

4.6 Method of Payment. You must use the payment method or methods that we select for all payments. We currently require electronic funds transfer but may also permit payment via credit card. For payment via EFT, you must choose an account at a commercial bank (the "**Account**") and give the bank all authorizations needed for us to transfer funds from the Account. On each Payment Date, we will transfer the amount of Operating Fees due from you. You agree to maintain enough funds in the Account to cover all amounts payable to us. If funds in the Account are not enough to cover the amounts payable at the time we start the funds transfer, the amount of the loss will be considered overdue. And you agree to pay us, on demand, the overdue amount plus interest, any related bank fees, and any related Late Fees as described in Section 4.7 below. These remedies are in addition to any other remedies we may have under this Agreement or the law. If you fail to timely report your Gross Sales or for any reason we do not have access to assess your Gross Sales, we may estimate the amount of fees due and make a withdrawal from your Account based on our estimate, plus 10% of our estimate. If we underestimate any fees due, you will be required to pay the total amount of fees due. If we overestimate any fees due, we will credit the fees paid against fees due in the next payment period after we receive accurate records regarding your Gross Sales. Our right to effect payment by electronic funds transfer or any other future payment method does not impair or reduce your duty to make payment when due.

4.7 Interest on Overdue Payments; Late Fee. If any payment or amount owed is not received in full by the date such amount is due, you agree to pay us, upon demand, interest on the amount owed, calculated from the due date, at the rate of 18% per annum (or the maximum rate permitted by law, if less than 18%) on the remaining amount owed periodically. You also agree to pay us a late fee ("**Late Fee**") in the amount of $100 for each overdue payment received after the due date. We may increase the Late Fee amount upon 60 days prior written notice, but we will not increase the Late Fee more than once in any 12-month period.

4.8 Taxes and Fees. You are responsible for all taxes, assessments, and government charges imposed on you for any business activities under this Agreement. All payments by you to us under this Agreement will be made without set-off or deduction, except for taxes or fees required to be deducted or withheld by taxing authorities. If you fail to deduct or withhold these taxes or fees, unless requested or instructed by us not to, you will indemnify us for the full amount of the taxes or fees and for any loss (including penalties, interest, and expenses) caused by your failure to deduct or withhold taxes or fees. Also as part of the Operating Fees, you will pay any taxes imposed on us or our affiliates by federal, state, or local taxing authorities for our acceptance of any Operating Fees. This does not include any taxes measured on our income.

4.9 Collection Costs and Expenses. If you fail to comply with any of the terms or conditions of this Agreement, you must promptly reimburse us for any and all costs and expenses that we incur in enforcing the terms of this Agreement including, without limitation, fees paid to a collection agency, and reasonable attorneys' fees and accountants' fees. This obligation is in addition to and not in lieu of any other remedies available to us under this Agreement and applicable law.

4.10 Partial Payments; No Set-Off Rights. You may not set off, deduct or otherwise withhold any fees or other amounts due to us under this Agreement on grounds of alleged nonperformance by us of any of our obligations or for any other reason. Withholding Royalty Fees or any other amounts due to us is a material breach of this Agreement. If you pay less than the amount due, your payment will be considered a partial payment on account. We may accept such payment as a partial payment irrespective of any endorsement or other statement that the payment constitutes full payment. our acceptance of such partial payment will not be considered a waiver of any of our right to demand or receive full payment, and you hereby waives any estoppel defense in this regard. We may apply your payments to any indebtedness, in our sole and reasonable discretion, regardless of any designation that accompanies the payment.

5. TRAINING AND ASSISTANCE

5.1 Initial Training. If this Agreement is being signed in conjunction with your first Restaurant, then before you may open the Restaurant for business, each of your Owners and up to two Restaurant managers must attend and successfully complete our initial training program. All expenses incurred by you, your Owners, and your employees in attending such program, including, without limitation, travel costs, room and board expenses, and salaries, will be your sole responsibility. The initial training program must be completed at least three weeks before the Restaurant opens.

We will determine, at our discretion, whether to provide and/or require some or all of the initial training program for personnel of multiple unit operators.

5.2 On-Site Restaurant Opening Assistance. If this Agreement is being signed in conjunction with your first Restaurant, then, around the commencement of operations of the Restaurant, we will furnish to you, one of our representatives on-site for up to five days of on-site assistance in order to facilitate the opening and initial operation of the Restaurant. If you are a multiple unit operator, then, in lieu of the assistance described in the two preceding sentences, we will furnish to you one representative who will provide up to two days of operations assistance to you around the opening of the Restaurant for business.

You agree to pay us for our representative's costs and expenses in providing such on-site Restaurant opening assistance, including travel, lodging, and meals.

Should you request additional assistance from us in order to facilitate the opening of the Restaurant and should we, in our discretion, deem it necessary, feasible and appropriate to comply with the request, you agree to shall reimburse us for the expense of providing such additional assistance which may include our then-current service fee, as set forth in the Manuals which may be amended from time to time.

5.3 Opening Assistance. We will provide such pre-opening consultation and advice as we deem appropriate, which may include advice with regard to the development and operation of the Restaurant, building layout, furnishings, fixtures, and equipment, sample plans and specifications, training, purchasing and inventory control, and such other matters as we deem appropriate. We will also advise you about establishment of business relationships with designated and approved suppliers.

5.4 Failure to Successfully Complete Initial Training Program. If we determine, in our sole discretion, that you are unable to satisfactorily complete either phase of the training program as described in Sections 5.1 and 5.2 above, we will have the right to: **(a)** require you or certain key personnel to attend such additional training as we require so as to demonstrate your ability to operate the Restaurant to our satisfaction; or **(b)** terminate this Agreement in accordance with its terms, in which case we will reimburse half of the Initial Franchise Fee amount you have paid to us.

5.5 Additional Training. From time to time we may provide additional required training. If we do, we may require that previously-trained and experienced Owners, managers, and other key personnel complete refresher or new training or seminars to be conducted at such location as may be designated by us. Our annual convention will also be deemed mandatory additional training. We may charge you a reasonable training fee for each individual attending the additional training program, and you are responsible for any expenses involved in your attendees' attendance of and participation in such further training including, for example, any applicable travel, living, and food expenses, and wages. You acknowledge and agree that any consultation and/or advice that we provide to you will not relieve you of your responsibilities to comply with all applicable laws, rules, and regulations with respect to your operation of the Restaurant and that you will seek the advice of local counsel where necessary.

5.6 Mandatory Manager Training. If you designate new or additional Restaurant managers after the initial training program, we may require that such new or additional managers attend and successfully complete our training program at a location we designate at our then-current published rates. You agree to bear all costs incurred by your attendees.

5.7 Ongoing Consultation. We will provide such ongoing consultation and advice as it deems appropriate, which may include information about new service and product development, instruction concerning the operation and management of TABU SHABU™ Restaurants, advertising and marketing advice, and financial and accounting advice. Such consultation and advice may be provided, in our discretion, through Restaurant visits by our personnel or designees, via meetings, seminars or conferences, and/or through dissemination of electronic or printed materials.

5.8 Meetings and Conferences. We may decide to organize meetings of our franchisees that may be mandatory or optional. We will designate the time and place of any meetings, that may be held in-person or remotely via teleconference, web seminar, or other method we designate. You are responsible for travel, living, and other expenses that you, your Owners, and/or your Designated Principal incur in attending the meetings. If we designate such meetings as additional training we may also charge you a reasonable fee for each attendee.

5.9 Performance by Delegate. You acknowledge and agree that any of our rights or duties hereunder may be exercised and/or performed by any of our designees, agents, or employees. We reserve the right to retain the services of an area director in the geographic area in which the Restaurant will be located. In such event, the area director may provide certain consultation, advice, services, and assistance, as we may direct.

You acknowledge and agree that you are not an intended third party beneficiary with respect to any agreement between us and any area director.

6. INTELLECTUAL PROPERTY

6.1. Franchisor's Representations. We represent to you that we own or have obtained from our licensors a license to use and to sublicense to you the right to use the Marks, Trade Dress, and Copyrighted Works in accordance with the terms and conditions of this Agreement.

6.2 No Contesting Our Rights. During the Term of this Agreement and after its expiration or termination, you agree not to directly or indirectly challenge our or our respective licensor's, title, right, or interest in or to, or our license to use or the validity of, the Marks, the Trade Dress, or the Copyrighted Materials, or any trade secrets, methods or procedures that are part of the System (collectively, the "**Intellectual Property**"), or challenge our or our licensors' right to register, use, or license others to use the Intellectual Property. You may not engage in any conduct that adversely affects the ownership or registration of the Intellectual Property, or our right to use or to sublicense the use of the Intellectual Property. You shall execute all documents that we request in order to protect the Intellectual Property or to maintain their validity and enforceability.

6.3. Acknowledgments. You expressly acknowledge that we or our licensors, as applicable, own all right, title, and interest in and to the Intellectual Property, as well as the goodwill associated therewith, and that you have no ownership interest in any of the foregoing. You further acknowledge and agree that any and all goodwill associated with the Restaurant and identified by the Marks is our property and will inure directly and exclusively to our benefit and that, upon the expiration or termination of this Agreement for any reason, no monetary amount will be assigned as attributable to any goodwill associated with the Restaurant and your use of the Marks. You understand and agree that any use of the Marks, Trade Dress, or Copyrighted Works other than as expressly authorized by this Agreement and in the Manual, without our prior written consent, constitutes an infringement of our rights and is grounds for termination and that the right to use the Marks, Trade Dress, and Copyrighted Works does not extend beyond the termination or expiration of this Agreement.

6.4. Use of the Marks. You agree to only use the Marks we designate, in the manner that we authorize and permit, and with the symbols "®", TM" , or "SM", as appropriate. You will also use the Marks only in connection with the operation and promotion of the Restaurant, and only in the manner we prescribe.

6.5. Restriction Against Use in Your Corporate Name. You may not use the Marks or any part thereof in your corporate name, and may not use them to incur any obligation or indebtedness on our behalf.

6.6. Restriction Against Use of the Marks and Copyrighted Works on the Internet. You may not use the Marks or any part or derivative thereof or any of our Copyrighted Works on the Internet, except as expressly permitted in writing. Without limiting the generality of the foregoing, you may not use the Marks or any part or derivative of the Marks as part of any URL or domain name, and may not register as part of any user name on any website (including commercial, gaming, video sharing, user review, and social networking websites), or as part of any unauthorized email address. You also may not display on any website (including commercial, gaming, video sharing, user review, and social networking websites) our Copyrighted Works, which include the design portion of the Marks, or any collateral merchandise identified by the Marks.

6.7. Notice. You will identify yourself as an independent franchise owner of the Restaurant in conjunction with any of the Marks or operation of the Restaurant, including, but not limited to, such use on invoices, order forms, receipts, business stationery, business cards, payroll stubs, and contracts, as well as at such conspicuous locations at the Restaurant as we may designate in writing. The form and content of such notice will comply with the standards set forth in the Manuals.

6.7. Infringement. You will promptly notify us of any suspected unauthorized use of, or any challenge to the validity of the Marks or Copyrighted Works, or any challenge to our or our licensors' ownership of, our license to use and to license others to use, or your right to use, the Marks or Copyrighted Works licensed under this Agreement. You acknowledge that we and our applicable licensors have the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Marks or Copyrighted Works, including any settlement thereof. We and our Affiliates, if our licensors are our Affiliates, have the right, but not the obligation, to take action against third parties for infringement of the Marks or Copyrighted Works. We also 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 will exercise such right in our sole discretion. If we or our Affiliates elect to defend you against any third-party claim, suit, or demand arising out of your use of the Marks or Copyrighted Works, the cost of such defense, including the cost of any judgment or settlement, will be borne by us. If we determine, in our sole discretion, that you have not used the Marks or Copyrighted Works in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by you. In the event of any litigation relating to your use of the Marks or Copyrighted Works, you agree to execute any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. WE MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS.

6.8. Changes to the Marks. We reserve the right, in our sole discretion, to designate one or more new, modified or replacement Marks for your use and to require your use of any such new, modified or replacement Marks in addition to or in lieu of any previously designated Marks. You must comply with any such directive within 60 days following your receipt of written notice, and you are responsible for all related costs and expenses. We need not reimburse you for your direct expenses for changing the Restaurant's signs, lost revenue due to any modified or discontinued Mark, or expenses in promoting a modified or substitute trademark or service mark. We may exercise these rights at any time and for any reason, business or otherwise, we think is best. You acknowledge both our right to take this action and your obligation to comply with our directions.

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

6.10 Improvements. You may not introduce any improvement or modification of or to the System, the Intellectual Property, or the Restaurant without our prior written consent. If you or any of your owners develops any new concept, product, service, sales technique, or improvement in the operation or promotion of the Restaurant (including any product sold at the Restaurant), you must promptly notify us, and provide to us all necessary related information. Any and all such improvements to the System, the Intellectual Property, and the Restaurant that you develop (whether or not consented to) will automatically become our property without any compensation to you. If such improvements may be protected by trademark, copyright, patent, trade secret, or other laws, then you must execute the documents that we may require to prove ownership of such improvements, to transfer ownership thereof to us, and to file related registrations or recordings. Further, you hereby grant to us a limited power of attorney for the sole purpose of effectuating the transfer of any such improvement to us, under which we may execute any agreements, registrations, recordings, or other documents we deem necessary to carry out the terms of this Section. By signing this Agreement, you and each Owner assign your respective rights in and to the concept, product, sales technique or improvement to us and permit us to use or disclose the information to other System franchisees as we determine appropriate, without providing you any compensation.

7. OPERATIONS MANUAL; SYSTEM MODIFICATION

7.1 Operations Manual. During the Term of this Agreement, we will loan to you one copy of our confidential operations manual ("**Operations Manual**"), which may be in digital format, and may supplement the information with other written directives (collectively, the "**Manuals**"). For the purpose of this Agreement, the reference to Manuals includes, without limitation and collectively, other related manuals, books, bulletins, memoranda, letters, notices, video or audio recordings, other publications, documents or digital communications, prepared by us or on our behalf for use by franchisees generally or for you in particular, setting forth information, advice, standards, requirements, operating procedures, instructions or policies relating to the operation of the Restaurant, as same may be amended from time to time.

You will operate the Restaurant in accordance with the standards, methods, policies, and procedures specified in the Manuals. The Manuals will at all times remain our sole property, will be kept in a secure place at the Restaurant, and will promptly be returned on the expiration or other termination of this Agreement. At no time will you or your employees make copies or reproductions of all or part of the Manuals. You will, at all times, ensure that your copies of the Manuals be available at the Restaurant in a current and up-to-date manner. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by us at our headquarters will be controlling.

7.2 System Modification. We reserve the right to add to and otherwise modify the System, Manuals, the Menu Items, Trade Secret Food Products, and other products and services offered by the Restaurant (such as, but not limited to, the addition, deletion, and modification of menu items, operating procedures, products and services) from time to time. You agree to comply, at your expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration and modifications to existing improvements, including structural changes. We will notify you of any such System changes and you will implement any System changes upon receipt of notice thereof and will complete the implementation within such time as we may reasonably specify.

7.3 Confidentiality. The Manuals contains our proprietary information and will be kept confidential by you both during and after the expiration and/or termination of the Term of the franchise. You agree to use the Manuals only in connection with the operation of the Restaurant, and to make the Manuals available to your employees only on a need to know basis.

8. CONFIDENTIAL INFORMATION

8.1 Confidential Information. You acknowledge that all Trade Secrets, as defined below, and other elements of the System; all customer information; all information contained in the Manuals; the method of preparation of menu items; Trade Secret Food Products and other food products; ideas, designs, pricing, supplier information, and other specifications, product formulae, standards and operating procedures of a TABU SHABU™ Restaurant; is derived from information disclosed to you by us and that such information is proprietary, confidential, and our Trade Secrets ("**Confidential Information**"). "**Trade Secrets**" refers to the whole or any portion of know-how, knowledge, methods, recipes, formulae, specifications, processes, procedures and/or improvements regarding the TABU SHABU™ Restaurant and the System that is valuable and secret in the sense that it is not generally known to our competitors. You will maintain the absolute confidentiality of all Confidential Information and not disclose them to any person or entity during and after the termination or expiration of this Agreement. You also agree not use any Confidential Information in any other business or in any manner not specifically authorized or approved in writing by us. You will return all Confidential Information to us upon the expiration or termination of this Agreement.

8.2 Maintaining Confidentiality. You agree to divulge such Confidential Information only to the extent and only to those of your employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge and know-how, including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulae, recipes and other data, which we designate as confidential will be deemed confidential for purposes of this Agreement, except information which you can demonstrate lawfully came to your attention prior to our disclosure to you; or which, at the time of disclosure by us to you, had lawfully become a part of the public domain through publication or communication by others (without violating an obligation to us); or which, after disclosure to you by us, lawfully becomes a part of the public domain through publication or communication by others (without violating an obligation to us). You must require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form acceptable to us that identifies us as a third-party beneficiary of the agreements with the right to enforce them.

9. ADVERTISING

9.1. General. All of your promotional and marketing materials shall be presented in a dignified manner and shall conform to our standards and specifications related to advertising, marketing, and trademark use. You will submit to us samples of proposed promotional and marketing materials, and notify us of the intended media, before first publication or use. We will use good faith efforts to approve or disapprove proposed promotional and marketing materials within 15 days of their receipt. You may not use the promotional or marketing materials until we expressly approves the materials and the proposed media. Once approved, you may use the materials only in connection with the media for which they were approved. We may disapprove your promotional or marketing materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval.

9.2 Grand Opening Expenditure. You agree to spend at least the amount indicated on the Summary Pages on advertising and promotional activities, as approved in advance by us, to promote your Restaurant's grand opening. Your grand opening expenditure will be conducted in accordance with guidelines established by us as published in the Manuals. You agree to provide us with proof of the expenditures required under this Section immediately on our request.

9.3. Marketing Fee. You must pay to us a marketing fee (the "**Marketing Fee**") in the amount stated on the Summary Pages. In consideration for the Marketing Fee, we will provide such advertising, marketing, and promotional services as we deem appropriate in our sole discretion. We may collect the Marketing Fee on such periodic basis as we specify, which may be weekly, monthly, or otherwise.

9.4. Local Advertising. You must spend the minimum amount noted on the Summary Pages to promote the Restaurant in your market area. We may require that you: ***(a)*** submit, 30 days prior to the beginning of each calendar quarter, your advertising campaign and budget for our review and approval; and/or ***(b)*** that you submit proof of expenditures immediately on our request. All local advertising must be conducted with our prior written approval and in accordance with our standards and specifications.

9.5. Loyalty Programs, Prize Promotions, and Promotional Literature.

9.5.1. You will participate in and offer to your customers: ***(a)*** all customer loyalty and reward programs; and ***(b)*** all contests, sweepstakes, and other prize promotions; which we may develop from time to time. We will communicate to you in writing the details of each such program or promotion, and you will promptly display all point-of-sale advertising and promotion-related information at such places within the Restaurant as we may designate. You will purchase and distribute all coupons and other collateral merchandise designated by us for use in connection with each such program or promotion.

9.5.2. If we develop or authorize the sale of gift certificates, stored value cards, gifts cards, loyalty cards and/or customized promotional receipts, you agree to participate in such program in accordance to the policies we set forth and to acquire and use all computer software and hardware necessary, as well as engage any designated service provider, to process their sale and to process purchases made using them, and be solely responsible for the service charges related to such processing. All proceeds from the sale of all gift certificates and/or loyalty cards belong exclusively to us, and you will remit the proceeds of such sales to us or our designee according to the procedures that we periodically prescribe. We will reimburse or credit to you (at our option) the redeemed value accepted as payment for products and services sold by the Restaurant.

9.5.3. You will also display at the Restaurant all promotional literature and information as we may reasonably require from time to time. This may include, among other things, displaying signage or other literature containing information about the TABU SHABU™ franchise offering.

9.5.4. You also agree to honor such credit cards, courtesy cards, and other credit devices, programs, and plans as may be issued or approved by us from time to time. Any reasonable and customary service charges or discounts from reimbursements charged on such cards or authorizations will be at your sole expense.

9.6. Participation in Marketing Programs. You agree, at all times, to cooperate with us and other franchisees and actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs (including, without limitation, product give-away promotions) which may be developed and implement by us. Participation may include, without limitation, purchasing (at your expense) and using ***(a)*** point of sale materials, ***(b)*** counter cards, displays, and giveaway items promoting loyalty programs, prize promotions, and other marketing campaigns and programs, and ***(c)*** equipment necessary to administer loyalty programs and to prepare and print customized purchase receipts, coupons, and similar items.

9.7. Advertising Cooperatives. We may, from time to time, form local or regional advertising cooperatives ("**Advertising Cooperative**") to pay for the development, placement, and distribution of advertising for the benefit of Restaurants located in the geographic region served by the Advertising Cooperative. Any Advertising Cooperatives we establish will be operated solely as a conduit for the collection and expenditure of Advertising Cooperative fees for the aforementioned purposes. If we form an Advertising Cooperative for the region in which the Restaurant is located, you agree to participate in the Advertising Cooperative pursuant to the terms of this Section 9.7.

9.7.1. We have the exclusive right to create, dissolve, and merge each Advertising Cooperative created, in our discretion, and to create and amend the organizational and governing documents related thereto. You agree to be bound by all organizational and governing documents created by us and, at our request, execute all documents necessary to evidence or affirm your agreement.

9.7.2. No advertising or promotional plans or materials may be used by the Advertising Cooperative or furnished to its members without our prior written approval. All advertising plans and materials must conform to the Standards and must be submitted to us for approval

9.7.3. Fees paid by you as contribution to an Advertising Cooperative established in your geographic area will be credited towards your local advertising requirement as set forth in the Summary Pages.

10. ACCOUNTING; RECORDS; AND SOFTWARE

10.1 Maintenance of Records. You will maintain during the term of this Agreement, and preserve for the time period specified in the Manuals, full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by us in the Manuals or otherwise in writing and in accordance with generally accepted accounting principles ("GAAP"), consistently applied. You agree to retain for a period of three years thereafter all books and records related to the Restaurant, 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. We have the right to require that you use only an accountant that we have approved. However, if you fail to comply with our accounting, record-keeping, and reporting obligations, we may require that you use our designated accountant (which also may be our accountant) to ensure preparation of required reports and financial statements accurately and in our desired format.

10.2 Submission of Records.

10.2.1 Monthly Statements. You will supply to us monthly profit and loss statements and balance sheets for each calendar month within twenty-five days after the end of each month, in the form we prescribe.

10.2.2 Yearly Statements. Additionally, you will, at your expense, submit to us within forty-five days after the end of each fiscal year during the term of this Agreement a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year, prepared on an accrual basis, including all adjustments necessary for fair presentation of the financial statements. Such financial statements shall be certified to be true and correct by you. We reserve the right to require annual financial statements, prepared in accordance with generally accepted accounting standards, audited by an independent certified public accountant. You will also provide us with copies of all federal and state income tax returns and sales tax returns.

10.2.3 Additional Reports and Statements. You will submit to us such other periodic reports, forms and records as specified, in the manner and at the time as specified in the Manuals or as we otherwise require in writing from time to time.

10.2.4 Late Fee. You agree to pay us $100 late fee for each required profit and loss statement, balance sheet, and other required report not submitted on or before its original due date as required under this Section 10.2. This late fee is not a penalty but compensates us for increased administrative and management costs due to your default.

10.3 Point of Sale; Computer Systems. You will acquire and use only the point of sale and computer systems and equipment that we prescribe for use by TABU SHABU™ Restaurants ("**Computer System**"), and adhere to our requirements for use. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high speed Internet connections. As technology or software is developed in the future, we may, in our sole discretion, require you to add to your Computer System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, and replace or upgrade your Computer System and software as we prescribe. You will also procure any related service and maintenance contracts for ongoing technology support that we may require. You agree and acknowledge that we will have, and you will grant to us, full access to all of your data, system, and related information recorded or stored by and on the Computer Systems by means of direct access whether in person or remotely and you will not block or deny our access to the same.

10.4 Software. You will: ***(a)*** purchase, install, and use any proprietary software programs, third party software programs, system documentation manuals, and other proprietary or non-proprietary materials that we may require in connection with the operation of the Restaurant; ***(b)*** input and maintain in your computer such data and information as we prescribe in the Manuals, software programs, documentation, or otherwise; and ***(c)*** purchase, install, and use new or upgraded software programs, system documentation manuals, and other proprietary materials, or execute and renew licenses for existing software, at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials system-wide. You will enter into all software license agreements, "terms of use" agreements, and software maintenance agreements, in the form and manner we prescribe, and pay all fees imposed thereunder.

10.5 Non-Cash Systems. We may require that you purchase, install, and use such hardware and software used in connection with non-cash systems which we may require you to accept, including debit cards, credit cards, stored value cards, and other non-cash systems that we periodically specify.

10.6 Data Security and PCI Compliance. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly you agree that you will cause the Restaurant to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information. You are solely responsible for your own education as to these regulations and standards, and for achieving and maintaining applicable compliance certifications and standards. You will defend, indemnify, and hold us harmless from and against all claims arising out of or related to your violation of the provisions of this Section.

10.7 Independent Access. You agree and acknowledge that we may independently and remotely access Gross Sales and other information recorded by your Computer Systems. There is no limitation on our right to access this information, whether remotely, in person, or upon request, nor is there any limitation on our right to use the information for any desired purpose.

10.8 Audit of Franchisee Records. We or our designated agents reserve the right at all reasonable times to examine and copy, at our expense, your books, records and tax returns. We also have the right, at any time, to have an independent audit made of your books and records at our expense. If an inspection should reveal that any payments due to us have been understated, then you will immediately pay to us the amount understated upon demand, in addition to the late fee and interest from the date such amount was due at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less, until paid. If an inspection or audit discloses an understatement in any report of two percent (2%) or more, you will, in addition, reimburse us for any and all costs and expenses connected with the inspection or audit (including, without limitation, reasonable accounting and attorneys' fees). The foregoing remedies will be in addition to any other remedies we may have.

10.9 Taxes. You agree to promptly pay all taxes due and owing based on your operation of the Restaurant including, without limitation, sales taxes, income taxes, and property taxes.

10.10 Accounting Services. We may require that you engage the services of our designated bookkeeper or accountant, that you engage them for certain minimum range of services, and that you follow our standard chart of accounts. You may also propose your own bookkeeper or accountant to provide the requisite services, provided, however, that we must approve such proposed bookkeeper or accountant in advance.

11. STANDARDS OF QUALITY AND PERFORMANCE

11.1 General Operating Requirements. You understand and acknowledge that every detail of the System is essential to maintain and enhance the goodwill associated with the Marks and the integrity of the brand. Accordingly, you agree as follows:

(a) To operate the Restaurant according to the highest applicable health standards and ratings, to timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Restaurant, to operate the Restaurant according to our operating methods, standards, and specifications, and to maintain, at all times, a high moral and ethical standard in the operation of the Restaurant;

(b) To secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant and operate the Restaurant 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 and withholding and payment of federal and state income taxes and social security, sales, use and property taxes;

(c) To use the location of the Restaurant for the purpose of operating a TABU SHABU™ Restaurant;

(d) To notify us by telephone and confirm in writing within 72 hours of any investigation or violation, actual or alleged, concerning any health, liquor or narcotics laws or regulations, and notify us in writing within five days of the commencement of any investigation, action, suit or proceeding, or the issuance of any order, writ, injunction, award, or decree of any court, agency or other government instrumentality, which may adversely affect the operation or financial condition of the Restaurant or the System.

11.2 Authorized Menu Offerings. You will offer for sale and sell at the Restaurant all items, including food and beverage products, that we authorize from time to time, and only such items that we authorize. In order to ensure that all menu items produced by you meet our high standards of taste, texture, appearance and freshness and in order to protect our goodwill and Marks, all Trade Secret Food Products, menu items and other food products will be prepared only by properly trained personnel strictly in accordance with our recipes, techniques, and processes as designated by us in the Manuals and will be sold only at retail to customers in conformity with our marketing plan and concept. You acknowledge that such recipes, techniques, and processes are integral to the System and failure to adhere to such recipes, techniques, and processes (including the handling and storage of both ingredients and fully prepared menu items) will be detrimental to the System and Marks. You will participate in all market research programs that we require, which may include test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and/or promoting the sale of the new products. You will provide us with timely reports and test results for all such programs.

11.3 Purchases from Designated Sources.

11.3.1 You agree to purchase only from us or suppliers designated by us ("**Designated Suppliers**") all goods and services that we identify from time to time including, without limitation: ***(a)*** fixtures, furniture, equipment, interior and exterior signage, graphics, décor, and Restaurant design consulting services; ***(b)*** your requirements of Trade Secret Food Products, and all other food products and ingredients; ***(c)*** all beverages; ***(d)*** uniforms, shirts, memorabilia, and all merchandise and items intended for retail sale (whether or not bearing the Marks); ***(e)*** advertising, point-of-purchase materials, and other printed promotional materials; ***(f)*** gift certificates and stored value cards; ***(g)*** stationery, business cards, contracts, and forms; and ***(h)*** displays, napkins, cups, boxes, bags, labels, forms and other paper and plastic products imprinted with the Marks.

11.3.2 From time to time, we will provide you with a list of approved manufacturers, suppliers and distributors ("**Approved Suppliers List**") and approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Restaurant ("**Approved Supplies List**"). Such lists will specify the manufacturer, brand name, supplier and distributor and the inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and services which we have approved to be carried or used in the System. We may revise the Approved Suppliers List and Approved Supplies List from time to time in our sole discretion and such lists will be provided to you as we deem advisable.

11.3.3 All inventory, products, materials and other items and supplies used in the operation of the Restaurant which are not specifically required to be purchased in accordance with our Approved Supplies List and Approved Suppliers List will conform to the specifications and quality standards established by us from time to time.

11.3.4 If you propose to offer for sale at the Restaurant any brand of product, or to use in the operation of the Restaurant any brand of food ingredient or other material or supply or service which is not then approved by us as meeting our minimum specifications and quality standards, or to purchase any product from a supplier that is not then designated by us as an approved supplier, you will first notify us and, on our request, submit samples and such other information as we require for examination and/or testing or to otherwise determine whether such product, material or supply, or such proposed supplier, meets our specifications and quality standards. A charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test shall be paid by you or the supplier. We reserve the right, at our option, to re-inspect the facilities and products of any supplier of an approved item and to revoke our approval of any item which fails to continue to meet any of our criteria. We further reserve the right, in our sole discretion, to approve any and all supplies, suppliers, brand name products and other products and services, whether currently approved by us or submitted to us by you for approval, authorized for use in connection with, by, or sale from the Restaurant. We may limit the number of approved suppliers with whom you may deal, designate sources that you must use and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or its Affiliate) for the particular item or service if we believe that doing so is in the best interests of the System. We and our affiliates have the right to receive payments from suppliers due to their actual or prospective dealings with you and other franchisees and to use all amounts we receive without restriction for any purposes we deem appropriate (unless we and our Affiliates agree otherwise with the suppliers).

11.4 Restaurant Premises. You agree to maintain the condition and appearance of the Restaurant premises consistent with our quality controls and standards and cause such maintenance to the Restaurant as is from time to time required to maintain or improve the appearance and efficient operation of the Restaurant. If at any time in our judgment the general state of repair or the appearance of the Restaurant premises or its equipment, fixtures, signs or decor does not meet our quality control and standards, we will notify you, specifying the action to be taken by you to correct such deficiency. If you fail or refuse to initiate within thirty (30) days after receipt of such notice, and thereafter continue, a bona fide program to complete any required maintenance or cure for the deficiency, we have the right, in addition to all other remedies, to enter the Restaurant premises and effect such repairs, painting, maintenance or replacements of equipment, fixtures or signs on your behalf you will pay the entire cost of the demand. Your obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is impractical due to a force majeure event.

You will purchase and install, at your expense, all fixtures, furnishings, equipment, decor, signs, and other items as we may reasonably direct from time to time in the Manuals or otherwise in writing in accordance with our standards and specifications; and refrain from installing or permitting to be installed on or about the Restaurant premises, any fixtures, furnishings, equipment, decor, signs, vending or game machines or other items not previously approved in writing as meeting our standards and specifications.

11.5 Restaurant Management. The Restaurant must at all times be under the direct, on-premises supervision of your Designated Principal or a general manager. Your Designated Principal and general manager(s) must have successfully completed our initial training program, and any subsequent required training, to our satisfaction. If you employ a full-time general manager, your Designated Principal will remain obligated to supervise the general operations of the Restaurant and both report directly to us and be available to discuss with us all issues related to the operations of the Restaurant. If the Designated Principal is or expects to be inaccessible, indisposed, or away from the Restaurant for such a period of time as to be unable to fully and consistently fulfill its duties hereunder, you must notify us in writing and include in such notice the alternate Owner assuming the Designated Principal's duties. You must also keep us informed at all times as to identity of your Restaurant's general manager.

11.6 Employee Policy; Uniforms and Employee Appearances. You shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as we may establish from time to time in the Manuals or otherwise in writing. You shall cause all employees, while working at the Restaurant, to: ***(a)*** wear uniforms of such color, design, and other specifications as we may designate from time to time, and ***(b)*** present a neat and clean appearance. You are responsible for the training of your own employees.

11.7 Inventory. You acknowledges that the Restaurant shall at all times maintain an inventory of ingredients, Trade Secret Food Products, food and beverage products and other products, materials, and supplies that shall permit operation of the Restaurant at maximum capacity.

11.8 Operating Hours. You agree to keep the Restaurant open for business during the normal business hours on all normal business days as reasonably prescribed by us from time to time for the System, subject to compliance with applicable laws and the lease of the Restaurant premises, it being acknowledged and agreed that "normal business hours" for a TABU SHABU™ Restaurant may entail late night closings.

11.9 Continuous Operations. During the Term of this Agreement, you shall use the Restaurant premises only as and for a TABU SHABU™ Restaurant, and agree to continuously operate the Restaurant during the Term hereof.

11.10 Pricing. To the fullest extent permitted by applicable law, we reserve the right to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products or services.

11.11 Web Site. We may, but are not be obligated to, establish and maintain from time to time a website to provide information about the System and the goods and services that TABU SHABU™ restaurants provide. We have sole discretion and control over the design and content of our website.

11.12 Social Media. You agree to follow our mandatory specifications, standards, operating procedures, and rules for using social media in connection with your operation of the Restaurant and you must agree to any Social Media policy we implement. The term "**Social Media**" includes personal blogs, common social networks, professional networks, live-blogging tools, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites, applications, or tools.

11.13 Quality Assurance Inspections; Mystery Shops. We and our designees have the right to enter the Restaurant premises during regular business hours to inspect the Restaurant for quality assurance purposes, to conduct mystery shops, and to assess customer satisfaction. We need not notify you in advance of such inspection. During these inspections, we or our designees may obtain for testing purposes and without charge, reasonable quantities of ingredients, products and supplies. If notified of a deficiency, you must promptly cure the deficiency. Such quality assurance audits, inspections, and mystery shops may be conducted by us at our expense, or by independent, third party providers at your expense. At our request, you agree to engage one or more third party service providers, which may be designated by us, to provide periodic quality assurance audits and/or mystery shops at your sole cost and expense.

You further agree to cooperate fully with us and our designees and representatives in connection with such inspections. If we (or our agents or representatives) inspect the Restaurant and determine that it is not operating in compliance with this Agreement and our standards and specifications, and we then must re-inspect the Restaurant to determine whether you have corrected the operating deficiencies, we may require you to pay us our then-current Re-Inspection Fee for each follow-up inspection of the Restaurant. You agree to present to your customers the evaluation forms we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by or for us.

11.14 Franchisee Advisory Council. If we create an advisory council of franchisees ("**Franchisee Advisory Council**") to advise us on various issues and strategies, the Franchisee Advisory Council will have an advisory role, but no operational or decision-making power. We may change the structure and process of the Franchisee Advisory Council or end the Franchisee Advisory Council at any time. If we establish a Franchisee Advisory Council, you must participate in all related activities and meetings and pay any dues related to the Franchisee Advisory Council.

12. INSURANCE

You must maintain at your expense in full force and effect throughout the Term of this Agreement the types of insurance and the minimum policy limits and deductibles stated in the Manuals. Such policies will be written by a responsible carrier or carriers acceptable to us. The insurance policy or policies must protect you, us, our parents, our Affiliates, and each entity's respective, past, present, and future officers, directors, owners, managers, members, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage, or expense of any kind arising out of, or in connection with the Restaurant, including the condition, operation, management, use, or occupancy of your Restaurant and any related vehicles. To the fullest extent permitted by law, we and our parents, Affiliates, and subsidiaries (including each entity's respective, past, present, and future officers, directors, owners, managers, members, employees, consultants, attorneys, and agents) must be added/named as additional insureds on all coverages on which additional insureds can be added, even for claims regarding the additional insureds' sole negligence. The coverage offered to the additional insureds will be primary coverage to any other coverage maintained by the additional insureds and will not permit or require such other coverage to contribute to the payment of any loss. Policies must also contain a waiver of subrogation in favor of the additional insureds. You must provide to us any documentation we require to evidence your compliance with this Section, where such documents may include, without limitation, additional insured endorsements and your insurance certificates. We may require additional types of coverages, impose minimum deductible amounts, or increase the required minimum amount of coverage, at our sole discretion, on reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. Your insurer(s) must commit not to cancel or amend the policy or policies without at least 30 days' prior written notice to us. If you fail to obtain and maintain insurance coverage as required by this Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee for our services in obtaining the insurance, which you agree to pay on demand.

Nothing contained herein shall be construed as a representation or warranty by us that such insurance limits we specify from time to time will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of the Restaurant. Maintenance of any such insurance and your compliance with the obligations under this Agreement shall not relieve you of your liability under the indemnity provisions of this Agreement.

13. COVENANTS

13.1 Applicability. Unless otherwise specified, the terms "you" and "your" as used in this Article 13 shall include, collectively and individually, those parties defined and described in Article 28.

13.2 Full Time Best Efforts. You covenant that during the Term of this Agreement, except as otherwise approved in writing by us, you (if you are an individual), your Designated Principal (if you are an entity), or your full-time manager (as approved by us if your manager is not your Designated Principal) shall devote full-time, energy and best efforts to the management and operation of the Restaurant.

13.3 Non-Competition During Term of Agreement. You covenant that during the Term of this Agreement, except as otherwise approved in writing by us, you will not, either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons, partnership or entity:

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

13.3.2 Employ or seek to employ, without our consent or the consent of franchisee, as applicable, any person who is at that time, or within the previous year was, employed by us or by any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment.

13.3.3 Directly or indirectly, own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with a Competitive Business, other than a TABU SHABU™ restaurant operated pursuant to a then-currently effective franchise agreement with us at any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

The term "**Competitive Business**" means ***(a)*** any foodservice business that offers Japanese hot pot-style fare, or ***(b)*** any business granting franchises or licenses to others to operate the type of business specified in clause (a) above.

13.4 Non-Competition After Expiration of Termination of Agreement. You specifically acknowledge that, pursuant to this Agreement, you will have received valuable training and Confidential Information. Accordingly, commencing upon the later of: ***(a)*** a transfer permitted under Section 16.2. of this Agreement, expiration of this Agreement, or termination of this Agreement (regardless of the cause for termination) or ***(b)*** a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.4, and continuing for an uninterrupted period of two years thereafter, you shall not either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a Competitive Business, other than a TABU SHABU™ restaurant operated pursuant to a then-currently effective franchise agreement with us, that ***(a)*** is, or is intended to be, located at the Restaurant premises of the former Restaurant; ***(b)*** within the former Designated Area of the Restaurant and 15 miles from the former Restaurant; or ***(c)*** within a 10 mile radius of any other restaurant operating under the System and Marks in existence or under development at the time of such expiration, termination or transfer.

If this Section 13.4 is found unenforceable, either in whole or in part, by a court of law, or other official proceeding, we shall still be entitled to equitable relief. If any of your Owners ceases to be an owner of the Franchisee for any reason during the franchise term, the foregoing covenant shall apply to the departing owner for a two year period beginning on the date such person's interest in Franchisee is transferred, assigned, or sold.

The two year time period described in this Section 13.4 will be tolled during any period of noncompliance.

13.5 Additional Provisions. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article 13. is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, such finding shall not impair the remainder of this Agreement and you will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Article 13.

You understand and acknowledge that we have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 13.3 and 13.4, or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof, and you shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

13.6 Covenants from Individuals. You, each Owner, and each individual who attends Franchisor's training program shall be required to sign a confidentiality and non-compete agreement substantially in a form satisfactory to Franchisor. You shall be responsible for ensuring compliance with such agreement. Such individuals will also be required to execute a training-related liability waiver in a form satisfactory to Franchisor.

13.7 Breach of Covenants Causes Irreparable Injury. You acknowledge that your violation of any covenant of this Article 13 would result in irreparable injury to us for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by us in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

14. DEFAULT AND TERMINATION

14.1 Termination with Notice and Without Opportunity to Cure. This Agreement shall terminate automatically upon delivery of written notice of termination to you, if you or any of your Owner(s), officer(s) or manager(s):

(a) Fail to find a suitable site for the Restaurant by the Control Date or, if there is no Control Date, within five months of the Effective Date of this Agreement, or fails to open the Restaurant by the Opening Date;

(b) Fail to satisfactorily complete the training program as provided in Sections 5.1. through 5.3. of this Agreement;

(c) Made any material misrepresentation or omission in its application for the franchise;

(d) Are convicted of or plead no contest to a felony or other crime or offense that is likely to adversely affect your reputation, the reputation of the System, or the reputation of the Restaurant;

(e) Made any unauthorized use, disclosure or duplication of any portion of the Manuals or duplicates or discloses or makes any unauthorized use of any Confidential Information;

(f) Abandon, fail, or refuse to actively operate the Restaurant for two business days in any twelve month period, unless the Restaurant has been closed for a purpose approved by us or due to force majeure;

(g) Fail to relocate the Restaurant to an accepted subsequent location within an approved period of time following expiration or termination of the lease for the Restaurant premises;

(h) Surrender or transfer control of the operation of the Restaurant; transfer or attempt to transfer any right to this Agreement or the Restaurant in violation of Article 16 of this Agreement; or fail or refuse to assign the franchise or the interest in you of a deceased or disabled controlling Owner thereof as herein required;

(i) Submit to us on two or more separate occasions at any time during the term of the franchise any reports or other data, information, or supporting records which understate by more than 2% the Royalty and Marketing Fees due for any period, and you are unable to demonstrate that such understatements resulted from inadvertent error;

(j) If you are adjudicated bankrupt, become insolvent, commit any affirmative act of insolvency or file any action or petition of insolvency, or if a receiver (permanent or temporary) of your property or any part thereof is appointed by a court of competent authority, or if you make a general assignment for the benefit of your creditors, or if a final judgment remains unsatisfied of record for 30 days or longer (unless supersedeas bond is filed), or if execution is levied against your business or property, or if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against you and not dismissed within 30 days, or is not in the process of being dismissed; provided, however, that we reserve the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by you;

(k) Materially misuse or make an unauthorized use of any of the Marks or commit any other act which can reasonably be expected to materially impair the goodwill associated with any of the Marks or the System;

(l) Fail on two or more separate occasions within any period of 12 consecutive months to submit when due required or requested reports or other information or supporting records, to pay when due the Royalty Fees, Marketing Fees, amounts due for purchases from us or our Affiliates or other payments due to us;

(m) Fail to correct within 24 hours any violation of any health, safety, or sanitation law, ordinance or regulation or you operate the Restaurant in a manner that presents a health or safety hazard to your customers or the public;

(n) Offer for sale unauthorized products or services from the Restaurant premises or in conjunction with the Marks;

(o) Failure to pass two or more quality assurance inspections within any rolling 12 month period, including any re-inspection;

(p) If you unilaterally repudiate this Agreement or the performance or observance of any of the terms and conditions hereunder by word or conduct evidencing your intention to no longer comply with or be bound by the same; or

(q) we deliver to you three or more written notices of default pursuant to this Article 14 within any rolling 12 month period, whether or not the defaults described in such notices ultimately are cured.

14.2 Termination with Designated Cure Period. This Agreement will terminate without further action by us or additional notice to you, other than the initial notice of default, if you or any of your Owners:

(a) Fail or refuse to make payments of any amounts due to us under this Agreement, or you fail to comply with your Grand Opening Expenditure obligations, and do not correct such failure or refusal within 10 business days after written notice of such failure is delivered to you;

(b) Fail or refuse to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed in the Manuals or otherwise in writing and does not correct such failure within 30 days (or provide proof acceptable to us that you have made all reasonable efforts to correct such failure and shall continue to make all reasonable efforts to cure until a cure is effected, if such failure cannot reasonably be corrected within 30 days) after written notice of such failure to comply is delivered to you.

14.3 Step-In Rights. We have the right (but no obligation), under the circumstances described below, to assume the Restaurant's management (or to appoint a third party to assume its management) for any time period we deems appropriate. If you (or a third party) assumes the Restaurant's management under subsections (b) or (c) below, you must pay to us (in addition to the Royalty Fees, Marketing Fees, and other amounts due under this Agreement) a reasonable daily Management Fee as determined by Franchisor for up to 60 days after we (or a third party) assumes management.

We (or the third party) will have a duty to use only reasonable efforts and, unless directly caused by our gross negligence or act of willful misconduct, will not be liable to you or your Owners for any damages, debts, losses, claims, or obligations related to the Restaurant, or to any of your creditors for any supplies, products, or other assets or services the Restaurant purchases, while we (or the third party) manage it. You further agree to hold us, our Affiliates, and their respective Owners, officers, employees, and agents harmless to the fullest extent of the law for any damages, losses, or expenses we incur or claims brought as a result of our management of the Restaurant, provided, however, that this indemnification will not apply to damages, losses, expenses or claims resulting directly from our gross negligence or willful misconduct. If we (or a third party) assumes the Restaurant's management under subsections (a) or (d) below, we (or the third party) may retain all, and need not pay you or otherwise account to you for any, Gross Sales generated while we (or the third party) manage the Restaurant.

We (or a third party) may assume the Restaurant's management under the following circumstances: ***(a)*** if you abandons or fails actively to operate the Restaurant; ***(b)*** if you fail to comply with any provision of this Agreement, including any System standard, and do not cure the failure within the time period specified in our notice to you, but only for as long as it takes us, using reasonable commercial efforts, to correct the failure that you failed to cure ***(c)*** if, due to extraordinary circumstances or the death or incapacitation of your Designated Principal, you request that we temporarily manage the Restaurant; or ***(d)*** if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase the Restaurant under Section 15.10 below. Exercising our management rights above will not affect our right to terminate this Agreement under Sections 14.1 or 14.2 above.

14.4 Termination Related to Death or Permanent Incapacity. We have the right to terminate this Agreement if an approved transfer as required by Article 17 is not effected within the designated time frame following a death or permanent incapacity (mental or physical).

14.5 Franchisor's Alternative Remedies to Termination. In lieu of exercising our right to terminate this Agreement, we may, without waiving such right to terminate: ***(a)*** withhold services to you; ***(b)*** limit your access to any or all portions of certain software or computer systems; ***(c)*** revoke your right to participate in promotions or programs and to attend franchise conventions and meetings; ***(d)*** after your failure to cure such default, inspect or re-inspect the Restaurant and, regardless of whether it is an inspection or re-inspection, charge you our then-current Re-Inspection Fee; and/or ***(e)*** exercise our option to acquire the Restaurant pursuant to Section 15.10.

14.6 Cross Default. Where there is more than one agreement or other instrument in existence between the you and us, or your Affiliates and us, you agree that we have the right to treat a breach or default of any one agreement or instrument as a breach or default of all or any of the other agreements or instruments, and any such breach or default of any one agreement or instrument shall be treated as a breach or default of the other agreements or instruments. The termination of any one agreement or instrument, may be treated as a termination of any other or all agreements or instruments between you (and/or any of your Affiliates) and us.

15. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

15.1 Cease Use of Marks; Cancellation of Fictitious Name. Upon termination or expiration of this Agreement, you will immediately cease all use of the Marks and Confidential Information. You will also cancel any assumed name registration containing the Marks and, at our option and request, assign to us all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Restaurant. You hereby appoint us as your attorney-in-fact with full power and authority for the sole purpose of assigning these rights to us. This appointment is deemed to be coupled with an interest and shall continue in full force and effect for 12 months following termination or expiration of this Agreement.

15.2 Assignment of Telephone Numbers. You agree, within 15 days of expiration or termination, to authorize, and not to interfere with, the transfer of all telephone numbers and directory listings used in connection with the Restaurant to us or at our direction; and/or to instruct the telephone company to forward all calls made to your number to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deems appropriate on your behalf to effect these events.

15.3 Return of Manuals and Other Confidential Information. You will immediately deliver to the Manuals and all other records, correspondence, files, and any instructions containing Confidential Information relating to the operation of the Restaurant which are in your possession; and all copies thereof (all of which are acknowledged to be our property), and you must destroy, which destruction may be supervised by us or our designees and certified as complete by you, all digital copies of such Confidential Information.

15.4 Return of Signage and Other Items to Us. If we do not exercise our option, if any, to purchase the Restaurant, you agree, at your own cost and without any payment from us for such items, to deliver to us, to make available to us for pick-up, or to destroy (at our option), in any case within 10 days, all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials we request containing any Mark or otherwise identifying or relating to a TABU SHABU™ Restaurant. If you fail to do so voluntarily when we require, we and our representatives may enter the Restaurant at our convenience and remove these items without any criminal or civil liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our costs of doing so.

15.6 De-Identification. If we do not have or do not exercise our option to purchase the Restaurant, you agree, within the timeframe we specify and at your own expense, to take all closing, de-identification, and de-branding steps, and make the alterations to the Restaurant's interior and exterior as we specify in our

Manuals (or otherwise communicate to you at the time) to distinguish the Restaurant clearly from its former appearance and from other TABU SHABU™ Restaurants in order to prevent public confusion and protect the Marks and the System. If you fail to do so voluntarily when we require, we and our representatives may enter the Restaurant premises at our convenience and take these actions without any criminal or civil liability to you, the landlord, or any other third party for trespass or any other claim. We need not compensate you or the landlord for any alterations. You must reimburse our costs of de-identifying the Restaurant.

15.7 Payment of all Due Amounts; Liquidated Damages. You agree to pay to us within 15 days after this Agreement expires or is terminated all unpaid Royalty Fees and Marketing Fees, all amounts due for purchases from us or our Affiliates, any other amounts due to us or our Affiliates which are unpaid, and all applicable late fees and interest. If we terminate this Agreement due to your default hereunder, or under any other agreement with us, or if you terminate this Agreement before this Agreement's scheduled expiration date, you will pay to us, as liquidated damages and not as a penalty, damages in the amount equal to (i) your average monthly Royalty Fee plus your average monthly Marketing Fee due for the last 12 months (or, if less, the period the Restaurant has been open) before your termination, (ii) multiplied by the lesser of 48 months or the number of months remaining in the then-current Term of the Franchise Agreement, and (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank.

15.8 Covenants. You will comply with the covenants contained in Section 13.4 and as otherwise provided for under this Agreement, which survive the expiration or termination of this Agreement.

15.9 Costs and Attorneys' Fees. You will pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of the franchise herein granted in obtaining injunctive or other relief for the enforcement of any provisions contained in Articles 13 and 15.

15.10 Our Option to Acquire the Restaurant. Under the circumstances listed below, we have certain rights to acquire the Restaurant on the termination or expiration of this Agreement.

15.10.1 Exercise of Option. On : ***(a)*** Our termination of this Agreement according to its terms and conditions, ***(b)*** your termination of this Agreement regardless of reason or cause, or ***(c)*** expiration of this Agreement, we have the option, exercisable by providing you with written notice before or within thirty (30) days after the date of termination or expiration, ***(i)*** to purchase any or all of the assets of the Restaurant and the fee simple interest in the Restaurant premises (if you or one of your affiliates owns such premises) or, if you (or one of your affiliates) does not own the Restaurant premises or we choose not to purchase your (or your affiliate's) fee simple interest in the premises, ***(ii)*** to purchase any or all of the assets of the Restaurant and exercise the rights under Section 15.10.2 below; ***(iii)*** to purchase any or all of the assets of the Restaurant without exercising any rights to purchase, or assume any rights to occupy, the Restaurant premises. We have the unrestricted right to assign any of the foregoing options to purchase.

We are entitled to all customary warranties and representations if we elect to purchase any or all of the Restaurant's assets, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

15.10.2 Right to Premises. If you lease the Restaurant premises from an unaffiliated lessor, or if we choose not to purchase your (or your affiliate's) fee simple interest in the Restaurant premises, you agree (as applicable) at our election: ***(a)*** to assign your leasehold interest in the Restaurant premises to us or our Affiliate; ***(b)*** to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the lease; or ***(c)*** to lease the premises to us for an initial five year term, with two five year renewal terms (at our option), on commercially reasonable terms.

15.10.3 Purchase Price. The purchase price for the fee simple interest in the Restaurant premises, if applicable, will be its fair market value. The purchase price for the assets of the Restaurant will be its forced liquidation value (also known as auction value) and will not include any leasehold improvements or fixtures belonging to landlord under the applicable lease, the franchise or any rights granted by this Agreement; the goodwill attributable to the Marks and our brand image and other intellectual property, or participation in the network of TABU SHABU™ Restaurants. The forced liquidation value of the assets will be determined by a company selected by us whose principal business is to evaluate assets to be liquidated.

We may exclude from the assets purchased any operating assets or other items that are not reasonably necessary (in function or quality) to the operation of the Restaurant or that we have not approved as meeting then-current system standards for TABU SHABU™ Restaurants, and the purchase price will reflect these exclusions. We also need not pay you for the items referenced in Section 15.4. above, which you are obligated to send to us as no cost to us.

15.10.4 Appraisal. If we cannot agree on fair market value for the fee simple interest in the Restaurant premises, fair market value will be determined by one independent accredited appraiser upon whom we will agree who will conduct an appraisal and, in doing so, be bound by the criteria specified in Section 15.10.3. You and we agree to select the appraiser within 15 days after we notify you that we wish to exercise our purchase option (if we have not agreed on fair market value before then). You and we will share equally the appraiser's fees and expenses. The appraiser must complete its appraisal within 30 days after its appointment. The purchase price will be the appraised value. If we cannot agree on the appraiser, he or she will be chosen by the American Arbitration Association.

15.10.5 Closing. We (or our assignee) will pay the purchase price at closing, which will take place not later than 60 days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to purchase the Restaurant and/or the fee simple interest in the Restaurant premises. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe to us or our Affiliates. At the closing, you agree to deliver instruments transferring to us (or our assignee):

(a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;

(b) all of the licenses and permits of the Restaurant that may be assigned or transferred; and

(c) the fee simple or leasehold interest in the premises and improvements or a lease assignment or lease or sublease, as applicable.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we (or our assignee) and you will close the sale through an escrow. You and your owners further agree to execute general releases, in our form, of any and all claims against us, our Affiliates, and their respective owners, officers, directors, employees, agents, successors, and assigns. If we exercise our rights under this Section 15.10., You and your Owners agree that, for a two year period beginning on the closing date, they will be bound by the non-competition covenant contained in Section 13.4. above.

If you have closed or abandoned the Restaurant, we will be obligated to pay only the forced liquidation value of the assets we elect to purchase. If we elect to exercise any option to purchase as herein provided, we will have the right to set off all amounts due from you under this Agreement, if any, against any payment thereof.

16. TRANSFER AND ASSIGNMENT

16.1 Transfer by Us. We may transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of our obligations under this Agreement, the assignee shall become solely responsible for all of our obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that we and/or our Affiliates may sell their assets, the Trade Secret Food Products, the Marks, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other entities, or be acquired by another entity; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, the Trade Secret Food Products, the Marks (or any variation thereof), the System and/or the loss of association with or identification of Tabu Shabu Holdings, LLC as the franchisor under this Agreement. You specifically waive any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition, and other combination of business activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. You agree that we have the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as for TABU SHABU™ Restaurants operating under the Marks, or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to the Restaurant).

16.2 Transfer by You.

16.2.1 Definition of Transfer. For purposes of this Agreement, "**Transfer**" as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the franchise license, the Restaurant, substantially all the assets of the Restaurant, or in the ownership of the franchisee Entity (if you are an Entity). "**Transfer**" as a noun means any sale, assignment, gift, transfer, pledge, mortgage, or encumbrance.

16.2.2 No Transfer without Our Consent. This Agreement and the rights and license granted hereunder ("**License**") are private and personal to you. We have granted the License in reliance on your (and, if you are an Entity, your Owners') business skills, financial capacity, and personal character. So, neither you nor any Owner may make any Transfer or permit any Transfer to occur without obtaining our prior written consent. If you or any of your Owners want to make a Transfer, you must promptly provide us with written notice. Any alleged Transfer, without our prior written consent, will be null and void and will create an event of default. If this occurs, we may terminate this Agreement without an opportunity to cure the default. We have the right to communicate with you, your counsel, and the proposed transferee on any part of a proposed Transfer. You agree to provide any information and documentation about the proposed Transfer that we reasonably require. Our consent to a Transfer does not abandon any claims that we have against the transferor. Our consent does not waive our right to demand strict compliance with the Agreement.

16.2.3 Transfer of Entire or Controlling Interest in Restaurant. This Section 16.2.3 applies to all other Transfers not described in Sections 16.2.4 and 16.2.5 below, including Transfers which include the sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of the Restaurant (which must be in connection with the transfer of this Agreement), and the sale of a Controlling Interest in you if you are an Entity. For the purpose of determining whether you are transferring and/or selling a Controlling Interest or a Non-Controlling Interest, **"Control"** means the ability to direct the business decisions of a business entity or to exercise the voting rights of fifty percent (50%) or more of the voting shares or interest of a business entity, or ownership of fifty percent (50%) or more of the shares or interest of a business entity, or the ability to appoint half or a majority of the directors (or equivalent officers) of a business entity. We will not unreasonably withhold our consent to a Transfer under this Section 16.2.3, but may condition our consent on satisfaction of any or all of the following:

(a) You must satisfy all of your accumulated monetary obligations to us, our Affiliates, and your third party suppliers.

(b) You and your Owners must be in compliance with all obligations to us under this Agreement and any other agreement that you have with us and our affiliates by the date of the request for our approval of the Transfer. If you are not in compliance by this date, then you must make arrangements acceptable to us to be in compliance by the date of the Transfer.

(c) You and your Owners must execute a general release, in a form that we select. This form will relieve us, and our parents, affiliates, and subsidiaries (if any) and each of our and their respective past, present, and future officers, directors, managers, members, equity holders, agents, and employees, from all claims, demands, damages, and liabilities including without limitation claims arising under federal, state, and local laws, rules, and regulations.

(d) You and your Owners must agree to remain liable for all of the obligations to us in connection with the Franchised Business that occur before the effective date of the Transfer. You must execute any and all documents that we reasonably request to prove such liability.

(e) You and all your Owners agree to act as if this Agreement has expired or been terminated on the effective date of the Transfer and, as such, abide by all post-termination obligations under this Agreement as well as those provisions which survive expiration or termination, including, without limitation, Sections 7.3, 8.1, 8.2, 10.8, 13.4, and Articles 15, 17, 20, and 22.

(f) You must pay us a transfer fee in the amount stated in the Summary Pages (the "**Transfer Fee**").

(g) Your proposed transferee (or, if the transferee is not an individual, then each Owner) must show that he or she meets our qualifications to become a TABU SHABU™ franchisee. If the transferee is already a TABU SHABU™ franchisee, he or she must not be in default under any agreements with us, must have a good record of customer service and compliance, and must meet our then-current requirements for a new TABU SHABU™ franchisee. In addition, your proposed transferee's proposed Designated Principal must be reasonably satisfactory to us.

(h) Your proposed transferee executes our then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different percentage royalty fee and different marketing obligations. The term of such agreement will be the remaining term of this Agreement at the time of transfer.

(i) If your proposed transferee is a business Entity, then each of the transferee's Owners must sign our standard form of Guarantee. If any person required to sign a Guarantee is a corporation or other business entity (an entity other than a natural person), then its owners and parents also shall execute the Guarantee; it being the intent of the parties that each entity in the chain of ownership, and each natural person holding a beneficial interest in the franchise, either directly or indirectly through business entities, execute the Guarantee.

(j) Your proposed transferee and their representatives must successfully complete our then-current training requirements at their expense.

(k) The sale must include all material assets used in the operation of your Restaurant and you or your proposed transferee must upgrade the Restaurant. This upgrade must be done at your or the proposed transferee's own expense and must follow our then-current standards and specifications for new TABU SHABU™ Restaurants.

(l) Your proposed transferee must covenant that it will continue to operate under the Marks and using the System.

(m) You must have requested consent in writing and delivered to us a copy of the proposed transfer agreements, including sale terms, at least 30 days prior to the proposed transfer, and we have determined, in our sole and reasonable discretion, that the terms of the sale will not materially and adversely affect the post-transfer viability of the Restaurant.

(n) If we introduced the buyer to you, you have paid all fees due to us under our then-current franchise resale policy or program.

You acknowledge that we have legitimate reasons for evaluating the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you and that our contact with potential transferees to protect our business interests will not constitute improper or unlawful conduct. You expressly authorizes us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding your operation of the Restaurant, and to withhold consent to economically questionable transactions. You waive any claim that actions we have taken in good faith to protect our business interests in connection with a proposed transfer constitutes tortious interference with contractual or business relationships. Similarly, we may review all information regarding the Restaurant that you give the proposed transferee, correct any information we believe is inaccurate, and give the proposed transferee copies of any reports you has given to us or that we have made regarding the Restaurant.

16.2.4 Transfer of Non-Controlling Interest. You must give us advanced notice and submit a copy of all proposed contracts and other information for any proposal to admit a new Owner, remove an existing Owner, or change the distribution of ownership shown on Attachment C, such that no Controlling Interest is transferred. We have a reasonable time (not less than 30 days) after we have received all requested information to evaluate the proposed Transfer. You and your new Owners must satisfy the conditions in Sections 16.2.3(a), (b), (c), (d), (e), (f), (g) and (i), under which all new Owners will be required to execute our standard form of Guarantee, and pay us the applicable Transfer Fee as set forth in the Summary Pages. We may withhold our consent on any reasonable grounds or give our consent subject to any reasonable conditions. You acknowledge that any new Owner must submit a personal application and any information we require of prospective franchise Owners.

16.2.5 Transfer to an Entity for Convenience. We will consent to the assignment of this Agreement to an Entity that you form for the convenience of ownership, provided that: ***(a)*** the Entity has and will have no other business besides operating the Restaurant; ***(b)*** you provide to us a copy of the Entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the Entity was formed; ***(c)*** you satisfy the conditions in Sections 16.2.3 (c), (f), and (i); ***(d)*** the Owners hold equity interests in the new Entity in the same proportion shown on Attachment C; and ***(e)*** you pay to us the applicable Transfer Fee as set forth in the Summary Pages.

16.2.6 Transfer Upon Death Or Incapacity. If you or any Owner dies or becomes incapacitated, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three months after the event (death or declaration of incapacity) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of this Article 16, as applicable. In addition, if the deceased or incapacitated person is you or the Designated Principal, we will have the right (but not the obligation) to take over operation of the Restaurant until the Transfer is completed and to charge a reasonable management fee for our services. For purposes of this Section 16.2.6, **"incapacity"** means any physical or mental illness that will prevent the person from performing his or her obligations under this Agreement ***(a)*** for a period of 30 or more consecutive days or ***(b)*** for 60 or more total days during a calendar year. In the case of Transfer by inheritance, if the heirs or beneficiaries are unable to meet the conditions of Section 16.2.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not transferred under this Section within 120 days after the date of death or appointment of a personal representative or trustee, we may exercise our option to purchase the Restaurant pursuant to Section 15.10 or terminate this Agreement under Section 14.1.

16.2.7 Security Interest. You may grant a security interest in this Agreement or the franchise represented by this Agreement only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Restaurant and may not entitle or permit the secured party to take possession of or operate the Restaurant or to transfer your interest in the franchise without our consent.

16.2.8 Right of First Refusal. If you receive a bona fide offer to purchase your interest in this Agreement or a bona fide offer to purchase all or substantially all of the assets of the Restaurant in connection with the buyer's acquisition of a franchise for a TABU SHABU™ Restaurant, or if any Owner receives a bona fide offer to purchase his or her equity interests in you (if you are a business Entity), and you or such Owner wishes to accept such offer, you or the Owner must deliver to us written notification of the offer and, except as otherwise provided herein, we will have the right and option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. The written notification must include a copy of the bona fide offer, signed by the seller, whose identity must be disclosed to us. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer shall include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. If we elect to purchase the seller's interest, closing on such purchase must occur by the later of: ***(a)*** the closing date specified in the third party offer; or ***(b)*** within 60 days from the date of notice to the seller of our election to purchase. Our failure to exercise the option described in this Section shall not constitute a waiver of any of the transfer conditions set forth in this Article 16.

This Section 16.2.8 grants to us a right to purchase the seller's interest in the above-described assets regardless of whether the bona fide offer includes an offer to purchase other assets of the seller. If the offer includes an offer to purchase other assets, the proposed purchaser must specify the amount of the offer price allocated to the above-described assets. In such events, we may exercise our right of first refusal with respect to the above-described assets only. If the offer includes an offer to purchase interests in multiple franchise agreements, multiple TABU SHABU™ Restaurants, and/or area development rights, the proposed purchaser must specify the amount of the offer price allocated to each agreement or Restaurant, as applicable. In such event, we may exercise its right of first refusal with respect to all or any part of the offer.

The right of first refusal process described in the preceding paragraph will not be triggered by a proposed transfer that would not be allowed under this Section 16. As noted in this Agreement's transfer section, there may be no transfer of the Restaurant unless it will continue to be operated as a TABU SHABU™ Restaurant under a franchise agreement. You may not sell the assets of the Restaurant to anyone who will use those assets to operate anything other than a TABU SHABU™ Restaurant. We may require you (or your Owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 16.2.8.

17. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

17.1 Independent Contractor. This Agreement does not constitute you as an agent, legal representative, joint venturer, partner, employee or servant of ours for any purpose whatsoever. You may not represent to third parties that you are an agent of ours and it is understood between you and us that you will be an independent contractor and are in no way authorized to make any contract, agreement, warranty or representation on our behalf, or to create any obligation, express or implied, on our behalf. We do not participate in the hiring, disciplining, or discharging of your employees or in setting and paying wages and benefits to your employees, and you acknowledge that we have no power, responsibility, or liability with respect to the hiring, disciplining, or discharging of employees or in setting or paying their wages. You will prominently display, by posting of a sign within public view, on or in the Franchise Location, a statement that clearly indicates that the Restaurant is independently owned and operated by you as a TABU SHABU™ franchise. You further agree not to conduct yourself in any manner so as to confuse, mislead or deceive anyone as to your relationship with us. We will not be liable to you in any way for any losses sustained by you in the operation of the Restaurant, it being understood and agreed that the you are an independent contractor entitled to retain all profits derived from its operations of the Restaurant after payment of all sums due to the us and others.

17.2 Indemnification. You agree to hold harmless, defend, and indemnify us, our parent companies, affiliates, and subsidiaries, and each of our and their respective past, present, and future officers, directors, shareholders, managers, members, owners, partners, agents, attorneys, consultants, management companies, and employees (collectively, "**Indemnitees**") to the fullest extent permitted by law from any and all "**losses and expenses**" (as hereinafter defined) resulting directly or indirectly from, as a result of, or in connection with ***(a)*** injury of any kind (including monetary, mental, or physical—including death) to any person (including your employees) or damages to any property of whatsoever kind and nature arising out of or in any manner connected with the Restaurant; ***(b)*** the Restaurant and your operation thereof, including, but in no way limited to, losses and expenses arising as a result of product liability or the maintenance and operation of related vehicles; ***(c)*** any of your employees', contractors', agents', or representatives' acts, omissions, and claims; or ***(d)*** your activities under or any breach of this Agreement, where the foregoing include, without limitation, those losses and expenses alleged to be caused in whole or in part by any act, omission, negligence, or strict liability of the Indemnitees. It is expressly understood and agreed that the indemnity contained in this Section covers claims by your employees and that you expressly waive any defense to this indemnification obligation which may arise under the workers' compensation laws of any State. We have some rights concerning any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect us or any of the other indemnitees. For the purpose of this Section, the term "**losses and expenses**" will be deemed to include damages (including compensatory, exemplary, and punitive damages); demands; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Under no circumstances will we be required or obligated to seek recovery from third parties or otherwise mitigate our losses in order to maintain a claim under this provision, and our failure to seek such recovery or mitigate our loss will in no way reduce the amounts of recovery by us under this provision.

You must notify us immediately of any event you are aware for which indemnification is required. Under this Section, we will have the right, but not the obligation, to: ***(a)*** choose counsel; ***(b)*** direct and control the handling of the matter; and ***(c)*** settle any claim against the Indemnitees. Our assumption by us will not modify your indemnification obligation. We may, in our sole and absolute discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event resulting in losses and expenses under this Section or take other remedial or corrective actions with respect thereof as may be, in our sole and absolute discretion, necessary for the protection of the Indemnitees or the System.

This Section will survive the expiration or termination of this Agreement and applies to all losses and expenses even if they exceed the limits of your insurance coverage.

18. NON-WAIVER

Our failure to exercise any power reserved to us hereunder, or to insist upon strict compliance by you 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 our right to demand exact compliance with the terms of this Agreement.

Waiver by us of any particular default by you will not be binding unless in writing and executed by us and will not affect or impair our right with respect to any subsequent default of the same or of a different nature; nor will any delay, waiver, forbearance, or omission by us to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement affect or impair our rights nor will such constitute a waiver by us of any right hereunder or of the right to declare any subsequent breach or default. Our waiver of a default by another franchisee does not affect our right to demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

19. GUARANTY

If you are an Entity, each of your Owners must execute the attached "Personal Guaranty and Undertaking" (the "**Guaranty**"). By executing the Guaranty, each Owner will be individually bound by the provisions stated in this Agreement. A violation of any provision in this Agreement by any Owner will constitute a violation of your obligations under this Agreement. The individuals executing this Agreement under the Guaranty represent that they are your sole Owners. The term "**Owner**" in this Agreement includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of a trust. If any Owner required to sign a Guaranty is a business entity, then each of owner and parent in such Owner's chain of ownership will execute the Guaranty; it being the intent of the parties that each entity and natural person holding a beneficial interest in the franchise, either directly or indirectly through one or more business entities, be considered an "Owner" under this Agreement.

20. ARBITRATION

20.1 Arbitration**.**

(a) Unless otherwise provided in this Agreement or not solved during the mediation process described in Section 20.2., you and we agree to submit any claim, controversy or dispute (collectively, "**Dispute**") between us or any of our affiliates (and/or their respective shareholders, officers, directors, agents, representatives and/or employees) and you (and/or your Owners, guarantors, agents, representatives and/or employees, as applicable) arising out of or related to ***(i)*** this Agreement or any other agreement between us and you, ***(ii)*** our relationship with you, ***(iii)*** the validity of this Agreement or any other agreement between us and you, or ***(iv)*** any System standard, to arbitration. The arbitration will be administered in accordance with the Commercial Rules of the American Arbitration Association ("**AAA**"). The arbitration will be conducted by one arbitrator selected by agreement of the parties or (in the event the parties cannot agree) in accord with the Rules. The arbitrator will apply the Federal Rules of Evidence with respect to the admissibility of evidence. The Arbitrator must be a person experienced in franchise law who has no prior business or personal relationship with either party. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) ("**FAA**"). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction. The arbitrator will be required to state in writing the reasoning on which the award is based.

(b) Arbitration will be conducted in the city in which we maintain our principal business offices at the time of the arbitration. Arbitration will be conducted on an individual, and not a class-wide, basis and an arbitration proceeding between the parties and their respective Owners, officers, directors, agents, guarantors, representatives, and/or employees may not be consolidated with any other arbitration proceeding between us and any other person or Entity. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Section 20.8. The arbitrator, in the conduct of the arbitration, will not have the authority to declare any Mark generic or otherwise invalid and, to the fullest extent permitted by law. With the exception of our right to seek indemnification as set forth in this Agreement, and our right to seek recovery of lost future profits, including liquidated damages as set forth in Section 15.7, each party waves any right to or claim for any punitive, exemplary, incidental or consequential damages against the other.

(c) Any disputes concerning the enforceability or scope of this arbitration provision shall be resolved pursuant to the FAA, and the parties agree that the FAA preempts any state law restrictions (including the site of the arbitration) on the enforcement of this arbitration provision. If, prior to an Arbitrator's final decision, either you or we commence an action in any court for a claim that arises out of or relates to this Agreement (except for the purpose of enforcing this arbitration provision or as otherwise permitted by this Agreement), the party bringing the action in court will be responsible for the other party's expenses of enforcing this arbitration provision, including court costs, arbitration filing fees, and other costs and attorneys' fees.

(d) If any party institutes any claim subject to this arbitration proceeding in any court, and the other party succeeds in a motion to compel arbitration of the claim, the compelling party shall reimburse the other party their reasonable attorneys' fees and costs in defending the action and in the motion to compel arbitration.

(e) You agree not to assert any claim or cause of action against us, our officers, directors, shareholders, employees, or affiliates after two years following the event giving rise to such claim or cause of action.

(f) Notwithstanding the foregoing, we have the right to apply to any court of competent jurisdiction, in lieu of arbitration, for failure to pay Royalty Fees or any other amounts due and owing under this Agreement or to enforce our right to indemnification. The parties each also have the right to apply to any court of competent jurisdiction, in lieu of arbitration, for any Disputes where injunctive or other extraordinary relief is being sought. You and your Owners irrevocably consent to the personal jurisdiction of the state and federal courts located in the county in which we maintain our principal place of business for the purpose of this Section.

20.2 <u>Mandatory Pre-Arbitration Mediation</u>. Except as stated below, before filing any proceeding to resolve a Dispute, either party has the right to demand participation in mediation. One mediator will be selected by the parties and if they cannot agree, then a mediator will be selected by the AAA. The mediation will be held near our principal offices, currently in Costa Mesa, California, will not last more than one day, and if the parties do not resolve their dispute, then any party may file an arbitration proceeding in line with the terms of this Agreement. The mediation will be governed by the rules of the AAA. The parties agree that mediation will be held no later than 14 days after a written request for mediation has been served on the other parties. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

Notwithstanding the foregoing provisions of this Section 20.2, the parties' agreement to mediate will not apply to Disputes which may, in lieu of arbitration, be submitted to any court of competent jurisdiction pursuant to the terms of Section 20.1(f).

20.3 <u>Governing Law</u>**.** This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be governed, interpreted, and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the franchised outlet is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section is intended by the parties to subject this

Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject.

20.4 Mutual Waiver of Jury Trial. **THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

20.5 Waiver of Punitive Damages. WITH THE EXCEPTION OF OUR RIGHT TO SEEK INDEMNIFICATION FOR THIRD PARTY CLAIMS AS SET FORTH IN THIS AGREEMENT AND OUR RIGHT TO SEEK RECOVERY OF LOST FUTURE PROFITS, INCLUDING LIQUIDATED DAMAGES AS SET FORTH IN SECTION 15.7 ABOVE, IN THE EVENT OF YOUR BREACH OF THIS AGREEMENT, THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY LOSS OF REVENUES, LOSS OF PROFITS, LOSS OF TIME, INCONVENIENCE, LOSS OF USE, OR ANY OTHER INCIDENTAL, SPECIAL, INDIRECT, EXEMPLARY, PUNITIVE, OR CONSEQUENTIAL LOSS AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

20.6 Remedies Not Exclusive. Except as stated in Section 15.7 and Sections 20.4 and 20.5, or otherwise provided explicitly in this Agreement, no right or remedy that the parties have under this Agreement is limited to, any other right or remedy under this Agreement or under applicable law. Every remedy will be in addition to, and not limited to every other remedy available at law or in equity or by statute or otherwise.

20.7 Our Right to Injunctive Relief. Nothing in this Agreement stops our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

20.8 Attorneys' Fees and Costs. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party will be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit or proceeding.

21. MISCELLANEOUS

21.1 Entire Agreement. Except for the representations included in our Franchise Disclosure Document ("**FDD**") this Agreement and the documents referred to in it represent the entire agreement between you and us with respect to the Restaurant. This Agreement overrides all prior discussions, understandings, representations, and agreements concerning the Franchised Business; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Franchise Disclosure Document that was furnished to you by us. This Agreement includes the terms and conditions on the Summary Pages, and Attachments A, B, and C which are incorporated in this Agreement by this reference.

21.2 Amendments and Modifications. This Agreement may only be amended or modified by a written document signed by each party.

21.4 Importance of Timely Performance. Time is of the essence in this Agreement.

21.5 Headings. The headings in this Agreement are for convenience only. They are not a part of this Agreement and will not affect the meaning or construction of any of its provisions.

21.6 Recitals. The Recitals shall be included in and form a part of this Agreement.

21.7 Severability. Each provision of this Agreement is severable from the others. If any provisions of this Agreement or any of the documents executed in union with this Agreement are determined by a court to be invalid, illegal, or unenforceable, the invalidity will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind us and you.

21.8 Applicable State Law Controlling**.** If the termination, renewal, or other provisions stated in this Agreement are inconsistent with any applicable state statute, the statute will apply, but only to the inconsistency.

21.9 Survival. Each provision of this Agreement that clearly specifies or implies that it is to be performed after the expiration, termination, or Transfer of this Agreement will survive an expiration, termination, or Transfer. This includes, but is not limited to Sections 7.3, 8.1, 8.2, 10.8, 13.4, and Articles 15, 17, 20, and 22.

21.10 Consent. Whenever our prior written approval or consent is required under this Agreement, you must agree to make a timely written request to us for the consent. Our approval or consent must be in writing and signed by an authorized officer to be effective.

21.11 No Reliance. We make no warranties or guarantees upon which you may rely and we assume no liability or obligation to you or any third party to which we would not otherwise be subject by providing any waiver, approval, advice, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

21.12 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be delivered: ***(a)*** personally; ***(b)*** by certified or registered mail, postage prepaid; ***(c)*** by overnight delivery service; or ***(d)*** by facsimile (if the sender receives machine confirmation of successful transmission). Notices to you will be sent to the address stated on Summary Pages. Notices to us must also be sent to the address identified on the Summary Pages with a copy to our counsel.

Either party can change its mailing address or facsimile number by giving notice to the other party. Notices will be considered to be received on the same day when they are delivered personally. They will be considered to be received on an attempted delivery when sent by registered, certified, or overnight delivery service. They will be considered to be received on the next business day when sent by facsimile.

21.13 Execution in Counterparts. This Agreement may be completed in two or more counterparts. Each counterpart will be considered an original, and all of them combined will form one complete agreement.

21.14 Successors and Assigns. Except as otherwise clearly stated, this Agreement is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

21.15 No Third Party Beneficiaries. Except as otherwise clearly stated in this Agreement, no third party shall have the right to claim any of the benefits conferred under this Agreement.

21.16 Additional Terms; Inconsistent Terms. The parties may provide additional terms by including the terms in the Summary Pages or Attachments B and C. To the extent that any provisions on the Summary Pages or Attachments B and C are in direct conflict with the provisions of this Agreement, the provisions in the Summary Pages and Attachments B and C shall control.

21.17 Rules of Construction. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement shall be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

21.18 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. This clause shall not apply or not result in an extension of the term of this Agreement.

21.19 Caveat. The success of the business venture contemplated to be undertaken by you by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of you and your Owners as an independent businessperson and your active participation in the daily affairs of the business as well as other factors. We make no representations or warranties, express or implied, as to the potential success of the business venture contemplated hereby.

22. YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS

You and the Owners represent, warrant, and acknowledge as follows:

22.1 Truth of Information. The information (including without limitation all personal and financial information) that you and your Owners have furnished or will furnish to us relating to the subject of this Agreement is true and correct in all material respects and includes all material facts necessary to make such information not misleading in light of the circumstances when made.

22.2 Due Authority. This Agreement has been duly authorized and executed by you or on your behalf is a valid and binding obligation of you, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership, and other similar laws affecting the rights of creditors generally.

22.2 Terrorist Acts. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("**Order**"), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you: ***(a)*** do not, and hereafter will not, engage in any terrorist activity; ***(b)*** are not affiliated with and do not support any individual or Entity engaged in, contemplating, or supporting terrorist activity; and ***(c)*** are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or Entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

22.3 Independent Investigation. You have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your own efforts and ability. You have been accorded ample time to consult with your own attorney and other advisors about the potential risks and benefits of entering into this Agreement, and we have advised you to do so.

22.4 Timely Receipt of Agreement and Franchise Disclosure Document. You have received an execution ready copy of this Agreement at least seven calendar days before you executed this Agreement or any related agreements or pay any consideration to us. You have also received a FDD required by applicable state and/or federal laws, including a form of this Agreement, at least 14 calendar days (or such longer time period as required by applicable state law) before you executed this Agreement or any related agreements or pay any consideration to us. You have reviewed this Agreement and the FDD and have been given ample opportunity to consult with, and ask questions of, our representatives regarding the documents.

22.5 Electronic Signature. This Agreement, including all Attachments, may be signed with full force and effect using electronic signatures. By signing via your electronic signature you consent to the legally binding terms and conditions of this Agreement and represent that you are the authorized signatory indicated in each signature block.

IN WITNESS WHEREOF, the parties below have caused this Agreement to be executed as of date beneath each signature block below to be effective as of the Effective Date first above written.

FRANCHISOR
TABU SHABU HOLDINGS, LLC
a California limited liability company

By: ______________________________________
Name: ____________________________________
Title: _____________________________________
Date: _____________________________________

FRANCHISEE
____
a/an ______________________________________

By: ______________________________________
Name: ____________________________________
Title: _____________________________________
Date: _____________________________________

CALIFORNIA AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT ("**Amendment**") dated ___________________, 20___ is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated ___________________, 20____, by and between Tabu Shabu Holdings, LLC ("**Tabu Shabu**"), a California limited liability company, with its principal office in Costa Mesa, California, and ______________________________ ("**you**" or "**Franchisee**"). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq., (collectively, the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

2. Sections 20000 through 20043 of the California Business and Professions Code provide rights to you concerning nonrenewal and termination of the Franchise Agreement. The Federal Bankruptcy Code also provides rights to you concerning termination of the Franchise Agreement upon certain bankruptcy-related events. To the extent the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control.

3. The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). California Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (California Business and Professions Code 2000 through 20043).

4. If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.

5. If the Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Agreement, the covenant may be unenforceable under California law.

6. If the Franchise Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of California, the requirement may unenforceable under California law.

7. If the Franchise Agreement requires that it be governed by a state's law other than the State of California, such requirement may be unenforceable.

8. Section 22.3 (Independent Investigation) of the Franchise Agreement is deleted in its entirety.

9. Section 22.4 (Timely Receipt of Agreement and Franchise Disclosure Document) of the Franchise Agreement is deleted in its entirety.

10. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

11. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

12. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRANCHISOR	**FRANCHISEE**
TABU SHABU HOLDINGS, LLC	______________________________
a California limited liability company	a/an ______________________________
By: ______________________________	By: ______________________________
Name: ______________________________	Name: ______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT A

GLOSSARY OF ADDITIONAL TERMS

"**Account**" means your commercial bank operating account.

"**Affiliate**" means any person or entity that is controlled by, controlling, or under common control with such named person or entity.

"**Agreement**" means the Franchise Agreement.

"**Business Day**" means each day other than a Saturday, Sunday, U.S. holiday or any other day on which the Federal Reserve is not open for business in the United States.

"**Confidential Information**" means all trade secrets, and other elements of the System; all customer information; all information contained in the Manuals; Franchisor's standards and specifications for all services and products offered at TABU SHABU™ Restaurant; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that Franchisor designates.

"**Control Date**" means the date specified in Attachment B which is the date you must acquire a site accepted by Franchisor for the development of the TABU SHABU™ Restaurant.

"Copyrighted Works" means works of authorship which are owned by Franchisor and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Marks, Franchisor's product packaging, and advertising and promotional materials, and the content and design of Franchisor's Website and advertising and promotional materials.

"**Crisis Management Event**" means any event that occurs at or about the TABU SHABU™ Restaurant premises or in connection with the operation of the Franchised Business that has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the marks.

"**Designated Principal**" means the Owner appointed as the primary overseer of the operation of the franchised business and who holds a minimum 10% ownership interest in the franchisee. The Designated Principal may also be the General Manager.

"**Entity**" means any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

"**Force Majeure**" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics; or other similar forces which could not, by the exercise of reasonable diligence, have been avoided; provided, however, that neither an act or failure to act by a government authority, nor the performance, nonperformance, or exercise of rights by your lender, contractor, or other person qualifies as a Force Majeure unless the act, failure to act, performance, non-performance, or exercise of rights resulted from a Force Majeure. Your financial inability to perform or your insolvency is not a Force Majeure.

"**Gross Sales**" means the total gross amount of all revenues, excluding only **(1)** sales tax or other receipts you collect and remit to the proper taxing authorities and **(2)** authorized coupon or other promotional discounts you provide to your customers. Included in the definition is revenue from whatever source derived (whether in the form of cash, credit, agreements to pay, or other consideration (such as bartering), and whether or not payment is received at the time of sale or any of those amounts prove uncollectible. Also included is revenue that in any manner at all arises from or is derived by you or by any other business conducted or which originate in, on, from or through the Restaurant or Franchise Location. This includes revenue you derive through the Restaurant, from the sale of products associated with the Restaurant, and revenue derived from your use of the Marks, whether or not you conduct those operations in compliance with or in violation of this Agreement.

"**General Manager**" means an individual who Franchisee has designated, and Franchisor has approved, who has full control over the day-to-day management and operations of the Restaurant, who has completed Franchisor's initial training program and all additional training (including continuing education requirements for certified or licensed General Managers) that Franchisor requires, to Franchisor's satisfaction, and who devotes his or her full time best efforts to Restaurant management and operations.

"**Manual**" means the compilation of information and knowledge that is necessary and material to the System. The term Manual, as used in this Agreement, includes all publications, materials, drawings, memoranda, videotapes, CDs, DVDs, MP3s, and other electronic media that Franchisor from time to time may loan to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotape, CD, DVD, MP3, or other communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a TABU SHABU™ Restaurant.

"**Marks**" means certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark "TABU SHABU" and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by us in writing for use in connection with the System.

"**Owner**" means each direct and indirect individual or entity holding a beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

"**System**" means a distinctive system relating to the establishment and operation of outlets which offer traditional Japanese hot pot fare with proprietary sauces, related menu items, and alcoholic and non-alcoholic beverages under the trade name and trademark TABU SHABU™.

"**Trade Dress**" means the distinguishing characteristics of the System, including distinguishing characteristics of the Restaurant such as signage, color schemes, furniture, fixtures, and other identification schemes, as well as distinguishing characteristics of the Trade Secret Food Products and their related packaging.

"**You**" means the franchisee identified above and its successors and assigns.

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT B

SITE SELECTION AREA, CONTROL DATE, FRANCHISED LOCATION, OPENING DATE AND THE DESIGNATED AREA

Section 3.1 The Control Date is: ______________________________

Section 3.2 The Site Selection Area is the non-exclusive geographic area described as: ____________
____

IN WITNESS WHEREOF, the parties have executed this Attachment B on this ___ day of _____________, 20___.

FRANCHISOR	**FRANCHISEE**
TABU SHABU HOLDINGS, LLC	______________________
a California limited liability company	a/an ______________________
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

As of the date set forth below, the Franchised Location has been determined and, as such, Attachment B is supplemented as follows:

Section 3.1 The Franchised Location is at: ______________________________

Section 3.2 The Opening Date is: ______________________________

Section 1.2 The Designated Area is: ______________________________

but excludes all Closed Markets within such area. A "**Closed Market**" is any facility serving a captive market, including hotels, resorts, shopping malls (defined as enclosed or open retail centers with gross leasable area in excess of 350,000 square feet), airports, public facilities, college and school campuses, military bases, and any other mass gathering events or locations, and facilities of any kind for which restaurants are, or may reasonably be anticipated to be, contracted to a third party or parties.

If the Designated Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Designated Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

IN WITNESS WHEREOF, the parties have supplemented this Attachment B on this ____ day of ___________, 20____.

FRANCHISOR	**FRANCHISEE**
TABU SHABU HOLDINGS, LLC	______________________
a California limited liability company	a/an ______________________
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT C

ENTITY INFORMATION

If the franchisee is an entity, you represent and warrant that the following information is accurate and complete in all material respects as of ______________________, 20____.

(1) Franchisee is a ____________________________________, formed under the laws of the State of _________________.

(2) You shall provide to Franchisor concurrently with the execution hereof true and accurate copies of the franchisee's charter documents and governing documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.

(3) You promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in the franchisee entity.

(4) The name and address of each of Owner:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The address where the Franchisee's financial records, and other records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is: __________ ____.

FRANCHISOR
TABU SHABU HOLDINGS, LLC
a California limited liability company

By: ______________________________________
Name: ____________________________________
Title: _____________________________________

Date: _____________________________________

FRANCHISEE
____
a/an _____________________________________

By: ______________________________________
Name: ____________________________________
Title: _____________________________________

Date: _____________________________________

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT D-1

PERSONAL GUARANTY AND UNDERTAKING

1. I have read the Franchise Agreement between Tabu Shabu Holdings, LLC ("**Franchisor**") and ____ ____________________ (the "**Franchisee**") to which this Personal Guaranty and Undertaking is attached.

2. I own a beneficial interest in the Franchisee, and would be considered an "**Owner**" within the definition contained in the Franchise Agreement.

3. I understand that, were it not for this Personal Guaranty and Undertaking (the **"Guaranty"**), Franchisor would not have agreed to enter into the Franchise Agreement with the Franchisee.

4. In consideration for, and as an inducement to, the execution of the Franchise Agreement by Franchisor, I personally and unconditionally ***(1)*** guarantee to Franchisor, and its successors and assigns, for the term of the Agreement (including holdovers, extensions, and renewals) and thereafter as provided in the Agreement, that the Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement (including any amendments or modifications of the Agreement); and ***(2)*** shall be personally bound by, and personally liable for the breach of each and every provision in the Franchise Agreement (including any amendments or modifications of the Franchise Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the non-competition, confidentiality, and transfer requirements.

5. I personally waive: ***(1)*** acceptance and notice of acceptance by Franchisor of the foregoing undertakings; ***(2)*** notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; ***(3)*** protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; ***(4)*** any right I may have to require that an action be brought against Franchisee or any other person as a condition of liability; ***(5)*** all rights to payments and claims for reimbursement or subrogation which any I may have against Franchisee arising as a result of my execution of and performance under this Guaranty; and ***(6)*** any and all other notices and legal or equitable defenses to which I may be entitled.

6. I consent and agree that: ***(1)*** my direct and immediate liability under this guaranty shall be joint and several, both with Franchisee and among other guarantors; ***(2)*** I will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; ***(3)*** such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and ***(4)*** such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims (including the release of other guarantors), none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement (including holdovers, extensions, and renewals), for so long as any performance is or might be owed under the Franchise Agreement by Franchisee or its owners, and for so long as Franchisor has any cause of action against Franchisee or its owners; and ***(5)*** this guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Franchise Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

7. I agree that the provisions contained in Article 20 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

8. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

9. I hereby waive ***(a)*** all rights described in California Civil Code Section 2856(a)(1)-(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855, inclusive; and ***(b)*** California Civil Code Sections 2899 and 3433.

10. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE**.

11. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

12. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after electronically confirmed transmission by facsimile or other electronic system; one Business Day after delivery by a recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

Intending to be legally bound, I have executed this Personal Guaranty and Undertaking on the date set forth below:

GUARANTOR(S)

Dated: ____________________ ____________________________________
Name: ______________________________
Address: ____________________________
____
Fax: ________________________________

Dated: ____________________ ____________________________________
Name: ______________________________
Address: ____________________________
____
Fax: ________________________________

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT D-2

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(for trained employees of Franchisee)

In accordance with the terms of this Confidentiality and Non-Competition Agreement ("**Confidentiality Agreement**") and in consideration of my being a ________________________ of ________________________ (the "**Franchisee**"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. ________________________ doing business as ________________________ (the "**Franchisee**"), has acquired the right and franchise from Tabu Shabu Holdings, LLC ("**Franchisor**") to establish and operate a Franchised Business (the "**Franchised Business**") and the right to use in the operation of the Franchised Business Franchisor's trade names, trademarks, service marks, including the TABU SHABU™ mark (the "**Marks**") and the system developed by Franchisor and/or its affiliates for operation and management of Franchised Businesses (the "**System**"), as they may be changed, improved, and further developed from time to time in Franchisor's sole discretion.

2. Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes the Manuals, trade secrets, and copyrighted materials, methods, and other techniques and know-how (the "**Confidential Information**").

3. Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Confidentiality Agreement.

4. As ________________________ of the Franchisee, Franchisor and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor's operations manual (the "**Manual**") and other general assistance during the term of this Confidentiality Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as ________________________ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by Franchisor, I shall not, while in my position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, and continuing for a one year period thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business that offers Japanese hot pot-style fare within a 15-mile radius of any TABU SHABU™ Restaurant, as that term is

defined in the Franchise Agreement. This restriction does not apply to my ownership of less than 5% beneficial interest in the outstanding securities of any publicly-held corporation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.

9. I understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Confidentiality Agreement.

11. This Confidentiality Agreement shall be construed under the laws of the State in which Franchisee maintains its principal place of business. The only way this Confidentiality Agreement can be changed is in writing signed by both the Franchisee and me.

12. With respect to all claims, controversies and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the state courts located in Orange County, California, and the United States District Court for the Central District of California. I acknowledge that this Confidentiality Agreement has been entered into in the state of California, and that I am to receive valuable information emanating from Franchisor's headquarters in Costa Mesa, California. In recognition of the information and its origin, I hereby irrevocably consent to the personal jurisdiction of the state and federal courts of California as set forth above. Notwithstanding the foregoing, I acknowledge and agree that Franchisor or the Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

[EMPLOYEE]	**ACKNOWLEDGED BY FRANCHISEE**
Signature:______________________________	By:___________________________________
Name:________________________________	Name:________________________________
Address:______________________________	Title:________________________________
Title:_________________________________	
Date:__________________________	Date:________________________________

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT E

ACH AUTHORIZATION
AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)

Please complete and sign this form.

Franchisee Information

Franchisee Name or Legal Entity ____
TABU SHABU™ Restaurant Number & Location
____
Name and Email of Person to Receive ACH Debit Advice ___________________

Authorization Agreement

I (we) hereby authorize Tabu Shabu Holdings, LLC ("Company") to make ACH withdrawals from my (our) account at the financial institution named below. I also authorize the Company to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.
I agree to indemnify the Company for any loss arising in the event that any withdrawals from my (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
This agreement will remain in effect until the Company has received advanced written notice of cancellation from me (us) in such time and in such manner as to afford the Company a reasonable opportunity to act on it, and in no event shall such notice period be less than thirty (30) days.

Payor/Franchisee Account Information

Name of Financial Institution: ______________________________

ABA Routing Number: ______________________________

Account Number: ______________________________ Checking ☐ Savings ☐

Payor/Franchisee Signature

Authorized Signature (Primary): ______________________________ **Date:** __________

Authorized Signature (Joint): ______________________________ **Date:** __________

Account holder(s), please sign here: ***(Joint accounts require the signature of all persons having authority over the account)***
Please attach a voided check at right, fax and mail to:
Tabu Shabu Holdings, LLC, Attn: CEO
170 E 17th St #200C
Costa Mesa, California 92627
(949) 500-4423

ATTACH CHECK HERE

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT F

LEASE ADDENDUM

THIS LEASE ADDENDUM (the " **Lease Addendum**") is made and entered into as of the ___ day of ________, 20__, by and between ____ ("**Landlord**"), with its principal offices at ________________________________ and ______________________________ ____________________ ("**Franchisee**" or "**Tenant**"), with its principal offices at ___________________ __________________________________, and Tabu Shabu Holdings, LLC ("**Franchisor**") with its principal offices at 170 E 17th St #200C, Costa Mesa, CA 92627.

BACKGROUND

A. Tabu Shabu Holdings, LLC or its affiliates, and their successors or assigns ("**Franchisor**") franchises the operation of restaurants that offer traditional Japanese hot pot fare with proprietary sauces, related menu items, and alcoholic and non-alcoholic beverages in a modern environment (each "**TABU SHABU™ Restaurant** " or "**Restaurant**") under the name TABU SHABU™ and/or other trademarks, service marks, logos, and other indicia of origin prescribed by Franchisor (collectively, the "**Marks**").

B. Franchisee has acquired the right and has undertaken the obligation to develop and operate a TABU SHABU™ Restaurant pursuant to the terms and conditions of a certain franchise agreement between Franchisee and Franchisor ("**Franchise Agreement**").

C. Under the terms and conditions of the Franchise Agreement, Franchisor has the right to accept the site for the Restaurant; and if the Restaurant premises will be occupied pursuant to a commercial lease, Franchisor has prescribed certain lease terms and has the right to condition its approval of a proposed site on inclusion of the prescribed lease terms.

D. Franchisee desires, and has requested Franchisor's approval, to develop and operate one TABU SHABU™ Restaurant at the premises ("**Premises**") identified in the attached lease ("**Lease**").

E. Landlord desires to lease to Franchisee the Premises for purposes of developing and operating one TABU SHABU™ Restaurant.

F. The parties desire to modify and amend the Lease in accordance with the terms and conditions contained herein for purposes of obtaining Franchisor's approval.

(1) During the term of the Franchise Agreement, the Premises will be used only for the operation of the Restaurant.

(2) Landlord consents to Franchisee's use of such Marks and signs, interior and exterior décor, furnishings, fixtures, items, color schemes, plans, specifications, and related components of TABU SHABU™ System (as defined in the Franchise Agreement and as Franchisor may prescribe for the Restaurant).

(3) Landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Franchisee.

(4) Franchisor will have the right to enter onto the Business premises at any time, to make any modification or alteration necessary to protect TABU SHABU™ System and Marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort, and the Landlord will not be responsible for any expense or damages arising from Franchisor's action in connection therewith.

(5) In the event of Franchisee's default under the terms of the Lease, Landlord shall promptly deliver notice of such default to Franchisor and shall offer Franchisor the opportunity to cure the default and to assume the Lease in Franchisor's name. If Franchisor elects to cure the default and assume the Lease, Franchisor, within 10 days of its receipt of notice from Landlord, shall notify Landlord of its intent to cure such default and to assume the Lease. If Franchisor elects to cure the default, it shall cure the default within 30 days of such election or, if the default cannot be reasonably cured within such 30 day period, then Franchisor will commence and proceed to cure the default within such time as is reasonably necessary to cure the default. If Franchisor elects to assume the Lease, Landlord agrees to recognize Franchisor as the tenant under the Lease and Franchisee will no longer have any rights there under.

(6) Franchisee will be permitted to assign the Lease to Franchisor or its affiliates upon the expiration (without renewal) or earlier termination of the Franchise Agreement and the Landlord hereby consents to such assignment and agrees not to impose or assess any assignment fee or similar charge or accelerate rent under the Lease in connection with such assignment, or require Franchisor to pay any past due rent or other financial obligation of Franchisee to Landlord, it being understood that Landlord will look solely to the Franchisee for any rents or other financial obligations owed to Landlord prior to such assignment. Landlord and Franchisee acknowledge that Franchisor is not a party to the Lease and will have no liability under the Lease, unless and until the Lease is assigned to, or assumed by, Franchisor.

(7) Except for Franchisee's obligations to Landlord for rents and other financial obligations accrued prior to the assignment of the Lease, in the event of such assignment, Franchisor or any affiliate designated by Franchisor will agree to assume from the date of assignment all obligations of Franchisee remaining under the Lease, and in such event Franchisor or any affiliate will assume Franchisee's occupancy rights, and the right to sublease the Premises, for the remainder of the term of the Lease. In the event of such assignment, neither Franchisor nor any affiliate will be required to pay to Landlord any security deposit.

(8) Notwithstanding anything contained in this Lease, Franchisor is expressly authorized, without the consent of the Landlord, to assign the Lease, or to sublet all or a portion of Premises, to an authorized franchisee. If Franchisor elects to assign the Lease, the subtenant/franchisee shall expressly assume all of Franchisor's obligations under the Lease, and Franchisor shall be released of all obligations to Landlord under the Lease as of the date of assignment. If Franchisor elects to sublet the premises, such subletting shall be subject to the terms of this Lease, the subtenant/franchisee shall expressly assume all of Franchisor's obligations under the Lease, and Franchisor shall remain liable for the performance of the terms of this Lease. Franchisor shall notify Landlord as to the name of the subtenant/franchisee within 10 days after such assignment or subletting, as applicable.

(9) Franchisee will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor.

(10) Neither Landlord nor Franchisee shall amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(11) All notices hereunder shall be by certified mail to the addresses set forth above or to such other addresses as the parties hereto may, by written notice, designate. Notices required to be given to Franchisor shall be delivered to the following address: 170 E 17th St #200C, Costa Mesa, CA 92627.

(12) This Lease Addendum shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.

The terms of this Lease Addendum will supersede any conflicting terms of the Lease

IN WITNESS WHEREOF, the parties have executed this Lease Addendum as of the date first above written.

Landlord:

____

By: ____________________________________
Name: __________________________________
Title: ___________________________________

Franchisee:

____

By: ____________________________________
Name: __________________________________
Title: ___________________________________

Franchisor:
Tabu Shabu Holdings, LLC

By: ____________________________________
Name: __________________________________
Title: ___________________________________

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT G

TELEPHONE NUMBER ASSIGNMENT AGREEMENT

THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT is made as this _____ day of _________________, 20___, ("**Assignment**") by and between _____________________ (hereinafter the "**Assignor**") and Tabu Shabu Holdings, LLC (hereinafter the "**Assignee**").

WITNESSETH:

WHEREAS, the Assignee has developed and owns the proprietary system ("**System**") for the operation of restaurants offering traditional Japanese hot pot fare with proprietary sauces, related menu items, and alcoholic and non-alcoholic beverages in a modern environment under the TABU SHABU™ trademarks (the "**Franchised Business**");

WHEREAS, the Assignor has been granted a license to operate a Franchised Business pursuant to a Franchise Agreement dated _________________, 20____, in accordance with the System ("**Franchise Agreement**");

WHEREAS, in order to operate its Franchised Business, the Assignor shall be acquiring one or more telephone numbers, telephone listings and telephone directory advertisements; and

WHEREAS, as a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign all of its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements to the Assignee in the event of the expiration or termination of the Franchise Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. In the event of termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the System, the Assignor hereby sells, assigns, transfers and conveys to the Assignee all of its rights, title and interest in and to certain telephone numbers, telephone listings and telephone directory advertisements pursuant to which Assignor shall operate its Franchised Business in accordance with the terms of the Franchise Agreement; provided, however, such Assignment shall not be effective unless and until the Franchise Agreement expires or is terminated in accordance with the provisions thereof.

2. Representation and Warranties of the Assignor. The Assignor hereby represents, warrants and covenants to the Assignee that:

(a) As of the effective date of the Assignment, all of the Assignor's obligations and indebtedness for telephone, telephone listing services and telephone directory advertisement services shall be paid and current;

(b) As of the date hereof, the Assignor has full power and legal right to enter into, execute, deliver and perform this Agreement;

(c) This Agreement is a legal and binding obligation of the Assignor, enforceable in accordance with the terms hereof;

(d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which the Assignor is a party or by which the Assignor is bound, and no consent of nor approval by any third party is required in connection herewith; and

(e) The Assignor has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements (individually and collectively referred to as "**Listings**"), and the Assignor has obtained all necessary consents to this Assignment.

(f) Notwithstanding the foregoing, Assignor hereby warrants and represents to Assignee that Assignor will within one (1) business day following Assignor's receipt of Assignee's request to acquire the Listings to immediately instruct each of Assignor's providers to initiate the process and provide the vendors' documents necessary to complete the assignment. Assignee further warrants and represents that Assignee will take no action to impede or prohibit the successful assignment of the Listings to Assignor, and that Assignor shall fully cooperate with Assignee with regard to the assignment; specifically in the execution of any documentation required by Assignor's provider(s) to effectuate the assignment of the telephone numbers and Listings.

3. <u>Miscellaneous</u>. The validity, construction and performance of this Assignment shall be governed by the laws of the State of California. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of the Assignee shall inure to its benefit and to the benefit of its successors and assigns.

IN WITNESS WHEREOF, each of the parties has executed this Assignment as of the day and year first written above.

ASSIGNEE:

TABU SHABU HOLDINGS, LLC

By: ______________________________

Name: ______________________________

Title: ______________________________

ASSIGNOR:

____

By: ______________________________

Name: ______________________________

Title: ______________________________

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT H

TRAINING LIABILITY WAIVER

I am an/the owner of ______________________________ ("**Franchisee Company**"). Franchisee Company has signed a franchise agreement with Tabu Shabu Holdings, LLC In consideration for the training to be provided to my employees and/or me by Tabu Shabu Holdings, LLC and/or its affiliates (collectively, "**Tabu Shabu**"), I agree, both for myself and on behalf of Franchisee Company, to hold Tabu Shabu harmless from, and I hereby waive any and all liability of Tabu Shabu's and its officers, directors, agents, employees, insurers, and franchisees for any injury, claim, damage, or incident which occurs in the course of training at any TABU SHABU™ restaurant or other designated training facility(s), whether or not such facility is owned or controlled by Tabu Shabu, specifically including personal injury, property damage, and employment-related claims, and even if caused in whole or in part by the negligence of Tabu Shabu or any Tabu Shabu employee.

I understand that:

- Tabu Shabu has invited my employees and me onto its premises for training solely by virtue of Franchisee Company's franchise relationship with Tabu Shabu;
- Training may involve a variety of risks, including the risk of physical and/or emotional injury and property damage; and
- Tabu Shabu assumes no liability to me, Franchisee Company, or employees of Franchisee Company for any harm or claims of harm incurred or allegedly while in training and/or on Tabu Shabu's premises.

I acknowledge that my employees must look solely to Franchisee Company and its benefits programs and workers compensation insurance to cover the costs of any treatment for injuries or other losses or damages that my employees may sustain in training. Neither I nor Franchisee Company will attempt to hold Tabu Shabu liable or financially responsible for any such losses or damages. I acknowledge that the indemnification clause of Franchisee Company's franchise agreement with Tabu Shabu will apply to any claim against Tabu Shabu by any of Franchisee Company's (or its affiliates') employees.

I certify that Franchisee Company has and will maintain minimum insurance coverage as required by the franchise agreement, including worker's compensation and employees' liability per statutory requirements. At Tabu Shabu's request, I agree to provide a certificate of insurance completed by Franchisee Company's insurance carrier, certifying that the required minimum insurance coverage is in effect.

I give my consent for Tabu Shabu to arrange for medical treatment for any illness or injury that I or my employees might suffer while participating in the training program.

FRANCHISEE COMPANY:

____

By: ____________________________
Name: __________________________
Title: ___________________________
Date: ___________________________

____
____________________, Individually

TABU SHABU HOLDINGS, LLC
FRANCHISE AGREEMENT

ATTACHMENT I

FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE

(*NOT* FOR USE AND *VOID* IN CALIFORNIA)

As you know, Tabu Shabu Holdings, LLC and you are preparing to enter into a Franchise Agreement for the operation of one TABU SHABU™ Restaurant franchise. The purposes of this Questionnaire are to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You must sign and date this Questionnaire the same day you sign the Franchise Agreement and pay your franchise fee. Please closely review each of the following questions and statements carefully and provide honest and complete responses to each.**

1. Have you received and personally read the TABU SHABU™ Franchise Disclosure Document ("**FDD**")?

   Yes _____ No _____

2. Did you give us a signed receipt for the copy of the FDD that we furnished to you?

   Yes _____ No _____ If yes, on what date? ______________________________

3. Do you understand all of the information contained in the FDD?

   Yes _____ No _____

   If not, what parts of the FDD do you not understand? (If you need additional space, please use the "Additional Information Intake Form" included after the signature blocks below).

4. Have you received and personally read the TABU SHABU™ Franchise Agreement?

   Yes _____ No _____

5. Do you understand all of the terms of the Agreement?

   Yes _____ No _____

   If not, what parts of the Agreement do you not understand? (If you need additional space, please use the "Additional Information Intake Form" included after the signature blocks below).

6. Have any of our representatives recommended that you have the FDD and agreements reviewed by an attorney?

   Yes _____ No _____

7. A) Have you, in fact, discussed the FDD, the agreements, and the benefits and risks of operating a TABU SHABU™ franchise with an attorney?

   Yes _____ No _____ If yes, name of attorney:______________________________

If No, do you wish to have more time to do so?

Yes _____ No _____

B) Have you discussed the benefits and risks of operating a TABU SHABU™ Franchised Business with any other professional advisor?

Yes _____ No _____ If yes, name and profession of advisor:

C) Did you discuss the benefits and risks of operating a TABU SHABU™ Franchised Business with an existing TABU SHABU™ franchisee?

Yes _____ No _____

8. Other than the information presented in Item 19 of the FDD, have any of our employees or has any other person speaking on our behalf (this does not include franchisees whom you contact on your own) made any statement or representation (oral, written, or visual) regarding:

A) The amount of money that others have made or that you might make as a TABU SHABU™ franchisee?

Yes _____ No _____

B) The revenue or profits that a TABU SHABU™ Restaurant will generate?

Yes _____ No _____

C) Any other financial performance information about TABU SHABU™ businesses?

Yes _____ No _____

9. If your answer to any part of Question 8 is "Yes," please describe the statement or representation. Please include when, where, and by whom the statement or representation was made. Please provide full details in the following space. (If you need additional space, please use the "Additional Information Intake Form" included after the signature blocks below).

10. Have you contacted any existing TABU SHABU™ franchisees about their financial performance?

Yes _____ No _____

11. If your answer to Question 10 is "Yes," please describe the information that they shared with you in the following space. (You do not need to identify the franchisees with whom you spoke).

12. Please think about the statements or promises made to you by our employees (or by any other person purporting to speak on our behalf) concerning the advertising, marketing, training, support,

or assistance that we will furnish to you. Were any such statements or promises contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

13. If you answered "Yes" to Question 12, please provide full details in the following space. (If you need additional space, please use the "Additional Information Intake Form" included after the signature blocks below).

14. In entering into the Franchise Agreement, are you relying on any statement, promise, or assurances by us or anyone speaking or purporting to speak on our behalf, other than the terms of the Agreement itself (including any Amendment, if applicable)?

Yes _____ No _____

If "Yes", please provide full details in the following space. (If you need additional space, please use the "Additional Information Intake Form" included after the signature blocks below).

15. Would you agree that the success or failure of your TABU SHABU™ franchise will depend in large part on your own skills and abilities and efforts, and those of the people you employ, as well as many factors beyond your control such as competition, the economy, inflation, labor and equipment costs, the marketplace, and other business factors?

Yes _____ No _____

16. Do you understand the Franchise Agreement provides you can only collect compensatory damages on any claim under or relating to the Franchise Agreement, and not any punitive, exemplary or multiple damages?

Yes _____ No _____

17. Do you understand that, unless otherwise explicitly stated in written agreements you execute with us, we do not have to sell you a franchise or additional franchises (or Areas of Primary Responsibility), or consent to your purchase of existing franchises?

Yes _____ No _____

18. Do you understand that the Franchise Agreement contains the entire agreement between us and you concerning the franchise for the TABU SHABU™ Restaurant, meaning any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes _____ No _____

19. Do you understand that once you sign the Franchise Agreement and pay the Initial Franchise Fee, your Initial Franchise Fee payment is nonrefundable under any circumstance?

Yes _____ No _____

20. Do you understand that, under the terms of the Franchise Agreement, you are fully responsible and liable for complying with all government license and permit requirements, as well as with all laws and regulations applicable to the establishment and operation of your TABU SHABU™ Restaurant?

Yes _____ No _____

21. Do you understand the risks of operating TABU SHABU™ Restaurant?

Yes _____ No _____

You understand that we are acting in reliance on the truthfulness and completeness of your responses to the questions above in entering into the Agreements with Franchisee. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. YOU ACKNOWLEDGE AND AGREE THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE WILL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND YOU HEREBY WAIVE, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE.

NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS OWNERS MUST EXECUTE THIS ACKNOWLEDGEMENT.

THIS COMPLIANCE QUESTIONNAIRE AND ITS RESPONSES, IF COMPLETED, ARE VOID AS TO CALIFORNIA FRANCHISEES.

THIS COMPLIANCE QUESTIONNAIRE MAY BE COMPLETED AND SIGNED WITH FULL FORCE AND EFFECT USING ELECTRONIC FIELD INPUTS AND SIGNATURES:

FRANCHISEE	**OWNER/GUARANTOR**
______________________________	
a/an ___________________________	
By: ____________________________	______________________________
Name: __________________________	Name: __________________________
Title: ___________________________	
Date: ___________________________	Date: ___________________________

**ADDITIONAL INFORMATION INTAKE FORM
TO COMPLIANCE QUESTIONNAIRE**

Please use this form to provide all additional information for which you did not have sufficient space above in the body of the Compliance Questionnaire. This form is part of the Compliance Questionnaire and, together with the above form, you represent and agree that all of the information included is your honest and complete responses to each question.

1. Additional Information for Question No. ____________

2. Additional Information for Question No. ____________

3. Additional Information for Question No. ____________

EXHIBIT C

DEVELOPMENT AGREEMENT

TABU SHABU HOLDINGS, LLC
DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement ("**Agreement**") made effective as of ______________________ ("**Effective Date**") by and between Tabu Shabu Holdings, LLC, a California limited liability company with a business address at 170 E 17th St #200C, Costa Mesa, California 92627 (the "**Franchisor**"); and ____________________________________, a (resident of) (corporation organized in) (limited liability company organized in) ________________________ with a business address at ________________________________ (the "**Developer**").

BACKGROUND

A. Franchisor and its affiliates have developed and own a distinctive business method, format, system and plan ("**System**"), identified by the "TABU SHABU" Marks, for the establishment, development, and operation of restaurants that offer traditional Japanese hot pot fare with proprietary sauces, related menu items, and alcoholic and non-alcoholic beverages in a modern environment.

B. Franchisor and its affiliates may continuously develop a proprietary line of specially formulated sauces and other food products ("**Trade Secret Food Products**") and related presentation, packaging, and marketing standards and techniques for such Trade Secret Food Products as with all products offered at the Restaurants;

C. The System and Restaurants are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark "**TABU SHABU**" and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the "**Marks**"). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Marks, expertise, and System.

D. Franchisor grants qualified third parties the right to develop a certain number of Restaurants within the defined development area (the "**Development Area**") in accordance with the terms of this Agreement to which Developer must be strictly adhere, with each Restaurant being opened and operating utilizing the Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current form of franchise agreement (each, a "**Franchise Agreement**").

E. Developer recognizes the benefits from receiving the right to operate a Restaurant utilizing the System and desires to: (i) become a multi-unit operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate a certain number of Restaurants within the Development Area as set forth in this Agreement (each, a "**Restaurant**"), and Franchisor has approved such application in reliance on Developer's representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications, are essential to the operation of all Restaurants and the System as a whole.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. <u>Site Selection Area; Development Schedule and Obligations</u>. Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish three (3) Restaurants within the Development Area defined in the Data Sheet attached hereto as Attachment A (the "**Data Sheet**"), provided Developer opens and begins operations of such Restaurants in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "**Development Schedule**") and otherwise subject to the terms and conditions set forth herein. The parties agree and acknowledge that Developer shall not have any exclusive territorial rights within the Development Area.

2. <u>Development Fee</u>. Developer shall pay Franchisor a development fee equal to $70,000 (the

"**Development Fee**") for the right to develop the foregoing Restaurants within the Development Area under this Agreement. The Development Fee is fully earned upon payment and is not refundable under any circumstances; and payable to Franchisor immediately on Developer's execution of this Agreement.

2.1 The parties agree and acknowledge that the Development Fee is comprised of the franchise fee payable in connection with: (i) the initial Restaurant that Developer is granted the right to open within the Development Area under this Agreement (the "**Initial Restaurant**"); and (ii) each additional Restaurant that Franchisor has granted Developer the right to open hereunder (each, an "**Additional Restaurant**").

3. Initial Franchise Agreement. Contemporaneously with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the Initial Restaurant that Developer is required to open within the Site Selection Area. In the event Developer is a business entity of any kind, then Developer's principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. Additional Franchise Agreements. Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each Additional Restaurant that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed upon Development Schedule.

5. Development Obligations. Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Restaurants during each of the development periods defined in the Development Schedule (each, a "**Development Period**"); and (ii) has the minimum cumulative number of Restaurants open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement if not timely cured as set forth in Section 6.2 of this Agreement (and any future development rights granted hereunder). The parties agree and acknowledge that if there is more than one developer or franchisee looking to secure a site for a TABU SHABU® Restaurant within the Development Area, the parties will follow the Franchisor's prescribed process and procedure for how sites will be reviewed and offered to such franchisees/developers (including Developer) within the Development Area, as Franchisor sets forth in its confidential operations manual(s) or otherwise.

6. Term and Termination.

6.1 This Agreement will begin on the Effective Date and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the last day of the calendar month that the final Restaurant is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the last Restaurant that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any territorial rights other than those that might be granted in connection with a "Designated Area" associated with a Restaurant that Developer has opened and begun operating as of the date this Agreement is terminated or expires (if and as such rights are granted by Franchisor under the respective Franchise Agreement(s) that Developer entered into for such Restaurants).

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Site Selection Area or otherwise abandons its development business for 12 consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Restaurants within the Site Selection Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. Reservation of Rights. Except as provided in Article 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

8. Sale or Assignment. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a general partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. Acknowledgment. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Marks or System.

10. Notices. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to this state's conflict of laws principles.

12. Internal Dispute Resolution. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. Mediation. The parties acknowledge that during the term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, Franchisor, Developer, and each Owner agree to submit any claim, controversy or dispute between Franchisor or its Affiliates (and Franchisor's and its Affiliate's respective owners, officers, directors, agents, representatives and/or employees) and you or your Affiliates (and your Owners, agents, representatives and/or employees) arising out of or related to ***(a)*** this Agreement or any other agreement between Franchisor and you, ***(b)*** Franchisor's relationship with you, or ***(c)*** the validity of this Agreement or any other agreement between Franchisor and you, to mediation before bringing such claim, controversy or dispute in a court or before any other tribunal.

13.1.2. The mediation shall be conducted by a mediator agreed upon by Franchisor and you and, failing such agreement within not more than 15 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization ("**AAA**") in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA in the city where Franchisor maintains its principal business offices. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

13.1.3. If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring an arbitration proceeding pursuant to Article 14. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

13.1.4. Notwithstanding the foregoing provisions of this Article 13, the parties' agreement to mediate shall not apply to any controversy, dispute or claim related to or based on amounts owed to Franchisor pursuant to this Agreement or for temporary or preliminary injunctive or other extraordinary relief sought ("**Excepted Claims**"). Either party may bring any Excepted Claims in any court of competent jurisdiction and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision..

14. <u>Arbitration</u>. Except for any Excepted Claims which either party has the right to bring in any court of competent jurisdiction, you and we agree to submit any claim, controversy or dispute (collectively, "**Dispute**") between us or any of our affiliates (and/or their respective shareholders, officers, directors, agents, representatives and/or employees) and you (and/or your owners, guarantors, agents, representatives and/or employees, as applicable) arising out of or related to ***(a)*** this Agreement or any other agreement between us and you, ***(b)*** our relationship with you, ***(c)*** the validity of this Agreement or any other agreement between us and you, or ***(d)*** any System standard, to arbitration.

The parties agree that notwithstanding anything to the contrary in this Agreement, Disputes shall be submitted to binding arbitration in accordance with this Section 19.3. The arbitration shall be conducted through the American Arbitration Association ("**AAA**") and in accordance with the AAA's Commercial Arbitration Rules ("**Rules**"). The arbitration shall be conducted by one (1) arbitrator selected by agreement of the parties or (in the event the parties cannot agree) in accord with the Rules. The arbitrator shall apply the Federal Rules of Evidence during the conduct of the sessions with respect to the admissibility of evidence. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. § 1-16. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof and will be final, binding and non-appealable, except as set forth below. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The place of arbitration shall be in the county in which Franchisor maintains its principal business offices at the time of arbitration, currently set in Orange County, California, unless otherwise mutually agreed between the parties. Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished its right to seek the recovery of those costs in accordance with Article 20. The arbitrator, in the conduct of the arbitration, shall not have the authority to declare any Proprietary Mark generic or otherwise invalid and, to the fullest extent permitted by law, each party waves any right to or claim for any punitive, exemplary, incidental or consequential damages against the other. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The parties agree that all Disputes submitted to arbitration shall be conducted on an individual, and not a class wide, basis, and that only Franchisor (and its affiliates and its and their respective owners, officers, directors, agents and employees, as applicable) and Developer (and its affiliates and its and their respective owners, guarantors, officers and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Franchisor and/or any other natural person, association, corporation, partnership, limited liability company or other entity.

If any party to an arbitration wishes to appeal any final award by the arbitrator, such party may appeal, within thirty (30) days of such final award, to a different arbitrator appointed in the same manner as set forth above. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial de novo or other fact-finding function. The party requesting such appeal must have paid for a court reporter to make a written record of the arbitration hearing and must pay all costs charged by such appeal panel, as well as posting any bond deemed appropriate by the appeal panel. Any party that does not pay for or share in the payment for a transcript of the arbitration hearing cannot challenge any ruling by the arbitrator on appeal, even if the opposing party does appeal.

15. Jurisdiction and Venue. Subject to Sections 13 and 14 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Orange County, California or, if appropriate, the United States District Court for the Central District of California (unless settled by the parties after such action is initiated). Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 14 above. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

16. Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

17. JURY TRIAL WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

18. WAIVER OF CLASS ACTIONS. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19. Waiver of Punitive Damages. Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20. Attorneys' Fees. If either party institutes any arbitration, judicial, or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding.

21. Nonwaiver. Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22. Severability. The parties agree that if any provisions of this Agreement may be construed in

two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, that renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23. Construction of Language. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

24. Persons Bound. This Agreement shall be binding on the parties and their respective successors and assigns. Each direct and indirect individual and entity owner of Developer ("**Owner**") shall execute the Personal Guaranty and Undertaking attached as Attachment B. Failure or refusal to do so shall constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person's obligations hereunder and under the Personal Guaranty and Undertaking.

24. Successors. References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Article 8 of this Agreement.

25. Additional Documentation. Developer must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

26. No Right to Offset. Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

27. Entire Agreement. This Agreement contains the entire agreement between the parties concerning Developer's development rights within the Site Selection Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

[*The Signature Page Follows*]

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISOR	**DEVELOPER**
TABU SHABU HOLDINGS, LLC	______________________________
a California limited liability company	a/an ___________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________
Date:__________________________	Date: __________________________

CALIFORNIA AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT ("**Amendment**") dated ___________________, 20___ is intended to be a part of, and by this reference is incorporated into that certain Area Development Agreement (the "**Development Agreement**") dated ___________________, 20____, by and between Tabu Shabu Holdings, LLC ("**Tabu Shabu**"), a California limited liability company, with its principal office in Costa Mesa, California, and ______________________________ ("**you**" or "**Developer**"). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

3. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRANCHISOR	**DEVELOPER**
TABU SHABU HOLDINGS, LLC	____
a California limited liability company	a/an ____________________________________
By: ____________________________________	By: ____________________________________
Name: __________________________________	Name: __________________________________
Title: ___________________________________	Title: ___________________________________
Date: ___________________________________	Date: ___________________________________

ATTACHMENT A
TO DEVELOPMENT AGREEMENT

DATA SHEET

1. Development Area. The Development Area, as referred to in Article 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas: The 50 states of the United States *excluding* any state in which Franchisor is not authorized to offer or sell franchises as of the Effective Date of the Development Agreement. ____

2. Development Schedule. The Development Schedule referred to in Article 5 of the Development Agreement is as follows:

Expiration of Development Period (each, a "Development Period")	No. of New Restaurants Opened Within Development Period	Cumulative No. of Restaurants that Must Be Open and Operating
1 Year from Effective Date	1	1
Beginning of Year 1 through End of Year 2 of the Development Agreement	1	2
Beginning of Year 4 through End of Year 3 of the Development Agreement	1	3

FRANCHISOR
TABU SHABU HOLDINGS, LLC
a California limited liability company

By: ______________________
Name: ______________________
Title: ______________________
Date: ______________________

DEVELOPER
____
a/an ______________________

By: ______________________
Name: ______________________
Title: ______________________
Date: ______________________

ATTACHMENT B
TO DEVELOPMENT AGREEMENT

PERSONAL GUARANTY AND UNDERTAKING

THIS PERSONAL GUARANTY AND UNDERTAKING is given this date of ________________________, by each of the undersigned below (each a "**Guarantor**").

In consideration of, and as an inducement to, the execution of that certain Development Agreement of even date (the "**Development Agreement**") by TABU SHABU HOLDINGS, LLC (the "**Franchisor**"), and with ____________________ ("**Developer**"), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Development Agreement and as provided in the Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Development Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, as though each were the Developer under the Development Agreement.

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor's undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor's liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Development Agreement by a trustee of Developer; (6) neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty and Assumption of Obligations as of the date set forth above.

GUARANTOR(S):

____
Guarantor

____
Guarantor

____
Guarantor

EXHIBIT D

GENERAL RELEASE (SAMPLE FORM ONLY)

GENERAL RELEASE (SAMPLE FORM ONLY)

The undersigned and my heirs, administrators, executors, ancestors, and assigns, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby remise, release, and forever discharge Tabu Shabu Holdings, LLC ("**Franchisor**"), a California limited liability company, with its principal business offices located at 170 E 17th St #200C, Costa Mesa, California 92627, and its Affiliates, and their respective owners, officers, directors, employees, attorneys, representatives, and agents (collectively, the "**Franchisor Released Parties**") from any and all claims, damages, losses, expense, liabilities, demands, whatsoever, whether at law or in equity, and all contracts, controversies, claims, and demands whatsoever, at law or in equity, that I ever had, now have, or that my respective heirs, administrators, ancestors, executors, and/or assigns may have against the Franchisor Released Parties including, without limitation, all claims arising out of or related to that certain Franchise Agreement between Franchisor and __________ dated ______________________, 20____, and the offer and sale of TABU SHABU™ franchise opportunity.

I acknowledge that this general release extends to claims which I do not know or suspect to exist in my favor at the time of executing this Release Agreement, which if were known to me may have materially affected my decision to enter into this Release Agreement. I understand that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. I expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the date set forth below.

Signature:________________________________

Name:___________________________________

Date:____________________________________

[This General Release will be modified as necessary for consistency with any state law regulating franchising.]

EXHIBIT E

LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF CURRENT FRANCHISEES WITH OUTLETS OPEN AS OF DECEMBER 31, 2023

Franchisee	Address	Phone Number
TSTHEPLAZA, LLC Randy Nguyen	111 S. Glassell Orange, CA 92866	408-823-2019
TBBAYAREA, INC David & John Tran	1410 El Paseo De Saratoga San Jose, CA 95130	408-770-7131
TSWV, LLC Yina & Jeremy Zarowitz	2920 Thousand Oaks Blvd. Thousand Oaks, CA 91362	805-371-8228
Camogia, LLC Mark & Hayli Silber	918 W Walnut St., #811 Celina, TX 75009	858-354-1614

LIST OF FRANCHISEES WITH SIGNED FRANCHISE AGREEMENT BUT OUTLET NOT OPENED AS OF DECEMBER 31, 2023

Franchisee	Address	Phone Number
Eats, LLC Edwin Lee & Alejandro Ramy	7339 Oakdale Ave. Winnetka, CA 91306	805-807-0165

LIST OF FORMER FRANCHISEES

The following are franchisees who have been terminated, canceled, not renewed, or have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of issuance of this disclosure document

None.

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

EXHIBIT F
TABLE OF CONTENTS OF MANUALS

Tabu Holdings. LLC
Tabu Shabu Franchise Group Operations Manual

Table of Contents

c. Slicer
d. Drains
e. Sinks
f. HVAC System
g. Exhaust System
h. Plumbing
i. Pest Control
j. Fire Suppression
k. Exterior Signage
l. Window Graphics
8. New Product Request and Implementation

Chapter 3 – Tabu Shabu Daily Operations

1. What We Sell

    a. Ingredients
    b. Alcoholic and Non Alcoholic Beverages
    c. Sauces
    d. Beef Protein Preparation
    e. Poultry Preparation
    f. Seafood Preparation
    g. Other Protein Preparation
    h. Vegetarian and Gluten Free Options
    i. Side Items
    j. Desserts
    k. Retail Products
2. Stations & Staff
    a. Dishwashing Station
    b. Vegetable Preparation Station
    c. Protein Preparation Station
    d. Midhouse Support
    e. Shift Lead
    f. Front of House Support
3. Product Quality Control
4. Product Knowledge
5. Local and Company Wide Promo
6. Event Participation

7. Operational Checklist
8. Daily Equipment Cleaning

Chapter 4 – Guest Service
1. Our Special Touch
    a. Guest Arrival
    b. Guest Waiting and Hospitality
    c. Introductions
    d. Genuine Interaction
    e. Understanding guest expertise
    f. Tourguiding the guest
    g. Ordering
    h. Table Touches
    i. Steps of Service
    j. Product Presentation
    k. Desserts, Upselling
    l. Evaluation of Experience and Farewell
2. Service Animals
3. Waitlist and Reservations
4. Large Parties
5. Loyalty Program
6. Gift Certificates
7. Complaints
    a. Initial Approach
    b. Apologies
    c. Always a solution

Chapter 4 – Using POS
1. Why do we have a POS
2. Front of House Operations
    a. Order Inputting
    b. Kitchen Requests
    c. Beverage Entry
    d. Comps & Discounts
    e. Sides & Extras
    f. Payment Tenders
    g. Gift Cards
    h. Loyalty Tenders
    i. Cash Handling

j. Employee Check outs
k. Managerial Reports
3. Back of House Server Operations
a. Employee Management
b. Menu Management
c. Aloha EDC
d. Comps & Promos
e. Sales Reporting
f. Product Mix
g. Labor Reporting

Chapter 5 – Safe Food Handling
1. Local Health Guidelines
2. Food Handlers Certifications
3. Alcoholic Beverage Certifications
4. Food Borne Illness
5. Receiving Shipments
6. Storage Procedures
7. Knife Safety
8. Handwashing
9. Pest Control

Chapter 6 – Administration
1. Ordering & Inventory
2. Food Cost
3. Labor Cost
4. Vendor Support
5. Risk Management
a. OSHA Requirements
b. Bank Deposits
c. Cash Handling
d. Closing Procedure
e. Drop Safes
f. Security and Alarm System
g. Workplace Safety
h. Employee Safety
i. Theft
j. Incident Reporting

EXHIBIT G

LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

STATE	STATE ADMINISTRATOR
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (866) 275-2677
HAWAII	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington St., Room E-111 Indianapolis, Indiana 46204 (317) 232-6681
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Department of Attorney General Consumer Protection Division Franchising Unit 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 373-1837
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 Saint Paul, Minnesota 55101 (651) 539-1600
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, New York 10005 (212) 416-8222
NORTH DAKOTA	North Dakota Securities Department 600 East Blvd. Avenue State Capitol, Fifth Floor Dept. 414 Bismarck, North Dakota 5805 (701) 328-4712

STATE	STATE ADMINISTRATOR
OREGON	Division of Consumer and Business Services Finance and Corporate Securities 350 Winter Street N.E. Labor and Industries Bldg., Room 21 Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division Department of Business Regulation 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920 (401) 462-9585
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street. 9th Floor Richmond, Virginia 23219 (804) 371-9051
WASHINGTON	Securities Division Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760
WISCONSIN	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue Madison, Wisconsin 53703 (608) 266-3364

AGENTS FOR SERVICE OF PROCESS

STATE	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 And Jeffrey Chon 16th Place, 340B Costa Mesa, California 92627

EXHIBIT H

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I

RECEIPTS

Receipt

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Tabu Shabu Holdings, LLC 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, or sooner if required by applicable state law.

Applicable state laws in (a) Michigan requires us to provide you the disclosure document at least 10 business 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 and (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business 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 Tabu Shabu Holdings, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit H to this disclosure document).

The franchisor is Tabu Shabu Holdings, LLC, 170 E 17th St #200C, Costa Mesa, CA 92627. Its telephone number is (949) 500-4423.

Issuance Date: April 11, 2024

The franchise seller for this offering is:

Name	Principal Business Address	Telephone Number
Jeff Chon	170 E 17th St #200C, Costa Mesa, CA 92627	(949) 500-4423

I received a disclosure document with an issuance date of April 11, 2024. State registration effective dates are listed on the State Effective Dates page contained in this disclosure document. The disclosure document included the following Exhibits:

State Specific Addenda

Exhibit A Financial Statements
Exhibit B Franchise Agreement with Attachments
Exhibit C Development Agreement with Attachments
Exhibit D General Release (Sample Form Only)
Exhibit E List of Current and Former Franchisees
Exhibit F Manual Table of Contents
Exhibit G List of State Administrators and Agents for Service of Process
Exhibit H State Effective Dates
Exhibit I Receipts

Dated:______________________________

____
Printed Name

____
Signed, individually and as an officer of
_______(a Corporation)
_______(a Partnership)
_______(a Limited Liability Company)

Dated:______________________________

____
Printed name

____
Signed, individually and as an officer of
_______(a Corporation)
_______(a Partnership)
_______(a Limited Liability Company)

[KEEP THIS PAGE FOR YOUR RECORDS]

Receipt

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Dated:______________________________

____
Printed Name

____
Signed, individually and as an officer of
_______(a Corporation)
_______(a Partnership)
_______(a Limited Liability Company)

Dated:______________________________

____
Printed name

____
Signed, individually and as an officer of
_______(a Corporation)
_______(a Partnership)
_______(a Limited Liability Company)

[Please return this completed form to Tabu Shabu Holdings, LLC, by E-mail: jmchon@gmail.com, or Regular Mail: 170 E 17th St #200C, Costa Mesa, CA 92627.]