

FRANCHISE DISCLOSURE DOCUMENT

WABA GRILL FRANCHISE CORP.
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Received
LA Mailroom

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Department of
Business Oversight



We offer franchises for the operation of "WaBa Grill" restaurants offering the preparation and sale teriyaki menu items and beverages on a dine-in and take-out service in high volume retail centers and other high traffic commercial locations throughout the United States.

The total estimated investment necessary to begin operation of a WaBa Grill franchise ranges from \$336,000 to \$572,000. This includes the franchise fee of \$30,000 that must be paid to us, the Franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact WaBa Grill Franchise Corp. at the address and telephone number provided in this page.

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

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

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

RISK FACTORS:

1. THE FRANCHISE AGREEMENT REQUIRES THE FRANCHISEE TO

ARBITRATE ONLY IN CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH THE FRANCHISOR IN CALIFORNIA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF CALIFORNIA GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information about comparisons of franchisors is available. Call the state administrators listed in Exhibit I or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this Disclosure Document. If you learn that anything in this Disclosure Document is untrue, contact the Federal Trade Commission and the state administrators listed in Exhibit I.

Date of Issuance: June 15, 2018

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit 1 for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: _____

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EXHIBITS

- Exhibit A – State Administrators/Agents for Service of Process
- Exhibit B – State Specific Addendum
- Exhibit C – Franchise Agreement
- Exhibit D – Table of Contents of Confidential Operating Manual
- Exhibit E – List of Franchisees
- Exhibit F – List of Franchisees Who Have Left the System
- Exhibit G – Financial Information

RECEIPT

WABA GRILLSM
FRANCHISE DISCLOSURE DOCUMENT

ITEM 1
THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “we” or “us” means WaBa Grill Franchise Corp., the Franchisor. “You” means the person that buys the franchise. If the franchisee is a corporation, partnership or other entity, “you” also may mean its owners.

We were formed as WaBa Grill, LLC, a California limited liability company on December 3, 2008, and on November 28, 2011, our company was converted to WaBa Grill Franchise Corp., a California corporation, pursuant to an Articles of Incorporation filed with California Secretary of State. This conversion is a change in the legal form and name of the company only, and WaBa Grill Franchise Corp. has assumed all assets, liabilities and existing Franchisees of WaBa Grill, LLC. Our principal business address is 13181 Crossroads Parkway North, Suite #510, City of Industry, CA 91746. Our telephone number is (562) 908-9222, and our website is www.WaBagrill.com. We do business under the name, WaBa Grill. Our agents for service of process are disclosed in Exhibit A to this Disclosure Document.

We are in the business of selling franchises for a retail restaurant operating under the WaBa Grill name and related marks specializing in the preparation and sale of teriyaki menu items and beverages. WaBa Grill Restaurants are located at locations you select and consented to by us, such as in strip shopping centers, shopping malls, and free-standing units. WaBa Grill Restaurants typically sell freshly-prepared teriyaki-styled food and other food and beverage products (“Menu Items”) and provide carry-out, , and on-premises dining services. Menu Items are prepared according to proprietary recipes, sauces and procedures and use highly quality ingredients, including specially formulated and specifically produced meats and other food products (collectively, “Trade Secret Food Products”) that are branded, trademarked, and/or packaged exclusively for our system and franchise owners. We create and develop the standards and specifications for Trade Secret Food Products. If you acquire a WaBa Grill Franchise, you must operate your restaurant according to our business formats, methods, procedures, designs, layouts, standards and specifications (“WaBa Grill System” or “System”).

Your WaBa Grill Restaurant will offer products and services to the general public throughout the year and compete with other restaurants offering teriyaki menus and food service businesses. The market for your type of products and services generally is developed and very competitive. Despite this competition, we believe that WaBa Grill Restaurants appeal to consumers because of the outstanding quality of our products and services and the uniqueness of our System.

Prior to the formation of our company, WaBa Grill franchise had been registered in the state of California by our predecessor company, WaBa Grill, Inc., a California corporation incorporated on November 30, 2006, and all WaBa Grill franchises were offered and sold by WaBa Grill, Inc. only in the state of California. Since the initial effective date of this Disclosure Document in the state of California, April 2, 2007, WaBa Grill, Inc. has not sold any franchises under the WaBa Grill name. WaBa Grill, Inc.’s parent company, BKE Enterprises, Inc., was formed as a California corporation on July 1, 2004, and operated restaurants offering teriyaki menu items and beverages since November 2004 under the trade name of “Fresh Grill.” Since April 2006, BKE Enterprises, Inc. adopted the new name, “WaBa Grill,” and have been converting stores using the former name of “Fresh Grill” to “WaBa Grill.” BKE

Enterprises, Inc. does not offer to sell or sell any WaBa Grill franchises. Commerce Consulting Group, LLC, our affiliate, is an approved supplier of our proprietary sauces and certain restaurant supplies that are sold to WaBa Grill franchisees. Commerce Consulting Group, LLC does not offer to sell or sell any WaBa Grill franchises.

We have no other business activities and have not offered franchises in other lines of business.

There are no regulations that apply specifically to the industry in which WaBa Grill Restaurants operate. However, in addition to laws and regulations that apply to businesses generally, your franchised business will be subject to various federal, state and local government regulations, including those relating to site location and building construction. You are advised to investigate the laws, regulations and ordinances applicable to your franchised business further.

ITEM 2 BUSINESS EXPERIENCE

President and CFO: Kyle Lee

Kyle H. Lee, one of our founders, has been the President and CEO since January 2017. He also served as the Secretary and Treasurer for Waba-Grill Franchise Corp and our parent corporation, BKE Enterprises, Inc. in Commerce, California from 2004 to 2017.

Secretary: Woo S. Ham

Woo S. Ham, also one of our founders, has been our Secretary since January 17, and also served as our Vice President from 2008 to 2017.

Director: Eric S. Lee

Eric S. Lee is one of our founders and has been our Chief Strategy Officer since January 2017. He had served as our President since December 2008 until January 2017.

COO: Dennis Farrow

Dennis Farrow has served as Chief Operating Officer of WaBa Grill since November 2017. He has 25 years of restaurant industry experience and has most recently served as Chief Operating Officer of El Pollo Loco Restaurants from August 2011 to May 2013 in Costa Mesa, CA and The International House of Pancakes from September 2006 to January 2008 in Glendale, CA. In addition, he currently serves as President of Advanced Technology Constructions since March 2012 in Tacoma, WA.

VP of Franchise Operations: Afshin Comani

Afshin Comani has been the Vice President of Franchise Operations of WaBa Grill since December 2017. Prior to that, he served as Senior Director of Franchise Business for El Pollo Loco in Costa Mesa, California from January 2016 to July 2017, Director of Franchise Business from February 2013 to January 2016, and Director of Operations from April 2012 to February 2013.

VP of Operations Services: Renny Freet

Renny Freet has been the Vice President of Operations Services of WaBa Grill since March 2018. He is a long-term restaurant professional who most previous served as Vice President of Operations for Togo's Eateries from December 2013 to December 2017. Prior to that, he was Vice President of River Road Foods from April 2011 to December 2013, and over the years, has been an Executive Director of Training at DineEquity from January 2000 to April 2011 (IHOP and Applebee's) and a Regional Director at both Starbucks and Taco Bell from June 1991 to February 2000.

Director of Finance: Ethan Le

Ethan Le has been the Director of Finance since January 2017 and previously served as our Corporate Controller from June 2016 to December 2016. Before joining us, he served as the Corporate Accounting Manager of Port Logistics Group in City of Industry, California from December 2015 to June 2016. From February 2014 to December 2015, he was the Assistant Corporate Controller of Universal Molding Company in Downey, California. From June 2007 to January 2014, he was the Accounting Manager of American Dawn Inc. in Compton, California.

Director of Franchise Development: Steven Wang

Steven Wang has been the Director of Franchise Development since January 2017 and previously served as Real Estate Manager from May 2014 to December 2016. From August 2011 to May 2014, Mr. Wang served as a Senior Project Manager for JR Stevens, Inc. in San Marino, CA. Prior to that, he served as an Investment Consultant for Citi Personal Wealth Management in Temple City, CA from September 2008 to August 2011.

ITEM 3 LITIGATION

Litigation Involving WaBa Grill and Eric Lee

Virginia State Corporation Commission v Waba Grill Franchise Corporation and Eric Lee (Case No. SEC-2014-00052). Virginia State Corporation Commission alleged that WaBa Grill and Eric Lee engaged in an unregistered franchise sale in violation of the Virginia Retail Franchising Act ("Act") Franchise Investment Protection Act. WaBa Grill and Eric Lee denied any violation of Virginia's franchise law, citing that the franchise agreement was signed after WaBa Grill became duly registered to franchise in Virginia and that the franchisee made their own decision to commence the business of the restaurant prior to signing the franchise agreement. On January 9, 2015, without admitting or denying the allegations made against them, WaBa Grill and Eric Lee entered into a settlement agreement with the Commission to pay a monetary penalty of \$2,000 and \$1,000 to defray the Commission's costs of investigation.

Other than the litigation disclosed in this Item 3, there is no litigation to disclose in this Franchise Disclosure Document.

ITEM 4 BANKRUPTCY

No person previously identified in Item 1 or 2 of this Franchise Disclosure Document has been involved as a debtor in proceedings under the United States Bankruptcy Code required to be disclosed in this Item.

ITEM 5 INITIAL FRANCHISE FEE

Franchise Agreement

You must pay a uniform initial franchise fee of \$30,000 ("Initial Franchise Fee"). The Initial Franchise Fee is paid in a lump sum when you sign the Franchise Agreement and is non-refundable. The sum of \$30,000 is payable by all franchisees who buy a franchise. The Initial Franchise Fee will be reduced to \$25,000 for your second and any additional WaBa Grill Restaurants.

We use the initial franchise fee to cover the costs of evaluating your proposed site, training you and your employees, and helping you develop and open your WaBa Grill Restaurant. There is no reduction or refund of any part of the initial franchise fee even if only one individual attends the initial training program, as discussed in Item 1.1 herein.

On exceptional basis, we may offer to waive the Initial Franchise Fee or reduce it under certain circumstances. We also may offer to waive or reduce the Initial Franchise Fee, for the following reasons: (i) as an inducement for existing franchisees to open additional Restaurants; (ii) as an inducement for someone to take over an operating franchised Restaurant; (iii) as an inducement for a multi-unit franchisee to open several Restaurants; (iv) to allow a franchisee to have additional money to spend on store development, improvements and/or marketing during the first 12 months of operation, or (v) where we consider the waiver or reduction, as the case may be, to be reasonably justified for business or legal reasons at our sole discretion. We will make the decision on the amount of any waiver or reduction on an individual basis depending on the condition of the premises, the need for upgrades and remodeling, the need for special incentives and/or other considerations. In certain rare circumstances, we may permit installment payments of the Initial Franchise Fee on terms negotiated with the franchisee. Upon request by potential franchisees, we will keep open our records with respect to the reduced fees for inspection.

ITEM 6 OTHER FEES

Type of Fee ¹	Amount	Due Date	Remarks
Royalty Fees	5% of Gross Sales	Paid weekly by electronic funds transfer on the Restaurant Sales for the preceding week	"Gross Sales" means all revenue from the sale of services and products and all other income related to the Franchised Business, except sales taxes. Royalty Fees are

			payable by automatic debit, and funds must be made available in your account for withdrawal. See note 2
Marketing Fees	3% of Restaurant Gross Sales	Paid weekly by electronic funds transfer on the Restaurant Sales for the preceding week	This fee is due and payable at the same time and in the same manner as the Royalty Fee
Supplemental and/or Additional Training Fee	\$250 per day	Upon confirming the scheduling of supplementary and/or additional training	You must pay ongoing training fees for any additional training requested by you or training for replacement Designated Manager
Audits	Cost of audit (\$1,000 – \$2,000) plus interest at the maximum rate allowable by law	Immediately upon receipt of bill	If we audit you and find that you understated Restaurant Sales by 2% or more, you must reimburse us for the cost of the audit.
Transfer Fee	\$5,000	Upon request for transfer	No transfer fee is required if the transfer is to a corporation you own 100% of and formed only for the convenience of ownership.
Interest on Understated Sales	1.5% per month or the maximum rate permitted by law, whichever is less. Highest interest rate allowed in CA is 10%	If incurred, on demand	Interest on under-reported sales runs from the date you should have made your payment until the date you pay us.
Interest on Overdue Payments	1.5% per month or the maximum rate permitted by law, whichever is less. Highest interest rate allowed in CA is 10%	If payments are more than 7 days overdue, on demand	Interest on late payments runs from the date you should have made your payment until the date it is received by us.
Insurance	Cost and premiums, plus interest on our outlay and a reasonable administrative fee that we will set	If incurred, on demand	If you do not obtain or maintain insurance coverage and we choose to do so on your behalf, you must reimburse us
Costs and Attorneys' Fees	Will vary under circumstances	If incurred, on demand	These fees are payable if we terminate the Franchise Agreement

			because of your default. You will also be required to pay all attorneys' fees if you or any of your agents or employees fails or refuses to comply with the required remedial measures relating to any repetition of any adulteration or palming off or failure of sanitation in the Restaurant
Indemnity	Will vary under circumstances	If incurred, on demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or in connection with any offer of your securities, or for costs associated with defending claims that you used the trademarks in an unauthorized manner
Testing	Costs of testing (\$1,000 - \$2,000)	If incurred, on demand	This covers the costs of testing new products or inspecting new suppliers you propose
Computer systems, maintenance and support	Costs of service (\$540 - \$1,200 per year)	If incurred, on demand	This covers computer system support and ongoing development and software upgrades that we might provide in the future. We do not now provide these services but may charge you for them if we do.
Renewal Fee	One-half of the then-current initial franchise fee	Before renewal	You will only need to pay this fee if you renew the Franchise Agreement.
Remodeling and decoration changes for every 5 years	Costs as incurred	If incurred, on demand	You may be required to undertake remodeling and updating your restaurant to conform with our requirements and specifications for maintaining and upkeep of your restaurant

			between the fifth and sixth years and between the tenth and eleventh year of the opening date of your Restaurant.
Remodeling, decoration, structural changes for renewal of franchise agreement	Costs as incurred	If incurred, on demand	You may be required, as a condition for renewing the franchise agreement, to undertake remodeling and updating your restaurant, including structural changes, to meet with our standard requirements existing at the time of renewing the franchise agreement.

Note 1: You pay all fees to us unless otherwise noted. All fees are nonrefundable.

Note 2: "Restaurant Gross Sales" includes the total of all revenues and income from the sale of all services and products, and all other income of every kind and nature related to your WaBa Grill Restaurant less sales tax.

ITEM 7 ESTIMATED INITIAL INVESTMENT

This chart estimates your initial investment for one Restaurant located in an in-line/in-cap location in a shopping center, with approximately 1,400 to 1,800 square feet for the Restaurant.

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (1)	\$30,000 (\$25,000 for 2 nd and any additional store)	Lump sum	At signing of Franchise Agreement	WaBa Grill
Real Estate Security/Utility Deposits, Licenses and Prepaid Fees (2) (10)	\$7,000-\$20,000	As arranged	When Incurred	Suppliers
Equipment & Furniture (3)	\$25,000-\$35,000	As arranged	When Incurred	Suppliers
Leasehold Improvements, including	\$225,000-\$400,000	As arranged	When Incurred	Suppliers

architectural and design fees (4)				
Opening Inventory (5)	\$5,500-\$7,000	As arranged	When Incurred	Suppliers and WaBa Grill
Insurance (6)	\$2,000-\$5,000	As arranged	When Incurred	
Signage, Menu Board (7)	\$8,000-\$20,000	As arranged	When Incurred	Suppliers
Grand Opening Promotion (8)	\$5,000-\$10,000	As arranged	When Incurred	Suppliers
Cash Registers/Other Office Equipment (9)	\$8,500-\$15,000	As arranged	When Incurred	Suppliers
Additional Funds – 3 months (11)	\$20,000-\$30,000	As arranged	When Incurred	Employees and Suppliers
TOTAL BASIC PACKAGE	\$336,000-\$572,000 (excluding real estate)			

Notes:

1. All fees, including the Initial Franchise Fee, are non-refundable, unless explicitly stated otherwise.
2. A WaBa Grill Restaurant occupies approximately 1,400 to 1,800 square feet of space. It is your obligation to select a potential site for your Restaurant within twelve months from signing the franchise agreement. We can provide assistance and support in this regard, but the obligation to select a site for our review and consent rests on you and you only. The terms of the lease and the amount of the monthly lease payment and security deposit generally depends on the geographic location and size and condition of the premises and the demand for the premises by other prospective tenants. These recurring overhead costs cannot be estimated. You will lease space from the owner of the mall or retail center on terms negotiated by you and the owner, and the final draft of the lease must be submitted to us for our review and approval. The lower figure contemplates a security deposit equal to one month's rent and the higher figure contemplates a security deposit equal to two months.
3. Equipment & Furniture includes cooking appliances, refrigeration units, all other fixtures required to run the Restaurant. It also includes dining room furnishings, such as tables, chairs, stools, etc.
4. Leasehold improvement and construction costs vary significantly depending on the condition, location, size and configuration of the Restaurant premises, the layout of the mall or retail center, and other factors relating to the geographic location of the business, suppliers, government regulations, labor costs and other considerations. To ensure uniformity in interior design across all Waba Grill store locations and to optimize functionality, ergonomics, we require that you only use our approved vendors for architectural and design services. The estimated cost for leasehold improvement and construction provided above includes the initial design fees required to produce a permit set of plans in the range of \$15,000 to \$20,000. In the event that lease space requires structural retrofit and/or augmentation, the design fees associated with the licensed structural engineer are not included in the estimated initial design fees and would be considered separate and additional cost.
5. This includes, but is not limited to, food and beverage products, paper goods, food service utensils, cleaning supplies and chemicals, printed material and uniforms.
6. It is your responsibility to secure and maintain all forms of insurance policies applicable and suitable to your restaurant. Insurance costs vary and are dependent upon factors such as types of policies, policy limits, nature and value of physical assets, gross revenue, number of employees, square footage and location of restaurant, business contents, as well as the general assessment of your exposure to risk. The figure presented in the preceding table represents the estimated cost of insurance for 3 months.

7. The lower figure contemplates one exterior channel letter sign and one set of 3-monitor digital menu boards. Additional sets of exterior channel letter signs for stores with multiple elevations exposed to traffic should be estimated at an additional \$3,000 per set.
8. This money covers your Grand Opening promotion and first 3 months of marketing. You must spend this amount on your Restaurant, including newspaper, direct mail advertising, and promotional items and food, such as menu brochures and promotional flyers.
9. This includes POS system, printer, DVR (includes PC), and other office equipment.
10. This category includes an estimate of security deposits, utility deposits, telephone services, food service licenses and other prepaid fees that you will be required to pay.
11. This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs depend on how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition, and the sales level reached during the initial period.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Restaurant according to our System Standards. System Standards may regulate, among other things, the types, models and brands of fixtures, furniture, equipment (including a required or recommended computer, facsimile machine, and point of sale information system), furnishings and signs (collectively, "System Assets"), Trade Secret Food Products, Branded Products, other food products, and supplies required for the Restaurant; required and/or authorized Menu Items, Trade Secret Food Products, and Branded Products; inventory requirements; and designated and approved suppliers of System Assets, Trade Secret Food Products, Branded Products, and other items.

In the case of Trade Secret Food Products and Branded Products, suppliers will be limited to us, our affiliates and/or other specified exclusive sources, and you must buy Trade Secret Food Products and Branded Products only from us, our affiliates, and/or other specified exclusive sources. We restrict your sources of Trade Secret Food Products and Branded Products in order to protect our trade secrets, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service, control usage of the Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items. In the case of System Assets and items other than Trade Secret Food Products and Branded Products, suppliers could, at our option, be limited to us, our affiliates and/or other specified exclusive sources, in which you would have to buy the System Assets and other items only from us, our affiliates, and/or the other specified exclusive sources. We have the absolute right to limit the suppliers with whom you may deal. We will identify all designated and approved suppliers in the Operations Manual or other written communications. Besides the Trade Secret Food Products and Branded Products, you currently must buy all of your Restaurant's equipment from our designated suppliers. There are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate for the Restaurant that you currently must buy or lease from us (or an affiliate) or designated suppliers. Any purchases from us and our affiliates, whether required or voluntary, generally will be at prices exceeding our costs.

To maintain the quality of the goods and services that WaBa Grill Restaurants sell and our System's reputation, we may condition your right to buy or lease System Assets, inventory items, and similar items (besides those described above which you may obtain only from us, our affiliates, and/or other specified exclusive sources) on their meeting our minimum standards and specifications and/or being acquired from supplier that we approve. We will formulate and modify standards and

specifications based on our experience in operating WaBa Grill Restaurants. Our standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design and appearance. Our Operations Manual or other communications will identify our standards and specifications. We will notify you and, where appropriate, the suppliers. There might be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be an approved supplier.

If we institute any type of restrictive sourcing program (which, as noted above, we will do for Trade Secret Food Products, Branded Products, and the Restaurant's equipment and may do for other items) and you want to use any item or service that we have not yet evaluated or to buy or lease from a supplier that we have not yet approved or designated, you first must send us sufficient information, specifications, and samples so that we can determine whether the item or service complies with System Standards or the supplier meets approved supplier criteria. We may charge you or the supplier a reasonable fee for the evaluation (see Item 6) and will decide within a reasonable time, but no more than 30 days. We periodically will establish procedures for your requests and may limit the number of approved items, services, and/or suppliers as we think best. Supplier approval might depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service, and/or a supplier's willingness to pay us and/or our system for the right to do business with our system. We and any other affiliate have the right to receive payments from suppliers on account of their dealings with you and other franchise owners and to use all amounts that we and our affiliates receive without restrictions (unless we and our affiliates agree otherwise with the supplier) for any purposes we and our affiliates deem appropriate. Supplier approval might be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to make sure that the supplier meets our standards. If it does not, we may revoke our approval by notifying the supplier and you in writing. We have no obligation to approve any request for a new supplier, product or service.

We reserve the right to receive certain considerations from required purchases or leases by franchisees on account of their dealings with you and other franchise owners and to use all amounts that we receive without restrictions for any purposes we deem appropriate. We also reserve the right to receive certain considerations from suppliers from franchisee purchases. Presently, however, there are no such considerations paid to us from any suppliers of services or products, and we have no revenues derived from such payments or from any sale or lease of any products and services directly to franchisees.

Our affiliate, Commerce Consulting Group, LLC, is an approved supplier of our proprietary sauces and certain restaurant supplies that are sold to franchisees by designated distributors. In the year ending December 31, 2017, this affiliate's revenues from the sale of the proprietary sauces and certain restaurant supplies provided to franchisees was \$8,184,991.89, which makes up 100% of its revenues that are derived from purchases by franchisees. The purchase of sauces and certain restaurant supplies from this company will represent 2-4% of your overall purchases in operating the store.

Besides these purchases or leases, you must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations. You currently must have all risks coverage insurance for the Restaurant and its contents for full replacement value; comprehensive general liability and product liability insurance with coverage for broad form contractual liability, products/completed operations, personal and advertising injury, and fire damage (with minimum limits of \$1 million); general aggregate coverage for \$2 million; business interruption insurance; and workers' compensation insurance required by state law. Premiums depend on the insurance carrier's charges, terms of payment, and your history. All insurance policies must name us as additional insured parties.

Before you use them, you must send us samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved for our review. If you do not receive written disapproval within 30 days after we receive the materials, they are deemed to be approved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

You are responsible for developing the Restaurant. We will give you mandatory and suggested specifications and layouts for a WaBa Grill Restaurant, including requirements for dimensions, design, image, interior layout, décor, System Assets, and color scheme. These plans might not reflect the requirements of any federal, state or local law, code or regulation, including those arising under the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. You must prepare a site survey and all required construction plans and specifications for the Restaurant's site and make sure that they comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. We must review and approve all final plans and specifications before you begin constructing the Restaurant and all revised or "as built" plans and specifications during construction. Our review is only to ensure your compliance with our design requirements. We may inspect the Restaurant during its development.

The Restaurant must be at a site that you select and we consent to. We have the right to approve the Restaurant's lease or sublease and to require that it include certain provisions (listed in Article I of the Franchise Agreement), including our right to the Restaurant's site if the franchise is terminated or not renewed or if you lose possession because of your default under the lease.

You can expect items purchased or leased in accordance with our specifications will represent approximately 70% to 80% of total purchases you will make to begin operations of the business and approximately 60% to 70% of the ongoing costs to operate the business.

There currently are no purchasing or distribution cooperatives. We currently negotiate purchase arrangements with suppliers (including price terms) for Trade Secret Food Products, Branded Products, the Restaurant's equipment, building supplies, and signage. We do not provide material benefits to you for using designated or approved sources.

ITEM 9 FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Article/Section in Agreement	Item(s) in Disclosure Document
a. Site selection and acquisition/lease	Franchise Agreement: II and VII	6, 7, 11
b. Pre-opening purchases/ leases	Franchise Agreement: II, VII, VIII and IX	7, 8, 11

	Obligation	Article/Section in Agreement	Item(s) in Disclosure Document
c.	Site development and other pre-opening requirements	Franchise Agreement: II, VII, VIII and IX	7, 8, 11
d.	Initial and ongoing training	Franchise Agreement: II, IV, VI and XX	7, 11
e.	Opening	Franchise Agreement: II, VI and VII	11
f.	Fees	Franchise Agreement: V, VIII, IX, XI and XX	5, 6, 7, 11
g.	Compliance with standards and policies/Operating Manual	Franchise Agreement: IV, VIII, XI and XV	8, 11, 16
h.	Trademarks and proprietary information	Franchise Agreement: III, VIII and XI	13, 14
i.	Restrictions on products/services offered	Franchise Agreement: VII	8, 16
j.	Warranty and customer service requirements	None	None
k.	Territorial development and sales quotas	None	
l.	Ongoing product/service purchases	Franchise Agreement: VIII	8, 16
m.	Maintenance, appearance and remodeling requirements	Franchise Agreement: VIII and XV	11
n.	Insurance	Franchise Agreement: XII	7
o.	Advertising	Franchise Agreement: IX	6, 7, 11
p.	Indemnification	Franchise Agreement: XIII	6
q.	Owner's participation/management/staffing	Franchise Agreement: VIII and XIX	15
r.	Records/reports	Franchise Agreement: X	6
s.	Inspection/audits	Franchise Agreement: VII and X	6, 11
t.	Transfer	Franchise Agreement: XX	6, 17
u.	Renewal	Franchise Agreement: IX	6, 17
v.	Post-termination obligations	Franchise Agreement: XVIII	17

Obligation	Article/Section in Agreement	Item(s) in Disclosure Document
w. Non-competition covenants	Franchise Agreement: XIV	17
x. Dispute resolution	Franchise Agreement: XXX	17

ITEM 10 FINANCING

We do not provide, directly or indirectly, any financing to you. We are unable to estimate whether you will be able to obtain financing for any or all of your investment and, if so, the terms of financing. We do not guarantee your notes, leases or other obligations.

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

Listed below are our obligations under the Franchise Agreement. Unless listed below, we need not provide any assistance to you.

Pre-Opening Obligations

Except as listed below, we need not provide any assistance to you.

Franchise Agreement

We have the following obligations to you before you open your WaBa Grill Restaurant:

1. Give you our site selection criteria for the Restaurant. The site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses, the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance and other physical characteristics of the proposed site. We will consent to a location you propose for the Restaurant within 30 days after we receive the complete site report and other materials we request. We do not guarantee the success of any site or any lease (Franchise Agreement – Articles 2.1, 2.2 and 2.3).
2. Our representative will assist in coordinating the construction on your behalf, which will include consultation with respect to conformity to local ordinances, building codes and permits. Our representative will assist you with the purchase of equipment, signs, fixtures and opening inventory and supplies, but we will not install these items. We will assist you in setting up accounts with approved suppliers who are familiar with our specifications and will provide you a copy of such specifications (Franchise Agreement – Article 2.6).
3. Give you mandatory and suggested specifications and layouts for your Restaurant, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs,

furnishings and color scheme (Franchise Agreement – Article 2.4).

4. Train you and your manager (Franchise Agreement – Article 2.8). This training is described in detail later in this Item.
5. We will loan you a copy of (or provide you electronic access to) our Confidential Operations Manual, containing the uniformed standards, specifications and other requirements for operation of your WaBa Grill Restaurant (Franchise Agreement – Article 11.1).
6. We will provide assistance and guidance on your initial opening of the WaBa Grill Restaurant, including dispatching of our representative to help with the opening.

Continuing Assistance

We have the following obligations to you during the operation of your WaBa Grill Restaurant:

During the operation of the Restaurant, we will:

1. Advise you regarding operating issues concerning the Restaurant disclosed by reports you submit or inspections we make. In addition, we will give you guidance on standards, specifications and operating procedures and methods used by other Restaurants in the System; new recipe items, menu variations, food preparation and display methods; purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies; advertising and marketing programs; employee training; and administrative, bookkeeping and accounting procedures. This guidance will, at our discretion, be furnished in our Operations Manual, bulletins or other written materials and/or during telephone consultations at our office or the Restaurant (Franchise Agreement – Article 7.5).
2. May review and approve or disapprove of proposed advertising materials prepared by you for use in local advertising (Franchise Agreement – Article 9.4).
3. Inspect and observe the operations of the Restaurant from time to time to determine whether you and the Restaurant are complying with the Franchise Agreement and all System standards. The details of inspections will be furnished in our Operations Manual (Franchise Agreement – Article 7.6).
4. Administer the advertising fund in the manner described in the Franchise Agreement (Franchise Agreement – Article 9).
5. You are responsible for the cost and schedule management for the planning, development, construction, inspection and commissioning of the Restaurant. Upon the approval of your selected site, you will enter into a contract with the approved architect in order to initiate the layout and design process to ensure that your plans are in compliance with federal, state or local law, code and/or regulation, including those arising under the Americans with Disabilities Act (ADA) or similar rules governing public accommodations for persons with disabilities. It is your responsibility to negotiate a reasonable rent commencement date with your landlord that will allow you sufficient time to have your plans be prepared by the architect and permitted by the governing agencies in addition to the estimated construction timeline. We will be involved in the entirety of the process from planning and development to inspection and commissioning in order to ensure that your Restaurant is in compliance with our standards. Any proposed substitution to construction, wall layouts, interior finishes, furniture, fixtures and equipment (FF&E) must be submitted to us at least 2 weeks in advance of the date of implementation so as to allow for ample time for review. You will only be allowed to implement your proposed change(s) when you

receive our approval. Implementing changes not approved by us will mean that your Restaurant is not in line with our standards, and therefore, not in compliance and not suitable to operate as a WaBa Grill Restaurant.

Advertising Fund

You will be enrolled in our WaBa advertising fund (the "Mega Fund") for such advertising, marketing and public relations programs as we, in our sole discretion, may deem necessary or appropriate to promote "WaBa Grill" Restaurants. We will administer the Fund as follows:

1. We will direct all advertising and public relations programs financed by the Mega Fund, with sole discretion of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. The Mega Fund will establish and maintain an aggressive on-line presence to take maximum advantage of the available cutting-edge online technology in ordering and customer loyalty platforms and other e-commerce marketing solutions, and also to add media weight from new & emerging advertising channels to drive sales. The Mega Fund may be used to pay the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a toll-free number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System). Also monies in the Mega Fund may be used to cover administrative costs and overhead we may incur including salary costs of employees working exclusively for the Mega Fund, up to 15%. You must participate in all advertising and public relations programs instituted by the Mega Fund. All Restaurants owned by us or our affiliates will contribute to the Fund on the same basis as you. See Item 6 for the amount you are required to contribute to the Mega Fund.

2. The Mega Fund will be accounted for separately from our other funds, including the general Advertising Fund which was and continues to be in operation for WaBa franchisees prior to June 25, 2018 ("Mega Fund Effective Date"). Previously, all existing franchisees in the WaBa System paid 2% Marketing Fee to us for the general Advertising Fund and were required to spend 1% on local advertising on their own. We have explained the purpose and features of the Mega Fund, and in particular, the additional online technology platforms and corresponding e-commerce marketing initiatives, to the existing franchisees and afforded them the opportunity to opt-in to the Mega Fund. For those existing franchisees that opt-in to the Mega Fund by signing the Mega Fund Addendum to the Franchise Agreement attached hereto, they will be required to pay a total of 3% into the Mega Fund and will be relieved of their obligation to spend 1% for local advertising under their existing franchise agreements. For those existing franchisees that do not opt-in to the Mega Fund, they will (i) revert to paying the 2% Marketing Fee into the Advertising Fund, (ii) be required to spend 1% for local advertising expenditure, and (iii) not be qualified to receive the benefits of the additional online technology platforms, including the online ordering and customer loyalty platforms. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Restaurants to the Mega Fund in that year and the Mega Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Mega Fund or cause the Mega Fund to invest any surplus for future use by the Mega Fund.

3. Your 3% payment into the Mega Fund will be allocated as follows: (i) 2% will be redirected to the general Advertising Fund for use on all advertising and public relations programs for all Restaurants, (ii) the remaining 1% will be used by the Mega Fund in the installation, maintenance, marketing and promotion of the available cutting-edge online technology in ordering and customer loyalty platforms as well as other e-commerce marketing solutions and to add media weight from new & emerging advertising channels to drive sales, (iii) once all existing franchisees opt-in to the Mega Fund, the dual-track advertising fund programs as described in this subsection will no longer apply, and (iv)

until such time as all existing franchisees opt-in to the Mega Fund, we will exercise all reasonable efforts to ensure that the use of the remaining 1% by the Mega Fund will apply restrictively to, and benefit, only those who actually contribute to the Mega Fund.

4. You authorize us to collect for remission to the Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases. Any advertising or promotional monies or credits we collect from any supplier based upon your purchases will not be credited toward your required contribution to the Mega Fund.

5. A statement of monies collected and costs incurred by the Fund will be prepared annually by us and will be furnished to you upon written request. We will have the right to cause the Mega Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and such successor entity will have all our rights and duties.

6. The Mega Fund is intended to maximize recognition of the Proprietary Marks and patronage of WaBa Grill Restaurants generally and in terms of online presence and activity, as described in this section. Although we will endeavor to utilize the Mega Fund to develop advertising and marketing materials and programs, and to place advertising, in order to benefit all participating Restaurants, we undertake no obligation to ensure that expenditures by the Mega Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Mega Fund by the participating Restaurants operating in that geographic area or that any Restaurant will benefit directly or in proportion to its contribution to the Mega Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Mega Fund. We have no fiduciary obligation to you or any other Restaurant in connection with the establishment of the Mega Fund or the collection, control or administration of monies paid into the Mega Fund. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund. See Items 6, 8 and 9 of this Disclosure Document. (Franchise Agreement – Article IX)

The Mega Fund may place advertising in any media, including print, radio and television. The coverage is typically regional and national in nature. Advertising may be developed in-house and/or by regional and national advertising agencies. No money will be spent by the Mega Fund to solicit new franchisees.

Local Advertising

You are required to obtain and maintain a bold listing in your local white pages directory under the name “WaBa Grill”. If other Restaurants are located in your area, you must participate in any local advertising cooperative that we establish, if we require your participation. Your participation may include paying a pro rata share of a yellow pages advertisement, but if no other Restaurants are located in your area, you must maintain a yellow pages advertisement in the form we specify. You will bear the cost of any white pages or yellow pages advertising. You may not solicit business through a toll-free number, direct mail or other advertising method without our prior written consent. (Franchise Agreement – Article 9.3)

All local advertising, promotion and marketing that you engage outside of the Mega Fund must be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. You must submit to us, in the form and manner we prescribe, for prior approval, samples of all advertising and promotional materials not prepared or previously approved by us, including materials you wish to present on a website. If you do not receive written or oral disapproval within 10 days from the date of our receipt of such materials, we will be deemed to have approved the submitted materials. You may not use any advertising

or promotional materials that we have not approved, have disapproved or that do not include the copyright registration notices and trademark registration notices we designate (Franchise Agreement - Article 9.4). You are not permitted to advertise on the Internet or World Wide Web without our prior written consent (Franchise Agreement - Article 9.6).

National Advertising Council

We may, in the future, establish a National Advertising Council composed of franchisees. The Council members are selected by the franchisees in the System. The Council will serve in an advisory capacity only, advising us on advertising policies. We will have the authority to dissolve, change and reform the Council. There currently are no advisory councils.

Operating Manual

Attached as Exhibit "D" is a copy of the table of contents of our current Operating Manual, which indicates the number of pages devoted to each topic and the total number of pages in the Operating Manual.

Information System/Cash Register/Computer System

You must purchase, use, maintain and update your software, computer and other POS systems that meet our specifications and requirements. There are no contractual limitations on the frequency and cost of upgrades and updates to the systems or programs. You must comply with our then-current terms of use policies and any other requirements regarding any inter/intranet sites we establish for WaBa Grill Restaurants. We have presently approved Toast POS as the supplier for this system, and they are located at 401 Park Drive, Ste. 801, Boston, MA 02215, and they can be contacted at (844) 862-7843. We reserve the right to replace the above supplier and appoint a new supplier or suppliers as we deem necessary at our discretion.

In this regard, the cost of purchasing the required system is estimated to range between \$3,500 - \$7,000 and has an ongoing recurring monthly subscription fee. The estimated annual cost of optional or required maintenance/pulling fee, updating, upgrading or support contracts is approximately \$540 - \$1,210.

You must obtain and maintain at your own expense accounting, sales, reporting and records retention systems conforming to any requirements set by us. We reserve the right to use, and to have full access to, all your cash registers, computers and any other systems, and the information and data they contain. We may charge a reasonable fee for the license, modification, maintenance or support of software or any other goods and/or services that we furnish to you in connection with any of the systems.

We may introduce to the System additional computer software and hardware (including POS and additional back office systems) which you must purchase, use, maintain and update at your expense, as specifications and requirements may be modified over time. In some cases, these components may only be available through us or approved vendors. You will be responsible for paying all supplier and/or licensor (which may include us) charges for use, maintenance, support and/or updates to any future required systems. We do not have a contractual obligation under the Franchise Agreement to provide any maintenance, repairs, upgrades, or updates on any software or hardware. There are no contractual limitations on the frequency and cost of upgrades and/or updates to the systems or programs.

You will use the computer for basic accounting practices, receiving and responding to emails, submitting monthly reports. We will have access to all data captured by these computers. There is no

contractual limitation on our use of the data, although any use by us shall be for reasonable business purposes.

We do not warrant or have any responsibility for the software or hardware you must obtain. Any warranty you may have on equipment or software will be limited to that provided by the applicable manufacturer or licensor.

Site Selection

It is your obligation under the franchise agreement to select the potential site of your Restaurant for our review and consent within twelve months from the date of the franchise agreement. We can offer our assistance in your search, but the ultimate obligation to find the suitable site for your Restaurant rests on you and you only. Our site selection and/or acceptance is based on residential population, daytime population (including workers), traffic counts and patterns, competing establishments, income levels, availability of parking, rental and lease terms, physical configuration of the site and growth trends in the area. We must consent to any site you select, but our consent will not be unreasonably withheld. We may require you to execute a sublease if the Restaurant is located in a regional shopping mall if we secured the location, otherwise you must sign a Conditional Assignment of Lease in a form designated by us. If you cannot find a suitable site within twelve months from signing the Franchise Agreement, we can terminate the Franchise Agreement and keep the Initial Franchise Fee.

Opening the Franchised Business

We estimate that there will be an interval of nine to twelve months between the execution of the Franchise Agreement and the opening of the Restaurant, but the interval may vary based upon such factors as the location and condition of the site, the construction schedule for the Restaurant, the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment and supplies, delays in securing financing arrangements and completing training and your compliance with local laws and regulations. You may not open the Restaurant for business until: (1) we approve the Restaurant as developed according to our specifications and standards; (2) pre-opening training has been completed to our satisfaction; (3) the Initial Franchise Fee and all other amounts then due to us have been paid; and (4) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request. You must open the Restaurant for business within 365 days after the execution of the Franchise Agreement and five days after we notify you that the Restaurant is ready to open unless there are circumstances beyond your control. We must approve any delay in opening of Restaurant with approval to be reasonable in nature.

Training

Our New Franchisee Training Program ("NFTP") consists of ten-days of instruction by our current management team concerning all aspects of the operation and management of the Franchised Business. The training includes review and discussion of the Confidential Operations Manual and all aspects of the operation of your business. The training should be scheduled near the time of the completion of the construction and supplying of the Restaurant and after hiring your key employees. The training will take place at one of our business locations, and will be conducted by our specialists in their areas of expertise. We may require that you and/or your designated manager(s) attend such further training programs as we shall from time to time reasonably prescribe and complete the programs to our satisfaction. There may be a fee for refresher courses, but not exceeding \$250.00 per day. The fee will be primarily to compensate the personnel who teach the courses and to defray the expenses of such courses. A person who has successfully completed our NFTP must at all times actively supervise the operation of your WaBa Grill Restaurant.

For all required initial training courses, we will provide, at no charge to you, instructors and training materials. You and your Specially Trained Management Employees will be responsible for all other expenses which you incur within the courses, including the cost of transportation, lodging, meals and wages. If you need to replace your Designated Manager, the replacement Designated Manager must attend and complete the supplemental NETP to WaBa Grill's satisfaction as soon as is practicable. For this training, we charge a Supplemental Training Fee to train replacement Designated Manager, which is currently \$250.00 per day.

You must replace the manager if we determine that he or she is not qualified to serve in this position.

You are responsible for the recruitment and hiring of *all* of your employees. You are also responsible for the training of all Restaurant employees. For all of your Restaurants, one of our representatives will advise and assist you in opening the Restaurant by coordinating your pre-opening activities and being available to assist with your operations for up to 14 days during the opening weeks, as further defined in the Confidential Operations Manual.

We will be available to consult with you and/or your Designated Manager by telephone, Monday through Friday 8:30 a.m. to 5:30 p.m. (Los Angeles, California time), with respect to all aspects of starting and operating your WaBa Grill Restaurant.

Listed below is a chart showing our tentative training schedule, the principal instructors, the instructional material you will use, and the location of the training:

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation	2	-	Corp. Office
Concept, History, Business Model	2	-	Corp. Office
Human Resources Management	2		Corp. Office
Customer Service and Sales Techniques	-	16	Corp. Training Center
Food Preparation	-	20	Corp. Training Center
Menu/Plate Presentation	1	13	Corp. Office & Training Center
Product Ordering – Specifications and Inventory Control	2	4	Corp. Office & Training Center
Marketing and Advertising	2	-	Corp. Office
Quality Standards and Store Sanitation	-	16	Corp. Training Center
Total	11	69	

All aspects of training are integrated. There are no definitive starting and stopping times. The training program will be supervised by our experienced corporate trainer.

We can require that you and/or your Manager attend additional and/or refresher training programs, including national and regional conferences, conventions and meetings, as we may reasonably

require, to correct, improve and enhance your operations, the System, and its members at our corporate headquarters, with durations not longer than 3 days and not more than 2 times in any given year. You will be responsible for all travel, living, incidental and other expenses for you and your personnel attending optional or mandatory training programs, seminars or meetings. We may charge a reasonable fee for any training program, conference, convention or other events.

ITEM 12 TERRITORY

Under the Franchise Agreement we grant you the right to operate a Restaurant at a specific location only. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We do not grant you any exclusive territory or option for additional restaurant or exclusive territory, unless specifically agreed by us in writing. The site of the Restaurant will be inserted in the Franchise Agreement after the signing of the Franchise Agreement, and you acknowledge and agree that this location cannot and will not under any circumstances be defined as a geographic area or be described in terms other than a specific single address and location. Relocation of your Restaurant requires our prior written approval.

Except as expressly limited by the terms of your Franchise Agreement, we and our affiliates retain all rights with respect to Restaurants, the Proprietary Marks, and any goods and services anywhere in the world including: (a) to produce, offer and sell and to grant others the right to produce, offer and sell the services and/or goods offered at the Restaurant and any other goods and services through similar or dissimilar channels of distribution under trade and service marks other than the Proprietary Marks and under any terms; (b) to produce, offer and sell and to grant others the right to produce, offer and sell the services and/or goods offered at the Restaurant and any other goods and services through dissimilar channels of distribution under the Proprietary Marks and under any terms; (c) the right to operate or grant others the right to operate Restaurants anywhere regardless of its proximity to your Restaurant and on such terms as we deem appropriate; and (d) subject to the option described below, the right to acquire and operate a business operating one or more restaurants and/or other food service businesses located or operated anywhere.

We may during the term of the Franchise Agreement acquire the shares or assets of a business operating one or more restaurants or other food service businesses ("Acquired Restaurants"). If after the acquisition we own one or more Acquired Restaurants which we intend to operate as a Restaurant or a Competitive Business (the "Optioned Restaurants"), we will offer to sell the Optioned Restaurants to you for the price we paid including that portion of the direct and indirect costs and liabilities we incurred or assumed in making such acquisition that are allocated to the Optioned Restaurants whether paid or owed to the seller of such Optioned Restaurants, to us, to our affiliates or third parties and other expenses allocated to such Optioned Restaurants (including losses), plus interest at our cost of money on the balance of such amounts from time to time. We are required to sell the Optioned Restaurants to you only if: (1) such sale will not conflict with any of our existing legal obligations or the business being acquired; (2) such sale will not preclude the completion of the acquisition on the terms to which we agreed; (3) such sale will not interfere with any other legal agreement, arrangement or combination; and (4) you agree to execute, upon acquisition, our then-current Franchise Agreement for each and every such Optioned Restaurant and convert each such Optioned Restaurant to a Restaurant as soon as practicable thereafter in accordance with our standards and specifications. You will have 30 days in which to accept or reject such offer. In the event you reject or fail to timely accept our offer to sell the Optioned Restaurants or we are unable to extend such offer for any of the aforementioned reasons, we may incorporate and use certain

elements of the System at the Optioned Restaurants. For purposes of this Paragraph, all references to us shall be deemed to include our affiliates.

Except as the Franchise Agreement grants you the right to acquire the Optioned Restaurants described above, you are not granted any other option, right of first refusal or similar right to acquire additional Restaurants under the Franchise Agreement.

There are no restrictions on us or our franchisees from soliciting or accepting orders for our food products anywhere.

ITEM 13 TRADEMARKS

The following trademark has been filed and registered with the United States Patent and Trademark Office ("USPTO"):

TRADEMARK	STATUS	REGISTRATION DATE	REGISTRATION NUMBER
WABA GRILL	REGISTERED ON PRINCIPAL REGISTER	July 22, 2014	4572355
	REGISTERED ON PRINCIPAL REGISTER	May 3, 2016	4951299
HALF-OCADO	REGISTERED ON PRINCIPAL REGISTER	April 4, 2017	5177714
EAT SMART, BE HEALTHY	APPLICATION PUBLISHED	March 20, 2018 (Publication Date)	87666319 (Serial Number)

*We will grant you the non-exclusive right to use the mark "WaBa Grill" as well as other trademarks, service marks, trade names and commercial symbols owned by us or that we may authorize in the future (collectively, the "Marks"). The Marks may only be used at the location we approve for your WaBa Grill Restaurant and for the sale of products and services we authorize under the Franchise Agreement.

Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing. We may change the System presently identified by the Marks, including the adoption of new Marks, new products, new equipment or new techniques and you must adopt the changes in the System. You must comply within a reasonable time if we notify you to discontinue or modify your use of any Mark. We will have no liability or obligation as to your modification or discontinuance of any Mark.

There are currently no effective material determinations by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Marks. There are currently no agreements in effect that significantly limit our rights to use or license the use of any Marks in any manner material to the franchise. There are no superior prior rights or infringing uses actually known to us that could materially affect your use of the Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Marks, and we have the sole right to decide to pursue or settle any infringement actions related to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks that you may become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you must make the changes or substitutions at your own expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered that are material to the franchise.

Our Manual, other manuals, training material, merchandise and vendor lists and updates, action plans, and other directives contain material which we consider to be trade secrets. We claim trade secret and copyright protection for these manuals and materials although we have not filed any corresponding applications concerning them. You have to follow our direction in protecting the manuals and other trade secret material from unauthorized disclosure. You must use our proprietary materials only as we direct.

We can require your managers and supervisors to sign a confidentiality agreement in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement

You must at all times directly supervise the operation of the Restaurant or you may employ a manager for this purpose. We recommend that you conduct direct, on-premises supervision of the Restaurant and not delegate this duty to third parties. If you do appoint a manager for these duties, we must train him or her. Also, you must inform us of your manager's identity, and each manager must sign an agreement not to divulge any trade secret or confidential or proprietary information, or to engage in any other business. Your manager need not have an ownership interest in a corporate or partnership franchisee, but he or she must have substantial food service experience, demonstrate strong management abilities and promote the "WaBa" image to the public.

You must devote your full time and efforts to managing the general business matters of the

Restaurant. Further, you may not, during the term of the Franchise Agreement, engage in any conflicting enterprises. Also, you are bound by confidentiality requirements discussed in Article VIII of the Franchise Agreement and non-competition covenants discussed in Article XIV of the Franchise Agreement.

In case of a corporate franchisee, we require that each shareholder/member holding more than 25% of ownership sign a personal guaranty. We do not require spousal guaranty.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate your WaBa Grill Restaurant in accordance with the System standards (including required products and services). We have the right, without limitation, to change the types of products and services that you are authorized to sell at our sole discretion. We may also, at any time, and in our sole discretion, disapprove the sale of certain items sold at your WaBa Grill Restaurant, and you must stop selling those items upon written notice from us to do so.

There are no restrictions on the customers to whom you can sell the products at your WaBa Grill Restaurant. However, you may not use your restaurant for any purposes other than the operation of the WaBa Grill Restaurant in full compliance with the Franchise Agreement and Manual, without our prior written approval. You must purchase, use and offer each of and only the types, brands and quality of products and services we designate.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

Provision	Article in Franchise Agreement	Summary
a. Term of the franchise	IV	10 years from the opening of your Restaurant
b. Renewal or extension of the term	IV	One additional term of 5 years
c. Requirements for you to renew or extend	IV	You have been in substantial compliance with agreement, pay renewal fee. You may have to remodel the Restaurant, at your expense, and sign a Franchise Agreement in effect at the time of renewal which may contain materially different terms and conditions than the agreement you signed originally.

Provision	Article in Franchise Agreement	Summary
d. Termination by you	None	The Franchise Agreement does not provide for this. But you may seek to terminate on any grounds available to you at law
e. Termination by us without cause	None	
f. Termination by us with cause	XVII	We can terminate only if you commit any one of several listed violations
g. "Cause" defined – defaults which can be cured	XVII	30 days for operations defaults, 30 days for monetary defaults, 24 hours for health code violations
h. "Cause" defined – defaults which cannot be cured	XVII	Conviction of a felony, abandonment, unapproved transfers, bankruptcy, assignment for benefit of creditors, repeated violations
i. Your obligations on termination/non-renewal	XVIII	Pay outstanding amounts, de-identification, return of confidential information and telephone numbers (see also below)
j. Assignment of contract by us	XX	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment is willing and able to assume our obligations under the Franchise Agreement
k. "Transfer" by you – definition	XX	Includes transfer of contract of assets or any ownership change
l. Our approval of transfer by you	XX	We have the right to approve all transfers, our consent not to be unreasonably withheld
m. Conditions for our approval of transfer	XX	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then-current contract and required forms signed
n. Our right of first refusal to acquire your business	XX	We can match any offer
o. Our option to purchase your business	XX	We can buy the business on termination or non-renewal for the formula price described in Article XX
p. Your death or disability	XX and XXI	Franchise must be assigned to approved buyer within 12 months or transferred to an heir or representative
q. Non-competition covenants during the term of the franchise	XXIV	Can't divert business or operate a competing business anywhere

Provision	Article in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	XXIV	No competing business for two years, within 25 miles of any other Restaurant
s. Modification of the agreement	XXXII	No modifications generally but Operations Manual subject to change. Revisions to the Operations Manual will not unreasonably affect your obligations, including economic requirements, under the Franchise Agreement
t. Integration/merger clause	XXXII	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	XXX	Except for certain claims, all disputes must be arbitrated in California (subject to state law)
v. Choice of forum	XXX	Arbitration in California (subject to state law)
w. Choice of law	XXIX	California law applies (subject to state law)

1. Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Department of Business Oversight before we ask you to consider a material modification of your franchise agreement.

2. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Please refer to the disclosure addenda and contractual amendments appended to this Disclosure Document for additional terms that may be required under applicable 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 outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Mr. Kyle Lee, President of WaBa Grill Franchise Corp. at 13181 Crossroads Parkway North, Suite 510, City of Industry, CA 91746 (562) 908-9222, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Item 20(1) Table –
Systemwide Outlet Summary
For years 2015 to 2017**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	71	111	+40
	2016	111	129	+18
	2017	129	150	+21
Company or Affiliate-Owned	2015	7	10	+3
	2016	10	21	+11
	2017	21	24	+3
Total Outlets	2015	78	121	+43
	2016	121	150	+29
	2017	150	174	+24

**Item 20(2) Table –
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2015 to 2017**

State	Year	Number of Transfers
California	2015	4
	2016	2

	2017	7
Total	2015	4
	2016	2
	2017	7

**Item 20(3) Table –
Status of Franchised Outlets
For years 2015 to 2017**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at the end of the Year
California	2015	71	41	0	0	1	0	111
	2016	111	20	0	0	0	0	131
	2017	128	19	0	0	0	0	147
Arizona	2015	0	1	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	1	0	0	0	0	3
Totals	2015	71	41	0	0	1	0	111
	2016	111	21	2	0	0	0	130
	2017	130	20	0	0	0	0	150

**Item 20(4) Table –
Status of Company-Owned Outlets
For years 2015 to 2017**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at the end of the Year
Ca.	2015	7	1	3	0	0	11
	2016	11	9	0	0	0	20
	2017	20	3	0	0	0	23
Az.	2015	0	1	0	0	0	1
	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
Totals	2015	7	2	3	0	0	12
	2016	12	9	0	0	0	21
	2017	21	3	0	0	0	24

**Item 20(5) Table –
Projected Openings As of Dec. 31, 2018**

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	30	25	2
Arizona	1	1	1
Total	31	26	3

If you buy WaBa Grill franchise, your contact information may be disclosed to other buyers when you leave the franchise system. Attached to this Franchise Disclosure Document as Exhibit E is a list of names of all current franchisees and the address and telephone number of each of their outlets. Exhibit F provides a list of name, city and state, and the last known telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

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

ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are our audited financial statements as of December 31, 2015, 2016 and 2017. Our fiscal year end is December 31st.

ITEM 22 CONTRACTS

This Disclosure Document includes a sample of the following documents:

Franchise Agreement – Exhibit C, including Personal Guaranty, Non-Compete and Confidentiality Agreements

ITEM 23 RECEIPT

The last page of this Disclosure Document contains a detachable Receipt form which you must date, sign, and return to us immediately upon your receipt of this Disclosure Document.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Department of Business Oversight
Suite 750
320 West 4th Street
Los Angeles, CA 90013
(213) 738-2741
Toll Free No.: 1 866 275 2677

Agent: California Commissioner of Business
Oversight

HAWAII

Securities Examiner
1010 Richards Street
Honolulu, Hawaii 96813
(808) 548-2021

Agent: Director of Hawaii Department
of Commerce and Consumer Affairs

ILLINOIS

Franchise Division
Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Agent: Illinois Attorney General

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Agent: Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney
General
670 Law Building
Lansing, Michigan 48913
(517) 373-7177

Agent: Michigan Department of Commerce
Corporations and Securities Bureau

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-4026

Agent: Minnesota Commissioner of Commerce

INDIANA

Franchise Section
Indiana Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Agent: Indiana Secretary of State
Indiana Securities Division
201 State House
Indianapolis, IN 46204

NEW YORK

Bureau of Investor Protection and Securities
New York State Department of Law
23rd Floor
120 Broadway
New York, New York 10271
(212) 416-8211

Agent: New York Secretary of State

NORTH DAKOTA

Office of Securities Commissioner
Fifth Floor
600 East Boulevard
Bismarck, North Dakota 58505
(701) 328-2910

Agent: North Dakota Securities Commissioner

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

Agent: Director of Oregon Department
of Insurance and Finance

NEBRASKA

Nebraska Department of
Banking and Finance
1200 N Street
P.O. Box 95006
Lincoln, Nebraska 68509-5006

SOUTH DAKOTA

Division of Securities
c/o 118 West Capitol
Pierre, South Dakota 57501
(605) 773-4013

Agent: Director of South Dakota Division
Securities

TEXAS

Secretary of State
P.O. Box 12887
Austin, Texas 78711

VIRGINIA

State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

Agent: Clerk of the State Corporation
Commission

RHODE ISLAND

Division of Securities
Suite 232
233 Richmond Street
Providence, Rhode Island 02903
(401) 222-3048

Agent: Director of Rhode Island Department
of Business Regulation

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
P.O. Box 1768
Madison, Wisconsin 53703
(608) 266-8559

Agent: Wisconsin Commissioner of Securities.

WASHINGTON

Director
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507
(360) 902-8760

Agent: Securities Administrator, Director of
Department of Financial Institutions

EXHIBIT B

STATE SPECIFIC ADDENDUM

California

Neither the franchisor nor any person identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§ 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

Business and Professions Code § 16600 does not permit a non-compete provision to prevent a former franchisee from working in competition against the franchisor.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a Franchise Agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Section 31125 of the California Corporations Code requires the franchisor to give the franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise.

The franchise agreement and development agreement contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur at Los Angeles, and the arbitrators have the discretion to assess the costs of arbitration, including reasonable arbitrators' and attorneys' fees in proportions as the arbitrators may determine. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

OUR WEBSITE ADDRESS IS [HTTP://WWW.WABAGRILL.COM](http://www.wabagrill.com). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [WWW.DBO.CA.GOV](http://www.dbo.ca.gov).

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Illinois

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute (915 ILCS 705/19 and 705/20).

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

The Franchise Agreement includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a Franchise Agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w. is amended to state "none" under the heading for "Summary." The Franchise Agreement is amended to omit Section XXV.

The Franchise Agreement requires franchisee to sign a release of claims as a condition for transfer or renewal of the franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Accordingly, insofar as the Franchise Agreement requires franchisee to waive franchisee's rights under the Illinois franchise law, these requirements are deleted from the Franchise Agreement. This provision will not prevent the franchisor from requiring franchisee to sign a release of claims as part of a negotiated settlement of a dispute.

Maryland

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

The Franchise Agreement says that franchisor may require franchisee to sign a release of claims, other than claims that may not be waived in advance under applicable law, as a condition of renewal or transfer of your franchise. Under Maryland law, the release will not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Under the Franchise Agreement, franchisee must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the franchise is granted.

Michigan

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

(a) A prohibition on the right of a franchisee to join an association of franchises.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in

the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

A FRANCHISE SHALL NOT BE SOLD IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST TEN (10) BUSINESS DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OR AT LEAST TEN (10) BUSINESS DAYS BEFORE THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE STATEMENT DESCRIBED IN THIS STATUTE.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Marilyn McEwen
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

Minnesota

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C. 14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement.

The Franchise Agreement requires you to sign a release of claims as a condition of renewing or transferring a franchise. Minnesota Rule Part 2860.4400J prohibits franchisor from requiring franchisee to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.

The Franchise Agreement provides that franchisor is entitled to a temporary injunction or decree of specific performance. The Franchise Agreement is amended to provide that we are entitled to seek a temporary injunction or decree of specific performance if we can demonstrate to a court of competent jurisdiction that there is substantial likelihood of franchisee's breach or threatened breach of any of the terms of the Franchise Agreement, not that franchisor is necessarily entitled to obtain this relief.

Under Minnesota law, any claim arising under §80C may be brought within three years after the cause of action accrues. The Franchise Agreement is amended to provide for a three-year period within which to bring any Minnesota claims.

New York

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH FRANCHISEE ABOUT ITEMS COVERED IN THIS PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

Except as stated in Item 3 of this Disclosure Document, neither the franchisor, its predecessor or predecessors nor any person or sales agent identified in Item 2 of this Disclosure Document: (i) has pending any administrative, criminal, or material civil action (or a significant number of civil actions irrespective of materiality) alleging a felony, violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (ii) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (iii) is subject to any injunctive or restrictive order or decree relating to franchises or under Federal or State franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or

within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

The introduction to Item 17 is amended to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

The Summary column of Item 17d is amended to read: "You may terminate upon any grounds permitted by law."

The Summary column of Item 17j is amended to read: "We may assign only to a financially responsible assignee that we reasonably believe is capable of performing its obligations under the franchise agreement and which expressly assumes these obligations in writing."

The Summary column in Item 17w is amended to add the following: "The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33."

North Dakota

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

Item 17c is revised to omit any requirement that a general release be signed as a condition of renewal.

Item 17r is amended to add the following: "To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota."

Item 17u is amended to omit any reference to the location or mediation or arbitration.

Item 17w is amended to state "None."

Rhode Island

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the Disclosure Document, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by § 19-28.1-14 of the Rhode Island Franchise Investment Act, the Franchise Agreement will be governed by the laws of the State of Rhode Island.

South Dakota

The Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. The Franchise Agreement provides for arbitration in a state other than South Dakota. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with §11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Franchise Agreement designates the law of a state other than South Dakota as the governing law, except that trademark issues are to be under the Landham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement and interpretation under the governing law specified by the Franchise Agreement.

Under South Dakota law, any provision in a Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the Disclosure Document and Franchise Agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination. Under SDL 37-5A-86, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter, or any rule or order is avoid.

An acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

Washington

The State of Washington has a statute, RCW 19.100.180, that may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise.

In Washington, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Franchise Agreement requires franchisee to sign a release of claims as a condition of renewing or transferring the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act.

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs in connection with the transfer.

EXHIBIT C
FRANCHISE AGREEMENT AND ITS EXHIBITS

WABA GRILL FRANCHISE CORP.
FRANCHISE AGREEMENT

WABA GRILL FRANCHISE CORP.

FRANCHISE AGREEMENT

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EXHIBITS:

“A” - LOCATION

“B” - GUARANTEE AGREEMENT

“C” - CONDITIONAL LEASE ASSIGNMENT PROVISIONS

“D” - SITE LOCATION ADDENDUM

“E” - CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

“F” - TRANSFER OF FRANCHISE TO A CORPORATION

“G” - TELEPHONE NUMBER ASSIGNMENT AND POWER OF ATTORNEY

“H” - AUTHORIZATION TO HONOR CHECKS DRAWN BY AND PAYABLE TO
WABA GRILL FRANCHISE CORP.

“I” - FRANCHISEE COMPLIANCE CERTIFICATION

MEGA FUND ADDENDUM TO THE FRANCHISE AGREEMENT

WABA GRILL FRANCHISE CORP.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, made this ____ day of _____, 20__, by and between WABA GRILL FRANCHISE CORP., a California corporation with its corporate headquarters office at 13181 Crossroads Parkway North, Suite 510, City of Industry, CA 91746 ("Franchisor") and _____ having the address at _____ ("Franchisee").

RECITALS:

A. Franchisor franchises certain specialty food establishments, known as "WABA GRILL" restaurants, selling and serving made-to-order freshly-prepared teriyaki-styled food and other food and beverage products ("Menu Items") and provide carry-out, delivery (at certain locations), and on-premises dining services. Franchisor's restaurants are operated under certain trademarks, service marks, logos and other commercial symbols, including without limitation "WABA GRILL" ("Marks") which are owned by Franchisor, and pursuant to certain confidential information and trade secrets. Such restaurants are operated with uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be improved, further developed or otherwise modified from time to time by Franchisor ("System").

B. Franchisor grants to persons who meet Franchisor's qualifications and who are willing to undertake the investment and effort to establish and develop an "WABA GRILL" restaurant, a franchise to own and operate such a restaurant, offering the Products and services approved by Franchisor and utilizing Franchisor's formats, designs, methods, specifications, standards, operating procedures and the Marks.

C. Franchisee received a copy of this Agreement five (5) days before the date of execution of this Agreement; and Franchisee received Franchisor's Uniform Franchise Disclosure Document ("FDD") by the earliest of (i) the first personal meeting with Franchisor to discuss the franchise; (ii) fourteen (14) business days before executing this Agreement; or (iii) fourteen (14) business days before making any payment to Franchisor.

D. Franchisee acknowledges that Franchisee has read this Agreement and the FDD and that Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all "WABA GRILL" restaurants in order to protect and preserve the goodwill of the Marks.

E. Franchisee: (i) acknowledges that Franchisee has conducted an independent investigation of the business contemplated by this Agreement; (ii) recognizes that, like any other business, the nature of the business conducted by "WABA GRILL" restaurants may evolve and change over time; (iii) acknowledges that an investment in an "WABA GRILL" restaurant involves business risks; and (iv) recognizes that the success of the venture is largely dependent upon the business abilities and efforts of Franchisee.

F. Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee:

(i) acknowledges that Franchisee has not received or relied on any representations about the franchise by Franchisor, or its officers, directors, employees or agents, that are contrary to the statements made in Franchisor's FDD or to the terms and conditions contained in this Agreement; and (ii) represents to Franchisor, as an inducement to Franchisor to enter into this Agreement, that Franchisee has made no misrepresentations in obtaining the franchise.

G. Franchisee has applied for a franchise to own and operate a single "WABA GRILL" restaurant at the premises identified in Article I below, and the application has been approved by Franchisor in reliance on all of the representations made in the application.

In consideration of the above recitals and the mutual promises and covenants made in this Agreement, Franchisor and Franchisee agree as follows:

ARTICLE I

GRANT OF FRANCHISE

1.1 Subject to the terms and conditions contained in this Agreement, Franchisor grants to Franchisee the right to own and operate a "WABA GRILL" restaurant at, and only at, the premises approved by Franchisor in accordance with the provisions of this Agreement (the "Restaurant"), and to use the Marks in the operation of the Restaurant.

1.2 Unless an approved location has been selected by Franchisee at the time this Agreement is executed, Franchisee shall select the location of the Restaurant, subject to Franchisor's approval, within the timeframe as agreed upon in Development Schedule attached to this Agreement.

1.3 The franchise location set forth in Exhibit "A" may not be altered or changed by Franchisee without Franchisor's prior written approval. In the event there is such an approval, the new franchise location shall become the "Franchise Location," under the terms of this Agreement.

1.4 Except as expressly limited by Section 1.1, Franchisor and its affiliates retain all rights with respect to Restaurants, the Marks and the sale of Products and any other products and services anywhere in the world, including, without limitation, the rights:

(a) to produce, offer and sell, and to grant others the right to produce, offer and sell the Products and any other goods and services through similar or dissimilar channels of distribution under trade and service marks other than the Marks and under any terms and conditions Franchisor deems appropriate;

(b) to produce, offer and sell, and to grant others the right to produce, offer and sell the Products and any other goods and services through dissimilar channels of distribution under the Marks and under any terms and conditions Franchisor deems appropriate;

ARTICLE II

DEVELOPMENT AND OPENING OF THE RESTAURANT

Lease of Restaurant Premises:

2.1 Franchisor shall have the right, in its sole discretion, to require:

A. Franchisee to execute a Site Location Addendum in the form attached as Exhibit "D" to this Agreement;

B. Franchisee to conditionally assign such lease to Franchisor (with the consent of the lessor, if required) by conditional lease assignment provisions in the form attached as Exhibit "C" to this Agreement in order to secure performance of any and all of Franchisee's liabilities and obligations to Franchisor; or

C. That such lease contain substantially the following provisions:

1. "Anything contained in this lease to the contrary notwithstanding, Lessor agrees that without its consent, this lease and the right, title and interest of the Lessee hereunder may be assigned by the Lessee to WABA GRILL FRANCHISE CORP., a California corporation, or its designee."

2. "Lessee agrees that Lessor may, upon the written request of WABA GRILL FRANCHISE CORP. disclose to WABA GRILL FRANCHISE CORP. all reports, information or data in Lessor's possession respecting sales made in, upon or from the leased premises."

3. "Lessor shall give written notice to WABA GRILL FRANCHISE CORP. (concurrently with the giving of such notice to Lessee) of any default by Lessee under the lease, and WABA GRILL FRANCHISE CORP. shall have the right, in its sole discretion, to cure any such default. Such notice shall be sent to WABA GRILL FRANCHISE CORP. at its headquarters, or such other address as WABA GRILL FRANCHISE CORP. may from time to time specify in writing to Lessor."

2.2 Franchisor shall have the right to approve the terms of any sublease or lease for the premises of the Restaurant. If Franchisor cures any default by Franchisee under such lease, the total amount of all costs and payments incurred by Franchisor in effecting such cure shall be immediately due and owing by Franchisee to Franchisor.

2.3 Franchisee's execution of a sublease or lease for the location for Franchisee's Restaurant shall constitute acceptance by Franchisee of such location and site and the terms of such lease and shall constitute a waiver of any claim or rights against Franchisor relating to Franchisee's choice of such site and location, and of the terms of such sublease or lease.

Development of Restaurant:

2.4 Franchisor will furnish to Franchisee, as reference only, a set of Franchisor's proprietary and confidential documents that represent a prototypical Restaurant. Franchisee acknowledges that this document will outline Franchisor's current interior design decor, image, building materials, furniture, fixture and equipment and is not suitable by itself for construction. Franchisee further acknowledges that actual construction documents will be produced once Franchisee retains the services of Franchisor-approved architect.

2.5 Within ninety (90) days after obtaining possession of the premises of the Restaurant and having been furnished with the above-described reference document indicating the current WABA GRILL prototype, Franchisee will do or cause to be done the following:

A. Secure all financing required to fully develop the Restaurant;

B. Prepare, at Franchisee's expense, and submit to Franchisor for approval (which approval may be granted or withheld at Franchisor's sole discretion) any proposed modifications to

Franchisor's prototype or proto-style plans and specifications, which may be modified only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions, all such modifications being subject to prior notification to, and approval by, Franchisor;

C. Obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;

D. Construct all required improvements to the premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with plans and specifications approved by Franchisor; and

E. Purchase, in accordance with Franchisor's specifications and requirements, an opening inventory of proprietary food items, Products, ingredients and other products and supplies required for the opening of the Restaurant.

2.6. Franchisee will do or cause to be done the following with respect to the development of the Restaurant:

A. Obtain all required construction and sign permits and licenses;

B. Complete the construction of all required improvements to the premises and decorate the premises in accordance with Franchisor's specifications;

C. Purchase or lease and install all fixtures, furnishings, equipment, signs and the opening food and beverage inventory and operating supplies and other materials in accordance with Franchisor's specifications.

Franchisee shall use Franchisee's best efforts to complete development and have the Restaurant ready to open within one hundred and twenty (120) days after Franchisee obtains possession of the premises. Franchisee shall (1) solicit bids from at least three of the Waba Grill's prequalified general contractors and enter into a contract with the general contractor selected therefrom by Franchisee; (2) conclude orders for the signs, fixtures, furnishings, equipment and operating supplies and materials; (3) make all decisions concerning the staffing of the Restaurant; (4) maintain a current and complete accounting of the costs of development of the Restaurant; and (5) supervise, in conjunction with Franchisor, the construction, furnishing, equipping and staffing of the Restaurant, in the time frames necessary to complete the development of the Restaurant on schedule. All final decisions concerning the development of the Restaurant which are discretionary and not dictated by Franchisor's written specifications shall be made by Franchisee, with the consultation and advice of Franchisor. Within a reasonable time after the completion of development, a final accounting of all costs of development of the Restaurant, along with copies of all contracts, lien waivers, other paid receipts and equipment warranties, shall be provided by Franchisee to Franchisor.

Fixtures, Equipment, Furniture and Signs:

2.7 Franchisee will use, in the construction and operation of the Restaurant, only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that Franchisor has approved for Restaurants as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the premises of the Restaurant only such signs, emblems, lettering, logos and display materials that are from

time to time approved in writing by Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by Franchisor (which may include Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by Franchisor, and/or any such item from any supplier which is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

Restaurant Opening:

2.8 Franchisee will not open the Restaurant for business until:

A. Franchisor determines that the Restaurant has been constructed and equipped in accordance with approved plans and specifications;

B. Franchisee and Franchisee's manager(s) have completed training to Franchisor's reasonable satisfaction;

C. The Initial Franchise Fee and all other amounts due to Franchisor under this Agreement and any other related agreements to which Franchisee is a party have been paid;

D. Franchisor has been furnished with copies of all insurance policies required by Article XII of this Agreement, or such other evidence of insurance coverage as Franchisor requests; and

E. Franchisor's personnel are available to assist and be present at the opening of the Restaurant if Franchisor, in its sole discretion, deems it necessary.

2.9 Franchisee will use its best efforts to have the Restaurant ready to open for business within four (4) months after the date a Franchisee's lease or sublease is executed. Final approval by Franchisor of the opening of the Restaurant shall be given in writing and shall be in Franchisor's sole discretion. Franchisee will open the Restaurant for business within fourteen (14) days after receipt of such written notice from Franchisor (the "Restaurant Opening Date").

Relocation of Restaurant:

2.10 If Franchisee's lease or sublease for the premises of the Restaurant terminates without fault of Franchisee, or if the premises are damaged, condemned or otherwise unusable, or if in the reasonable judgment of Franchisor and Franchisee there is a change in the character of the location of the Restaurant sufficiently detrimental to its business potential to warrant its relocation, Franchisor shall grant permission to Franchisee for relocation of the Restaurant to a location approved by Franchisor. Any such relocation shall be at Franchisee's sole expense, and Franchisor shall have the right to charge Franchisee for costs and expenses incurred by Franchisor in connection with any relocation.

2.11 In the event of a relocation of the Restaurant, Franchisee shall promptly remove from the first Restaurant premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery supplies, forms and other articles which display any of the Marks or any distinctive features or designs associated with WABA GRILL.

Restaurants. Furthermore, Franchisee shall, at Franchisee's expense, immediately make such modifications or alterations as may be necessary to distinguish the first Restaurant so clearly from its former appearance and from other WABA GRILL Restaurants and to prevent any possibility of confusion of the first Restaurant with an WABA GRILL Restaurant by the public (including, without limitation, removal of all distinctive physical and structural features identifying WABA GRILL Restaurants and removal of all distinctive signs and emblems). Franchisee shall, at Franchisee's expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the first Restaurant and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that Franchisee's failure to make such alterations will cause irreparable injury to Franchisor, and consents to entry, at Franchisee's expense, of an ex-parte order by a court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Restaurant premises is not promptly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement pursuant to Article XVII below.

ARTICLE III

PROPRIETARY MARKS AND GOODWILL

3.1 When used in this Agreement, "Marks" mean the trademarks and service marks which are used to identify Restaurants and to distinguish it from that of any other business, and the trademarks, service marks, trade names, logos and commercial symbols as may be designated by Franchisor from time to time for use in connection with the System.

3.2 Franchisee is authorized to use the Marks, goodwill and trade secrets in the operation of the Restaurant only at the location specified in Article I. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor. Franchisee understands and agrees that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that Franchisee will not represent in any manner that Franchisee has acquired any ownership or equitable rights in any of Franchisor's Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Marks.

3.3 Franchisee acknowledges that Franchisor is the sole owner of all of the Marks, goodwill and trade secrets, and that Franchisee shall not register or attempt to register the Marks or to assert any rights in them other than as specifically granted in this Agreement.

3.4 At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of Franchisee's use of Marks.

3.5 Franchisee shall only use the Marks, logos, trade styles, color combinations, designs, signs, symbols and slogans of Franchisor, and only in the manner and to the extent specifically permitted by this Agreement or in any manuals, directives or memos (collectively referred to below as "Confidential

Operations Manuals") prepared by Franchisor. Franchisee shall not use any confusingly similar Marks in connection with its franchise or any other business in which it has an interest.

3.6 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using Franchisor's Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the words "WABA GRILL" shall comply with this Agreement and the Confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use.

3.7 If at any time, Franchisor in its sole discretion, decides to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then Franchisee shall comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Marks, and shall promptly discontinue the use and display of outmoded or superseded marks, at Franchisee's expense. Franchisee waives any claim arising from or relating to any proprietary mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee will not commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

3.8 Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using Franchisor's Marks, color combinations, designs, symbols or slogans; and Franchisee shall execute such documents and take such action as Franchisor may deem necessary or appropriate to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that Franchisee is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect Franchisor's Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of Franchisor's Marks will result in irreparable harm to Franchisor, for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs.

3.9 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of Franchisor's Marks. Franchisee will immediately notify Franchisor of any other claim, demand or litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee.

3.10 Franchisor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of Franchisor's Marks or that, in Franchisor's judgment, may affect the goodwill of the System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. Franchisee shall execute those documents and perform those acts, which in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as Franchisor may undertake.

3.11 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee will do business and advertise using only the Marks designated by Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to, and shall not, use the name "WABA GRILL" by itself, as a part of the

legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection.

3.12 In order to preserve the validity and integrity of Franchisor's Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspection.

3.13 Franchisee shall be required to affix the TM or ® symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "WABA GRILL" or any other of Franchisor's Marks, whether presently existing or developed in the future.

3.14 Franchisee acknowledges that it does not have any right to deny the use of Franchisor's Marks to any other franchisees. Franchisee shall execute all documents and take such action as Franchisor may request to allow Franchisor or other franchisees to have full use of the Marks.

3.15 If, during the term of this Agreement, there is a claim of prior use of the "WABA GRILL" name, or any other of Franchisor's Marks, in the area in which Franchisee is doing business or in another area or areas, Franchisee, at Franchisor's discretion, shall use Franchisor's Marks in such a way to avoid a continuing conflict.

3.16 Franchisor shall indemnify Franchisee against, and reimburse Franchisee for, all damages for which Franchisee is held liable in any proceeding in which Franchisee's use of any Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against Franchisee or in any such proceedings in which he is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceedings, has otherwise complied with this Agreement, and has tendered complete control of the defense of such to Franchisor. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

3.17 During the term of this Agreement and any renewal or extension hereof, Franchisee shall identify itself as the owner of the Restaurant in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form at such conspicuous locations as Franchisor may designate in writing.

ARTICLE IV **TERM AND RENEWAL**

4.1 Except as otherwise provided in this Agreement, the initial term of this franchise (the "Initial Term") shall be for a period commencing upon the execution of this Agreement and concluding on the tenth (10th) year anniversary of the Restaurant Opening Date.

4.2 Subject to the conditions specified in Section 4.3 below, Franchisee shall have the right to renew this Agreement for a period of five (5) years from the date of the expiration of the Initial Term.

4.3 Franchisee's right of renewal pursuant to Section 4.2 above shall be subject to the following conditions precedent:

A. Neither this Agreement nor the lease or sublease agreement shall have been terminated for any reason, and the lease or sublease is renewable;

B. Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, any sublease agreement, or any other agreement between Franchisor or any subsidiary and/or affiliated corporation and Franchisee has substantially complied with all of the terms and conditions of such agreements during their terms;

C. Franchisee shall have served notice of its intention to exercise its right of renewal not less than twelve (12) months nor more than eighteen (18) months prior to the expiration of the Initial Term;

D. Franchisee shall have effected the improvements to Franchisee's Restaurant and its operations required by Franchisor pursuant to Section 4.4 and Section 8.3 below;

E. Franchisee has satisfied all monetary obligations due and owing to Franchisor, any subsidiary of Franchisor and/or any affiliated corporations of Franchisor and Franchisee has timely met these obligations throughout the term of this Agreement and any other agreement in effect between Franchisor and Franchisee, and any renewals thereof;

F. Franchisee shall execute, upon renewal, Franchisor's then-current form of Franchise Agreement, which agreement shall supersede this Agreement in all respects and terms, and which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee and higher advertising contribution;

G. Franchisee shall execute a general release, in a form prescribed by Franchisor, on any and all claims against Franchisor, any subsidiary of Franchisor and/or affiliated corporation of Franchisor, and their respective officers, directors, agents and employees;

H. Franchisee shall comply with Franchisor's then-current reasonable qualification and training requirements; and

I. Franchisee shall remit to Franchisor a renewal fee equal to one half (1/2) of the then-current initial franchise fee.

4.4 Within three (3) months of the receipt of a notice to renew from Franchisee pursuant to Section 4.2 hereof, Franchisor shall complete a renewal report specifying the modifications and improvements and repairs, if any, required by Franchisor and which Franchisee must make to Franchisee's Restaurant which must be in conformity with the then existing standards, and specifications pertaining to Franchisee's Restaurant.

4.5 Franchisor expressly reserves the right to deny Franchisee's renewal in the event that Franchisee abandons Franchisee's Restaurant and Franchisee ceases to operate and maintain Franchisee's Restaurant in accordance with the terms of this Agreement.

4.6 In the event Franchisee shall continue to operate Franchisee's Restaurant following the expiration, termination or non-renewal of this Agreement for any reason, with the express or implied consent of Franchisor, such continuation shall be construed to be an extension of the term of this

Agreement only from month-to-month, terminable by either party on no more than thirty (30) days' notice to the other party and otherwise in accordance with all of the provisions of this Agreement.

ARTICLE V

INITIAL AND CONTINUING FEES PAYABLE TO FRANCHISOR

5.1 In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an Initial Franchise Fee of Thirty Thousand Dollars (\$30,000) (the "Initial Franchise Fee"), payable upon the execution of this Agreement, which sum shall be deemed fully earned by Franchisor upon receipt thereof and is non-refundable. The Initial Franchise Fee shall be reduced to Twenty-Five Thousand Dollars (\$25,000) of Franchisee's second and any additional Restaurants opened and in operation.

5.2 In consideration of this franchise granted by this Agreement, the services to be provided by Franchisor, the right to prepare and sell the Products to the general public, and for the use of the Marks during the Initial Term and any subsequent renewals, Franchisee shall pay to Franchisor, in addition to the Initial Franchise Fee, a royalty fee equal to five percent (5%) of the gross sales generated by, from, or through Franchisee's Restaurant ("Royalty Fee").

5.3 For the purposes of determining the royalties to be paid, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Restaurant (including, without limitation, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the electronic cash register system and any cash shortage shall not be considered in the determination. Gross Sales shall not include the following:

A. Receipts from the operation of any public telephone installed in the Restaurant, or products from vending machines located at the Restaurant, except for any amount representing Franchisee's share of such revenues;

B. Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Restaurant, and any other tax, excise or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority;

C. Returns to shippers or manufacturers; and

D. Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Restaurant nor having any material effect upon the ongoing operation of the Restaurant required under this Agreement.

5.3.1 Franchisor may, from time to time, authorize, in writing, certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by Franchisor in its discretion. In addition to the foregoing, the following are included within the definition of "Gross Sales" described except as noted below:

(1) The full value of meals furnished to Franchisee's employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the reporting week in which the meals were furnished for the purpose of determining the amount of Gross Sales upon which the Royalty Fee is due; and

(2) All proceeds from the sale of coupons, gift certificates or vouchers; provided that at the time such coupons, gifts certificates or vouchers are redeemed the retail price thereof may be credited against Gross Sales during the reporting week in which such coupon, gift certificate or voucher is redeemed for the purpose of determining the amount of Gross Sales upon which the Royalty Fee is due.

5.4 Royalty Fees are due and payable on the Wednesday of each week ("Payment Date"), relating to the week ending on the preceding Saturday. Franchisee shall remit Royalty Fees, Advertising Fees and any other monies owed to Franchisor under this Agreement via electronic funds transfer or other comparable means. Franchisee shall comply with the procedures established by Franchisor and/or to perform such acts and deliver and execute the Authorization to Honor Checks Drawn By and Payable To Waba Grill Franchise Corp. (Exhibit "H") and any other documents as may be necessary to assist in or accomplish such electronic method of payment.

5.4.1 In the event any electronic funds transfer is not honored by Franchisee's bank for any reason, Franchisee shall be responsible for that payment, plus a service charge applied by Franchisor and the bank, if any. Franchisee shall, at all times throughout the term of this Agreement, maintain a minimum balance of Five Thousand Dollars (\$5,000.00) in Franchisee's bank account against which such electronic funds transfers shall be drawn for the Restaurant operated under this Agreement.

5.5 Royalty Fees or any and all other payments provided for in this Agreement not received by Franchisor within three (3) days of the Payment Date shall be subject to interest on a daily basis at a rate equal to two percent (2%) per month, or the then highest legal rate, whichever is less.

5.6 Acceptance by Franchisor of the payment of any Royalty Fee or any and all other payments provided for in this Agreement shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment on account of Royalty Fees or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor's rights under Article XVIII below.

5.7 Franchisee's obligations for the full and timely payment of the Royalty Fees and all other amounts provided for in this Agreement shall be absolute, unconditional and fully earned by Franchisor, except in those instances where Franchisor is in breach under this Agreement and has failed to cure such breach although obligated to do so. Franchisee shall not delay or withhold the payment of all or any part of the fees for any reason, put the fees in escrow, or set-off same against any and all claims or alleged claims Franchisee may allege against Franchisor.

ARTICLE VI

TRAINING AND COMMENCEMENT OF BUSINESS

6.1 During the time period prior to beginning construction of Franchisee's Restaurant, but not less than one month prior to construction beginning, Franchisee shall attend Franchisor's initial training program, which shall be conducted at Franchisor's headquarters in City of Industry, California or at another location designated by Franchisor, and complete the training program to Franchisor's

satisfaction. Franchisee shall be responsible for all travel and living expenses which Franchisee and Franchisee's manager incur in connection with the initial training program. During the training program, Franchisee shall receive instruction, training and education in the operation of the Restaurant and indoctrination into the System. Such training program shall include, but not be limited to, instructing Franchisee in the preparation and sale of Franchisee's proprietary food items, the Products and quality control techniques and procedures.

6.2 Franchisee shall attend such periodic refresher and supplemental training programs or meetings at such locations as Franchisor may from time to time direct. All expenses of Franchisee incurred in connection with attendance at any such refresher or supplemental training programs or meetings shall be borne solely by Franchisee.

6.3 At all times during the term of this Agreement or any renewal thereof, Franchisee shall maintain a staff of trained employees sufficient to operate the Restaurant in accordance with this Agreement and Franchisor's standards. Franchisee shall not employ any person who may reasonably be required by Franchisor to complete a training program but who fails to do so for any reason whatsoever.

ARTICLE VII

OBLIGATIONS OF FRANCHISOR

7.1 In order to assist Franchisee in constructing Franchisee's Restaurant, Franchisor shall furnish to Franchisee a reference document indicating the current Franchisor's prototype. A definitive guideline for exterior and interior design, layout, equipment and sign placement(s) and decor scheme will be furnished to the Franchisee at a later date once Franchisee has retained the services of the Franchisor-approved architect and interior designer.

7.2 Franchisor shall assist Franchisee in Franchisee's selection of and contracting with Franchisor-approved architects, any engineers, if applicable, and Franchisor's prequalified general contractors for construction of all leasehold improvements at Franchisee's Restaurant in accordance with the plans and specifications prepared by Franchisor-approved architect.

7.3 Franchisor shall make available to Franchisee any further assistance that Franchisor may deem is required, based on the experience and judgment of Franchisor, in pre-opening, opening and initial business operation of Franchisee's Restaurant, which assistance shall conform to that furnished to other existing franchisees as further defined in the Confidential Operations Manual. Franchisor shall further make available to Franchisee the list of current approved architects, interior designers and/or prequalified general contractors, the selection of whom are critical and essential to maintaining a performance and product standards of the Waba Grill System. Franchisor shall have the right to determine the time or times at which such assistance shall be available to Franchisee.

7.4 Franchisor shall make available to Franchisee a grand opening advertising program and ongoing local marketing programs for Franchisee's use.

7.5 Franchisor shall maintain an advisory relationship with Franchisee, including ongoing telephone consultation to aid in the proper and effective operation of the System, the frequency and duration of which shall be in the sole discretion of Franchisor in accordance with Confidential Operations Manual. Such operating assistance may consist of advice and guidance with respect to:

- A. Methods and operating procedures utilized by Restaurants;

B. Additional food and beverage products and services authorized for sale by Restaurants;

C. Selection, purchasing and preparation of food products, beverages and other approved products, materials and supplies; and

D. The establishment and operation of administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for proper operation of Restaurants.

7.6 Franchisor or its designees or agents shall visit and inspect, from time to time, Franchisee's Restaurant and evaluate the proper execution of the System, and confer with Franchisee and Franchisee's employees in order to assist in the proper business operation of Franchisee's Restaurant in accordance with Confidential Operations Manual. Franchisor or its designees or agents shall have the absolute right to make inspections at such times and frequencies, during normal business hours, as Franchisor may determine. Franchisee will cooperate with Franchisor's representative in such inspections, render such assistance to them as they may reasonably request and immediately correct any failure to comply with the System and this Agreement as brought to Franchisee's attention by such representative.

7.7 Franchisor shall use its reasonable efforts to require maintenance of high and uniform standards in the execution of the System at all Restaurants utilizing the System, in order to protect and enhance the reputation of Franchisor and its Marks.

7.8 In order to insure that the distinguishing characteristics of the System are uniformly maintained, Franchisor may from time to time establish standards for certain proprietary food items, products, equipment, commodities and supplies to be used by Franchisee in the execution of the System and may, in conjunction therewith, develop new proprietary food items, products, programs and develop new equipment and new techniques which Franchisee shall be required to use and/or purchase in the operation of Franchisee's Restaurant. The purchase of any new required equipment will not materially increase the economic burden of Franchisee.

7.9 Neither Franchisor's approval of a specific location for Franchisee's Restaurant, nor any other service provided by Franchisor pursuant to this Article shall be deemed a representation, warranty or judgment by Franchisor as to the likely success of Franchisee's Restaurant at such location or as to the relative desirability of such location in comparison to others that might have been available to Franchisee.

7.10 Franchisor or its designees shall sell to certain geographically located franchisees all of Franchisor's requirements of certain proprietary food items, as is set forth in Article VIII hereof, unless prevented from so doing by Force Majeure, governmental restrictions, labor disputes, inability to obtain or manufacture supplies or products, or other contingency or situation. Under these circumstances, Franchisor will not be responsible or liable for any business losses or interruption, and Franchisee, during these situations, may seek alternate, but approved, sources of supply, provided such products meet Franchisor's specifications as to quality and availability.

ARTICLE VIII

OBLIGATIONS AND DUTIES OF FRANCHISEE

8.1 Franchisee shall make any grand opening advertising expenditures as may be required by Franchisee's landlord or by the terms of Franchisee's lease or sublease.

8.2 Franchisee or a designated and approved manager shall, during the term of this Agreement and any renewal thereof, devote full time, energy and best efforts to the management and operation of Franchisee's Restaurant, except as otherwise approved in writing by Franchisor, including, but not limited to, keeping the Restaurant operating and open for business at the times specified in the Confidential Operations Manuals or as required by Franchisee's lease or sublease.

8.3 At all times, Franchisee shall maintain, at Franchisee's own expense, at all times, the interior and exterior of Franchisee's Restaurant and all fixtures, furnishings, signs and equipment in the highest degree of cleanliness, orderliness, sanitation and repair, as determined by Franchisor. Franchisee shall make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Restaurant without the prior written consent of Franchisor, except that Franchisee shall be required to periodically renovate, refurbish and update Franchisee's Restaurant so that it is in substantial conformity with Franchisor's then-current Restaurant design, including, but not be limited to, a computerized cash register system designated by Franchisor. In addition, Franchisor shall have the right to require Franchisee to undertake remodeling and updating of Franchisee's Restaurant to conform with Franchisor's then-current requirements and specifications in connection with maintaining and upkeep of the interior and exterior of Franchisee's Restaurant for each 5 year period that this Agreement is in force. Any 5 year period ending on the renewal year shall be subject to the terms of renewal subject to Article 4 of this Agreement.

8.4 From time to time, Franchisee will allow Franchisor to obtain and take samples of ingredients, products and supplies from Franchisee's Restaurant for testing by Franchisor in order to assure that Franchisee complies with Franchisor's reasonable standards and specifications.

8.5 Franchisee will maintain a high moral and ethical standard in the operation and conduct of Franchisee's Restaurant so as to create and maintain goodwill among the public for the name "WABA GRILL," and supervise and evaluate the performance of its staff to insure that each renders competent, efficient and quality service to the general public.

8.6 Franchisee recognizes that it is essential to the proper marketing of the Products, and to the preservation and promotion of its reputation and acceptance by the public at large, that standards of quality be maintained. As part of the consideration for this Agreement, Franchisee will at all times sell to retail customers only, or offer for sale to retail customers only, the Products, and render only those services that meet the reasonable specifications and standards from time to time approved in writing by Franchisor, as permitted by law, and as permitted under the lease or sublease. In furtherance thereof, Franchisee shall be required to purchase from Franchisor or its designee any new Products, which may be introduced from time to time by Franchisor and be required to offer same to the consuming public for its consumption. This may include, but is not limited to, utilization of delivery service.

8.7 In connection with the operation of Franchisee's Restaurant, Franchisee is required to purchase certain items of equipment, if applicable, and also certain containers, packaging supplies, paper goods and other product service items for the preparation and service of the Products. To the extent that Franchisor is able to supply the same, Franchisee shall have the right to purchase the same if Franchisee so desires from Franchisor, at prices established by Franchisor from time to time. Franchisee's obligations under this Section 8.7 shall be satisfied so long as Franchisee equips Franchisee's Restaurant and keeps it maintained in accordance with Franchisor's strict specifications and standards for the items. In the event that Franchisee desires to purchase containers, packaging supplies, paper goods and product service items from sources other than Franchisor, Franchisor shall, without charge, make a license available to such other sources of such products to print the required name, trademarks, and text thereon, but in no event shall Franchisee be entitled to use any containers, packaging supplies, paper goods and other product service items at Franchisee's Restaurant which do not duplicate those authorized by Franchisor for use in

connection with the service of food items; and before use of any such items, Franchisee shall have requested in writing and obtained Franchisor's written approval to have the required name, trademark, and text printed thereon in the form and style directed by Franchisor, and also have had the same so imprinted on the goods prior to using them.

8.8 In connection with the operation of Franchisee's Restaurant, Franchisee is required to purchase certain other food products, beverages and other similar products and other items offered for consumption to the retail purchaser as set forth in the Confidential Operations Manual. Franchisee's obligation under this Section 8.8 shall be satisfied so long as Franchisee purchases the stated products from sources of supply approved by Franchisor, subject to same meeting the strict specifications of Franchisor which may be changed, modified or updated from time to time. Nothing in this Agreement shall be construed as an attempt to unreasonably limit the sources from which Franchisee may procure such food products, beverages, products and other similar items. Rather, Franchisor intends that such items conform to Franchisor's strict standards and strict specifications of consistent quality and uniformity. Nothing contained in this Agreement shall be deemed to require Franchisor to approve an inordinate number of suppliers of a given item which, in the reasonable judgment of Franchisor, would result in higher costs generally to Franchisee or prevent effective and economical supervision of suppliers by Franchisor. Requests for approval of additional suppliers shall be in writing and shall contain such information as Franchisor may reasonably request. Franchisor reserves the right to charge back to Franchisee or the proposed supplier all reasonable expenses incurred in considering requests for approval. Franchisor shall, within a reasonable time, notify Franchisee whether or not such proposed supplier is approved. Franchisor may impose limits on the number of suppliers for any ingredient or food or beverage item used or served by the Restaurant.

8.9 Franchisee acknowledges that in purchasing or leasing supplies, equipment and/or materials from Franchisor or from suppliers approved by Franchisor, **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME FOR ANY REMEDY OR LIABILITY IN THE EVENT OF ANY DEFECTS THEREIN.**

8.10 Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information, knowledge, recipes, food preparation methods, or know-how concerning the methods of operation of the business franchised under this Agreement which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge and know-how, and other data which Franchisor designates as confidential, shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to Franchisee's attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through publication or communication by others.

8.11 Franchisee shall only sell or offer for sale such products as described in the prime lease, and which are defined as proprietary food items by Franchisor, from time to time; and Franchisee must obtain Franchisor's written approval for all contemplated menu changes and all additions to and/or deletions of items sold in Franchisee's Restaurant.

8.12 Franchisee shall comply with all the terms, conditions, requirements, covenants and agreements set forth in this Agreement, and any renewals thereof, and supply Franchisor with such information (in addition to that otherwise provided for in this Agreement) as may be reasonably requested by Franchisor.

8.13 Franchisee shall use a standard menu and menu format as required by Franchisor. Franchisee may employ any reputable printer to reproduce Franchisee's menus using Franchisor's format and specifications. This provision shall not constitute a license of any copyright or trademark to the prospective printer of such menus. Any changes in the menu used at the Restaurant shall be approved in writing by Franchisor prior to use. At Franchisor's discretion the standard menu format may contain advertising reference to other Restaurants.

8.14 Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, federal income taxes, sales taxes, unemployment taxes and all indebtedness to Franchisor incurred by Franchisee in the conduct of the business licensed by this Agreement.

8.15 Franchisee shall comply with all federal, state and local laws, rules and regulations; and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business and fictitious name registration.

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

8.17 Franchisee shall not pledge Franchisor's credit or bind Franchisor to any obligation, nor shall it hold itself out as being authorized to do so.

8.18 Franchisee shall require all personnel employed by Franchisee wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accord with Franchisor's design and other specifications.

8.19 Franchisor and Franchisee understand and agree that the operation of the Restaurant, maintenance of its premises and equipment, conduct and appearance of its personnel, and the preparation and sale of products therefrom are all regulated by governmental statutes and regulations. To this end, Franchisee owes an obligation to the patrons of Franchisee's Restaurant, Franchisor, and to Franchisee, to fully and faithfully comply with all those applicable governing authorities. If any product dispensed at Franchisee's Restaurant evidences adulteration from the standards of Franchisor's food items, or is in violation of applicable law or regulations, or in the event the food items, premises, equipment, personnel or operation of the Restaurant fail to be maintained in accordance with the governmental requirements referred to above, Franchisee shall immediately close Franchisee's Restaurant, terminate selling operations at the Restaurant, destroy all contaminated or adulterated products and eliminate the source thereof, and remedy all unsanitary conditions present, reopening for business only after Franchisor's inspection and provided that laboratory analysis from samples obtained for that purpose by Franchisor evidence a compliance with the applicable governmental requirements and with the standards of Franchisor. If Franchisee or any of Franchisee's agents or employees fails or refuses to comply with all of the above remedial measures or in the event of any repetition of any adulteration or palming off or failure of sanitation in the Restaurant:

A. Franchisee shall pay the costs and expenses, including attorneys' fees, of both parties, incurred in enforcing the provisions of this Subsection or any provision of this Franchise Agreement in obtaining Franchisee's compliance with the Agreement. The remedies set forth in this paragraph are in addition to and not in substitution for those set forth in Article XXIII of this Franchise Agreement.

B. In furtherance of the foregoing, Franchisee must submit copies of all health, sanitation or other regulatory agency inspection reports to Franchisor immediately upon receipt thereof.

8.20 Franchisor may, from time to time, conduct market research and testing to determine consumer trends and the salability of new food products and services. Franchisee will cooperate by participating in Franchisor's market research programs, test marketing new food products and services in the Restaurant, and providing Franchisor with timely reports and other relevant information regarding such market research. In connection with any such test marketing, Franchisee shall purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell such products.

8.21 Franchisee shall be absolutely prohibited from having any vending machines, lottery games or games of chance, newspaper racks, juke boxes, gum or candy machines, games, pinball machines, pay telephones, video games, rides or other mechanical or electronic devices installed or operated at the Restaurant.

ARTICLE IX

ADVERTISING AND PROMOTIONAL ACTIVITIES

9.1 Recognizing the value of marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the System and the Marks, Franchisee will contribute to a system-wide advertising and promotional fund (the "Mega Fund") on a weekly basis during the term of this Agreement an amount Franchisor determines that will not exceed three percent (3%) of Franchisee's Gross Sales.

9.2 The Mega Fund will be maintained and administered as follows:

9.2.1 Franchisee will contribute to the Mega Fund weekly by electronic transfer (as specified in the Confidential Operations Manual) based on Franchisee's Gross Sales for each preceding week. During any period of business interruption, Franchisee will continue to make weekly contributions based on Franchisee's average weekly payment during the eight (8) week period immediately preceding the period of business interruption.

9.2.2 Any Franchisor-owned WABA GRILL Restaurants will make contributions to the Fund on a basis at least equal to that described in Section 9.1.

9.2.3 Franchisor will direct all advertising and promotional programs, with the sole discretion of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. The Mega Fund will establish and maintain an on-line presence. Franchisee agrees that the Mega Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and that Franchisor and its designees undertake no obligation in administering the Mega Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contributions, or to ensure that Franchisee benefits directly or pro rata from the placement of advertising.

9.2.4 Franchisee agrees that the Mega Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a toll-free number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System). All sums contributed to the Mega Fund will be maintained in a separate account from Franchisor's general funds and will not be used to defray Franchisor's general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or direction of the Mega Fund up to fifteen percent (15%).

9.2.5 If Franchisor spends less than the total of all contributions to the Mega Fund during any fiscal year, it has the right to retain those contributions for use in subsequent years. If Franchisor spends more than the contributions accumulated in the Mega Fund during any fiscal year, it will have the right to receive from the Mega Fund reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

9.2.6 An unaudited summary report on the operation of the Mega Fund will be prepared annually and will be made available to Franchisee on request ninety (90) to one hundred twenty (120) days after fiscal year end.

9.2.7 Although the Mega Fund is intended to be of perpetual duration, Franchisor retains the right to terminate the Mega Fund. The Mega Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a pro rated basis.

9.2.8 Franchisee authorizes Franchisor to collect, for remission to the Mega Fund, any advertising or promotional monies or credits offered by any supplier based upon Franchisee's purchases. Any advertising or promotional monies or credits Franchisor collects from any supplier based upon Franchisee's purchases will not be credited toward Franchisee's required contribution to the Mega Fund.

9.2.9 Franchisor may establish an advertising council of franchisees. If established, the council will advise Franchisor on advertising policies, and Franchisees will elect the members of the council. The council will be advisory and have no operational or decision-making power. The council will operate under its own by-laws, but Franchisor will have the right to change or dissolve the council.

9.3 Franchisee must obtain and maintain a bold listing in the white pages directory (or equivalent) servicing Franchisee's area under the name "WABA GRILL". If other WABA GRILL Restaurants are located in Franchisee's area, Franchisee must participate in any local advertising cooperative that Franchisor establishes or causes to be formed, if Franchisor requires Franchisee's participation. Such participation may involve, for example, paying a pro rata share of the cost of yellow pages advertising (or equivalent) placed on behalf of Franchisee and other WABA GRILL Restaurants. If no other WABA GRILL Restaurants are located in Franchisee's area, Franchisee must maintain a display advertisement, in a form Franchisor specifies, in the local yellow pages directory (or equivalent). The cost of Franchisee's white pages and yellow pages advertising (or equivalent) will be borne by Franchisee. Franchisee may not solicit business through the use of an 800 (or other toll-free) number, direct mail or other advertising method without Franchisor's prior written consent.

9.4 Franchisee must submit to Franchisor, for its approval, all materials to be used for local advertising, unless they have been approved before or they consist only of materials Franchisor provided. All materials containing the Marks must include the designation trademark TM, registered trademark [®],

service mark SM, copyright ©, or any other designation Franchisor specifies. If Franchisee does not receive written or oral disapproval of any materials submitted within ten (10) days from the date Franchisor receives the materials, the materials are approved. Franchisor may require Franchisee to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. Franchisor must make this requirement in writing, and Franchisee will have five (5) days after receipt of Franchisor's notice to withdraw and/or discontinue use of the materials or advertising. Franchisee's submission of advertising for approval will not affect Franchisee's right to determine the prices at which Franchisee sells Franchisee's services or products. Franchisee must include in any significant display advertisements, and in marketing materials for the Restaurant, in conformance with standards in the Confidential Operations Manual, a notice that the Restaurant is individually owned and operated. Subject to any legal restrictions, Franchisee also must display or make available, in the reception area of the Restaurant, marketing materials that Franchisor provides to Franchisee about the purchase of WABA GRILL Restaurant franchises, but Franchisee has no responsibility or authority to act for Franchisor in franchise sales.

9.5 Franchisee acknowledges and agrees that Franchisor will own all rights to and interest in each telephone number and telephone directory listing used by Franchisee that is associated in any manner with Franchisee's Restaurant and/or with any Mark ("Telephone Listing"). Franchisee acknowledges and agrees that all goodwill arising from or in connection with the use of each Telephone Listing will inure to Franchisor's benefit. Promptly after the expiration, termination, repurchase or transfer of the franchise, and at Franchisee's own expense, Franchisee will notify all telephone companies with whom Franchisee has any Telephone Listing and direct them to transfer the Telephone Listing to Franchisor or to any person(s) Franchisor designates, and Franchisee will execute any and all documents necessary to complete these transfer(s). Upon the execution of this Agreement, Franchisee will sign a telephone transfer consent and authorization, in a form substantially similar to Exhibit G, granting Franchisor the authority to change, transfer or terminate Franchisee's Telephone Listing(s) on Franchisee's behalf. Franchisor will use this authorization only if Franchisee does not comply fully with this Section 9.5 after the expiration, termination, repurchase or transfer of the franchise.

9.6 Franchisee shall not maintain a World Wide Website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Restaurant without Franchisor's prior written approval, which Franchisor may withhold for any reason or for no reason. Franchisee will submit to Franchisor for approval before use, true and correct printouts of all Website pages Franchisee proposes to use in Franchisee's Website in connection with the Restaurant. Franchisee understands and agrees that Franchisor's right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with Franchisor's Marks. Franchisee may only use material which Franchisor has approved. Franchisee's Website shall conform to all of Franchisor's Website requirements, whether set forth in the Confidential Operations Manuals or otherwise. Franchisee agrees to provide all hyperlinks or other links that Franchisor requires. If Franchisor grants approval for a Website, Franchisee may not use any of the Marks at the site except as Franchisor expressly permits. Franchisee may not post any of Franchisor's proprietary, confidential or copyrighted material or information on Franchisee's Website without Franchisor's prior written consent. If Franchisee wishes to modify the approved site, all proposed modifications must also receive Franchisor's prior written approval. Franchisee explicitly understands that Franchisee may not post on Franchisee's Website any material which any third party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third party may claim intellectual property ownership interests). Franchisee will list on Franchisee's Website any Website maintained by Franchisor, and any other information Franchisor requires in the manner Franchisor dictates. Franchisee agrees to obtain Franchisor's prior written approval for any internet domain name and/or home page address. The requirement for Franchisor's prior written approval set forth in this Section will apply to all activities on

the Internet or other communications network to be conducted by Franchisee, except that Franchisee may maintain one or more E-mail addresses and may conduct individual E-mail communication without Franchisor's prior approval as provided above if Franchisee proposes to send advertising to multiple addresses via E-mail.

ARTICLE X

REPORTS TO FRANCHISOR

10.1 Franchisee shall keep full, complete and accurate books and accounts in accordance with generally accepted accounting principles and in accordance with the System, and Franchisee shall submit to Franchisor:

A. Concurrently with the payment of the Royalty Fees, on a form supplied or approved by Franchisor, a signed and verified statement of Gross Sales in cash, credit and/or other charges, and when Franchisee is tied into the computerized cash register system such reports shall be transmitted electronically;

B. Within sixty (60) days after the close of each twelve (12) month period, an annual profit and loss statement for the Restaurant for such year and a balance sheet for the Restaurant as of the end of such year, reviewed by a independent certified public accountant. Franchisor may randomly select a franchisee or franchisees who will be required to have an audited financial statement prepared by a certified public accountant selected by the franchisee, but who shall be acceptable to Franchisor, which opinion may be qualified only to the extent reasonably acceptable to Franchisor;

C. Promptly when prepared, a copy of all of Franchisee's Federal, State and Local tax returns of any kind or nature; and a certificate from Franchisee's accountant that all Social Security payments, taxes and fees required to be paid by Franchisee have been paid, and that there is no reason to believe that Franchisee's corporate status, if Franchisee is a corporation, has been impaired; and

D. Such other periodic forms and reports as may be reasonably prescribed by Franchisor.

10.2 Franchisee shall preserve, for a period of not less than three (3) years, all accounting records and supporting documents relating to Franchisee's business under this Agreement.

10.3 Franchisee shall record, in a manner approved and designated by Franchisor at the time of receipt, all sales of all products sold by Franchisee from Franchisee's Restaurant in a computerized cash register of a type designated by Franchisor, or on any other machine or recording device recommended or approved in advance by Franchisor.

10.4 In order to determine whether Franchisee is complying with this Agreement, Franchisor or its designated agents shall have the right, at any time during reasonable business hours, to examine, at its expense, the books, records, cash control devices, income tax returns, bank statements, sales records of the Restaurant, and the books and records of any corporation or partnership which owns the franchise. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection or audit should reveal that Gross Sales and/or payments have been understated in any report to Franchisor by more than two percent (2%), then Franchisee shall, upon fifteen (15) days' notice, pay to Franchisor the amount understated upon demand, and in addition reimburse Franchisor for any and all costs and expenses connected with the inspection or audit (including without limitation, reasonable accounting and attorneys' fees, travel expenses, room and board and compensation

of employees or agents of Franchisor). The foregoing remedies shall be in addition to any other remedies Franchisor may have hereunder or under applicable law.

ARTICLE XI

CONFIDENTIAL OPERATIONS MANUAL

11.1 Franchisor shall lend to Franchisee a confidential operations manual published by Franchisor (the "Confidential Operations Manual") which shall include, in part, the business procedures, technical advice and rules and regulations for operating the business.

11.2 Franchisee acknowledges and agrees that:

A. The Confidential Operations Manual is, and shall remain, the property of Franchisor throughout the term of this Agreement, any renewal hereof and thereafter;

B. The Confidential Operations Manual contains confidential information which Franchisee will protect as a trade secret, and its loss will cause substantial damage to Franchisor and other franchisees, although the amount of such loss would be incalculable with any degree of accuracy;

C. Franchisee shall not reprint or reproduce any portion of the Confidential Operations Manual for any reason; and

D. Upon termination of this Agreement for any reason, Franchisee will immediately return the Confidential Operations Manual to Franchisor.

11.3 Franchisor may reasonably add to or otherwise modify the Confidential Operations Manual, from time to time, whenever it considers such additions or modifications desirable to improve or maintain the standards of the System and its efficient operation, or to protect or maintain the goodwill associated with the "WABA GRILL" name and Marks or to meet competition, provided such additions or modifications are system-wide in nature and do not substantially increase Franchisee's economic burden.

ARTICLE XII

INSURANCE

12.1 Franchisee, at its sole cost and expense, shall obtain and place with an insurer rated "AAA" in Best's Directory who is authorized to do business in the state in which Franchisee's Restaurant is located, and to keep in full force and effect during the terms of this Agreement, insurance coverage on an "occurrence basis" naming Franchisor, its officers, directors and shareholders and any supplier of Products, and any designated primary and secondary lessor as co-insured's (such insurance policies referred to below collectively as "Insurance") as follows:

A. Broad Form Comprehensive General Liability with limits of no less than Two Million Dollars (\$2,000,000) in case of damage or injury to one or more persons, including indemnification coverage and property damage insurance of Five Hundred Thousand Dollars (\$500,000); both of which shall be considered primary policies;

B. All risk coverage on all personal property covering Franchisee's Restaurant and premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment and business interruption in amounts not less than is sufficient to meet the co-insurance

requirements of Franchisee's policies, and which business interruption insurance covers at least six (6) months of rent, royalties and advertising fees, and contain a replacement value endorsement in an amount not less than ninety percent (90%) of the replacement value thereof, and any loss shall be payable to Franchisor and Franchisee as their interests may appear;

C. Worker's Compensation and Disability Insurance as may be required by law;

D. Products Liability Insurance in an amount not less than Two Million Dollars (\$2,000,000), which policy shall be considered primary; and

E. Any other insurance coverage as required by the State, Federal or local municipality in which the franchised premises are located.

12.2 The insurance shall cover the acts or omissions of each and every one of the persons who perform services of any nature at Franchisee's Restaurant, and shall protect against all acts of any persons who patronize the Restaurant and shall contain a waiver of subrogation against Franchisor.

12.3 Prior to the opening of Franchisee's Restaurant, Franchisee will deliver to Franchisor certificates of the Insurance, together with the copies of the actual policies issued, and will promptly pay all premiums thereon as and when the same become due. All policies shall provide that they are non-cancelable as to Franchisor unless Franchisor receives at least thirty (30) days' prior written notice of cancellation. Franchisor shall have the right, but shall not be obligated, to pay premiums due and unpaid by Franchisee or else to obtain substitute coverage in the case of cancellation. Any cost thereof to Franchisor shall be added to the Royalty Fees otherwise payable to Franchisor under this Agreement, provided, however, that same shall be due and payable to Franchisor by Franchisee within five (5) days of demand therefore.

12.4 Franchisor reserves the right to demand that Franchisee obtain Insurance from time to time which is different in coverage, risks, amount or otherwise from the foregoing in order to protect fully the parties having insurable interests in Franchisee's Restaurant, provided such Insurance is reasonably common in the area for similar operations.

12.5 Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice shall be provided no later than the date upon which Franchisee notifies Franchisee's insurance carrier.

ARTICLE XIII

RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

13.1 The relationship between Franchisor and Franchisee is strictly that of a franchisor and franchisee, and Franchisee shall be deemed to be an independent contractor. This Agreement does not create a fiduciary relationship between Franchisor and Franchisee, joint venture, partnership, or agency, and any act or omission of either party shall not bind or obligate the other except as expressly set forth in this Agreement.

13.2 Franchisee recognizes that Franchisor has entered into this Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the business, and that the amount of profit or loss resulting from the operation of the business will be directly and solely attributable to the performance of Franchisee.

13.3 Except as expressly granted in this Agreement, Franchisee recognizes that nothing contained in this Agreement shall be construed as giving to Franchisee or to any other person or entity, any right or interest in Franchisor's names, Marks, trade secrets, methods, procedures or techniques developed by Franchisor and used in the System. Further, except as specifically set forth in Article I above, nothing contained in this Agreement shall be construed as limiting Franchisor's right, title or interest in the "WABA GRILL" name, Marks, trade secrets, methods, procedures and techniques which are a part of the System or Franchisor's sole and exclusive right to register trade secrets, methods, procedures and techniques.

13.4 In all public records and prominently displayed in Franchisee's Restaurant and in Franchisee's relationship with third parties, as well as on letterheads and business forms, Franchisee shall indicate clearly the independent ownership of Franchisee's Restaurant, and that the operations of same are separate and distinct from the operation of Franchisor's business. Franchisor shall have the absolute right to approve and/or supply any sign displays containing the foregoing.

13.5 Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Restaurant or its assets, or upon Franchisor in connection with sales made, services performed or business conducted by Franchisee.

13.6 Franchisee shall indemnify and hold Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees harmless against, and to reimburse them for, any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which any of them may suffer, sustain or incur by reason of, arising from or in connection with Franchisee's ownership or operation of the Restaurant, which is due to Franchisee's negligence, breach of contract or other civil wrongs, unless such loss, liability or damage is solely due to the negligence of Franchisor (or any of its affiliates, i.e., any company controlling, controlled by, or under common control with Franchisor) in producing, handling or storing the proprietary food items sold to Franchisee (provided Franchisor shall have established that Franchisee inspected such proprietary food items in accordance with the procedures set forth in the Confidential Operations Manual and could not have reasonably discovered the adulteration or other defect in such proprietary food items which was the cause of such loss, liability or damage). Franchisee acknowledges and agrees that any action or inaction by any third party (e.g., an independent carrier) which is not an affiliate of Franchisor in connection with handling or storing the Products shall not be attributable to or constitute negligence of Franchisor.

13.7 Franchisor shall indemnify and hold Franchisee harmless against, and to reimburse Franchisee for, any loss, liability or damage (actual or consequential) and all reasonable costs and expenses of defending any claim brought against Franchisee or any action in which Franchisee is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which Franchisee may suffer, sustain or incur solely by reason of, arising from or in connection with the negligence of Franchisor (or any of its affiliates, i.e., any company controlling, controlled by or under common control with Franchisor) in producing, handling or storing the Products (provided Franchisee shall have established that Franchisee inspected such Products in accordance with the procedures set forth in the Confidential Operations Manual and could not have reasonably discovered the adulteration or other defect in such Products which was the cause of such loss, liability or damage). Franchisee acknowledges and agrees that any action or inaction by any third party (e.g., an independent carrier) which is not an

affiliate of Franchisor in connection with handling or storing proprietary food items shall not be attributable to or constitute negligence of Franchisor.

ARTICLE XIV **COVENANTS NOT TO COMPETE**

14.1 During the term of this Agreement, or any extension thereof, neither Franchisee, nor any partner, if Franchisee is a partnership, nor any shareholder, if Franchisee is a corporation, shall either directly or indirectly for himself or herself or on behalf of, or in conjunction with any other person, persons, partnership, association or corporation, own, maintain, engage in, participate or have any interest in the operation of any enterprise which is the same or substantially similar to the "WABA GRILL" franchise, or any other business which distributes, produces or sells the Products, provided, however, that this prohibition should not apply to the ownership by Franchisee of additional Restaurants.

14.2 For a period of two (2) years following termination, expiration, or non-renewal of this Agreement, except where the termination occurs due to the fault or action of Franchisor and not due to default of Franchisee or any partner, if Franchisee is a partnership, or any shareholder, if Franchisee is a corporation, Franchisee shall not, except with respect to the ownership or operation by Franchisee of additional Restaurants:

A. Engage, employ or compensate or seek to employ any person who is at that time engaged, operating or employed by or at any other Restaurants, or to otherwise directly or indirectly induce such person to leave employment at any Restaurant;

B. Either directly or indirectly for himself or on the behalf of, or in conjunction with, any other person, persons, partnership, association or corporation, own, maintain, engage in, participate in, or have any interest in the operation of any enterprise which directly or indirectly competes with or is the same or substantially similar to the franchise covered by this Agreement, or which distributes, produces or sells the Products within the "Minimum Area of Competition". The "Minimum Area of Competition" shall be deemed to be that area which is within a radius of twenty-five (25) miles from Franchisee's Restaurant, or any other Restaurant in operation on the effective date of termination or expiration, whether franchised or company-owned.

14.3 If Franchisee fails or refuses to comply with any covenants of this Article, even if such failure or refusal is based upon a claim that the laws of any particular jurisdiction excuse such non-compliance, or make the provisions unenforceable in whole or in part, and provided that the jurisdiction in which Franchisee's Restaurant is located permits, Franchisee separately covenants and agrees that while this Agreement is in effect and for two (2) years after its termination, except where termination occurs due to the fault or action of Franchisor and not due to default of Franchisee, Franchisor shall have the right to require that all sales made in the operation of any business which directly or indirectly competes with: (a) Franchisor; (b) a Restaurant; or (c) the System, or which distributes, produces or sells any of the Products (i) anywhere, if this Agreement is then in effect, or (ii) within the Minimum Area of Competition, if this Agreement has been terminated, shall be reported to Franchisor. Franchisee agrees to pay Franchisor upon demand, the weekly fee of Five Hundred Dollars (\$500) at the times and in the manner specified in Article V above, all without being deemed to revive, modify or expand this Agreement. The covenants of this Article shall survive the termination or expiration of this Agreement.

14.4 Franchisee shall not, during the term of this Agreement or after its termination or non-renewal, communicate or divulge to any other person, persons, partnership or corporation, any information or knowledge concerning the methods of operation used in a Restaurant franchise, nor shall

Franchisee disclose or divulge, in whole or in part, any trade secrets of Franchisor or its affiliated companies or subsidiaries.

14.5 The covenants contained in Sections 14.2, 14.3 and 14.4 above 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 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed with the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated and made a part of this Article.

14.6 Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor, and that in the event of a breach of covenants contained in this paragraph, the damage to Franchisor would be difficult to ascertain. In addition to the liquidated damages payable to Franchisor as provided below for the breach of any or all of the above covenants, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any of those covenants, together with reasonable attorneys' fees and costs.

14.7 Covenants contained in this Article shall be construed as severable and independent and shall be interpreted and applied consistent with the requirements of reasonableness and equity. Any judicial reformation of these covenants consistent with this interpretation shall be enforceable as though contained in this Agreement and shall not affect any other provisions or terms of this Agreement.

ARTICLE XV

MODIFICATION OF THE SYSTEM

Franchisee understands and agrees that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends, other market place variables and the needs of customers, and to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System, including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those programs and services which Franchisee's Restaurant is authorized to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving or modifying the Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations, provided, however, that those changes do not materially and unreasonably increase Franchisee's obligations under this Agreement.

Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

Except as provided in this Agreement, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising

from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

ARTICLE XVI **FRANCHISEE**

The term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law, and shall be deemed to include not only the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement, but shall also include partners of the entity that execute this Agreement in the event the entity is a partnership, and all shareholders, officers and directors of the entity that execute this Agreement in the event the entity is a corporation. By their signatures to this Agreement, all partners, shareholders, officers and directors of the entity that signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. The singular usage includes the plural and the neuter and masculine usages include the other and the feminine.

ARTICLE XVII **TERMINATION**

17.1 Franchisor may terminate this Agreement upon the occurrence of any of the following events of default:

A. Failure by Franchisee to make complete and timely payment of any and all fees and billings due Franchisor or any of its subsidiary or affiliated corporations;

B. Failure to comply with the reporting or record keeping requirements of this Agreement, and/or the under-reporting of Gross Sales by two percent (2%) or more;

C. The misstatement by Franchisee of any material fact, or failure to disclose or the understatement of any material fact in any report furnished to Franchisor pursuant to this Agreement or the Confidential Operations Manual, whether or not such misstatement or failure to disclose or understatement is intentional;

D. A breach by Franchisee of any provision of this Agreement, any material provision of the Confidential Operations Manual, or any other agreement between Franchisor and Franchisee or any of its subsidiary or affiliated corporations;

E. Failure by Franchisee to make good faith efforts to carry out the provisions of this Agreement;

F. Franchisee's engaging in any conduct or practice that, in the reasonable opinion of Franchisor, is detrimental or harmful to the good name, goodwill or reputation of Franchisor or its products or other franchisees or the public;

G. Franchisee's engaging in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice;

H. Any pledge or attempted pledge of Franchisor's credit by Franchisee, or an attempt by Franchisee to bind Franchisor to any obligation;

I. Failure by Franchisee to participate in the advertising, promotional, or marketing activities, services, and programs that are established by Franchisor or Franchisor's National Advertising Fund;

J. Unauthorized or improper use by Franchisee of Franchisor's Marks;

K. Misuse or unauthorized disclosure by Franchisee of the Confidential Operations Manual, information or materials;

L. Failure to use or sell any of the proprietary food items to the exclusion of those of any competitors and the failure to perform all of the services required by Franchisor, including but not limited to the forwarding of copies of all health or sanitation or other regulatory agency reports to Franchisor immediately upon receipt thereof;

M. Failure to open Franchisee's Restaurant at the location designated by Franchisee within the time specified in the lease or sublease;

N. Except as otherwise provided herein, failure by Franchisee to purchase Franchisee's entire requirement of any of the proprietary food items either from Franchisor or from sources of supply designated by Franchisor and to sell the same to the consuming public using Franchisee's best efforts;

O. Failure to correct any local, state or municipal health or sanitation law or code violation within twenty-four (24) hours after being cited for such violation; or

P. Sale of any proprietary food items to other than the retail customer (ultimate consumer), without Franchisor's prior consent.

17.2 To terminate Franchisee for default of this Agreement pursuant to Section 17.1 above, Franchisor shall first provide Franchisee with written notice of termination, which notice shall specify the reason for and the Effective Date of Termination. This Agreement shall terminate on the date specified in the notice, which shall not be less than thirty (30) days from the date of the notice (or such longer period as provided by State law), unless:

A. Franchisee cures the default or reason for termination during the notice period;

B. Franchisee has in good faith initiated a cure of the default or reason for termination within the notice period, and such default or reason cannot be completely cured during the notice period because of factors reasonably beyond the exclusive control of Franchisee, in which event Franchisor, by notice, shall permit Franchisee a reasonable opportunity, in light of such factors, to effect a complete cure; or

C. The provisions of Subsection 17.2 A and B notwithstanding, this Agreement shall nonetheless terminate if: (i) the default or reason for termination has been set forth in two (2) prior notices of termination within any prior twelve (12) month period; or (ii) two (2) or more health code violations have been committed within any prior twelve (12) month period; or (iii) Franchisee is terminated as a result of under-reporting Gross Sales by two percent (2%) or more.

17.3 Upon written notice to Franchisee, Franchisor may, without right to cure, immediately terminate this Agreement if any of the following events of default occur:

A. Any action by Franchisee, any of Franchisee's partners, if Franchisee is a partnership, or any of its officers, directors or stockholders, if Franchisee is a corporation, which results in:

- (i) An affirmative act of insolvency;
- (ii) An assignment for the benefit of creditors; or
- (iii) The filing of a petition under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating to, debtors, except with respect to any relief permitted under the Federal Bankruptcy Code.

B. The filing of any involuntary petition under any bankruptcy statute against Franchisee, any of its partners, or any of its stockholders owning at least twenty-five (25%) percent of any class of stock, or the appointment of any receiver or trustee to take possession of property of Franchisee, any of its partners, or any of its stockholders owning at least twenty-five (25%) percent of any class of stock of Franchisee;

C. Failure by Franchisee to satisfy fully a civil judgment obtained against Franchisee for a period of more than thirty (30) days after all rights of appeal have been exhausted, or execution of such a judgment, execution of a lien, or foreclosure by a secured party or mortgage against Franchisee's property, which judgment, execution of a lien, or foreclosure by a secured party or mortgage would have an adverse or detrimental effect upon Franchisee's franchised operation;

D. Conviction of Franchisee, or any partner of Franchisee, or any officer, director, or stockholder owning at least twenty-five (25%) percent of any class of stock of Franchisee, or the manager of Franchisee's franchise, of any crime which in the opinion of Franchisor would adversely affect the goodwill or interest of Franchisee or Franchisee's Restaurant;

E. The uncured default by Franchisee under any lease or sublease of Franchisee's Restaurant which could possibly result in the loss by Franchisee of the right to possess for any reason whatsoever;

F. A final judgment or the unappealed decision of a court, regulatory officer, agency, or quasi-regulatory agency that results in the temporary or permanent suspensions or revocation of any permits or licenses, possession of which is a prerequisite to the operation of Franchisee's business or is required under applicable law;

G. The direct or indirect assignment, transfer, sale or encumbrance by Franchisee of this Agreement or franchise or any of Franchisee's rights or privileges contrary to this Agreement, or any attempt by Franchisee to sell, assign, transfer or encumber the Restaurant contrary to the terms of this Agreement;

H. Failure by Franchisee to remain open for business as required by this Agreement or as may be required by the Confidential Operating Manual, as may be limited by local law or the prime landlord, or the abandonment or vacating by Franchisee of Franchisee's Restaurant or for three (3) or more consecutive days (or for such other period as would be grounds for termination of Franchisee's sublease); or

L. Dissolution, judicial or otherwise, or liquidation of Franchisee, if Franchisee is a corporation or partnership.

ARTICLE XVIII
RIGHTS AND DUTIES OF THE PARTIES
UPON EXPIRATION OR TERMINATION

18.1 For the purpose of this Agreement, the "Effective Date of Termination" shall be the date indicated in any notice of termination sent pursuant to Section 17.2 or 17.3 of this Agreement or the day after the Initial Term, as set forth in Section 4.1 of this Agreement.

18.2 Upon the Effective Date of Termination, Franchisee shall no longer be an authorized franchisee, and Franchisee shall pay all sums of money due Franchisor or any of its subsidiary or affiliated corporations within fifteen (15) days of the Effective Date of Termination, unless Franchisor gives written notice of an extension of this period.

18.3 Upon the Effective Date of Termination, Franchisee shall discontinue the use of all Marks owned by or associated with Franchisor and all similar names and marks, or any other designation or mark associating Franchisee with the System. If Franchisee is a corporation or partnership and, notwithstanding the prohibition of utilizing the "WABA GRILL" name in its corporate or partnership name, has used the "WABA GRILL" name or any names, marks or designations that associate Franchisee with Franchisor in its corporate or partnership name, Franchisee shall, within fifteen (15) days of the Effective Date of Termination, take all necessary steps to eliminate "WABA GRILL" from its corporate or partnership name, at Franchisee's own cost and expense.

18.4 Upon the Effective Date of Termination, Franchisee shall cease displaying and using all signs, stationery, letterheads, forms, manuals, printed matter, advertising, and other material containing the Marks, "WABA GRILL" or any other names, marks, or designations that associate Franchisee with the System.

18.5 After the Effective Date of Termination, Franchisee shall not take any action indicating or implying that Franchisee is an authorized franchisee.

18.6 Franchisee shall maintain all financial records and reports required pursuant to this Agreement or the Confidential Operations Manual for a period of not less than three (3) years after the Effective Date of Termination. Franchisee shall permit Franchisor to make final inspection of Franchisee's financial records, books, tax returns, and other accounting records at any time in the three (3) year period following the Effective Date of Termination.

18.7 Upon the Effective Date of Termination, Franchisee shall, pursuant to the lease or sublease or conditional lease assignment and upon demand of Franchisor, vacate and surrender the Restaurant premises in accordance with the terms and conditions under the terms of the lease, sublease and/or conditional lease assignment.

18.8 Upon the Effective Date of Termination, Franchisee shall cease all use of telephone numbers used by Franchisee while conducting business as an "WABA GRILL" franchise and shall promptly execute such documents or take such steps necessary to remove Franchisee's listing as an "WABA GRILL" franchise from the "Yellow Pages", all other telephone directories, and all other trade or other business directories.

18.9 Within fifteen (15) days from the Effective Date of Termination of this Agreement, Franchisee shall immediately turn over to Franchisor all manuals, including the Confidential Operations Manual, records, files, instructions, recipes, menus, correspondence, any and all materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies of such written materials (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except only Franchisee's copy of this Agreement, and of any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law and the records described in Section 18.6 above.

18.10 If Franchisor notifies Franchisee of its intent to do so within ten (10) days after the Effective Date of Termination, Franchisor shall have the right (but not the duty) to purchase any or all of the signs, advertising material, supplies, equipment and any items bearing Franchisor's Marks at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, each party shall designate an independent qualified appraiser, and their joint determination shall be binding on both parties. If these appraisers are unable to agree upon a fair market value, they will designate a third, approved appraiser whose determination shall be binding upon both parties. If Franchisor elects to exercise its option to purchase, it shall have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment therefore.

18.11 No right or remedy conferred upon or reserved to Franchisor in this Agreement is exclusive of any other right or remedy contained in this Agreement, or provided or permitted by law or equity, but each shall be cumulative of every other right or remedy.

18.12 Nothing contained in this Agreement shall be deemed to relieve Franchisee of any obligations or responsibilities or liabilities incurred by Franchisee during the term of this Agreement or any renewal term, or Franchisee's lease or sublease and which obligations, responsibilities or liabilities shall survive the termination, expiration or non-renewal of this Agreement, Franchisee's lease or sublease.

ARTICLE XIX

COMMENCEMENT AND HOURS OF OPERATIONS

Franchisee recognizes that continuous and daily availability of any of the proprietary food items and Products to the public is essential to the adequate promotion of Franchisee's Restaurant, and that any failure to provide such availability affects Franchisor both locally and nationally. Franchisee shall make Franchisee or Franchisee's trained manager personally available to provide the Products to the consuming public at a minimum of ten (10) hours per day, seven (7) days per week, or as required by any lease or sublease if different, except where prohibited or otherwise regulated by a governmental authority, including any state or local licensing authority, and shall otherwise conduct the business in accordance with generally accepted business standards. These requirements may be changed by Franchisor from time to time and upon reasonable notice to Franchisee and may differ from one franchisee to another, based upon the specific characteristics of a particular location.

ARTICLE XX

TRANSFERABILITY OF INTEREST

20.1 Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee, and that neither this Agreement nor the franchise granted shall be assignable or transferable by Franchisee, nor may the same be mortgaged, pledged or encumbered by him

without the express prior written consent of Franchisor. Any purported assignment, mortgage, pledge or encumbrance of any rights under this Agreement or the franchise, without the prior written consent of Franchisor, shall be null and void. The issuance or transfer of any stock (including by way of any public stock offering) or partnership interest(s) in Franchisee, or its merger, a consolidation or dissolution, if Franchisee is a corporation or a partnership, shall be deemed an assignment of this Agreement and of the franchise.

20.2 If Franchisee is an individual, Franchisor hereby consents, upon thirty (30) days' prior written notice, to the assignment by Franchisee of all of Franchisee's rights and benefits under this Agreement to a corporation of which Franchisee owns at least a majority of the voting and equity stock, provided that:

A. Such corporation is newly organized and its activities and corporate purposes are confined exclusively to acting as a Restaurant franchised under this Agreement;

B. Such corporation and all of its stockholders execute a Transfer of Franchise to a Corporation form, or such other form as shall be provided or approved by Franchisor, in which they jointly and severally assume all of the past and future obligations of Franchisee under this Agreement, to the same extent as if they had originally executed this Agreement as Franchisee;

C. Franchisee or Franchisee's designated manager actively manages such corporation and continues to devote Franchisee's best efforts and full and exclusive time to the day-to-day operation and development of the franchise and the business of the Restaurant and Franchisee shall remain personally liable in all respects under this Agreement, including but not limited to payment for the purchase of any of the Products, jointly and severally with such corporation and any and all other stockholders thereof; and

D. All stock certificates of such corporation bear a legend substantially in the following form, which shall be printed legibly and conspicuously on the front of each such stock certificate:

"The transfer of this stock certificate is subject to the terms and conditions of a certain Franchise Agreement entered into with WABA GRILL FRANCHISE CORP. dated _____, 20__".

20.3 If Franchisee, any stockholder or partner of a corporate or partnership Franchisee, or any legal heir or legatee of any deceased Franchisee, or of any deceased stockholder or partner of any corporate or partnership Franchisee, desires to effect any sale or assignment of any partnership interest, stock or other interest in this Agreement, or of Franchisor's rights and benefits under this Agreement, including, without limitation, the franchise granted by this Agreement, and/or the ownership or sublease for the Restaurant franchised by this Agreement, Franchisee or such other authorized person or party shall give Franchisor written notice of all of the terms of any such bona fide offer within fifteen (15) days after receipt of such offer, and providing Franchisor with all other documents and data required prior to Franchisor approving the sale. Franchisor shall have the right of first refusal, for a period of fifteen (15) days after receipt of such notice, to notify Franchisee or such other authorized person or party of Franchisee's desire to exercise such option under the same terms and conditions as the bona fide offer. If Franchisor fails to exercise such option in the time period allotted, then Franchisee shall be free to contract with the person who made such bona fide offer solely on the same terms and conditions, subject to Franchisee's compliance with all of the other terms and provisions of this Agreement. In the event the

terms of such bona fide offer change at any time, then at the time of any change, Franchisee must re-offer the franchise to Franchisor for an additional fifteen (15) day period.

20.4 In addition to all of the other conditions set forth in Sections 20.2 and 20.3 above that pertain to the right of Franchisee to assign, transfer or sell the license created hereunder, Franchisee agrees that any and all rights of assignment, transfer or sale by Franchisee of this franchise and the its rights are conditioned upon compliance with each of the following:

A. Any such assignment, transfer, or sale shall be subject to the approval by Franchisor of such assignee, and of the moral and credit background of such assignee and any and all stockholders or partners of assignee, which approval shall not be unreasonably withheld;

B. The assignee, transferee, or purchaser, and all stockholders or partners thereof if same is a corporation or partnership, shall at Franchisor's option either personally assume in writing all of the obligations of Franchisee, disclosed or undisclosed including all obligations under this Agreement, or execute the then-current Franchise Agreement, in the form used by Franchisor, except that the Royalty Fee and Advertising Fee under the then-current Franchise Agreement shall not be greater than that provided by Article V and IX above for the remainder of what would have been the initial term of this Agreement. However, Franchisor shall have the right to reasonably increase the Royalty Fee and the Advertising Fee, in conformity with the System, during any renewals of the Agreement;

C. Franchisee, such assignee, transferee or purchaser and any and all stockholders or partners thereof, shall execute Franchisor's then-effective transfer form and a general release in favor of Franchisor, its officers, directors, and employees, of any and all claims and causes of action that they may have against Franchisor or its subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance under this Agreement by Franchisor;

D. All prior obligations and debts of Franchisee or corporate assignee of Franchisee owed to Franchisor under or in connection with this Agreement shall be paid concurrently with such assignment;

E. Franchisee must not be in default under this Agreement or any renewals of this Agreement or of any lease or sublease agreement to which Franchisee is a party;

F. Assignee, transferee or purchaser shall not be in the same business as Franchisor either as a franchisor, licensor, independent operator or franchisee of any chain or network which is similar in nature or in competition with Franchisor except that the assignee, transferee or purchaser may be an existing franchisee of Franchisor;

G. Prior to the effective date of the assignment, transfer or sale, the assignee, transferee, or purchaser must satisfactorily complete Franchisor's training program required of all new franchisees;

H. Assignee, transferee, or purchaser shall, prior to any such assignment, pay to Franchisor a non-refundable training and transfer fee equal to Five Thousand Dollars (\$5,000) to reimburse Franchisor for its legal and accounting fees, credit investigation, training expenses, and other charges and expenses in connection with such assignment, transfer or sale; and

I. Franchisee shall enter into an agreement with Franchisor agreeing to subordinate such assignee's, transferee's or purchaser's obligations to Franchisor, including, without limitation, any

Royalty Fees and Advertising Fees, and any obligations of such assignee, transferee or purchaser to make installment payments of the purchase price to Franchisee.

20.5 Franchisor shall have the right, without the need for Franchisee's consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity, provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor in this Agreement and Franchisee receives a statement from both Franchisor and its transferee to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and System and/or the loss of association with or identification of WABA GRILL FRANCHISE CORP. as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination 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.

Franchisee acknowledges and agrees that Franchisor has 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's facilities, and to operate, franchise or license those businesses and/or facilities as "WABA GRILL" Restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which Franchisee acknowledges may be near to any of Franchisee's locations.

If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in the "WABA GRILL" business or to offer or sell any products or services to Franchisee.

20.6 In addition to the requirements of this Article, Franchisee must, within fifteen (15) days of receipt of an offer to buy, give Franchisor additional written notice whenever Franchisee has received an offer from a third party to buy Franchisee's business franchised under this Agreement. Franchisee must also give Franchisor written notice simultaneously with any offer to sell Franchisee's Restaurant made by, for, or on behalf of Franchisee. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure law or rules. Franchisee will indemnify and hold Franchisor harmless for Franchisee's failure to comply with this Subsection.

20.7 Franchisor's consent to an assignment of any interest subject to the restrictions of this Agreement shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement by the assignee, transferee or purchaser.

20.8 If, subject to the restrictions and conditions of transfer contained in this Article, Franchisee shall attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred stock, bonds, debentures or general or limited partnership interests) in Franchisee or any affiliates of Franchisee, Franchisee, recognizing that the written information used with respect thereto may reflect upon Franchisor, will submit any such written information to Franchisor prior to its inclusion in any registration statement, prospectus or similar offering circular or memorandum and will obtain the

written consent of Franchisor to the method of financing prior to any offering or sale of such securities. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee in an amount equal to Five Thousand Dollars (\$5,000) in order to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. The written consent of Franchisor pursuant to this Section 20.8 shall not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering. No information respecting Franchisor or any of its affiliates shall be included in any securities disclosure document, unless such information has been furnished by Franchisor, in writing, pursuant to the written request of Franchisee, in which Franchisee states the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or any of its affiliates or any of their businesses in such offering literature or prospectus, such literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for any offering.

The prospectus or other literature utilized in any such offering shall contain the following language in bold-face type on the first textual page thereof:

"NEITHER WABA GRILL FRANCHISE CORP. NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH HEREIN, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER WABA GRILL FRANCHISE CORP. NOR ANY OF ITS AFFILIATES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING."

Franchisee and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred in the defense of such claims, demands or liabilities, arising from the offer or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. Franchisor shall have the right (but not the obligation) to defend any such claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or any of its affiliates or any of their respective officers, directors, employees or agents is named as a party.

ARTICLE XXI

DEATH OR INCAPACITY OF FRANCHISEE

21.1 In the event of the death or permanent incapacity or disability of Franchisee, i.e., Franchisee is unable to operate the Restaurant as an individual franchisee, or any partner of a Franchisee which is a partnership, or any shareholder owning fifty percent (50%) or more of the capital stock of a Franchisee which is a corporation, Franchisor shall consent to a transfer of that Franchisee's interest to Franchisee's heirs, beneficiaries or family designees (referred to in this Article as "Transferee") without payment of a transfer fee, subject to the following conditions:

A. Transferee must complete, and be approved through, Franchisor's standard franchise selection process, including satisfactorily demonstrating to Franchisor that Transferee meets the financial character and managerial criteria as Franchisor shall then be applying in considering applications for new franchisees;

B. Transferee shall agree, in writing, to personally assume liability for and to perform all the terms and conditions of this Agreement to the same extent as the original Franchisee; and

C. If Transferee is not approved, Franchisee or Franchisee's legal representative shall use that person's best efforts to sell the Restaurant to a party acceptable to Franchisor within twelve (12) months from the date of Franchisee's death or permanent incapacity or disability and Franchisor shall have the option, but not the obligation, to operate and/or manage the Restaurant for the account of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to Franchisor. Should Franchisor elect to operate and/or manage the franchised Restaurant, Franchisor shall make a complete accounting and shall forward fifty percent (50%) of the net income for the operation of the Restaurant to Franchisee's estate. If the conveyance of the Restaurant to a party acceptable to Franchisor has not taken place within the twelve (12) month period, Franchisor shall have the option, but not the duty, to purchase the Restaurant and its equipment at the fair market value thereof as determined by independent qualified appraisers selected by Franchisor and the estate. In the event that these appraisers cannot agree on a fair market value, a third appraiser shall be selected by the other two appraisers and that appraiser's determination shall be binding on both parties. However, if Franchisor chooses not to repurchase the Restaurant, then it may elect to terminate this Agreement, in which event the business franchised under this Agreement will automatically revert back to Franchisor, with Franchisor being obligated to purchase the equipment and trade fixtures at their book value, as set forth in the last certified financial statement of Franchisee.

ARTICLE XXII

OPERATION IN THE EVENT OF ABSENCE OR DISABILITY

In order to prevent any interruption of the Restaurant operations which would cause harm to the Restaurant, thereby depreciating its value, if Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Restaurant, Franchisee authorizes Franchisor, who may, at its option, operate the Restaurant for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Restaurant during such period of operation by Franchisor shall be kept in a separate account, the expenses of the Restaurant, including reasonable compensation and expenses for Franchisor's representative, shall be charged to that account. If, as provided in this Article, Franchisor temporarily operates the Restaurant for Franchisee, Franchisee will indemnify and hold harmless Franchisor and any representative of Franchisor who may act under this Agreement, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

ARTICLE XXIII

INJUNCTIVE RELIEF

23.1 If Franchisee is in default, except for default with respect to monies required to be paid by Franchisee to Franchisor, under any provisions of this Agreement, Franchisor shall be entitled to seek a permanent injunction and any preliminary or temporary equitable relief in order to restrain the violation of this Agreement by Franchisee or any person acting for Franchisee or in Franchisee's behalf. Franchisor shall be entitled to its reasonable attorneys' fees and courts costs in connection with taking such action or in connection with any other remedy sought by Franchisor, provided Franchisor is the prevailing party. This remedy shall be cumulative to any other remedy available to Franchisor.

23.2 Franchisee agrees that it is impossible to measure in money the damages which Franchisor will sustain in the event of Franchisee's breach of this Agreement and, therefore, in the event Franchisor institutes injunctive proceedings under this Article, Franchisee waives the defense that Franchisor has an adequate remedy at law.

ARTICLE XXIV

RISK OF OPERATIONS

FRANCHISEE RECOGNIZES THAT THERE ARE MANY UNCERTAINTIES AND RISKS OF THIS BUSINESS, AND, THEREFORE, FRANCHISEE AGREES AND ACKNOWLEDGES THAT, EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, NO REPRESENTATIONS, WARRANTIES, GUARANTEES OR AGREEMENTS HAVE BEEN MADE TO FRANCHISEE, EITHER BY FRANCHISOR OR BY ANYONE ACTING ON ITS BEHALF OR PURPORTING TO REPRESENT IT, INCLUDING, BUT NOT LIMITED TO, THE PROSPECTS FOR SUCCESSFUL OPERATIONS, THE LEVEL OF BUSINESS OR PROFITS THAT FRANCHISEE MIGHT REASONABLY EXPECT, OR THE DESIRABILITY, PROFITABILITY OR EXPECTED CUSTOMER VOLUME OF THE RESTAURANT. FRANCHISEE HEREBY ACKNOWLEDGES THAT ALL SUCH FACTORS ARE NECESSARILY DEPENDENT UPON VARIABLES WHICH ARE BEYOND FRANCHISOR'S CONTROL, INCLUDING, WITHOUT LIMITATION, THE ABILITY, MOTIVATION, AMOUNT AND QUALITY OF EFFORT EXPENDED BY FRANCHISEE. FRANCHISEE RELEASES FRANCHISOR, ITS SUBSIDIARY OR AFFILIATED CORPORATIONS, OFFICERS, DIRECTORS, AFFILIATES AND EMPLOYEES FROM ANY CLAIMS, SUITS AND LIABILITY RELATING TO THE OPERATION OF FRANCHISEE'S RESTAURANT INCLUDING, BUT NOT LIMITED TO, THE RESULTS OF ITS OPERATIONS, EXCEPT TO THE EXTENT THAT THE SAME IS PREDICATED UPON THE BREACH OF A SPECIFIC WRITTEN OBLIGATION OF FRANCHISOR CONTAINED IN THIS AGREEMENT.

ARTICLE XXV

OTHER OBLIGATIONS

Nothing contained in this Agreement shall inhibit or limit the unrestricted right of Franchisor to enter into or engage in any business or in the sale itself, or the licensing to others for the sale, of the proprietary food items other than the limitations imposed upon Franchisor by Article I above; Franchisee shall have no rights, benefits or entitlement with respect thereto.

ARTICLE XXVI

FORCE MAJEURE

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limitation, the generality of the foregoing acts or omission of other party, acts of civil or military authority, strikes, lockouts, embargoes, insurrections or acts of God, inability of Franchisor to purchase, deliver and/or manufacture of any of the proprietary food items, provided that inability of a party to obtain funds shall be deemed to be a cause within the control of such party. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay.

ARTICLE XXVII
WAIVER OF VIOLATION OR DEFAULT

Waiver by Franchisor or Franchisee of any violation or default hereunder shall not alter or impair either party's right with respect to any subsequent violation or default, nor shall any delay or omission on the part of either party to exercise any right arising from such violation of default alter or impair such party's rights as to the same or any future violation or default. An acceptance by Franchisor of any payment from Franchisee after the date on which such payment is due shall not operate as a waiver of Franchisee's default or violation hereunder, nor alter or impair Franchisor's rights with respect to such violation or default.

ARTICLE XXVIII
NOTICE AND TIME

28.1 All communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or by fax transmission, or one (1) business day after being sent by overnight commercial courier service for next business day delivery, or five (5) days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid. Notice to Franchisor shall be addressed to:

COMPANY: WABA GRILL FRANCHISE CORP.
 Attn: President
 13181 Crossroads Parkway North, Suite 510
 City of Industry, CA 91746
 Telephone: (562) 908-9222

Notice to Franchisee shall be addressed to:

FRANCHISEE: Name: _____
 Mailing Address: _____

 Telephone: _____
 Email Address: _____
 Attn: _____

Either party may designate another address at any time by written notice to the other. Additionally, all payments and reports, required to be made, by Franchisee under this Agreement shall be given to Franchisor at the above address, except that regular reports may be sent by regular mail.

28.2 Time is of the essence in this Agreement with respect to each and every provision in which time is a factor. Whenever this Agreement refers to a period of days, the first day to be counted shall be the first day following the designated action or event. For any period of five (5) or fewer days, only business days (excluding Saturdays, Sundays and national holidays) shall be counted. Unless expressly stated otherwise, any period longer than five (5) days shall be measured by calendar days, except that if the last day of any such period is not a business day, the period shall automatically be extended to the next business day.

ARTICLE XXIX
APPLICABLE LAW AND VENUE

29.1 This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California, which laws shall prevail in the event of any conflict of law.

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

29.3 Nothing contained in this Agreement shall bar Franchisor's right to seek injunctive 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 injunctions.

29.4 Franchisee acknowledges that Franchisee has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of California, where Franchisor's decision-making authority is vested and franchise operations are conducted and supervised.

29.5 The parties agree to waive, now and forever, any and all rights either may have under the federal RICO statute.

29.6 The parties waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages 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. The parties irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of them.

29.7 In the event Franchisor employs legal counsel or incurs other expense to enforce any obligation of Franchisee under this Agreement, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

29.8 Franchisee agrees that he will not, on grounds of the alleged non-performance by Franchisor of any of its obligations under this Agreement, withhold payment of any Royalty Fee, advertising contributions or any other amounts due to Franchisor.

ARTICLE XXX
ARBITRATION

30.1 IF ANY PARTY IS REQUIRED TO EMPLOY LEGAL COUNSEL OR TO INCUR OTHER REASONABLE EXPENSES TO ENFORCE ANY OBLIGATION OF ANOTHER PARTY, OR TO DEFEND AGAINST ANY CLAIM, DEMAND, ACTION, OR PROCEEDING BY REASON OF ANOTHER PARTY'S FAILURE TO PERFORM ANY OBLIGATION IMPOSED UPON SUCH PARTY BY THIS AGREEMENT, AND PROVIDED THAT LEGAL ACTION IS FILED BY OR AGAINST THE FIRST PARTY AND SUCH ACTION OR ITS SETTLEMENT ESTABLISHES THE

OTHER PARTY'S DEFAULT, THEN THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY THE AMOUNT OF ALL REASONABLE ATTORNEYS' FEES OF SUCH COUNSEL AND ALL OTHER EXPENSES REASONABLY INCURRED IN ENFORCING SUCH OBLIGATION OR IN DEFENDING AGAINST SUCH CLAIM, DEMAND, ACTION, OR PROCEEDING, WHETHER INCURRED PRIOR TO OR IN PREPARATION FOR OR CONTEMPLATION OF THE FILING OF SUCH ACTION OR THEREAFTER. NOTHING CONTAINED IN THIS PARAGRAPH SHALL RELATE TO ARBITRATION PROCEEDINGS PURSUANT TO THIS AGREEMENT.

30.2 EXCEPT AS SPECIFICALLY OTHERWISE PROVIDED IN THIS AGREEMENT, THE PARTIES AGREE THAT ALL CONTRACT DISPUTES THAT CANNOT BE AMICABLY SETTLED BETWEEN THEM SHALL BE DETERMINED SOLELY AND EXCLUSIVELY BY ARBITRATION UNDER THE FEDERAL ARBITRATION ACT, AS AMENDED, AND IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THEREOF. ARBITRATION SHALL TAKE PLACE IN LOS ANGELES, CALIFORNIA.

30.3 JUDGMENT UPON ANY AWARD OF THE ARBITRATOR SHALL BE BINDING AND SHALL BE ENTERED IN A COURT OF COMPETENT JURISDICTION. THE AWARD OF THE ARBITRATOR MAY GRANT ANY RELIEF WHICH MIGHT BE GRANTED BY A COURT OF GENERAL JURISDICTION, INCLUDING, WITHOUT LIMITATION, BY REASON OF ENUMERATION, AWARD OF DAMAGES (BUT EXCLUDING INJUNCTIVE RELIEF), AND MAY, IN THE DISCRETION OF THE ARBITRATOR, ASSESS, IN ADDITION, THE COSTS OF ARBITRATION, INCLUDING THE REASONABLE FEES OF THE ARBITRATOR AND REASONABLE ATTORNEYS' FEES, AGAINST EITHER OR BOTH PARTIES, IN PROPORTIONS AS THE ARBITRATOR SHALL DETERMINE.

30.4 NOTHING CONTAINED IN THIS AGREEMENT SHALL BAR EITHER PARTY FROM SEEKING AND OBTAINING TEMPORARY AND PERMANENT INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION CONSISTENT WITH THIS ARTICLE XXX IN ACCORDANCE WITH APPLICABLE LAW AGAINST THREATENED CONDUCT THAT WILL, IN SUCH PARTY'S DISCRETION, CAUSE SUCH PARTY LOSS OR DAMAGE.

30.5 THE PARTIES INTEND THAT ANY ARBITRATION BETWEEN FRANCHISEE AND FRANCHISOR REGARDING A CLAIM OF FRANCHISEE SHALL BE OF FRANCHISEE'S INDIVIDUAL CLAIM, AND THAT NO SUCH CLAIM SUBJECT TO ARBITRATION SHALL BE ARBITRATED ON A CLASS-WIDE BASIS.

30.6 FRANCHISEE SHALL NOT ASSERT ANY CLAIM OR CAUSE OF ACTION AGAINST FRANCHISOR, ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES OR AFFILIATES AFTER ONE (1) YEAR FOLLOWING THE EVENT GIVING RISE TO SUCH CLAIM OR CAUSE OF ACTION.

ARTICLE XXXI

ACKNOWLEDGMENTS

31.1 FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS, AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF

FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

31.2 FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS RECEIVED, READ, AND UNDERSTOOD THIS AGREEMENT, INCLUDING ITS EXHIBITS; THAT FRANCHISOR HAS FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF EACH TO FRANCHISEE'S SATISFACTION; AND THAT FRANCHISOR HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF FRANCHISEE'S OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT.

31.3 FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED A COMPLETE COPY OF THIS AGREEMENT, THE EXHIBITS REFERRED TO IN THIS AGREEMENT, AND ANY OTHER AGREEMENTS RELATING HERETO, IF ANY, AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION, ENTITLED "DISCLOSURE REQUIREMENT AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES," AT LEAST FOURTEEN (14) BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

31.4 FRANCHISEE ACKNOWLEDGES AND IS AWARE OF THE FACT THAT SOME FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS IN RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

ARTICLE XXXII

ENTIRE AGREEMENT

This Agreement, if applicable, and any other Franchise Agreements thereunder, constitutes the entire agreement between Franchisor and Franchisee with respect to the subject matter hereof, and this Agreement supersedes all prior and contemporaneous agreements between Franchisor and Franchisee in connection with its subject matter. In the event of any conflict between the terms of this Agreement, or any other agreement, the terms of this Agreement shall prevail. No officer, employee or other servant or agent of Franchisor or Franchisee is authorized to make any representation, warranty or other promise not contained in this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon Franchisor or Franchisee unless in writing and signed by Franchisor and Franchisee. Be that as it may, nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document.

ARTICLE XXXIII

JOINT AND SEVERAL OBLIGATION

If Franchisee consists of more than one (1) person, their liability under this Agreement shall be deemed to be joint and several.

ARTICLE XXXIV
SECURITY INTEREST

Franchisee grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Restaurant, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code. For such purposes, the address of Franchisee and Franchisor are set forth in Article XXVIII of this Agreement. If Franchisee is in good standing, Franchisor will, upon request, execute subordinations of its security interest to suppliers, lenders and/or lessors furnishing equipment or financing for the Restaurant.

ARTICLE XXXV
COUNTERPART; PARAGRAPH HEADINGS; PRONOUNS

This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. The paragraph headings in this Agreement are for convenience only, and shall not be deemed to alter or affect any of its provisions. Each pronoun used in this Agreement shall be deemed to include the other number of genders.

ARTICLE XXXVI
SEVERABILITY AND CONSTRUCTION

36.1 Each section, part, term and provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, that shall not impair the operation of, or affect the remaining portions, parts, terms or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties, and the invalid sections, parts, terms or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that the finding of illegality adversely affects the basic consideration of this Agreement, Franchisor and Franchisee may terminate this Agreement.

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

36.3 Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law, which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

36.4 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision.

36.5 This Agreement shall be executed in two or more counterparts, and each copy so executed shall be deemed a duplicate original.

The parties have executed this Agreement on the date first written above.

WABA GRILL FRANCHISE CORP.

By: _____
Signature

Print Name & Title

FRANCHISEE

By: _____
Signature

Print Name & Title

Signature

Print Name & Title

WABA GRILL FRANCHISE CORP.

FRANCHISE AGREEMENT

EXHIBIT "A"

LOCATION

Franchisee's Location shall be as follows:

WABA GRILL FRANCHISE CORP.

By: _____
Signature

Print Name & Title

FRANCHISEE

By: _____
Signature

Print Name & Title

Signature

Print Name & Title

WABA GRILL FRANCHISE CORP.

FRANCHISE AGREEMENT

EXHIBIT "B"

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT ("Guarantee") entered into this ____ day of _____, 20__, by and between WABA GRILL FRANCHISE CORP., a California corporation ("Secured Party" and "Franchisor" as hereafter defined) and each of the undersigned persons and their spouses (each a "Guarantor"), being all of the shareholders, directors and officers or members, managers, partners, principals or other beneficial owners or controlling persons, as applicable, of the "Franchisee"/"Debtor" (as hereafter defined).

WITNESETH:

WHEREAS, Franchisee, ("Franchisee" and "Debtor") has entered into a Franchise Agreement dated _____, 20__ (the "Franchise Agreement") with the Secured Party;

WHEREAS, Guarantor is a shareholder, director and officer or member, manager, partner, principal or other beneficial owner or controlling person, as applicable, in Debtor, or a spouse of such person, and will benefit from the Franchise Agreements;

WHEREAS, the Secured Party is willing to enter the Franchise Agreements with Debtor only if Guarantor agrees to guarantee the full, prompt, complete and faithful performance of all the terms, covenants, conditions and obligation(s) on Debtor's part to be performed under the Franchise Agreements, and all other agreements and instruments ancillary to such agreements, and including any amendments or renewals thereof (the "Documents");

NOW, THEREFORE, in order to induce the Secured Party to enter the Franchise Agreements and the Documents with Debtor and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Guarantor hereby jointly and severally agrees to be bound by the Documents and jointly and severally covenants and agrees with the Secured Party as follows:

ARTICLE I
GUARANTEE

1.1 Guarantor unconditionally guarantees the full, prompt, complete and faithful performance, payment, observance and fulfillment by Debtor of all of the terms, covenants and conditions and any obligation(s) under the Documents when due and any and all fees, royalties and other sums that may become due to the Secured Party from Debtor under the Documents ("Obligation(s)"). Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and legal expenses) incurred by the Secured Party in endeavoring to collect the Obligation(s), or any part thereof, or in securing the performance thereof, or in enforcing this Guarantee.

1.2 Guarantor hereby covenants and agrees unconditionally that in the event Debtor fails to make any payment due under the Obligations on the due date as set forth in the Documents, or an event of default occurs, as defined in the Documents ("Event of Default"), within ten (10) days of the receipt of

written notice from or on behalf of the Secured Party to the effect that there exists such an Event of Default and of the amount or nature of the Obligation(s) which Debtor has failed to pay or perform, Guarantor will pay the entire unpaid amount thereof to the Secured Party at its office set forth on the signature page attached hereto. In the event that the Guarantor should fail or decline to pay any sums properly due to the Secured Party hereunder within ten (10) days following the Secured Party's request for the payment of any such sums, then said sums shall bear interest at annual interest rate equal to twelve percent (12%). Further, if Guarantor shall fail to pay any amount or perform any Obligation(s) properly due to the Secured Party hereunder, the Secured Party may institute and pursue any action or proceeding to judgment or final decree and may enforce any such judgment or final decree against Guarantor and collect, in the manner provided by law, out of Guarantor's property, wherever situated, the monies adjudged or decreed to be payable.

1.3 This Guarantee shall not be limited to any particular period of time, but rather shall continue absolutely, unconditionally and irrevocably until all the terms, covenants and conditions of the Documents have been fully and completely performed by Debtor or otherwise discharged and/or released by the Secured Party, and Guarantor shall not be released from any duty, obligation or liability hereunder so long as there is any claim of the Secured Party against Debtor arising out of the Documents which have not been performed, settled or discharged in full.

ARTICLE II

REMEDIES AND RIGHTS OF SECURED PARTY

2.1 The Secured Party shall give Guarantor notice in writing of an Event of Default or any event which might mature into an Event of Default known to Secured Party (but neither failure to give, nor defect in, any notice shall extinguish or in any way affect the Obligation(s) of Guarantor hereunder). Neither demand on, nor the pursuit of any remedies against, Debtor or any other guarantor of the Obligation(s) ("Obligor") shall be required as a condition precedent to, or neither the dependency nor the prior termination of any action, suit or proceeding against the Debtor or any Obligor (whether for the same or a different remedy) shall bar or prejudice the making of a demand on Guarantor by the Secured Party and the commencement against Guarantor after such demand of, any action, suit or proceeding, at law or in equity, for the specific performance of any covenant or agreement contained in the Documents or for the enforcement of any other appropriate legal or equitable remedy.

2.2 Guarantor's liability hereunder is primary, direct and immediate. Guarantor agrees that neither:

- (i) The exercise or the failure to exercise by the Secured Party of any rights or remedies conferred on it under the Documents, hereunder or existing at law or otherwise, or against any collateral;
- (ii) The recovery of a judgment against Debtor or Obligor;
- (iii) The commencement of an action at law or the recovery of a judgment at law against Debtor or any Obligor and the enforcement thereof through levy or execution or otherwise;
- (iv) The taking or institution or any other action or proceeding against Debtor or any Obligor; nor
- (v) The delay in taking, pursuing or exercising any of the foregoing actions, rights, powers or remedies (even though requested by Guarantor) by the Secured Party shall extinguish

or affect the Obligation(s) of Guarantor hereunder, but Guarantor shall be and remain liable for and until all Obligation(s) shall have been fully paid notwithstanding the previous discharge (total or partial) from further liability of Debtor or any Obligor or the existence of any bar (total, partial or temporary) to the pursuit by Guarantor of any right or claim to be subrogated to the right or claims of the Secured Party resulting from any action or failure or omission to act or delay in acting by the Secured Party, or anyone entitled to act in its place.

2.3 In case any of the Guarantor shall become insolvent or admit in writing his, her or its inability to pay his, her or its debts as they mature, or apply for, consent to or acquiesce in the appointment of a trustee, receiver, liquidator, assignee, sequestrator or other similar official for either Guarantor, or any of his, her or its property; or, in the absence of such application, consent or acquiescence, a trustee, receiver, liquidator, assignee, sequestrator or other similar official is appointed for Guarantor, or for a substantial part of his, her or its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy, admiralty or insolvency law or at common law or in equity is instituted by or against Guarantor, or remains for 60 days undismissed, then if any such event shall occur at a time when any of the Obligation(s) may not be then due and payable, Guarantor will pay to the Secured Party forthwith the whole unpaid amount under the Documents and Documents plus any other sums due under the Documents and other Documents, irrespective of whether any demand shall have been made on Guarantor, Debtor or any Obligor by intervention in or initiation of judicial proceedings relative to Guarantor, his, her or its creditors or his, her or its property. The Secured Party may file and prove a claim or claims for the whole unpaid amount or any portion thereof and for any other sums due under the Documents and other Documents and file such other papers or documents as may be necessary or advisable in order to have such claim allowed in such judicial proceedings and to collect and receive any monies or other property payable or deliverable on any such claim, and to distribute the same; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Secured Party.

2.4 The benefits, remedies and rights provided or intended to be provided hereby for the Secured Party are in addition to and without prejudice to any rights, benefits, remedies or security to which the Secured Party might otherwise be entitled.

2.5 Notwithstanding anything mentioned herein to the contrary, the Secured Party, from time to time, without notice to Guarantor, may take all or any of the following actions without in any manner affecting or impairing the liability of Guarantor hereunder:

(i) Obtain a security interest in any property to secure any of the Obligation(s) hereunder;

(ii) Retain or obtain the primary or secondary liability of any party or parties, in addition to Guarantor, with respect to any of the Obligation(s);

(iii) Extend the time for payment of the Documents or any installment thereof for any period;

(iv) Release or compromise any liability of Guarantor hereunder or any liability of any nature of any other party or parties with respect to the Obligation(s);

(v) Resort to Guarantor for payment of any Obligation(s), whether or not the Secured Party shall proceed against any other party primarily or secondarily liable on any of the Obligation(s); or

(vi) Agree to any amendments, modification or alteration of the Documents and exercise its rights to consent to any action or non-action of Debtor which may violate the covenants and agreements contained in the Documents with or without consideration, on such terms and conditions as may be acceptable to it.

2.6 Guarantor agrees that if at any time all or any part of any payment theretofore applied by the Secured Party to any of the Obligation(s) is or must be rescinded or returned by the Secured Party for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Debtor) such Obligation(s), for purposes of this Guarantee, to the extent that such payment is or must be rescinded or returned, shall be deemed to have continued in existence, notwithstanding such application by the Secured Party, and this Guarantee shall continue to be effective or be reinstated, as the case may be, as to such Obligation(s), all as though such application by the Secured Party had not been made.

ARTICLE III **GUARANTOR'S WARRANTIES**

3.1 Guarantor represents and warrants to the Secured Party that:

(i) This Guarantee has been duly executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of Guarantor enforceable against him, her or it in accordance with its terms;

(ii) There is no action, litigation or other proceeding pending or threatened against Guarantor, before any court, arbitrator or administrative agency which may have a materially adverse effect on the assets, businesses, or financial condition of Guarantor, or which would prevent, hinder or jeopardize his, her or its performance under this Guarantee;

(iii) Guarantor is fully familiar with all of the covenants, terms and conditions of the Documents and the Documents;

(iv) The Guarantor is not party to any contract, agreement, indenture or instrument or subject to any restriction which might materially adversely affect his, her or its financial condition which would in any way jeopardize the ability of Guarantor to perform hereunder; and

(v) The Financial Statement of Debtor attached hereto as Exhibit "A" is correct in all material respects and accurately represents the financial condition of Debtor as of _____, 20__.

ARTICLE IV
MISCELLANEOUS PROVISIONS

4.1 All the covenants, stipulations, promises and agreements contained in this Guarantee by or on behalf of Guarantor are for the benefit of the Secured Party, its successors or assigns and shall bind Guarantor and his, her or its heirs, executors, personal representative, successors and assigns.

4.2 Any notice or demand which by any provision of this Guarantee is required or permitted to be given by Secured Party to Guarantor shall be deemed to have been sufficiently given for all purposes if given by first-class mail, postage prepaid, to Guarantor at the address set forth after his, her or its signature below (until another address is filed by Guarantor with Secured Party for such purposes).

4.3 The Secured Party, without notice of any kind, may sell, assign or transfer the Documents, and in such event each and every immediate and successive assignee or transferee thereof may be given the right by the Secured Party to enforce this Guarantee in full, by suit or otherwise, for its own benefit. Guarantor hereby agrees for the benefit of any such assignee or transferee that his, her or its Obligation(s) hereunder shall not be subject to any reduction, abatement, defense, set-off, counterclaim or recoupment for any reason whatsoever.

4.4 Guarantor hereby expressly waives:

- (i) Notice of the acceptance by the Secured Party of this Guarantee;
- (ii) Notice of the existence, creation or non-payment of all or any of the Obligation(s);
- (iii) Presentment, demand, notice or dishonor, protest and all other notices whatsoever; and
- (iv) All diligence in collection or protection of or realization on the Obligation(s) or any thereof hereunder, or any security for or guarantee of any of the foregoing.

4.5 No delay on the part of the Secured Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guarantee be binding on the Secured Party except as expressly set forth in writing, duly signed and delivered on behalf of the Secured Party. No action of the Secured Party permitted hereunder and the Obligation(s) of Guarantor under this Guarantee.

4.6 This Guarantee shall in all respects be governed by and construed and enforced in accordance with the laws of the State of California and the parties hereto submit to the non-exclusive jurisdiction of the courts of Los Angeles County, California and all courts competent to hear appeals therefrom.

4.7 Any provision of this Guarantee that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and no such prohibition or unenforceability shall invalidate or render unenforceable such provision in any other jurisdiction.

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

"SECURED PARTY"

WABA GRILL FRANCHISE CORP.

By: _____

Signature

13181 Crossroads Parkway North, Suite 510
City of Industry, CA 91746

Print Name & Title

"GUARANTORS"

"SPOUSE"

Signature

Signature

**WABA GRILL FRANCHISE CORP.
FRANCHISE AGREEMENT
EXHIBIT "C"**

CONDITIONAL LEASE ASSIGNMENT PROVISIONS

The clauses referred to in Article 2.1 of the attached Franchise Agreement are as follows:

(i) The premises being leased hereunder shall be used solely for the operation of a "WABA GRILL" Restaurant.

(ii) Lessor has examined Franchisor's standard design concepts and specifications and consents to Lessee's use of same and of Franchisor's Marks and such signage as Franchisor may prescribe for the Restaurant.

(iii) Lessee may not sublease or assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.

(iv) Lessor shall furnish Franchisor a copy of the executed lease, including all attachments thereto and related agreements, if any, within five (5) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

(v) Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed that if the Franchise Agreement dated the ____ day of _____, 20__ between the Lessee and Franchisor expires or is terminated for any reason whatsoever, the Lessee's rights hereunder shall, at the option of Franchisor, be transferred and assigned to it. Said option may be exercised by Franchisor giving the Lessor notice in writing within thirty (30) days following the expiration or termination of the said Franchise Agreement, such notice to specify, inter-alia, the date of such expiration or termination. The Lessee acknowledges and agrees that the Lessor may rely upon such notice and shall not be required to inquire into the due execution thereof or the accuracy of the statements set forth therein. It is further agreed that such notice shall, without further act or formality, operate as an effective assignment of the Lessee's right hereunder to Franchisor and the assumption by Franchisor of the covenants herein required to be observed or performed by the Lessee. Franchisor shall thereafter have the right to assign or sublet the Premises to such person as it may designate provided that in such event that this clause be contained therein. Notwithstanding the foregoing, Franchisor shall, forthwith upon exercise of such option, execute such documents evidencing its agreement to thereafter keep and perform or cause to be kept or performed all of the obligations of the Lessee arising under this Lease from and after the time of the exercise of such option.

(vi) In the event Franchisor elects not to exercise the above option, Lessor shall permit Franchisor to enter the premises in order to make any modification necessary to protect Franchisor's Marks.

(vii) The Lessor shall give written notice to Franchisor (concurrently with the giving of such notice to the Lessee) of any default by the Lessee under the Lease and Franchisor shall have, after the expiration of the period during which the Lessee may cure such default, an additional fifteen (15) days to cure, at its sole option, any such default, providing that if such default arises by reason of the bankruptcy or insolvency of the Lessee or the appointment of a receiver over the Lessee's assets or part thereof, Franchisor shall have the right to assume this

Lease upon payment of any arrears of rental to such date. In the event of any such assumption, the Lessee shall cease to have any further rights hereunder.

(viii) The Lessor acknowledges that the said Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the said Franchise Agreement for any reason whatsoever, to enter the premises hereby demised and to operate the Restaurant for the account of the Lessee for a period as set forth in the said Franchise Agreement. The Lessor further acknowledges that such entry by Franchisor shall not constitute an assignment of this Lease, nor a subletting of the premises hereby demised.

(ix) The Lessor acknowledges that Franchisor is executing this Lease solely for the purpose of acknowledging the provisions contained in the foregoing clauses (i) to (iv) and agrees that such execution by Franchisor shall in no way be construed so as to obligate Franchisor for the performance of any of the terms, conditions, obligations and covenants contained herein, except as specifically set forth in clause (i).

The foregoing provisions shall be incorporated into Franchisee's lease or sublease agreement.

WABA GRILL FRANCHISE CORP.

By: _____
Signature

Print Name & Title

FRANCHISEE

By: _____
Signature

Print Name & Title

Signature

Print Name & Title

WABA GRILL FRANCHISE CORP.

FRANCHISE AGREEMENT

EXHIBIT "D"

SITE LOCATION ADDENDUM

Site Location

WABA GRILL FRANCHISE CORP. (hereinafter "Franchisor") and Franchisee (hereinafter "Franchisee") have this date, _____, 20__, entered into a certain Franchise Agreement, (hereinafter "Franchise Agreement") and desire to supplement its terms as set out below. The parties hereto therefore agree as follows:

A. Site Selection

Within 1 year, (365) days after execution of this Addendum, Franchisee shall acquire, by lease or purchase, at Franchisee's expense and subject to Franchisor's approval as hereinafter provided, a location for the franchised business.

B. Guidelines and Evaluation

In connection with Franchisee's selection of a site for the franchised business, Franchisor shall furnish to Franchisee the following:

1. Site selection guidelines, and such site selection, counseling and assistance as Franchisor may deem advisable.

2. Such on-site evaluation as Franchisor may deem advisable in response to Franchisee's request for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a market feasibility study for such site prepared by Franchisee pursuant to Paragraph C. hereof. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request), Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals, following Franchisee's approval in advance of same.

C. Site Approval

Prior to the acquisition by lease or purchase of any proposed location for the franchised business, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a description of the proposed location, a market feasibility study for the proposed location, and such other information or materials as Franchisor may reasonably require, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed location. Recognizing that time is of the essence, Franchisee agrees that it must submit such information and material for the proposed location to Franchisor for its approval no later than _____ () days after the execution of the Franchise Agreement. Franchisor shall have _____ () days after receipt of such information and materials from Franchisee to approve or disapprove, at its sole discretion, the proposed location as the location for the franchised business. The proposed location shall not be deemed approved unless written notice of approval is given to Franchisee by Franchisor.

D. Lease Provisions

The lease for the premises of the franchised business shall be submitted to Franchisor for its written approval prior to execution by Franchisee and the Lessor, and shall contain the following terms and conditions:

1. That the premises shall be used only for the operation of the franchised business.
2. That the landlord has examined Franchisor's standard design concepts and consents to Franchisee's use of such Proprietary Marks and signage as Franchisor may prescribe for the franchised business.
3. That the landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the lease and premises, at the same time that such letters and notices are sent to Franchisee.
4. That Franchisee may not sublease or assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.
5. That Franchisor shall have the right to enter the premises to make any modification necessary to protect Franchisor's Proprietary Marks or to cure any default under the lease or under this Agreement.
6. That Franchisor shall have the option to assume Franchisee's occupancy rights, and the right to assign or sublease for all or any part of the remaining term, upon Franchisee's default or termination under such lease or under this Agreement.
7. That Franchisor shall be furnished a copy of the executed lease, ten (10) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

E. Relocation

Upon Franchisor's approval of a location for the franchised business, or upon execution of this Agreement, whichever occurs earlier, the street address of the approved location of the franchised business shall be recorded and shall be attached as Exhibit "A" to this Agreement. Franchisee shall not relocate the franchised business without the express prior written consent of Franchisor.

F. Construction

Franchisee shall commence construction or leasehold improvements (hereinafter "Construction") of the franchise business within ninety (90) days after Franchisee executes this addendum, executes a lease, or obtains the right to possession of the premises, whichever occurs latest. Franchisee shall provide written notice to Franchisor of the date Construction of the franchised business commences within ten (10) days after commencement. Franchisee shall maintain continuous Construction of the franchised business premises and shall complete Construction, including all exterior and interior carpentry, electrical, painting and finishing work, and installation of all furnishings, fixtures, equipment, and signs, in accordance with the approved plans and specifications at Franchisee's expense, within six (6) months after commencement (exclusive of the time lost by reason of strikes, lockouts, fire and other casualties and acts of God). Each week during the Construction period, Franchisee and Franchisee's architect or general contractor shall certify in writing to Franchisor that all work is proceeding substantially on schedule, and in accordance with the approved plans and specifications and all applicable laws,

regulations ordinances and restrictive covenants. Franchisee further agrees that Franchisor and its agents shall have the right to inspect the Construction at all reasonable times.

G. Permits and Approvals

Before or upon completion of Construction, Franchisee shall obtain, and shall furnish to Franchisor copies of, all necessary permits, approvals, and certificates required for occupancy of the premises and operation of the franchised business. Franchisee shall obtain Franchisor's approval for opening and shall open the franchised business within three (3) months after the date of commencement of Construction.

H. Time of Essence

Franchisee and Franchisor agree that time is of the essence in Franchisee's performance of its obligations hereunder. Any failure by Franchisee to meet the time limits imposed under this Addendum shall constitute a default under Section 13.2.A of the Franchise Agreement, for which Franchisor may terminate this Agreement upon notice to Franchisee.

I. Effect of Franchise Agreement

This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum in triplicate on the day and year first above written.

WABA GRILL FRANCHISE CORP.

By: _____
Signature

Print Name & Title

FRANCHISEE

By: _____
Signature

Print Name & Title

Signature

Print Name & Title

**WABA GRILL FRANCHISE CORP.
FRANCHISE AGREEMENT**

EXHIBIT "E"

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS AGREEMENT is made by and between WABA GRILL FRANCHISE CORP., a California corporation with its corporate headquarters office at 13108 Crossroads Parkway North, Suite 510, City of Industry, CA 91746 (the "Franchisor"), and Franchisee (the "Franchisee").

WHEREAS, Franchisor has developed an established business and is engaged in the development, marketing and sale to franchisees of an efficient and distinctive system of training employees, preparing, serving, merchandising, and selling products typically sold in an "WABA GRILL" Restaurant, served by a distinctively uniformed staff, and well trained, in distinctively designed, furnished, decorated and equipped restaurants under the name "WABA GRILL"; and

WHEREAS, Franchisor has developed and uses the name "WABA GRILL" and associated service marks, designs, and symbols in the design and appearance of its restaurants (collectively referred to as the "Marks"), identifying the goodwill which Franchisor has developed in connection with the operation of "WABA GRILL" restaurants by Franchisor and its franchisees (all of which is hereinafter referred to as the "System"); and

WHEREAS, Franchisor desires to preserve the Marks and the System, and has plans, where profitable, to increase the number of "WABA GRILL" restaurants within the United States and elsewhere; and

WHEREAS, Franchisee desires to obtain and maintain the right to own and operate one or more "WABA GRILL" restaurants and Franchisor desires to grant such right to Franchisee subject to the terms set forth below; and

WHEREAS, Franchisee's Manager has been hired by Franchisee to run the day-to-day activities of Franchisee's restaurant and such Manager must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, and the conditions stated herein, the parties agree as follows:

1. **Purpose of Agreement.** Franchisor is placing Franchisee in a position of trust and confidence in order to aid Franchisor in its development, marketing, sale and expansion of the System. As a precondition of the grant of the right to own and operate an "WABA GRILL" restaurant, Franchisor desires to receive from Franchisee (i) an agreement not to disclose certain information relating to Franchisor's business, (ii) an agreement not to compete against Franchisor for a certain period of time, and (iii) an agreement concerning the ownership of certain information. This Agreement sets forth the terms of their agreements and understandings.

2. **Franchisor Ownership of Materials.** All information, ideas, research, methods, techniques, specifications, guidelines, secret recipes, manuals, procedures, systems, improvements, notes, data, tapes, reference items, financial information, literature, files, supplier lists, notebooks, calendars, sketches, drawings, memoranda, records and copyrighted and other materials, including Franchisor's Confidential Operating Manual, and the goodwill associated with them, which in any way relate to Franchisor's past, present or potential business or which were prepared or received by Franchisee as a

franchisee of Franchisor and a participant in the System (hereinafter collectively referred to as "Confidential Information") are the exclusive property of Franchisor. Franchisee agrees to deliver to Franchisor all copies of such materials including Franchisee's own personal work papers, which are in Franchisee's possession or under Franchisee's potential control at the request of Franchisor or, in the absence of such a request, upon the termination of that certain Franchise Agreement dated even date herewith between Franchisor and Franchisee (the "Franchise Agreement").

3. Confidential Information. Franchisee acknowledges that Franchisor's Confidential Information is a valuable and unique asset which Franchisee holds in trust for Franchisor's sole benefit. Franchisee agrees that Franchisee shall not, at any time during and for a period of fifty (50) years after Franchisee ceases to be a franchisee of Franchisor or a participant in the System, use for itself or for others, or disclose to any person, corporation or other entity for any reason, any of Franchisor's Confidential Information, without the prior written consent of Franchisor.

4. Trade Secrets. The Franchisee acknowledges that Franchisor's Confidential Information and its methods and techniques of operation, and food preparation, merchandising, recipes, specifications, its financial condition, customer service, marketing and pricing strategies, as well as the information compiled and developed regarding improvements or enhancements to the System, including the Confidential Operating Manual, are uniquely valuable to Franchisor and have been developed through considerable expense and effort, and thus are not usually ascertainable by a competitor without considerable investment of effort and expense ("Trade Secrets").

In light of the need to protect and preserve the confidentiality of these Trade Secrets and in consideration of Franchisee's continued right to own and operate an "WABA GRILL" restaurant, Franchisee agrees, at all times while a franchisee of Franchisor and for as long as Franchisor remains in business anywhere in the world, to respect the confidentiality of Franchisor's Trade Secrets, to use them solely for the benefit of Franchisor's business, and to refrain from disclosing or making available the Trade Secrets to any third party without the prior written consent of Franchisor. Franchisee further agrees to take all reasonable security measures to ensure that Franchisee's employees comply with this Agreement and such other security measures as are reasonably requested by Franchisor to prevent accidental disclosure.

5. Assignment of Inventions. All ideas, improvements, processes, names, menu items, and enhancements to the System or which relate to or are useful to Franchisor's business which Franchisee, alone or with others, may invent, discover, make or conceive ("Inventions") are the exclusive property of Franchisor, and Franchisee shall promptly and fully disclose them to Franchisor. At any time, at Franchisor's request and expense, Franchisee shall, without further compensation: (i) promptly record such Inventions with Franchisor; (ii) execute any assignments and other documents Franchisor deems desirable to protect its rights in the Inventions; and (iii) assist Franchisor in enforcing its rights with respect to these Inventions.

6. Restrictions on Unfair Competition. It is recognized by Franchisee that as the natural result of Franchisee's participation in the System as a franchisee of Franchisor, Franchisee will gain access to Franchisor's Trade Secrets and Confidential Information, and will gain the trust, confidence and respect of Franchisor's landlords, customers and suppliers. Franchisee acknowledges that Franchisor has a legitimate need to protect itself against unfair competition by its franchisees and their employees. Therefore, in consideration for Franchisee's participation in the System as a franchisee of Franchisor, Franchisee agrees that while it is a franchisee of Franchisor and for two (2) years after termination of the Franchise Agreement, regardless of the circumstances giving rise to the termination, or after Franchisee ceases to be a participant in the System, and within the Area of Minimum Competition as defined in Article XIV of the Franchise Agreement, Franchisee shall not;

(a) Have or acquire an interest in a similar business to that offered or developed by Franchisor which provides the same or substantially similar products as those sold, distributed, manufactured or furnished by Franchisor during the term of the Franchise Agreement. For purposes of this Agreement, "similar business" means a food service outlet that sells the same or substantially same products as are sold in a typical "WABA GRILL" restaurant ("Products");

(b) Engage, directly or indirectly, on Franchisee's own behalf, or on behalf of any other person, firm, partnership or corporation, in providing, assisting, instructing or supervising the marketing, distribution or sale of the Products of any similar business to those offered and provided or manufactured by Franchisor as of the termination of this Agreement;

(c) Compete, directly or indirectly, with Franchisor in the offering, distribution or sale of products similar to the Products offered or provided or manufactured by Franchisor as of the termination of this Agreement. Prohibited competition under this subsection (c) may include, but is not limited to, the solicitation of, attempted solicitation, or other contacts with franchisees, landlords, suppliers and customers of Franchisor for the purpose of offering, providing or delivering Products or services similar to those offered and provided by Franchisor to the public; or the request, suggestion or advice to Franchisees, landlords, suppliers or customers, either directly or indirectly, to withdraw, curtail, limit or cancel their business with Franchisor; or to disclose, directly or indirectly, to any other person the names and addresses of franchisees, landlords, suppliers and customers of Franchisor; or the terms and conditions of Franchisor's contracts with suppliers of these Products;

(d) Hire or engage, or attempt to hire or engage, directly or indirectly, any individual who is an employee of Franchisor at the time of such solicitation, or was an employee during the calendar year immediately preceding Franchisee's termination as a participant in the System as a franchisee of Franchisor, whether such actions are undertaken on behalf of Franchisee or on behalf of another entity; or

(e) Otherwise take direct actions to disrupt the operations of Franchisor or interfere with Franchisor's performance of its contracts with third parties.

7. Enforcement.

(a) Injunction. Franchisee understands and agrees that Franchisor will suffer irreparable harm if Franchisee breaches any of Franchisee's obligations under this Agreement, and that monetary damages shall be inadequate to compensate Franchisor for any such violation. Accordingly, Franchisee agrees that in the event Franchisee violates or threatens to violate any of the provisions of this Agreement, Franchisor, in addition to all other remedies or damages which it may have, shall be entitled to seek an injunction to prevent or to restrain any such violation by Franchisee or by any or all of Franchisee's directors, stockholders, officers, partners, employees, agents or any other person directly or indirectly acting for, on behalf of or with Franchisee. Franchisee consents to the seeking of the injunction as being a reasonable measure to protect Franchisor's rights.

(b) Jurisdiction. Franchisee agrees that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the appropriate court located in the State of California, County of Los Angeles, and Franchisee agrees and consents to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof in a state court, regardless of Franchisee's residency at the time such suit is filed. Any lawsuit brought against Franchisor or its officers, directors or agents arising out of this Agreement, or any alleged breach thereof, must be brought within one (1) year of the event giving rise to the cause of action. The failure to commence such action by or on behalf of Franchisee within this time period shall serve to bar any rights Franchisee may have against Franchisor or its officers, directors and agents.

(c) Costs. Franchisee further agrees that if Franchisee acts in any manner which causes Franchisor to seek any form of judicial relief or remedy against Franchisee, and the court determines Franchisee has or is violating any of the provisions of this Agreement, Franchisor, in addition to its other remedies, shall be entitled to recover from Franchisee all costs incurred, including its attorneys' fees.

8. Reasonableness of Restrictions; Severability. Franchisee has read and considered carefully the provisions of Sections 1 through 7 of this Agreement, and agrees that the restrictions are fair and reasonably required for the protection of the interests of Franchisor, its business and its officers, directors and employees, even though no geographic limitation is included because of the national nature of the franchise business. Franchisee further agree that the restrictions set forth in this Agreement shall not impair Franchisee's ability to secure employment or acquire an interest in a business in another field of choice, other than the restricted field described in Section 6.

9. Miscellaneous.

(a) All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then Franchisee agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Franchisor's legitimate business needs as permitted by applicable law and public policy. In so doing, Franchisee agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid. Further, Franchisee agrees that a breach or alleged breach by Franchisor of any obligation owed by Franchisor shall not affect the validity or enforceability of the provisions of this Agreement.

(b) This Agreement was entered into and shall be governed by the laws of the State of California.

(c) No delay or failure by Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

(d) In the event that any provision of this Agreement, or a portion thereof, shall be held to be invalid or unenforceable, this ruling shall not affect in any manner the validity of the remaining provisions.

(e) The rights and obligations of Franchisor under this Agreement shall inure to the benefit of and shall be binding upon the parties hereto, as well as the affiliates of Franchisor and any future successors and assigns of Franchisor.

(f) No modification of this Agreement shall be valid unless it is in writing and signed by both Franchisee and an authorized representative of Franchisor. This Agreement contains the entire agreement between the parties and is expressly intended by Franchisee and Franchisor to supersede and replace any prior agreements on these issues between the parties.

(g) The Manager, if any, hereby executes this Agreement to evidence his/her or their consent to be bound by each and every provision.

IN WITNESS WHEREOF, Franchisor and Franchisee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20__.

WABA GRILL FRANCHISE CORP.

By: _____
Signature

Print Name & Title

FRANCHISEE

By: _____
Signature

Print Name & Title

Signature

Print Name & Title

WABA GRILL FRANCHISE CORP.
FRANCHISE AGREEMENT

EXHIBIT "F"

TRANSFER OF FRANCHISE TO A CORPORATION

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the corporation set forth below and Franchisee of the Restaurant under a Franchise Agreement executed on the date set forth below, between himself or herself and WABA GRILL FRANCHISE CORP., as Franchisor, granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, who together with Franchisee constitute all of the Shareholders of the Corporation, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation in accordance with the provisions of Article XX of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article XIV thereof, to the same extent as if each of them were Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation without the prior written approval of Franchisor and agree that all stock certificates representing shares in the Corporation shall bear the following legend:

"The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between Franchisee and WABA GRILL FRANCHISE CORP.",

3. Franchisee or his designee shall devote his best efforts to the day-to-day operation and development of the Restaurant.

4. _____ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and WABA GRILL FRANCHISE CORP. to the same extent as if it were named as Franchisee herein.

Date of Franchise Agreement: _____

Location of Restaurant: _____

TRANSFEROR

By: _____
Signature

Print Name & Title

TRANSFeree

By: _____
Signature

Print Name & Title

Name of Corporation

In consideration of the execution of the above Agreement, WABA GRILL FRANCHISE CORP.
hereby consents to the above referred to assignment on this ____ day of _____, 20__.

WABA GRILL FRANCHISE CORP.

By: _____
Signature

Print Name & Title

WABA GRILL FRANCHISE CORP.
FRANCHISE AGREEMENT

EXHIBIT "G"

TELEPHONE NUMBER ASSIGNMENT AGREEMENT
AND POWER OF ATTORNEY

FOR VALUE RECEIVED, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to WABA GRILL FRANCHISE CORP. upon the following terms:

1. This assignment is made under the terms of WABA GRILL FRANCHISE CORP. Franchise Agreement dated _____, 20__ authorizing Franchisee to do business as "WABA GRILL" (the "Franchise Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers Franchisee uses in the operation of the Restaurant covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are: (to be determined) and all numbers on the rotary series and all numbers Franchisee uses in the Restaurant in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as his/her attorney-in-fact to act in Franchisee's place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Agreement to be duly signed as evidenced by their signatures appearing below. Persons signing this Agreement must check the appropriate space and sign in the appropriate place provided.

FRANCHISEE: EACH OF THE BELOW PERSONS AGREES TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT, IN BOTH INDIVIDUAL AND REPRESENTATIVE CAPACITIES.

Signed the ____ day of _____, 20__

Franchisee

By:

Signature

Print Name & Title

FRANCHISOR:

Signed and accepted as of the ____ day of _____, 20__

WABA GRILL FRANCHISE CORP.

By:

Signature

Print Name & Title

WABA GRILL FRANCHISE CORP.

FRANCHISE AGREEMENT

EXHIBIT "H"

AUTHORIZATION TO HONOR CHECKS DRAWN BY AND PAYABLE TO
WABA GRILL FRANCHISE CORP.

1. Bank account in the name of:	2. Store #:	3. Bank account number:
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To The Bank Designated:

You are hereby requested and authorized to honor and to charge to the account described checks drawn on such account which are payable to the above named Payee. The name(s) of the depositor(s) on such checks will be printed by standard business machines. It is agreed that your rights with respect to each such check shall be the same as if it bore a signature authorized for such account. It is further agreed that if any such check is not honored, whether with or without cause you shall be under no liability whatsoever. This authorization shall continue in force until revocation in writing is received by you.

4. Date: _____ 5. Name of Franchisee (please print) _____

Type of Business: _____
Executed by: _____
Title: _____

6. Full name of bank:
7. Street address:
8. City, state & zip code:

Indemnification Agreement

To The Bank Designated:

In consideration of your compliance with the request and authorization printed on the Authorization Form hereof, the Payee agrees with respect to any such action:

- (1) To indemnify you and hold you harmless from any loss you may suffer as a consequence of your actions resulting from or in connection with the execution and issuance of any check, draft or order, whether or not genuine, purporting to be executed by the Payee and received by you in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.
- (2) To indemnify you for any loss arising in the event that any such check, draft or order shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
- (3) To defend at our own cost and expense any action which might be brought by any depositor or any other persons because of your actions taken pursuant to the foregoing request, or in any manner arising by reason of your participation.

NOTICE TO

FRANCHISEE: 1. ATTACH ONE VOIDED CHECK HERE.

2. BE SURE ALL NUMBERED SPACES SHOWN ABOVE ARE COMPLETED.

3. RETURN ALL THREE COPIES IMMEDIATELY.

WABA GRILL FRANCHISE CORP.

FRANCHISE AGREEMENT

EXHIBIT "I"

FRANCHISEE COMPLIANCE CERTIFICATION

As you know, WABA GRILL FRANCHISE CORP. (the Franchisor) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a WABA GRILL. The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of Franchisor that have not been authorized or that may be untrue, inaccurate or misleading.

In the event that you are intending to purchase an existing WABA GRILL from an existing Franchisee, you may have received information from the transferring Franchisee, who are not employees or representatives of Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing WABA GRILL from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20__.

3. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document (FDD) that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a WABA GRILL with an attorney, accountant, or other professional advisor?

Yes _____ No _____

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

Yes _____ No _____

9. Do you understand that the success or failure of your WABA GRILL will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has any employee of WABA GRILL or other person speaking on behalf of the Franchisor made any statement or promise concerning the revenues, project cost, profits or operating costs of a WABA GRILL operated by the Franchisor or its Franchisees that is contrary to the information contained in the FDD?

Yes _____ No _____

11. Has any employee of WABA GRILL or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to the information contained in the FDD?

Yes _____ No _____

12. Has any employee of WABA GRILL or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the WABA GRILL will generate, that is contrary to the information contained in the FDD?

Yes _____ No _____

13. Has any employee of WABA GRILL or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the WABA GRILL that is contrary to or different from, the information contained in the FDD?

Yes _____ No _____

14. Has any employee of WABA GRILL or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a WaBa Grill?

Yes _____ No _____

15. Has any employee of WABA GRILL or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

If you have answered Yes to any one of questions 10-17, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addenda (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISEE APPLICANT

Name: _____
Date: _____

Name: _____
Date: _____

MEGA FUND ADDENDUM TO WABA GRILL FRANCHISE AGREEMENT

This **MEGA FUND ADDENDUM TO THE WABA GRILL FRANCHISE AGREEMENT** (the "**Addendum**"), made this ___ day of _____, 20___, by and between WABA GRILL FRANCHISE CORP., a California corporation with its corporate headquarters office at 13181 Crossroads Parkway North, Suite 510, City of Industry, CA 91746 ("Franchisor") and Franchisee having the address at _____ ("Franchisee").

RECITALS:

A. Franchisor and Franchisee entered into a WaBa Grill Franchise Agreement dated _____, 20___ under which Franchisee is required to pay 2% of its Gross Sales to the Advertising Fund and to spend 1% of its Gross Sales on local advertising ("Franchise Agreement");

B. In lieu of its current advertising payment structure, Franchisor has proposed that Franchisee pay a total of 3% of its Gross Sales to the new "WaBa Mega Fund," which will cover the existing WaBa systemwide advertising, marketing and public relations programs as well as the establishment and maintenance of an aggressive on-line presence to take maximum advantage of the available cutting-edge online technology in ordering and customer loyalty platforms and other e-commerce marketing solutions, and also to add media weight from new & emerging advertising channels to drive sales.

NOW THEREFORE, the Parties agree as follows:

1. Unless otherwise defined herein, all capitalized terms used in this Amendment will have the meaning ascribed to them in the Franchise Agreement.

2. Sections 9.1 through 9.3 Article IX of the Franchise Agreement shall be deleted in their entireties and replaced as follows:

9.1 Recognizing the value of aggressive online presence to take maximum advantage of the available cutting-edge online technology in ordering and customer loyalty platforms and other e-commerce marketing solutions, and also to add media weight from new & emerging advertising channels to drive sales, marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the System and the Marks, Franchisee agrees to pay a total of three percent (3%) of Franchisee's Gross Sales to the system-wide advertising and promotional fund (the "Fund") on a weekly basis during the term of this Agreement.

9.2 The Mega Fund will be maintained and administered as follows:

9.2.1 Franchisee will contribute to the Mega Fund weekly by electronic transfer (as specified in the Confidential Operations Manual) based on Franchisee's Gross Sales for each preceding week. During any period of business interruption, Franchisee will continue to make weekly contributions based on Franchisee's average weekly payment during the eight (8) week period immediately preceding the period of business interruption.

9.2.2 Any Franchisor-owned WABA GRILL Restaurants will make contributions to the Mega Fund on a basis at least equal to that described in Section 9.1.

9.2.3 Franchisor will direct all advertising and promotional programs, with the sole discretion of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. The Mega Fund will redirect two percent (2%) out of the total three percent (3%) paid by Franchisee to the general Advertising Fund for use on all advertising and public relations programs for all Restaurants. The remaining one percent (1%) out of the total three percent (3%) paid by Franchisee will be allocated specifically to establish, maintain and improve an aggressive on-line presence to take maximum advantage of the available cutting-edge online technology in ordering and customer loyalty platforms and other e-commerce marketing solutions, and also to add media weight from new & emerging advertising channels to drive sales for those Restaurants that are participating in the Mega Fund. The parties agree that (i) the two percent (2%) portion that is redirected to the general Advertising Fund from the Mega Fund will be used to maximize general public recognition and acceptance of the Marks for the benefit of the System, and (ii) Franchisor shall use all reasonable efforts to ensure that the one percent (1%) portion that is used specifically for the additional online presence will be used for the exclusive benefit of Franchisee and other franchisees who are participating in the Mega Fund. Franchisor and its designees undertake no obligation in administering the Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contributions, or to ensure that Franchisee benefits directly or pro rata from the placement of advertising.

9.2.4 Franchisee agrees that the Mega Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a toll-free number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System). All sums contributed to the Mega Fund will be maintained in a separate account from Franchisor's general funds and will not be used to defray Franchisor's general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or direction of the Mega Fund up to fifteen percent (15%).

9.2.5 If Franchisor spends less than the total of all contributions to the Mega Fund during any fiscal year, it has the right to retain those contributions for use in subsequent years. If Franchisor spends more than the contributions accumulated in the Fund during any fiscal year, it will have the right to receive from the Fund reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

9.2.6 An unaudited summary report on the operation of the Mega Fund will be prepared annually and will be made available to Franchisee on request ninety (90) to one hundred twenty (120) days after fiscal year end.

9.2.7 The Mega Fund will be in effect until December 31, 2019 at which time there will be a vote of all existing Restaurants who have opted to convert their prior advertising and local advertising requirements into the Mega Fund. If (i) the majority of such Restaurants vote to opt out of the Mega Fund and return to the prior advertising and local advertising requirements, as set forth in their respective franchise agreements, and (ii) Franchisee represents one of such Restaurants who voted to opt out, this Addendum shall become null and void, and prior Article IX of the Franchise Agreement shall be reinstated in its entirety. On the other hand, if both conditions (i) and (ii) to this Section 9.2.7 are not met, Franchisee agrees that the requirement for three percent (3%) contribution to the Mega Fund under this Section IX of this Addendum shall apply for the entire Initial Term and any subsequent renewals of this Agreement. Franchisor retains the right to terminate the Fund. The Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a pro rated basis.

9.2.8 Franchisee authorizes Franchisor to collect, for remission to the Mega Fund, any advertising or promotional monies or credits offered by any supplier based upon Franchisee's purchases. Any advertising or promotional monies or credits Franchisor collects from any supplier based upon Franchisee's purchases will not be credited toward Franchisee's required contribution to the Mega Fund.

9.2.9 Franchisor may establish an advertising council of franchisees. If established, the council will advise Franchisor on advertising policies, and Franchisees will elect the members of the council. The council will be advisory and have no operational or decision-making power. The council will operate under its own by-laws, but Franchisor will have the right to change or dissolve the council.

9.3 Franchisee must obtain and maintain a bold listing in the white pages directory (or equivalent) servicing Franchisee's area under the name "WABA GRILL". If other WABA GRILL Restaurants are located in Franchisee's area, Franchisee must participate in any local advertising cooperative that Franchisor establishes or causes to be formed, if Franchisor requires Franchisee's participation. Such participation may involve, for example, paying a pro rata share of the cost of yellow pages advertising (or equivalent) placed on behalf of Franchisee and other WABA GRILL Restaurants. If no other WABA GRILL Restaurants are located in Franchisee's area, Franchisee must maintain a display advertisement, in a form Franchisor specifies, in the local yellow pages directory (or equivalent). The cost of Franchisee's white pages and yellow pages advertising (or equivalent) shall be borne by Franchisee. Franchisee may not solicit business through the use of an 800 (or other toll-free) number, direct mail or other advertising method without Franchisor's prior written consent.

3. Other than as amended herein, all of the provisions of the Franchise Agreement remain in effect.

The parties have executed this Agreement on the date first written above.

WABA GRILL FRANCHISE CORP.

By:

Signature

Print Name & Title

FRANCHISEE

By:

Signature

Print Name & Title

EXHIBIT D

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EXHIBIT E**LIST OF CURRENT FRANCHISEES****CALIFORNIA**

City	Franchisee	Address	Telephone Number
Anaheim	Alireza Makoui	1125 S. Anaheim Blvd. Anaheim, CA 92805	714-991-9222
Anaheim	Alireza Makoui	515 W. Chapman Ave. Anaheim, CA 92802	714-935-9222
Anaheim	George Abdallah	2016 East Lincoln Ave. Anaheim, CA 92806	714-999-8894
Anaheim	Seung Gil Na	1200 S. Beach Blvd. Anaheim, CA 92804	714-226-0716
Apple Valley	Jaspreet Bajwa	14898 Dale Evans Pkwy #110. Apple Valley, CA 92307	760-240-0609
Baldwin Park	Tony Park	4138 N. Maine Ave. #M-1. Baldwin Park, CA 91706	626-960-1220
Bell Gardens	Javier Martinez / Marisela Aldana	6939 Eastern Ave. #F. Bell Gardens, CA 90201	323-560-9222
Bellflower	Michael Kim	15794 Bellflower Blvd. Bellflower, CA 90706	(562) 202-4668
Carson	Daniel Kim	514 Torrance Blvd. Carson, CA 90745	310-320-9222
Castaic	Sandeep Chahal	31739 Castaic Road, Castaic, CA 917384	661 295 9222
Cerritos	Nazeef Kazi	13313 Artesia Blvd. Cerritos, CA 90703	562-299-0123
Chatsworth	Jessica Sohn	21534 Devonshire St. # B Chatsworth, CA 91311	818-678-6607
Chino	Kenny Oh	4110 Edison Ave. # 105. Chino, CA 91710	909-591-1488
Chino Hills	Mukund Jiyani / Radha Patel	4517 Chino Hills Pkwy, Unit #C. Chino Hills, CA 91709	909-321-9093
Claremont	Kenny Oh	440 Auto Center Dr. Claremont, CA 91711	909-624-8333
Colton	Fermin Hernandez	1040 S. Mt. Vernon Ave. Colton, CA 92324	909-420-9222
Commerce	Bo Moon Choi	5684 Whittier Blvd. Commerce, CA 90022	323-722-3553
Commerce	Patrick Kim	5211 E. Washington Blvd. #1. Commerce, CA 90040	323-262-7388
Corona	Jabir S. Sangha	490 Hidden Valley Pkwy. #102. Corona, CA 92879	951-738-9086

Corona	Mukund Jiyani / Radha Patel	1760 W. 6th Street, #103. Corona, CA 92882	951-547-4174
Corona	Raj Sangha	577 N. McKinley Corona, CA 92879	951-520-1071
Corona	Stonehill Group	1222 Magnolia Ave. Suite #E106. Corona, CA 92881	951-735-6688
Covina	Kenny Oh	1407 N. Azusa Ave. Covina, CA 91722	626-969-8333
Cypress	Raj Sandhu	9535 Valley View St. Cypress, CA 90630	714-886-2558
Downey	Mark Kim	8258 Firestone Blvd. Downey, CA 90241	562-861-7555
Eastvale	Raj Sangha	12762 Limonite Ave. Suite 106. Eastvale, CA 92880	951-280-0479
Fontana	Arnold Hou	16637 Sierra Lakes Pkwy. Fontana, CA 92336	909-429-8888
Fontana	Javier Gomez	16232 Foothill Blvd Ste D. Fontana, CA 92335	909-990-6500
Fontana	Kenny Oh	9870 Sierra Ave Suite D. Fontana, CA 92335	909-357-1535
Fontana	Raj Sangha	11647 Cherry Ave. Fontana, CA 92337	(909)355-3222
Foothill Ranch	Jeong Woo Lee	26771 Portola Parkway Foothill Ranch, CA 92610	949-583-1506
Fullerton	Howard Ji	1105 S. Euclid St. Ste G. Fullerton, CA 92832	714-869-3800
Fullerton	Trivest Inc.	565 N. Commonwealth Ave. Fullerton, CA 92831	714-853-1672
Gardena	Soon Kim / Lina Lee	14219 S. Western Ave #F. Gardena, CA 90249	310-515-9222
Glendora	Manuel Ruiz	630 South Grand Ave. #105. Glendora, CA 91740	626-335-5530
Hawthorne	Javier Martinez / Marisela Aldana	12620 Hawthorne Blvd. #B. Hawthorne, CA 90250	310-973-9222
Hawthorne	Seung Gil Na	4850 W. Rosecrans Ave. Hawthorne, CA 90250	310-644-9222
Hesperia	Arnold Hou	12721 Main St. Hesperia, CA 92345	760-244-8592
Hesperia	Jaspreet Bajwa	15555 Main St. Hesperia, CA 92345	760-947-5700
Highland	Peter Marshall / Leree Marshall	27923 Greenspot Road, Suite D. Highland, CA 92346	909-863-9222
Huntington Beach	Gladys C. Sanchez	18641 Beach Blvd. Huntington Beach, CA 92648	714-375-9222
Huntington Beach	Gurpreet Maan	21212 Beach Blvd #7. Huntington Beach, CA 90248	714-374-9100
Huntington Park	Mark & Joanne Kim	5933 State St. Huntington Park, CA 90255	323-589-5515

Indio	Ramanjit Brar	42250 C Jackson St. Indio, CA 92203	(760) 347-9783
Inglewood	Park Mi Kyung	4956 West Century Blvd. #7B, Inglewood, CA 90304	310-671-9222
Irwindale	Peggy Lee	5200 Rivergrade Rd. Irwindale, CA 91706	626-814-8804
La Quinta	Ramanjit Brar	79024 Hwy 111, Ste 104. La Quinta, CA 92253	760-980-0845
La Verne	Yu Cheng	2855 Foothill Blvd. La Verne, CA 91750	(909) 596-6801
Laguna Niguel	Ron Rodarte / Jeong Lee	30190 Town Center Dr. # C. Laguna Niguel, CA 92677	949-388-2880
Lake Forest	Howard Ji	23646 Rockfield Blvd. Lake Forest, CA 92630	949-305-0505
Lakewood	Moe (Mohammed) Ekram	4144 1/2 Woodruff Ave. Lakewood, CA 90713	562-316-5155
Loma Linda	Hilario Raygoza	25717 Barton Rd. Loma Linda, CA 92354	909-799-3696
Los Angeles	Bo Moon Choi	2324 Whittier Blvd. # 8. Los Angeles, CA 90023	323-262-5862
Los Angeles	Byong S. Cho	650 S. Western Ave. Los Angeles, CA 90010	213-384-9900
Los Angeles	Daniel Kim	7109 Sunset Blvd. Los Angeles, CA 90046	323 845 9222
Los Angeles	Danny Choi	6316 N. Figueroa St. Los Angeles, CA 90042	323-675-1090
Los Angeles	Greg Adler	632 Redondo Ave. Los Angeles, CA 90814	562-386-2268
Los Angeles	Jae Kim	726 N. Western Ave. Los Angeles, CA 90029	323-952-6581
Los Angeles	Javier Martinez / Marisela Aldana	3028 N Broadway. Los Angeles, CA 90031	323-222-9222
Los Angeles	Javier Martinez / Marisela Aldana	5857 S. Central Ave. Los Angeles, CA 90001	(323) 846-9222
Los Angeles	Michael Kim	1907 S Alameda St #101. Los Angeles, CA 90058	213-749-0703
Los Angeles	Michael Kim	3113 N. San Fernando Rd. Los Angeles, CA 90065	323-478-9222
Los Angeles	Michael Kim & Daniel Kim	508 E. Washington Blvd. Los Angeles, CA 90015	213-747-9222
Los Angeles	Sun Ki Kim / Jimmy Ahn	5539 Manchester Ave Los Angeles, CA 90045	310-410-9300
Lynwood	Javier Martinez / Marisela Aldana	11123 Long Beach Blvd. #12. Lynwood, CA 90262	310-637-9222

Maywood	Mark Kim	4432 E Slauson Ave. Maywood, CA 90270	323-484-9988
Mission Viejo	Cina Deng	25800 Jeronimo Rd.#401B Mission Viejo, CA 92691	949-380-8803
Monrovia	Javier Martinez / Marisela Aldana	186 W. Foothill Blvd. Monrovia, CA 91016	626-930-9222
Montclair	Kenny Oh	9015-D Central Ave. Montclair, CA 91763	909-626-4500
Montebello	Jennifer Rhee	1220 S Greenwood Ave. Montebello, Ca 90640	323-722-2004
North Hollywood	Jimmy Ahn	12643 Sherman Way #A North Hollywood, CA 91605	818-982-1000
Northridge	Byung Kim , Panos Grivakis	18427 Nordhoff St. Northridge, CA 91325	818-960-2331
Norwalk	Jung Soo Lee	11005 Firestone Blvd. #112. Norwalk, CA 90650	562-863-8917
Ontario	Christine Park	800 S Milliken Ave. Ontario, CA 91761	909-605-9479
Ontario	Hilario Raygoza	5030 E. 4th St., Ontario, CA 91764	909-980-1019
Ontario	Kenny Oh	1337 N Mountain Ave. Ontario, CA 91762	909-391-1833
Ontario	Raj Sangha	2598 S. Archibald Ave.Ontario, CA 91761	909 947 7057
Ontario	Tony Park	1343 E. 4th St. Ontario, CA 91764	909 781 5200
Ontario	Tony Park	1055 West Philadelphia St. Ontario, CA 91762	909-984-2523
Orange	David Tang	1521 E. Katella Ave. Orange, CA 92867	714-997-9410
Orange	Raj Sandhu	3070 W Chapman Ave Unit A. Orange, CA 92868	714-939-2000
Oxnard	Suh Koon H	2373 N. Oxnard Blvd., Oxnard, CA 93036	805-485-6000
Palm Springs	Ramanjit Brar	5001-I E. Ramon Rd. Suite 2- A. Palm Springs, CA 92264	760-980-0827
Panorama City	Chong Cha	14504 Nordhoff St Panorama City, CA 91402	818-893-5557
Pasadena	Young M. Kim	753 S Arroyo Parkway. Pasadena, CA 91105	626-710-4602
Phoenix	Marvin Rose	16635 Tatum Blvd. Phoenix, AZ 85032	602-626-5775
Placentia	Minita & Nilesh Patel	720 N. Rose Dr. Placentia, CA 92870	714-577-9222
Pomona	Jaspreet Bajwa	2063 Rancho Valley Dr. Ste. 310. Pomona, CA 91766	909-397-4226
Rancho Cucamonga	Hilario Raygoza	9670 Haven Ave. # 104. Rancho Cucamonga, CA	909-945-3241

		91730	
Rancho Cucamonga	Hilario Raygoza	8110 Milliken Ave. #106. Rancho Cucamonga, Ca 91730	909-989-5273
Rialto	Manuel Ruiz	1290 Foothill Blvd. Rialto, CA 92376	909-873-9222
Riverside	Mukund Jiyani / Radha Patel	6350 Van Buren Blvd. #100. Riverside, CA 92503	951-729-6370
Riverside	Pamela Gek Taing, Sara	3758 La Sierra Ave. Suite D. Riverside, CA 92505	951-977-8142
Riverside	Stonehill Group, Inc	2585 Canyon Springs Parkway #C. Riverside, CA 92507	(951) 656-5008
Riverside	Tony Park	8882 Limonite Ave. Riverside, CA 92509	951-934-3881
San Bernardino	Henry Olivier	2999 W. Kendall Dr., Unit B- 20. San Bernardino, CA 92407	909-880-1011
San Bernardino	Javier Gomez	3993 N. Sierra Way. San Bernardino, CA 92405	909-804-8300
San Bernardino	Jin Li	1594 W. Base Line St. San Bernardino, CA 92411	909-383-4958
San Diego	Sung Pyo Hong	6353 El Cajon Blvd., Suite 120. San Diego, CA 92115	619-795-8884
San Fernando	Jong Pil Park	12940 Foothill Blvd. Unit E. San Fernando, CA 91342	818-838-1000
San Jacinto	Ramanjit Brar	1211 N. State St. #C. San Jacinto, CA 92583	951-654-7888
Santa Ana	Alireza Makoui	431 East First Street Suite 4- F. Santa Ana, CA 92701	714-835-9222
Santa Ana	Alireza Makoui	3750 W. McFadden Ave Ste. B. Santa Ana, CA 92704	714-775-9222
Santa Ana	Alireza Makoui	1703 E. McFadden Ave. Santa Ana, CA 92705	714-973-9222
Santa Ana	Dong Ok Lim	1268 E. 17th St. Suite A. Santa Ana, CA 92701	714-558-7232
Santa Ana	Dong Ok Lim	1130 W. Warner Ave. Santa Ana, CA 92704	657-356-0521
Santa Ana	Dong Ok Lim	1215 E. Warner Ave. Santa Ana, CA 92705	714-641-1175
Santa Ana	Yeong Joong Kim	2720 S Harbor Blvd. #B, Santa Ana, CA 92704	714-979-2284
Santa Clarita	Gurpreet Maan / Gurpreet Boparai	19120 Soledad Canyon Rd. Santa Clarita, CA 91357	661-367-7297
Signal Hill	Greg Adler	2162 E. Willow St. Signal Hill, CA 90755	562-426-8180
Simi Valley	Rajpal Behniwal	2941 Cochran St. Simi Valley, CA 93065	805-578-4565

South Gate	Javier Martinez / Marisela Aldana	4181 Tweedy Blvd. South Gate, CA 90280	323-567-9222
South Gate	Salvador Raygoza / Ramon Cardenas	2647 Santa Ana St. South Gate, CA 90255	323-537-2057
Stanton	Alireza Makoui	7048 Katella Ave. Stanton, CA 90680	714-893-4777
Tarzana	Kook Hee Lee	18739 Ventura Blvd. Tarzana, CA 91356	818-881-9222
Temecula	Edward Cartaya / Mary Anne Cartaya	32389 Temecula Parkway #110. Temecula, CA 92592	951-302-7295
Temecula	Edward Cartaya / Mary Anne Cartaya	26490 Ynez Rd. Temecula, CA 92591	951-676-9672
Torrance	Bo Moon Choi	1640 W. Carson St. A. Torrance, CA 90501	310-782-9222
Upland	Hilario Raygoza	899 W. Foothill Blvd. Upland, Ca 91786	909-985-2800
Van Nuys	Genario Frias / Maria Ochoa	7135 Sepulveda Blvd. Van Nuys, CA 91405	818-616-3272
Ventura	Navreet Boparai / Gurpreet Boparai	4726 Telephone Road Ste 1A. Ventura, CA 93003	805-339-0012
Victorville	Jaspreet Bajwa	15683 Roy Rogers Drive Unit 301. Victorville, CA 92394	760-241-6800
Walnut	Kenny Oh	385 S. Lemon Ave. # A. Walnut, CA 91789	909-594-8333
West Covina	Regine Zhao	2500 S Azusa Ave. West Covina, CA 91792	626-964-4848
West Covina	Stonehill Group	245 North Barranca St. #4. West Covina, CA 91791	626-339-8666
Whittier	Dong Lim	10138 Carmenita Rd.. Whittier, CA 90605	562-941-9222
Wildomar	Richard Warner / Kathy Warner	23905 Clinton Keith Road Suite 101. Wildomar, CA 92595	951-677-9966
Yorba Linda	Augustine Velarde / Keith Uphold	21480 Yorba Linda Blvd. Suite B. Yorba Linda, Ca 92887	714-695-9700
Yucaipa	Peter Marshall / Leree Marshall	33492 Oak Glen Rd. #L. Yucaipa, CA 92399	909-797-3600

EXHIBIT F

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

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

Franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the fiscal year ended December 31, 2015 or who have not communicated with us within 10 weeks of the date of the issuing date of this disclosure document:

Name	Last known address	Last known telephone number	Period of operation	Reason for departure	Period of Franchisor Retaining Control
Choon Tanaka	1011 Avenida Pico #C. San Clemente, CA 92673	949-388-7111	October 2011 - January 2016	Closed	N/A
Choon Tanaka	12880 Beach Blvd., Suite A. Stanton, CA 90680	714-891-9222	November 2014 - June 2016	Closed	N/A

EXHIBIT G

FINANCIAL DOCUMENTS

Financial Statements

WABA GRILL FRANCHISE CORPORATION

Report of Independent Auditors

For the years ended December 31, 2017 and 2016

WABA GRILL FRANCHISE CORPORATION

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Waba Grill Franchise Corporation
City of Industry, California

We have audited the accompanying financial statements of Waba Grill Franchise Corporation (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waba Grill Franchise Corporation as of December 31, 2017 and 2016, and the results of its operations, changes in stockholder's equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sabocor & Co., LLP

February 28, 2018
Los Angeles, California

WABA GRILL FRANCHISE CORPORATION

Balance Sheets **December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash (Note 2)	\$ 381,196	\$ 571,202
Accounts receivable, net (Note 3)	287,044	261,871
Inventories (Note 2)	96,072	100,269
Prepaid expenses and other current assets (Note 4)	534,366	401,112
Loans receivable - current portion (Note 5)	493,282	463,274
Deferred tax asset, current (Note 10)	415	63,838
Total current assets	<u>1,792,375</u>	<u>1,861,566</u>
Property and equipment, net of accumulated depreciation (Note 6)	<u>6,007,691</u>	<u>6,235,703</u>
Other non-current assets		
Security deposits (Note 9)	204,938	204,938
Loans receivable - non-current portion (Note 5)	20,825	-
Other assets (Note 2)	576,528	606,287
Total non-current assets	<u>802,291</u>	<u>811,225</u>
Total assets	<u>\$ 8,602,357</u>	<u>\$ 8,908,494</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 527,592	\$ 753,910
Income taxes payable (Note 10)	322,601	310,329
Unearned revenues, current (Note 2)	45,000	220,000
Current portion of notes payable (Note 8)	607,117	889,155
Total current liabilities	<u>1,502,310</u>	<u>2,173,394</u>
Unearned revenues, non-current (Note 2)	<u>1,255,000</u>	<u>1,345,119</u>
Non-current portion of notes payable (Note 8)	<u>1,842,571</u>	<u>2,427,787</u>
Total liabilities	<u>4,599,881</u>	<u>5,946,300</u>
Stockholder's equity		
Common stock, no par value, 1,000,000 shares authorized; 100,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	340,000	340,000
Retained earnings	3,562,476	2,522,194
Total stockholder's equity	<u>4,002,476</u>	<u>2,962,194</u>
Total liabilities and stockholder's equity	<u>\$ 8,602,357</u>	<u>\$ 8,908,494</u>

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

Statements of Income

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues from franchised outlets		
Royalty income (Note 2)	\$ 5,259,552	\$ 4,902,413
Initial franchise fees (Note 2)	<u>535,000</u>	<u>535,000</u>
	<u>5,794,552</u>	<u>5,437,413</u>
Gross profit of franchisor-owned outlets		
Restaurant sales	16,207,720	12,934,140
Cost of sales	<u>(5,156,567)</u>	<u>(3,965,208)</u>
	<u>11,051,153</u>	<u>8,968,932</u>
Miscellaneous income (Note 2)	<u>557,478</u>	<u>687,358</u>
Revenues, net	<u>17,403,183</u>	<u>15,093,703</u>
General and administrative expenses		
Salaries and related expenses	7,883,571	6,526,506
Rent expense (Note 9)	1,852,941	1,294,889
Sales and other taxes	1,357,877	1,072,173
Depreciation and amortization (Note 6)	945,442	634,822
Professional fees	865,233	617,126
Insurance expense	680,037	583,360
Utilities	567,868	387,317
Repair and maintenance	336,653	219,845
Advertising and promotion (Note 2)	329,083	335,820
Automobile expenses	152,961	166,798
General and administrative expense	798,309	587,551
Total general and administrative expense	<u>15,769,975</u>	<u>12,426,207</u>
Income before income taxes	<u>1,633,208</u>	<u>2,667,496</u>
Income taxes (Note 10)		
Current	439,745	1,454,381
Deferred	<u>93,181</u>	<u>(450,339)</u>
Total income tax expense	<u>532,926</u>	<u>1,004,042</u>
Net income	<u>\$ 1,100,282</u>	<u>\$ 1,663,454</u>

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

**Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2017 and 2016**

	Common Stocks		Additional Paid-in Capital	Retained Earnings	Total
	Number Shares	Amount			
Balance, December 31, 2015	100,000	\$ 100,000	\$ 340,000	\$ 918,740	\$ 1,358,740
Dividends declared and paid (Note 11)				(60,000)	(60,000)
Net income				1,663,454	1,663,454
Balance, December 31, 2016	100,000	100,000	340,000	2,522,194	2,962,194
Dividends declared and paid (Note 11)				(60,000)	(60,000)
Net income				1,100,282	1,100,282
Balance, December 31, 2017	100,000	\$ 100,000	\$ 340,000	\$ 3,562,476	\$ 4,002,476

WABA GRILL FRANCHISE CORPORATION

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,100,282	\$ 1,663,454
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	945,442	634,822
Net loss from sale of business automobile	48,220	664
Bad debt provision	-	9,879
Changes in operating assets and liabilities:		
Accounts receivable	(25,173)	(121,838)
Inventories	4,197	(47,320)
Prepaid expenses and other current assets	(133,254)	(41,792)
Deferred tax assets	63,423	16,409
Accounts payable and accrued expenses	(226,318)	353,313
Income taxes payable	12,272	(385,714)
Deferred revenues	(255,000)	(494,894)
Net cash provided by operating activities	<u>1,534,091</u>	<u>1,586,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(759,011)	(3,596,309)
Disposal of property and equipment	13,000	-
Auto loan payable payments	(27,725)	(93,831)
Security deposit	-	(67,053)
Notes receivable collection from CCG	-	453,966
Store franchisees acquisition	-	(296,573)
Additional loan from BKE	(50,832)	-
Payment on acquired franchisee	-	(120,000)
Net cash used in investing activities	<u>(824,568)</u>	<u>(3,719,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on commercial term loans	(699,529)	2,447,636
Repayment of line of credit	(962,000)	(1,001,540)
Usage of line of credit	797,000	412,000
Loan from supplier	25,000	361,575
Dividends paid	(60,000)	(840,000)
Net cash (used in) provided by financing activities	<u>(899,529)</u>	<u>1,379,671</u>
NET DECREASE IN CASH	<u>(190,006)</u>	<u>(753,146)</u>
CASH, beginning of year	<u>571,202</u>	<u>1,324,348</u>
CASH, end of year	<u>\$ 381,196</u>	<u>\$ 571,202</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:		
Interest paid	\$ 122,101	\$ 87,874
Income taxes	\$ 712,623	\$ 1,844,672

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 1 - ORGANIZATION

Waba Grill Franchise Corporation (the "Company") was formed as Waba Grill, LLC, a California limited liability company, on December 3, 2008. On November 28, 2011, Waba Grill, LLC was converted into a California C-Corporation and renamed Waba Grill Franchise Corporation. The Company was originally incorporated as Waba Grill, Inc. in November 2006.

The Company is engaged in selling franchises for retail restaurant operations under the "Waba Grill" or "WaBa Grill Teriyaki House" name and related marks specializing in the preparation and sale of teriyaki menu items and beverages. Waba Grill restaurants typically sell freshly-prepared teriyaki-styled food and other food and beverage products ("Menu Items") and provide carry-out, and on-premises dining services. Menu Items are prepared according to proprietary recipes, sauces and procedures and use high quality ingredients, including specially formulated and specifically produced meats and other food products that are branded, trademarked, and packaged exclusively for the Company's system and franchise owners.

The Company had 175 and 150 franchises, including 23 and 20 Company owned restaurants stores for the years ended December 31, 2017 and 2016, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash

The Company considers all highly liquid investments, which are readily convertible into known amount of cash and have a maturity of three months or less when acquired to be cash. As of December 31, 2017 and 2016, cash amounted to \$381,196 and \$571,202.

Accounts Receivable

Accounts receivable represents royalties due from franchisees. It is stated at the amount the Company expects to collect from outstanding balances. The Company continuously reviews amounts due. When there is indication based on experience, collection pattern, and other factors that a receivable may be uncollectible, an allowance for probable losses is recognized by charging provision for probable losses to operations. When management determines the amount to be uncollectible, it is charged to the allowance for probable losses or directly written-off as bad debts.

The need for an allowance for doubtful accounts is reviewed on a franchisee basis. The Company considers historical experience, the age of the accounts receivable balances, credit quality of the Company's franchisees, current economic conditions, and other factors that may affect the franchisee's ability to pay. As of December 31, 2017 and 2016, management determined that allowance for doubtful accounts are adequate to reduce accounts receivable to its net realizable value.

Inventories

Inventories consist primarily of food, beverages, and other supplies in Company-owned restaurants are stated at the lower of cost or market using the first-in, first-out method. As of December 31, 2017 and 2016, inventories amounted to \$96,072 and \$100,269, respectively.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are stated at cost. Depreciation is charged to operations over the estimated useful lives of the assets, generally five to seven years, using the straight-line method.

Leasehold improvements are amortized over the shorter of the remaining life of the lease or the estimated useful life of the improvement. Expenditures for repairs are expensed as incurred, while those for additions, renewals, and betterments are capitalized.

Impairment of Long-Lived Assets

The Company reviews long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the years ended December 31, 2017 and 2016, there were no events or changes in circumstances indicating that the carrying amount of any long-lived assets may not be recoverable.

Other Assets

Following are the Company's other assets as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Deferred tax assets - non-current - see Note 10	\$ 407,030	\$ 436,789
Intangible assets, net of \$2,050 accumulated amortization:	20,460	20,460
Goodwill	<u>149,038</u>	<u>149,038</u>
Total	<u>\$ 576,528</u>	<u>\$ 606,287</u>

Goodwill is subject to periodic evaluation for impairment. As of December 31, 2017 and 2016, goodwill amounted to \$149,038.

Franchise Agreements

The Franchise agreements require the Company to provide assistance to the franchisees with facility layout, initial training, opening assistance, proprietary food products, new products, supplies, advisory services, and other goods and services as described in the franchise agreements. The franchisees must receive approval of the site and local advertising from the Company. The franchisees cannot open its doors to the public until they receive a completion certificate from the Company.

Under the terms of the franchise agreements, franchisees pay an initial franchise fee for each unit to be opened within a protected area. Recurring fees consist of weekly royalty and marketing fees.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

Revenues are principally derived from initial franchise fees, franchise royalties and retail sales of Company-owned restaurants. The Company's revenue recognition policies are designed to recognize revenues at the time services are substantially performed in accordance with FASB ASC Topic 952-605, "Franchisor Revenue Recognition". Franchise income consist of: (i) initial franchise fees, (ii) area development fees, and (iii) royalties.

Initial Franchise Fee

Initial franchise fees from individual franchise sales are recognized as revenues when all material services or conditions of the franchisor required by the franchise agreement have been substantially performed or satisfied by the Company. Area development fees relating to area franchise sales are accounted for in the same manner and under the same conditions related to individual franchise sales. Where the Company's substantial obligations relate to the area franchise and do not depend on the number of individual franchises to be established, substantial performance is established using the same criteria applicable to individual franchise sales.

Royalty Income

Royalties from franchises, which range from 25% to 32% of gross revenues, are recognized as revenues when earned. Initial franchise fees pursuant to area development agreements granting the right to develop franchised restaurants in future periods in specific geographic areas are deferred and are included as unearned revenues in the financial statements.

Current and non-current unearned revenues amounted to \$45,000 and \$1,255,000, respectively, for the year ended December 31, 2017 and \$220,000 and \$1,345,119, respectively, for the year ended December 31, 2016. Revenues from franchise fees and royalties amounted to \$535,000 and \$5,259,552 for the year ended December 31, 2017 and \$535,000 and \$4,902,413 for the year ended December 31, 2016, respectively.

Advertising and Promotion

The Company expenses the production costs of advertising when the advertisements are first displayed. All other advertising, marketing, and promotional costs are expensed as incurred. As of December 31, 2017 and 2016, advertising costs amounted to \$329,083 and \$335,820, respectively.

Marketing Fund

Under the terms of the franchise agreements, franchisees can be required to contribute up to 2% of weekly net sales to the marketing fund. The Company, as franchisor, administers the fund for advertising, marketing, and public relations programs to promote Waba Grill restaurants. Records of the marketing fund are maintained separately on the accrual method of accounting. During the years ended December 31, 2017 and 2016, franchisees paid \$2,310,963 and \$2,200,494 to the marketing fund, respectively. As of December 31, 2017 and 2016, the marketing fund balance amounted to \$310,081 and \$553,884, which is held in trust by the Company and which amount, including all fund activities are not included in the financial statements.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Marketing Fund - Continued

During the years ended December 31, 2017 and 2016, the Company received \$250,264 and \$330,074, respectively, for administering the marketing fund. These amounts are recorded as marketing service fee revenues and are included in miscellaneous income in the accompanying statements of income.

Income Taxes

The Company accounts for income taxes using the liability method. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statements and tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Under ASC 740, tax benefits are recorded only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. At December 31, 2017, the Company had no income tax liabilities with respect to uncertain tax positions.

The Company's income tax returns for the years 2014 and beyond are open to examination by the Internal Revenue Services. Its income tax returns for the years 2013 and beyond are open to examination by the Franchise Tax Board.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high credit quality financial institutions and, by policy, limits its credit exposure.

Risks and Uncertainties

The Company's operations are substantially affected by economic conditions, which may vary significantly by market and can impact consumer disposable income levels and spending habits. Supply chain interruptions, including due to lack of supply or price increases, can adversely affect the Company. Brand value is based in part on consumer perceptions on a variety of factors, including nutritional content and preparation of the Company's food, practices and the manner in which the Company sources the commodities it uses. Consumer acceptance is subject to change for a variety of reasons.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Actual results could differ from those estimates. The most significant estimates relate to depreciation and allowance for doubtful accounts. Management believes these estimates and assumptions are reasonable.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, and other current assets and liabilities, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity.

Miscellaneous Income

For the years ended December 31, 2017 and 2016, the following comprise miscellaneous income:

	<u>2017</u>	<u>2016</u>
Marketing administrative income	\$ 250,264	\$ 330,074
Tenant improvements	141,045	242,371
Interest income	1,920	5,633
Other miscellaneous income	<u>164,249</u>	<u>109,280</u>
Total	<u>\$ 557,478</u>	<u>\$ 687,358</u>

In 2015, Lee Kum Kee USA Inc., the Company's supplier of sauces, entered into a marketing agreement with the Company to support the Company's growth in 2016 and 2017. Lee Kum Kee USA Inc. paid the Company \$12,500 per quarter starting May 11, 2016 on condition that all Franchised and Franchisor owned outlets must use all Lee Kum Kee USA Inc's made for WABA sauces.

For the years ended December 31, 2017 and 2016, Lee Kum Kee's commitment income amounted to \$75,000 for each year, reflected in other miscellaneous income portion of the income statement.

New Accounting Pronouncement

In the normal course of business, the Company evaluates all new accounting standards to determine the potential impact they may have on the financial statements. Based upon this review, the Company does not expect any of the recently issued accounting standards, which have not already been adopted by the Company, to have a material impact on the financial statements.

Leases

In February 2016, Financial Accounting Standards Board (FASB) issued an amendment to the *FASB Accounting Standard Codification* and created Topic 842, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Recently Issued Accounting Standards – Continued

Leases - Continued

The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments is permitted for all entities.

Deferred Taxes

On November 20, 2015, the FASB issued Accounting Standards Update (ASU) 2015-17, Balance Sheet Classification of Deferred Taxes. The amendment requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. As a result, each jurisdiction will now only have one net non-current deferred tax asset or liability. The amendments in this ASU apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this ASU.

The ASU is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018.

Goodwill

In January 2017, the FASB issued guidance to simplify the accounting for goodwill impairment. Under the guide, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable.

The Board also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets.

The FASB guidance should be adopted for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

Subsequent Events

The Company evaluated subsequent events through February 28, 2018, the date the financial statements were available to be issued - see Note 14.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 296,923	\$ 271,750
Less allowance for doubtful accounts	<u>9,879</u>	<u>9,879</u>
Accounts receivable, net	<u>\$ 287,044</u>	<u>\$ 261,871</u>

Allowance for doubtful accounts consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Allowance for doubtful accounts, beginning	\$ 9,879	\$ -
Add provision for bad debts	-	9,879
Less accounts written off	-	-
Allowance for doubtful accounts, ending	<u>\$ 9,879</u>	<u>\$ 9,879</u>

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2017 and 2016, the following comprise prepaid expenses and other current assets:

	<u>2017</u>	<u>2016</u>
Prepaid expenses:		
Rent	\$ 157,657	\$ 155,935
Insurance	60,025	54,872
Property tax	16,106	5,403
Legal	-	10,000
Others	<u>4,739</u>	<u>11,712</u>
	<u>238,527</u>	<u>237,922</u>
Others:		
Marketing service receivable	250,264	125,257
Interest receivable	39,849	37,933
Change orders (Coins and Currency)	<u>5,726</u>	<u>-</u>
	<u>295,839</u>	<u>163,190</u>
Total	<u>\$ 534,366</u>	<u>\$ 401,112</u>

Marketing service receivable represents the amount the Company expects to collect from the Marketing Fund for administering the fund. At December 31, 2017 and 2016, marketing service receivable amounted to \$250,264 and \$125,257, respectively.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 5 - LOANS RECEIVABLE

The Company's loans receivable from BKE, Inc. (Parent) bear interest rates ranging from 4.5% to 6% and mature at various dates starting June 2016. In 2017, the Company made loans to its parent aggregating \$50,832 which bears interest at 4.50% per annum.

As of December 31, 2017 and 2016, loans receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Current portion	\$ 493,282	\$ 463,274
Non-current portion	<u>20,825</u>	<u>-</u>
Total	<u>\$ 514,107</u>	<u>\$ 463,274</u>

The Company collected \$0 and \$453,966 in 2017 and 2016, respectively.

NOTE 6 - PROPERTY AND EQUIPMENT

As of December 31, 2017 and 2016, property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Automobiles	\$ 297,291	\$ 375,800
Machinery and equipment	1,024,164	958,793
Furniture and fixtures	871,227	708,243
Leasehold improvement	<u>6,055,275</u>	<u>5,524,619</u>
Total cost	8,247,957	7,567,455
Less accumulated depreciation	<u>(2,240,266)</u>	<u>(1,331,752)</u>
Total property, plant and equipment, net	<u>\$ 6,007,691</u>	<u>\$ 6,235,703</u>

In 2017, the Company purchased property and equipment aggregating \$759,011. In 2017, the Company disposed of three of its automobiles with an aggregate cost of \$78,509. Depreciation and amortization expense for the years ended December 31, 2017 and 2016 amounted to \$945,442 and \$634,822, respectively.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At December 31, 2017 and 2016, accounts payable and accrued expenses consist of the following:

	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 305,094	\$ 449,276
Accrued expense	-	110,106
Sales taxes payable	99,983	87,866
Payroll liabilities	<u>122,515</u>	<u>106,662</u>
Total	<u>\$ 527,592</u>	<u>\$ 753,910</u>

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 8 - NOTES PAYABLE

As of December 31, 2017 and 2016, the following comprise notes payable:

	<u>2017</u>	<u>2016</u>
Current portion		
Auto loan payable	\$ 27,915	\$ 27,367
Line of credit used in 2016 - see Note 12	-	412,000
Line of credit used in 2017 - see Note 12	247,000	-
Term loan payable	332,202	319,828
Due to CCG, LLC	-	129,960
Total	<u>607,117</u>	<u>889,155</u>
Non-current portion of notes payable	<u>1,842,571</u>	<u>2,427,787</u>
Total	<u>\$ 2,449,688</u>	<u>\$ 3,316,942</u>

In 2017, the Company paid off its loan to CCG, LLC amounting to \$385,000.

As of December 31, 2017, future minimum principal payments on notes payable are as follows:

2018	\$ 607,117
2019	364,599
2020	370,689
2021	381,828
2022 and thereafter	725,455
Total	<u>\$ 2,449,688</u>

Following are the details of the Company's notes payable as of December 31, 2017:

Description	Interest rates	Monthly payments	Maturity dates	2017	2016
Auto loan - Hyundai	2.90%	\$ 405	September 2019	\$ 8,777	\$ 14,584
Auto loan - Lexus	1.90%	959	April 2019	14,288	28,134
Auto loan - Porsche	5.25%	1,075	September 2021	45,359	57,199
Commercial term loan	3.75%	33,946	October 2023	2,134,264	2,447,636
Note to supplier	5.25%	10,830	November 2019	-	357,389
Line of credit payable	-	-	October 2019	247,000	412,000
				<u>\$ 2,449,688</u>	<u>\$3,316,942</u>

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 9 - COMMITMENTS

The Company's office premises and restaurant locations are leased under operating lease agreements. Generally, operating leases contain renewal options on substantially the same basis as current rental terms.

Rent expense charged to operations under operating lease agreement amounted to \$1,852,941 and \$1,294,889 in 2017 and 2016, respectively.

As of December 31, 2017, future minimum lease commitments under non-cancellable leases and subleases are as follows:

	Corporate Office	Restaurant	Commercial Lease	Total
2018	\$ 155,871	\$ 1,299,687	\$ 48,870	\$ 1,504,428
2019	155,871	1,266,420	48,870	1,471,161
2020	-	1,147,103	48,870	1,195,973
2021	-	1,115,393	48,870	1,164,263
2022 and thereafter	-	4,220,590	61,088	4,281,677
Total	<u>\$ 311,742</u>	<u>\$ 9,049,192</u>	<u>\$ 256,568</u>	<u>\$ 9,617,502</u>

As of December 31, 2017 and 2016, the Company has security deposits for its lease and utilities amounting to \$204,938.

NOTE 10 - INCOME TAXES

Income taxes for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Current		
Federal	\$ 376,786	\$ 1,154,271
State	62,959	300,110
Total current	<u>439,745</u>	<u>1,454,381</u>
Deferred		
Federal	96,400	(374,015)
State	(3,219)	(76,324)
Total deferred	<u>93,181</u>	<u>(450,339)</u>
Total	<u>\$ 532,926</u>	<u>\$ 1,004,042</u>

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 10 - INCOME TAXES - Continued

Following is a reconciliation of the statutory federal income tax rate (34%) applied to pre-tax book income with the income taxes:

	<u>2017</u>	<u>2016</u>
Federal taxes at statutory rate	\$ 555,290	\$ 906,949
State tax provision, net of federal tax benefit	98,724	160,028
Permanent items	20,309	27,852
Others	(141,397)	(90,787)
Total	<u>\$ 532,926</u>	<u>\$ 1,004,042</u>

As of December 31, 2017 and 2016, net deferred tax asset consist of the following:

	<u>2017</u>	<u>2016</u>
Current		
State income tax	\$ (3,817)	\$ 59,606
Bad debts	4,232	4,232
Total	415	63,838
Non-current		
Fixed assets (Note 2)	407,030	436,789
Total	<u>\$ 407,445</u>	<u>\$ 500,627</u>

Following amounts comprise income tax payable as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Income tax payable - federal	\$ 325,974	\$ 316,234
Income tax payable - state	(3,373)	(5,905)
Total	<u>\$ 322,601</u>	<u>\$ 310,329</u>

In 2017, the Company received Federal and State refund amounting to \$198,527 and \$87,464, respectively.

NOTE 11 - RELATED-PARTY TRANSACTIONS

In the ordinary course of business, the Company makes advances to related parties at certain agreed upon rates and terms. BKE, Inc. is a 100% related entity by common ownership from whom the Company has an outstanding loan receivable of \$514,107 and \$463,274 as of December 31, 2017 and 2016, respectively – see Note 5.

Loan receivable from BKE, Inc. is due as follows:

2018	\$ 493,282
2019	20,825
Total	<u>\$ 514,107</u>

In 2017 and 2016, the Company declared and paid \$60,000 in dividends to its stockholders.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2017 and 2016

NOTE 12 - LINE OF CREDIT

On October 03, 2016, the Company obtained a line of credit from a certain bank that provides borrowings of up to \$2,500,000 and bears interest at .25% points over the bank's index rate, with a 3.75% initial rate, which matures originally on October 03, 2017. The Company pays regular monthly payments of all accrued unpaid interest due as of each payment date, beginning November 03, 2016. On October 31, 2017, the line of credit was extended up to October 3, 2019. As of December 31, 2017, the amount drawn from this line of credit amounted to \$797,000.

As of December 31, 2017 and 2016, outstanding notes payable relating to Line of Credit amounted to \$247,000 and \$412,000, respectively.

NOTE 13 - LEGAL PROCEEDINGS

The Company is from time to time involved in litigation and regulatory investigation, which arise in the normal course of doing business. The Company believes that the aggregate unrecorded liability, if any, arising from such actions will not have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

NOTE 14 - SUBSEQUENT EVENTS

On February 21, 2018, the Company paid its line of credit amounting to \$150,000.

Financial Statements

WABA GRILL FRANCHISE CORPORATION

Report of Independent Auditors

For the years ended December 31, 2016 and 2015

WABA GRILL FRANCHISE CORPORATION

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Waba Grill Franchise Corporation
City of Industry, California

We have audited the accompanying financial statements of Waba Grill Franchise Corporation (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waba Grill Franchise Corporation as of December 31, 2016 and 2015, 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.

Sabocor & Co., LLP

March 13, 2017
Los Angeles, California

WABA GRILL FRANCHISE CORPORATION

Balance Sheets **December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 571,202	\$ 1,324,348
Accounts receivable (Note 2)	261,871	140,033
Inventories (Note 2)	100,269	52,949
Prepaid expenses and other current assets (Note 3)	401,112	359,320
Loan receivable - current portion (Note 4)	463,274	575,846
Deferred tax asset, current (Note 9)	63,838	80,247
Total current assets	<u>1,861,566</u>	<u>2,532,743</u>
Property and equipment, net of accumulated depreciation (Note 5)	<u>6,235,703</u>	<u>3,306,352</u>
Other non-current assets		
Security deposits (Note 8)	204,938	137,885
Loan receivable - non-current portion (Note 4)	-	341,394
Other assets (Note 2)	606,287	158,039
Total non-current assets	<u>811,225</u>	<u>637,318</u>
Total assets	<u>\$ 8,908,494</u>	<u>\$ 6,476,413</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	\$ 753,910	\$ 1,180,597
Income taxes payable (Note 9)	310,329	696,043
Unearned revenues, current (Note 2)	220,000	642,894
Current portion of notes payable (Note 7)	889,155	1,155,222
Total current liabilities	<u>2,173,394</u>	<u>3,674,756</u>
Unearned revenues, non-current (Note 2)	<u>1,345,119</u>	<u>1,392,500</u>
Notes payable, non-current (Note 7)	<u>2,427,787</u>	<u>50,417</u>
Total liabilities	<u>5,946,300</u>	<u>5,117,673</u>
Stockholder's equity		
Common stock, no par value, 1,000,000 shares authorized; 100,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	340,000	340,000
Retained earnings	2,522,194	918,740
Total stockholder's equity	<u>2,962,194</u>	<u>1,358,740</u>
Total liabilities and stockholder's equity	<u>\$ 8,908,494</u>	<u>\$ 6,476,413</u>

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION
Statements of Income
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Royalty income (Note 2)	\$ 4,902,413	\$ 3,639,032
Franchise fee income (Note 2)	535,000	870,000
Restaurant sales	12,934,140	8,965,510
Miscellaneous income	<u>687,358</u>	<u>266,931</u>
Total revenue	19,058,911	13,741,473
Cost of sales	<u>3,965,208</u>	<u>2,815,629</u>
Revenues, net	<u>15,093,703</u>	<u>10,925,844</u>
General and administrative expenses		
Salaries and related expenses	6,526,506	4,216,584
Rent expense (Note 8)	1,294,889	838,852
Advertising and promotion (Note 2)	335,820	214,067
Depreciation and amortization (Note 5)	634,822	368,793
Insurance expense	583,360	431,105
Sales and other taxes	1,072,173	769,368
Repair and maintenance	219,845	98,083
Utilities	387,317	239,774
Automobile expenses	166,798	81,919
Professional fees	617,126	438,786
General and administrative expense	587,551	689,180
Total general and administrative expense	<u>12,426,207</u>	<u>8,386,511</u>
Income before income taxes	<u>2,667,496</u>	<u>2,539,333</u>
Income taxes (Note 9)		
Current	1,454,381	1,065,809
Deferred	<u>(450,339)</u>	<u>157,677</u>
Total income tax expense	<u>1,004,042</u>	<u>1,223,486</u>
Net income	<u><u>\$ 1,663,454</u></u>	<u><u>\$ 1,315,847</u></u>

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

**Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2016 and 2015**

	Common Stocks		Additional Paid-in Capital	Retained Earnings	Total
	Number Shares	Amount			
Balance, December 31, 2014	100,000	\$ 100,000	\$ 340,000	\$ 632,893	\$ 1,072,893
Dividends declared and paid				(1,030,000)	(1,030,000)
Net income				1,315,847	1,315,847
Balance, December 31, 2015	100,000	100,000	340,000	918,740	1,358,740
Dividends declared and paid (Note 10)				(60,000)	(60,000)
Net income				1,663,454	1,663,454
Balance, December 31, 2016	100,000	\$ 100,000	\$ 340,000	\$ 2,522,194	\$ 2,962,194

WABA GRILL FRANCHISE CORPORATION

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,663,454	\$ 1,315,847
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	634,822	368,793
Loss from sale of business automobile	664	-
Bad debt	9,879	-
Changes in operating assets and liabilities:		
Accounts receivable	(121,838)	(57,663)
Inventories	(47,320)	(12,657)
Prepaid expenses and other current assets	(41,792)	(95,320)
Deferred tax assets	16,409	157,677
Accounts payable and accrued expenses	353,313	128,642
Income taxes payable	(385,714)	682,731
Deferred revenues	(494,894)	334,296
Current portion of note payable	-	1,473
Net cash provided by operating activities	<u>1,586,983</u>	<u>2,823,819</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(3,596,309)	(745,171)
Auto loan payable payments	(93,831)	-
Security deposit	(67,053)	(24,392)
Construction in progress	-	(669,658)
Notes receivable collection from CCG	453,966	(463,817)
Store franchisees acquisition	(296,573)	-
Loan payable payment from acquired franchisee	(120,000)	(141,310)
Goodwill acquired	-	(25,000)
Net cash used in investing activities	<u>(3,719,800)</u>	<u>(2,069,348)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	-	(32,209)
Commercial term loan, net of loan payments made in 2016	2,447,636	-
Repayment of line of credit	(1,001,540)	-
2016 usage of line of credit	412,000	1,001,540
Loan from supplier	361,575	-
Dividends paid	(840,000)	(450,000)
Net cash provided by financing activities	<u>1,379,671</u>	<u>519,331</u>
NET (DECREASE)/INCREASE IN CASH	<u>(753,146)</u>	<u>1,273,801</u>
CASH, beginning of year	<u>1,324,348</u>	<u>50,547</u>
CASH, end of year	<u>\$ 571,202</u>	<u>\$ 1,324,348</u>
SUPPLEMENTAL OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest paid	\$ 87,874	\$ 15,558
Income taxes	\$ 1,844,672	\$ 369,065

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 1 - ORGANIZATION

Waba Grill Franchise Corporation (the "Company") was formed as Waba Grill, LLC, a California limited liability company, on December 3, 2008. On November 28, 2011, Waba Grill, LLC was converted into a California C-Corporation and renamed Waba Grill Franchise Corporation. The Company was originally incorporated as Waba Grill, Inc. in November 2006.

The Company is engaged in selling franchises for retail restaurant operations under the "Waba Grill" or "WaBa Grill Teriyaki House" name and related marks specializing in the preparation and sale of teriyaki menu items and beverages. Waba Grill restaurants typically sell freshly-prepared teriyaki-styled food and other food and beverage products ("Menu Items") and provide carry-out, and on-premises dining services. Menu Items are prepared according to proprietary recipes, sauces and procedures and use high quality ingredients, including specially formulated and specifically produced meats and other food products that are branded, trademarked, and packaged exclusively for the Company's system and franchise owners.

The Company had 150 and 121 franchises, including 20 and 10 corporate's stores for the years ended December 31, 2016 and 2015, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company continuously reviews amounts due. When there is indication based on experience, collection pattern, and other factors that a receivable may be uncollectible, an allowance for probable losses is recognized by charging provision for probable losses to operations. When management determines the amount to be uncollectible, it is charged to the allowance for probable losses or directly written-off as bad debts.

The need for an allowance for doubtful accounts is reviewed on a franchisee basis. The Company considers historical experience, the age of the accounts receivable balances, credit quality of the Company's franchisees, current economic conditions, and other factors that may affect the franchisee's ability to pay. Accounts receivable and allowance for doubtful accounts amounted to \$271,750 and \$9,879, respectively, for the year ended December 31, 2016 and \$140,033 and \$0, respectively, for the year ended December 31, 2015. The Company did not write-off worthless accounts receivable in 2016 and 2015.

Inventories

Inventories consist primarily of food, beverages, and other supplies in Company-owned restaurants are stated at the lower of cost or market using the first-in, first-out method. As of December 31, 2016 and 2015, inventories amounted to \$100,269 and \$52,949, respectively.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are stated at cost. Depreciation is charged to operations over the estimated useful lives of the assets, generally five to seven years, using the straight-line method.

Leasehold improvements are amortized over the shorter of the remaining life of the lease or the estimated useful life of the improvement. Expenditures for repairs are expensed as incurred, while those for additions, renewals, and betterments are capitalized.

Impairment of Long-Lived Assets

The Company reviews long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the years ended December 31, 2016 and 2015, there were no events or changes in circumstances indicating that the carrying amount of any long-lived assets may not be recoverable.

Other Assets

Following are the Company's other assets as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Deferred tax assets - non-current - see Note 9	\$ 436,789	\$ (29,959)
Intangible assets, net of \$2,050 accumulated amortization	20,460	5,460
Goodwill	<u>149,038</u>	<u>182,538</u>
Total	<u>\$ 606,287</u>	<u>\$ 158,039</u>

Goodwill is subject to periodic evaluation for impairment. As of December 31, 2016 and 2015, goodwill amounted to \$149,038 and \$182,538, respectively.

Franchise Agreements

The Franchise agreements require the Company to provide assistance to the franchisees with facility layout, initial training, opening assistance, proprietary food products, new products, supplies, advisory services, and other goods and services as described in the franchise agreements. The franchisees must receive approval of the site and local advertising from the Company. The franchisees cannot open its doors to the public until they receive a completion certificate from the Company.

Under the terms of the franchise agreements, franchisees pay an initial franchise fee for each unit to be opened within a protected area. Recurring fees consist of weekly royalty and marketing fees.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

Revenues are principally derived from initial franchise fees, franchise royalties and retail sales of Company-owned restaurants. The Company's revenue recognition policies are designed to recognize revenues at the time services are substantially performed in accordance with FASB ASC Topic 952-605, "Franchisor Revenue Recognition". Franchise income consist of: (i) initial franchise fees, (ii) area development fees, and (iii) royalties.

Initial franchise fees from individual franchise sales are recognized as revenues when all material services or conditions of the franchisor required by the franchise agreement have been substantially performed or satisfied by the Company. Area development fees relating to area franchise sales are accounted for in the same manner and under the same conditions related to individual franchise sales. Where the Company's substantial obligations relate to the area franchise and do not depend on the number of individual franchises to be established, substantial performance is established using the same criteria applicable to individual franchise sales. Royalties from franchises, which range from 25% to 30% of gross revenues, are recognized as revenues when earned. Initial franchise fees, and area development fees pursuant to area development agreements granting the right to develop franchised restaurants in future periods in specific geographic areas are deferred and are included as unearned revenues in the financial statements.

Current and non-current unearned revenues amounted to \$220,000 and \$1,345,119, respectively, for the year ended December 31, 2016 and \$642,894 and \$1,392,500, respectively, for the year ended December 31, 2015. Revenues from franchise fees and royalties amounted to \$535,000 and \$4,902,413 for the year ended December 31, 2016 and \$870,000 and \$3,639,032 for the year ended December 31, 2015, respectively.

Advertising Expenses

The Company expenses the production costs of advertising when the advertisements are first displayed. All other advertising, marketing, and promotional costs are expensed as incurred. As of December 31, 2016 and 2015, advertising costs amounted to \$335,820 and \$214,067, respectively.

Advertising Fund

Under the terms of the franchise agreements, franchisees can be required to contribute up to 2% of weekly gross sales to the advertising fund. The Company, as franchisor, administers the fund for advertising, marketing, and public relations programs to promote Waba Grill restaurants. Records of the advertising fund are maintained separately on the accrual method of accounting. During the year ended December 31, 2016 and 2015, franchisees paid \$2,200,494 and \$1,393,615 to the advertising fund, respectively. As of December 31, 2016 and 2015, the advertising fund balance amounted to \$310,081 and \$553,884, which is held in trust by the Company and which amount, including all fund activities are not included in the financial statements.

The Company charges a marketing service fee to franchisees for advertising fund administrative services provided. During the years ended December 31, 2016 and 2015, the Company recorded \$330,074 and \$209,042 in marketing service fee revenues and are included in miscellaneous income in the accompanying statements of income and retained earnings.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Company accounts for income taxes using the liability method. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statements and tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Under ASC 740, tax benefits are recorded only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. At December 31, 2016, the Company had no income tax liabilities with respect to uncertain tax positions.

The Company's income tax returns for the years 2014 and beyond are open to examination by the Internal Revenue Service. Its income tax returns for the years 2013 and beyond are open to examination by the Franchise Tax Board.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high-credit quality financial institutions and, by policy, limits its credit exposure.

Risks and Uncertainties

The Company's operations are substantially affected by economic conditions, which may vary significantly by market and can impact consumer disposable income levels and spending habits. Supply chain interruptions, including due to lack of supply or price increases, can adversely affect the Company. Brand value is based in part on consumer perceptions on a variety of factors, including nutritional content and preparation of the Company's food, practices and the manner in which the Company sources the commodities it uses. Consumer acceptance is subject to change for a variety of reasons.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Actual results could differ from those estimates. The most significant estimates relate to depreciation and allowance for doubtful accounts. Management believes these estimates and assumptions are reasonable.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, and other current assets and liabilities, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently Issued Accounting Standards

In the normal course of business, the Company evaluates all new accounting standards to determine the potential impact they may have on the financial statements. Based upon this review, the Company does not expect any of the recently issued accounting standards, which have not already been adopted by the Company, to have a material impact on the financial statements.

Reclassification

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. These changes have no impact on previous result of operations or stockholder's equity.

Subsequent Events

The Company evaluated subsequent events through March 13, 2017, the date the financial statements were available to be issued.

NOTE 3 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2016 and 2015, the following comprise prepaid expenses and other current assets:

	<u>2016</u>	<u>2015</u>
Prepaid expenses:		
Insurance	\$ 54,872	\$ 23,251
Legal	10,000	10,000
Rent	155,935	9,653
Property tax	5,403	-
Others	11,712	-
Total	<u>237,922</u>	<u>42,904</u>
Others:		
Interest receivable	37,933	32,403
Marketing service receivable	125,257	284,013
Total	<u>\$ 401,112</u>	<u>\$ 359,320</u>

NOTE 4 - LOANS RECEIVABLE

The Company's loans receivable from BKE, Inc. (Parent) bear interest rates ranging from 5% to 6% and mature at various dates starting June 2016.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 4 - LOANS RECEIVABLE - Continued

As of December 31, 2016 and 2015, loans receivables comprise of the following:

	<u>2016</u>	<u>2015</u>
Current		
Loans receivable - BKE, Inc.	\$ 463,274	\$ 420,064
Loans receivable - Supplier	-	155,782
Total current	<u>463,274</u>	<u>575,846</u>
Non-current		
Loan receivable - BKE, Inc.	-	43,210
Loan receivable - Supplier	-	298,184
Total non-current	<u>-</u>	<u>341,394</u>
Total	<u>\$ 463,274</u>	<u>\$ 917,240</u>

In 2016, the Company paid off the loans to its supplier amounting \$453,966.

NOTE 5 - PROPERTY AND EQUIPMENT

As of December 31, 2016 and 2015, property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Automobiles	\$ 375,800	\$ 420,679
Machinery and equipment	958,793	468,771
Furniture and fixtures	708,243	291,323
Leasehold improvement	<u>5,524,619</u>	<u>1,996,173</u>
Total cost	7,567,455	3,176,946
Less accumulated depreciation	<u>(1,331,752)</u>	<u>(814,503)</u>
Total net	6,235,703	2,362,443
Construction in progress	<u>-</u>	<u>943,909</u>
Total property, plant and equipment, net	<u>\$ 6,235,703</u>	<u>\$ 3,306,352</u>

In 2016, the Company purchased property, plant and equipment aggregating \$3,596,309. In 2016, the Company disposed off three of its automobile with an aggregate total costs of \$163,062.

The Company reclassified its 2015 outstanding construction in progress to property, plant and equipment.

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 amounted to \$634,822 and \$368,793, respectively.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2016 and 2015, accounts payable and accrued expenses consist of the following:

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 449,276	\$ 245,952
Accrued expense	110,106	-
Credit card payable	-	28,653
Sales taxes payable	87,866	64,301
Payroll liabilities	106,662	61,691
Dividends payable	-	780,000
Total	<u>\$ 753,910</u>	<u>\$ 1,180,597</u>

NOTE 7 - NOTES PAYABLE

As of December 31, 2016 and 2015, outstanding notes payable comprise the following:

	<u>2016</u>	<u>2015</u>
Current		
Auto loan payable	\$ 27,367	\$ 33,682
Loan payable - newly acquired franchise	-	120,000
Line of credit used in 2015 - see Note 11	-	1,001,540
Line of credit used in 2016 - see Note 11	412,000	-
Term loan payable	319,828	-
Due to CCG, LLC	129,960	-
Total	889,155	1,155,222
Non-current		
Notes payable	<u>2,427,787</u>	<u>50,417</u>
Total	<u>\$ 3,316,942</u>	<u>\$ 1,205,639</u>

As of December 31, 2016, future minimum principal payments on the note payable are as follows:

2017	\$ 889,155
2018	490,077
2019	465,167
2020	370,689
2021	381,551
2022	386,670
2023	<u>333,633</u>
Total	<u>\$ 3,316,942</u>

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 7 - NOTE PAYABLE - Continued

Following are the details of the Company's notes payable as of December 31, 2016:

Description	Interest rates	Monthly payments	Maturity dates	Amount
Auto loan - BMW	2.5%	\$ 960	April 2019	\$ 36,801
Auto loan - Lexus	3.0%	960	April 2019	37,578
Auto loan - Hyundai 1	2.9%	860	December 2016	9,720
Line of credit usage in 2015	3.75	-	December 2017	1,001,540
Loan from acquisition of franchise	-	-	-	120,000
December 31, 2015				<u>1,205,639</u>
Auto loan - Hyundai 2	2.9%	405	September 2019	13,639
Auto loan - Porsche	5.25%	1,075	September 2021	56,770
Commercial term loan	3.75%	33,946	October 2023	2,447,636
Due to supplier	5.25%	10,830	November 2019	361,575
Line of credit usage in 2016	-	-	October 2017	412,000
Less payments of:				
Loan from acquisition of franchise				(120,000)
2015 line of credit full payment				(1,001,540)
Auto loans payments				<u>(58,777)</u>
2016 change in notes payable				<u>2,111,303</u>
December 31, 2016				<u><u>\$ 3,316,942</u></u>

On February 29, 2016 and May 16, 2016, the Company purchased two existing franchisees in San Diego and Oceanside, California. The purchase transactions resulted in a cash outlay of \$139,371 and \$157,202, respectively.

NOTE 8 - COMMITMENTS

The Company's office premises and restaurant locations are leased under operating lease agreements. Generally, operating leases contain renewal options on substantially the same basis as current rental terms.

Rent expense charged to operations under operating lease agreement amounted to \$1,294,889 and \$838,852 in 2016 and 2015, respectively.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 8 - COMMITMENTS - Continued

As of December 31, 2016, future minimum lease commitments under non-cancellable leases and subleases are as follows:

	Corporate Office	Restaurant	Commercial Lease	Total
2017	\$ 148,943	\$ 942,851	\$ 48,870	\$ 1,140,664
2018	-	929,695	48,870	978,565
2019	-	902,407	48,870	951,277
2020	-	784,846	48,870	833,716
2021 and thereafter	-	2,717,444	109,958	2,827,402
Total	<u>\$ 148,943</u>	<u>\$ 6,277,243</u>	<u>\$ 305,438</u>	<u>\$ 6,731,624</u>

As of December 31, 2016 and 2015, the Company has security deposits for its lease and utilities amounting to \$204,938 and \$137,885.

NOTE 9 - INCOME TAXES

Income taxes for the years ended December 31, 2016 and 2015 consist of the following:

	2016	2015
Current		
Federal	\$ 1,154,271	\$ 829,789
State	300,110	236,020
Total current	<u>1,454,381</u>	<u>1,065,809</u>
Deferred		
Federal	(374,015)	99,246
State	(76,324)	58,431
Total deferred	<u>(450,339)</u>	<u>157,677</u>
Total	<u>\$ 1,004,042</u>	<u>\$ 1,223,486</u>

Following is the reconciliation of the statutory federal income tax rate (34%) applied to pre-tax book income with the income taxes:

	2016	2015
Federal taxes at statutory rate	\$ 906,949	\$ 863,373
State tax provision, net of federal tax benefit	160,028	149,435
Permanent items	27,852	7,459
Others	(90,787)	203,219
Total	<u>\$ 1,004,042</u>	<u>\$ 1,223,486</u>

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 9 - INCOME TAXES - Continued

As of December 31, 2016 and 2015, net deferred tax asset consist of the following:

	<u>2016</u>	<u>2015</u>
Current		
State income tax	\$ 59,606	\$ 80,247
Bad debts	4,232	-
Total	<u>63,838</u>	<u>80,247</u>
Non-current		
Fixed assets	<u>436,789</u>	<u>(29,959)</u>
Total	<u>\$ 500,627</u>	<u>\$ 50,288</u>

Following amounts comprise income tax payable as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Income tax payable-- federal	\$ 316,234	\$ 585,330
Income tax payable-- state	<u>(5,905)</u>	<u>110,713</u>
Total	<u>\$ 310,329</u>	<u>\$ 696,043</u>

NOTE 10 - RELATED-PARTY TRANSACTIONS

In the ordinary course of business, the Company makes advances to related parties at certain agreed upon rates and terms. BKE, Inc. is a 100% related entity by common ownership from whom the company has an outstanding loan receivable of \$463,274 as of December 31, 2016 and 2015 - see Note 4.

Loan receivable from BKE, Inc. is due as follows:

2017	\$ 463,274
2018	-
Total	<u>\$ 463,274</u>

In 2016, the Company declared and paid \$60,000 in dividends to its stockholders.

NOTE 11 - LINE OF CREDIT

On December 19, 2014, the Company obtained a line of credit with a bank that provides borrowings up to \$3,200,000 and bears interest at .50% points over the bank's index rate, with a 3.75% initial rate, and matures on December 19, 2016. During the year, the Company paid off the amount drawn from this line of credit amounting \$1,001,540.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE 11 - LINE OF CREDIT – Continued

On October 03, 2016, the Company obtained a new line of credit from a certain bank that provides borrowings of up to \$2,500,000 and bears interest at .25% points over the bank's index rate, with a 3.75% initial rate, which matures on October 03, 2017. The Company pays regular monthly payments of all accrued unpaid interest due as of each payment date, beginning November 03, 2016. As of December 31, 2016, the amount drawn from this line of credit amounted to \$412,000.

NOTE 12 - LEGAL PROCEEDINGS

The Company is from time to time involved in litigation and regulatory investigation, which arise in the normal course of doing business. The Company believes that the aggregate unrecorded liability, if any, arising from such actions will not have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

For the years ended December 31, 2016 and 2015, the Company paid in the aggregate \$0 and \$334,500, respectively, in settlement claims.

NOTE 13 - SUBSEQUENT EVENTS

On January 24, 2017, the Company made an additional loan to CCG, LLC amounting to \$25,000.

Financial Statements

WABA GRILL FRANCHISE CORPORATION

Report of Independent Auditors

For the years ended December 31, 2015 and 2014

WABA GRILL FRANCHISE CORPORATION

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A OC & C ., LL
ERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

**To the Board of Directors and Stockholders of
Waba Grill Franchise Corporation
City of Industry, California**

We have audited the accompanying financial statements of Waba Grill Franchise Corporation (the "Company"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waba Grill Franchise Corporation as of December 31, 2015 and 2014, 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.

Sabocor + Co., LLP

April 1, 2016
Los Angeles, California

WABA GRILL FRANCHISE CORPORATION

**Balance Sheets
December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,324,348	\$ 50,547
Accounts receivable (Note 2)	140,033	82,370
Inventories (Note 2)	52,949	40,292
Prepaid expenses and other current assets (Note 3)	359,320	264,000
Loan receivable - current portion (Note 4)	575,846	224,843
Deferred tax asset, current (Note 11)	80,247	188,679
Total current assets	<u>2,532,743</u>	<u>850,731</u>
PROPERTY AND EQUIPMENT (Note 5)	<u>3,306,352</u>	<u>2,059,059</u>
OTHER NON-CURRENT ASSETS		
Security deposits (Note 9)	137,885	113,493
Loan receivable - non-current portion (Note 4)	341,394	238,431
Other assets (Note 2)	158,039	182,284
Total other assets	<u>637,318</u>	<u>534,208</u>
Total assets	<u>\$ 6,476,413</u>	<u>\$ 3,443,998</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (Note 7)	\$ 1,180,597	\$ 351,955
Income taxes payable (Note 11)	696,043	13,312
Unearned revenues, current (Note 2)	642,894	930,000
Current portion of notes payable (Note 8)	1,155,222	32,209
Total current liabilities	<u>3,674,756</u>	<u>1,327,476</u>
UNEARNED REVENUE, non-current (Note 2)	<u>1,392,500</u>	<u>960,000</u>
NOTES PAYABLE, non-current (Note 8)	<u>50,417</u>	<u>83,629</u>
Total liabilities	<u>5,117,673</u>	<u>2,371,105</u>
STOCKHOLDER'S EQUITY		
Common stock, no par value, 1,000,000 shares authorized; 100,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	340,000	340,000
Retained earnings	918,740	632,893
Total stockholder's equity	<u>1,358,740</u>	<u>1,072,893</u>
Total liabilities and stockholder's equity	<u>\$ 6,476,413</u>	<u>\$ 3,443,998</u>

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION**Statements of Income****For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
REVENUES		
Royalty income (Note 2)	\$ 3,639,032	\$ 2,358,521
Franchise fee income (Note 2)	870,000	555,000
Restaurant sales	8,965,510	5,292,726
Miscellaneous income	<u>266,931</u>	<u>184,489</u>
Total revenues	<u>13,741,473</u>	<u>8,390,736</u>
EXPENSES		
Salaries and related expenses	4,216,584	3,226,329
Cost of sales	2,815,629	1,888,228
Rent expense (Note 9)	838,852	393,343
Advertising and promotion (Note 2)	214,067	152,781
Depreciation and amortization (Note 5)	368,793	252,767
Insurance expense	431,105	245,188
Sales and other taxes	769,368	453,645
Repair and maintenance	98,083	69,910
Utilities	239,774	163,417
Automobile expenses	81,919	74,131
Professional fees	481,089	380,358
General and administrative expense	<u>646,877</u>	<u>627,296</u>
Total expenses	<u>11,202,140</u>	<u>7,927,393</u>
INCOME BEFORE INCOME TAXES	<u>2,539,333</u>	<u>463,343</u>
INCOME TAXES (Note 11)		
Current	1,065,809	298,509
Deferred	<u>157,677</u>	<u>(65,459)</u>
Total income tax expense	<u>1,223,486</u>	<u>233,050</u>
NET INCOME	<u>\$ 1,315,847</u>	<u>\$ 230,293</u>

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

**Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2015 and 2014**

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2013	100,000	\$ 100,000	\$ -	\$ 602,600	\$ 702,600
Additonal capital contribution			340,000		340,000
Dividends				(200,000)	(200,000)
Net income				230,293	230,293
Balance, December 31, 2014	100,000	\$ 100,000	\$ 340,000	\$ 632,893	\$ 1,072,893
Additonal capital contribution					-
Dividends paid and declared				(1,030,000)	(1,030,000)
Net income				1,315,847	1,315,847
Balance, December 31, 2015	<u>100,000</u>	<u>\$ 100,000</u>	<u>\$ 340,000</u>	<u>\$ 918,740</u>	<u>\$ 1,358,740</u>

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,315,847	\$ 230,293
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	368,793	252,767
Loss from sale of business, automobile	-	3,352
Bad debt	-	35,693
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	(57,663)	31,602
(Increase)/Decrease in inventories	(12,657)	(15,783)
(Increase)/Decrease in prepaid expenses and other current assets	(95,320)	(28,583)
(Increase)/Decrease in deferred tax assets	157,677	(64,380)
Increase/(Decrease) in accounts payable and accrued expenses	128,642	166,904
Increase/(Decrease) in income taxes payable	682,731	(265,333)
Increase/(Decrease) in deferred revenues	334,296	1,143,025
Increase/(Decrease) in current portion of note payable	1,473	12,422
Increase/(Decrease) in other liabilities	-	(25,282)
Net cash provided by operating activities	<u>2,823,819</u>	<u>1,476,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(745,171)	(1,293,087)
Security deposit	(24,392)	(49,243)
Construction in progress	(669,658)	(274,243)
Notes receivable from BKE	-	(320,000)
Notes receivable from BKE collections	-	28,184
Notes receivable from CCG	(463,817)	-
Acquisition of San Diego location	(141,310)	-
Goodwill acquired	(25,000)	-
Net cash used in investing activities	<u>(2,069,348)</u>	<u>(1,908,389)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(32,209)	(26,952)
(Payment)/Usage of line of credit	1,001,540	-
BKE additional capital contribution	-	340,000
Dividends to stockholders	(450,000)	(200,000)
Net provided by financing activities	<u>519,331</u>	<u>113,048</u>
NET INCREASE/(DECREASE) IN CASH	<u>1,273,801</u>	<u>(318,644)</u>
CASH, beginning of year	<u>50,547</u>	<u>369,191</u>
CASH, end of year	<u>\$ 1,324,348</u>	<u>\$ 50,547</u>

SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION

Cash paid during the year for:

Interest paid	\$ 15,558	\$ 2,451
Income taxes	\$ 369,065	\$ 382,319

The accompanying notes are an integral part of the financial statements.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 1 - ORGANIZATION

Waba Grill Franchise Corporation (the "Company") was formed as Waba Grill, LLC, a California limited liability company, on December 3, 2008. On November 28, 2011, Waba Grill, LLC was converted into a California C-Corporation and renamed Waba Grill Franchise Corporation. The Company was originally incorporated as Waba Grill, Inc. in November 2006.

The Company is engaged in selling franchises for retail restaurant operations under the "Waba Grill" or "WaBa Grill Teriyaki House" name and related marks specializing in the preparation and sale of teriyaki menu items and beverages. WaBa Grill restaurants typically sell freshly-prepared teriyaki-styled food and other food and beverage products ("Menu Items") and provide carry-out, and on-premises dining services. Menu items are prepared according to proprietary recipes, sauces and procedures and use high quality ingredients, including specially formulated and specifically produced meats and other food products that are branded, trademarked, and packaged exclusively for the Company's system and franchise owners.

The Company had 121 and 81 franchises, including 10 and 7 corporate's stores for the years ended December 31, 2015 and 2014, respectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company continuously reviews amounts due. When there is indication based on experience, collection pattern, and other factors that a receivable may be uncollectible, an allowance for probable losses is recognized by charging provision for probable losses to operations. When management determines the amount to be uncollectible, it is charged to the allowance for probable losses or directly written-off as bad debts.

The need for an allowance for doubtful accounts is reviewed on a franchisee basis. The Company considers historical experience, the age of the accounts receivable balances, credit quality of the Company's franchisees, current economic conditions, and other factors that may affect the franchisee's ability to pay. Accounts receivable and allowance for doubtful accounts amounted to \$140,033 and \$0, respectively, for the year ended December 31, 2015 and \$82,370 and \$0, respectively, for the year ended December 31, 2014. The Company directly wrote off worthless accounts receivable amounting to \$0 and \$110,693 in 2015 and 2014, respectively, which is included in general administrative expense.

Inventories

Inventories consist primarily of food, beverages, and other supplies in the Company-owned restaurant are stated at the lower of cost or market using the first-in, first-out method. As of December 31, 2015 and 2014, inventories amounted to \$52,949 and \$40,292, respectively.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are stated at cost. Depreciation is charged to operations over the estimated useful lives of the assets, generally five to seven years, using the straight-line method.

Leasehold improvements are amortized over the shorter of the remaining life of the lease or the estimated useful life of the improvement. Expenditures for repairs are expensed as incurred, while those for additions, renewals, and betterments are capitalized.

Impairment of Long-Lived Assets

The Company reviews long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the years ended December 31, 2015 and 2014, there were no events or changes in circumstances indicating that the carrying amount of any long-lived assets may not be recoverable.

Other assets:

Following are the Company's other assets as of December 31, 2015 and 2014:

	2015	2014
Deferred tax assets - non-current - see Note 11	\$ (29,959)	\$ 19,286
Intangible assets, net of \$2,050 accumulated amortization	5,460	5,460
Goodwill	182,538	157,538
Total	<u>\$ 158,039</u>	<u>\$ 182,284</u>

Goodwill is subject to periodic evaluation for impairment. As of December 31, 2015 and 2014, goodwill amounted to \$182,538 and \$157,538, respectively - see Note 6.

Franchise Agreements

The Franchise agreements require the Company to provide assistance to the franchisees with facility layout, initial training, opening assistance, proprietary food products, new products, supplies, advisory services, and other goods and services as described in the franchise agreements. The franchisees must receive approval of the site and local advertising from the Company. The franchisees cannot open its doors to the public until they receive a completion certificate from the Company.

Under the terms of the franchise agreements, franchisees pay an initial franchise fee for each unit to be opened within a protected area. Recurring fees consist of weekly royalty and marketing fees.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES-- Continued

Revenue Recognition

Revenues are principally derived from initial franchise fees, franchise royalties and retail sales of Company-owned restaurants. The Company's revenue recognition policies are designed to recognize revenues at the time services are substantially performed in accordance with FASB ASC Topic 952-605, "Franchisor Revenue Recognition". Franchise income consist of: (i) initial franchise fees, (ii) area development fees, and (iii) royalties.

Initial franchise fees from individual franchise sales are recognized as revenues when all material services or conditions of the franchisor required by the franchise agreement have been substantially performed or satisfied by the Company. Area development fees relating to area franchise sales are accounted for in the same manner and under the same conditions related to individual franchise sales. Where the Company's substantial obligations relate to the area franchise and do not depend on the number of individual franchises to be established, substantial performance is established using the same criteria applicable to individual franchise sales. Royalties from franchises, which range from 25% to 30% of gross revenues, are recognized as revenues when earned. Initial franchise fees, and area development fees pursuant to area development agreements granting the right to develop franchised restaurants in future periods in specific geographic areas are deferred and are included as unearned revenues in the financial statements.

Current and non-current unearned revenues amounted to \$642,894 and \$1,392,500, respectively, for the year ended December 31, 2015 and \$930,000 and \$960,000, respectively, for the year ended December 31, 2014. Revenues from franchise fees and royalties amounted to \$870,000 and \$3,639,032 for the year ended December 31, 2015 and \$555,000 and \$2,358,521 for the year ended December 31, 2014, respectively.

Advertising Expenses

The Company expenses the production costs of advertising when the advertisements are first displayed. All other advertising, marketing, and promotional costs are expensed as incurred. As of December 31, 2015 and 2014, advertising costs amounted to \$214,067 and \$152,781, respectively.

Advertising Fund

Under the terms of the franchise agreements, franchisees can be required to contribute up to 2% of weekly gross sales to the advertising fund. The Company, as franchisor, administers the fund for advertising, marketing, and public relations programs to promote Waba Grill restaurants. Records of the advertising fund are maintained separately on the accrual method of accounting. During the year ended December 31, 2015 and 2014, franchisees paid \$1,393,615 and \$2,493,121 to the advertising fund, respectively. As of December 31, 2015 and 2014, the advertising fund balance amounted to \$553,884 and \$369,106, which is held in trust by the Company and which amount, including all fund activities are not included in the financial statements.

The Company charges a marketing service fee to franchisees for advertising fund administrative services provided. During the years ended December 31, 2015 and 2014, the Company recorded \$209,042 and \$154,971 in marketing service fee revenues and are included in miscellaneous income in the accompanying statements of income and retained earnings.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes

The Company accounts for income taxes using the liability method. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statements and tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Under ASC 740, tax benefits are recorded only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. At December 31, 2015, the Company had no income tax liabilities with respect to uncertain tax positions.

The Company's income tax returns for the years 2013 and beyond are open to examination by the Internal Revenue Services. Its income tax returns for the years 2012 and beyond are open to examination by the Franchise Tax Board.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high credit quality financial institutions and, by policy, limits its credit exposure.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Actual results could differ from those estimates. The most significant estimates relate to depreciation. Management believes these estimates and assumptions are reasonable.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, and other current assets and liabilities, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently Issued Accounting Standards

In the normal course of business, the Company evaluates all new accounting standards to determine the potential impact they may have on the financial statements. Based upon this review, the Company does not expect any of the recently issued accounting standards, which have not already been adopted by the Company, to have a material impact on the financial statements.

NOTE 3 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2015 and 2014, the following comprise prepaid expenses and other current assets:

	2015	2014
Prepaid expenses:		
Insurance	\$ 23,251	\$ 72,536
Legal	10,000	10,000
Rent	9,653	9,924
Total	42,904	92,460
Others:		
Advance payment commission	-	2,000
Interest receivable	32,403	14,569
Marketing service receivable	284,013	154,971
Total	<u>\$ 359,320</u>	<u>\$ 264,000</u>

NOTE 4 - LOANS RECEIVABLE

The Company's loans receivable from BKE, Inc. (Parent) bear interest rates ranging from 5% to 6% and mature at various dates starting June 2016 - see Note 12.

In 2015, the Company made loans receivable from its supplier that bear interest of 7% and mature at various dates starting April 2016.

As of December 31, 2015 and 2014, loan receivables consist of the following:

	2015	2014
Current		
Loans receivable - BKE, Inc.	\$ 420,064	\$ 224,843
Loans receivable - from supplier	155,782	-
Total	575,846	224,843
Non-current		
Loan receivable - BKE, Inc.	43,210	238,431
Loan receivable - from supplier	298,184	-
Total	<u>\$ 917,240</u>	<u>\$ 463,274</u>

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 5 - PROPERTY AND EQUIPMENT

As of December 31, 2015 and 2014, property and equipment consist of the following:

	2015	2014
Automobiles	\$ 420,679	\$ 359,945
Machinery and equipment	468,771	386,462
Furniture and fixtures	291,323	165,328
Leasehold improvement	1,996,173	1,318,791
Total cost	3,176,946	2,230,526
Less accumulated depreciation	(814,503)	(445,710)
Total net	2,362,443	1,784,816
Construction in progress	943,909	274,243
Total property, plant and equipment, net	\$ 3,306,352	\$ 2,059,059

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 amounted to \$368,793 and \$252,767, respectively.

NOTE 6 - GOODWILL

The Company purchased an existing San Diego franchisee on December 1, 2015. The purchase transaction resulted in a \$25,000 Goodwill recognized by the Company.

Total purchase price	\$ 261,310
Net book value of asset acquired	(230,796)
Other cost and charges on escrow	(5,514)
Goodwill from acquisition	25,000
Add existing goodwill	157,538
Total goodwill	\$ 182,538

On October 15, 2015, The Company issued a note payable amounting to \$120,000 as part of the purchase price payable on May 31, 2016 – see Note 8.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

In December 2015, the Company declared dividends amounting to \$780,000 payable in March 2016.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES - Continued

As of December 31, 2015 and 2014, accounts payable and accrued expenses consist of the following:

	2015	2014
Accounts payable	\$ 245,952	\$ 161,967
Credit card payable	28,653	28,024
Sales taxes payable	64,301	46,083
Payroll liabilities	61,691	115,881
Dividends payable - see Note 15	780,000	-
Total	<u>\$ 1,180,597</u>	<u>\$ 351,955</u>

NOTE 8 - NOTE PAYABLE

As of December 31, 2015 and 2014, outstanding notes payable comprise the following:

	2015	2014
Current		
Auto loan payable	\$ 33,682	\$ 32,209
Loan payable - newly acquired franchise	120,000	-
Line of credit used in 2015 - see Note 13	1,001,540	-
Total	1,155,222	32,209
Non-current		
Auto loan payable	50,417	83,629
Total	<u>\$ 1,205,639</u>	<u>\$ 115,838</u>

Following are the details of the Company's notes payable as of December 31, 2015:

Description	Amount	Interest Rate	Monthly Payment	Maturity Dates
Auto loan - BMW	\$ 47,256	2.5%	\$ 960	April 2019
Auto loan - Lexus	48,537	3.0%	960	April 2019
Auto loan - Hyundai	20,045	2.9%	860	December 2016
December 31, 2014	115,838			
Less: payments in 2015	(31,739)			
Add: loan from acquisition - see Note 6	120,000		-	May 2016
Line of credit	1,001,540		-	December 2016
December 31, 2015	<u>\$ 1,205,639</u>			

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 8 - NOTE PAYABLE - Continued

As of December 31, 2015, future minimum principal payments on the note payable are as follows:

2016	\$	1,155,222
2017		22,239
2018		22,664
2019		5,514
2020		-
Total	\$	<u>1,205,639</u>

NOTE 9 - COMMITMENTS

Leases

The Company's office premises and restaurant locations are leased under operating lease agreements. Generally, operating leases contain renewal options on substantially the same basis as current rental terms. Rent expense charged to operations under operating lease agreement amounted to \$838,852 and \$393,343 in 2015 and 2014, respectively.

On March 1, 2014, the Company's headquarter effectively terminated its lease contract with RR&C Development Company. The Company started leasing its corporate office under an operating lease agreement for a monthly base rental payment of approximately \$10,666 for 4 years term, plus direct expenses on the premises as defined in the lease agreement.

As of December 31, 2015, future minimum lease commitments under non-cancellable leases and subleases are as follows:

	Corporate Office	Restaurant	Commercial Lease	Total
2016	\$ 130,970	\$ 727,566	\$ 48,870	\$ 907,406
2017	66,974	727,566	48,870	843,410
2018	-	727,566	48,870	776,436
2019	-	727,566	48,870	776,436
2020 and thereafter	-	3,123,244	293,220	3,416,464
Total	<u>\$ 197,944</u>	<u>\$ 6,033,508</u>	<u>\$ 488,870</u>	<u>\$ 6,720,322</u>

As of December 31, 2015 and 2014, the Company has security deposits for its lease and utilities amounting to \$137,885 and \$113,493.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Company maintains a SEP/IRA plan (the "Plan") whereby contributions are made at the Company's sole discretion for all full time employees after two years of employment. The amount contributed is allocated among all employees in direct proportion to their earnings, subject to certain limitations. The Plan and related funds are administered by an unrelated party. For the years ended December 31, 2015 and 2014, Company contributions to the Plan amounted to \$0 and \$180,200, respectively, and are included in salaries and related expenses in the accompanying statement of income.

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 11 - INCOME TAXES

Income taxes for the years ended December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Current		
Federal	\$ 829,789	\$ 231,885
State	<u>236,020</u>	<u>66,625</u>
Total Current	<u>1,065,809</u>	<u>298,510</u>
Non-current		
Federal	99,246	(50,892)
State	<u>58,431</u>	<u>(14,568)</u>
Total Deferred	<u>157,677</u>	<u>(65,460)</u>
Total	<u>\$ 1,223,486</u>	<u>\$ 233,050</u>

Following is the reconciliation of the statutory federal income tax rate (34%) applied to pre-tax book income with the income taxes:

	<u>2015</u>	<u>2014</u>
Federal taxes at statutory rate	\$ 863,373	\$ 157,537
State tax provision, net of federal tax benefit	149,435	30,663
Permanent items	7,459	21,150
Others	<u>203,219</u>	<u>23,700</u>
Total	<u>\$ 1,223,486</u>	<u>\$ 233,050</u>

As of December 31, 2015 and 2014, net current deferred tax asset consist of the following:

	<u>2015</u>	<u>2014</u>
Current		
State income tax	\$ 80,247	\$ 22,968
Initial franchise fee	-	165,711
Total	<u>80,247</u>	<u>188,679</u>
Non-current		
Fixed assets	<u>(29,959)</u>	<u>19,286</u>
Total	<u>\$ 50,288</u>	<u>\$ 207,965</u>

WABA GRILL FRANCHISE CORPORATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE 11 - INCOME TAXES -- Continued

Following amounts comprise income tax payable as of December 31, 2015 and 2014:

	2015	2014
Income tax payable - federal	\$ 585,330	\$ 31,340
Income tax payable - state	110,713	(18,028)
Total	<u>\$ 696,043</u>	<u>\$ 13,312</u>

NOTE 12 - RELATED-PARTY TRANSACTIONS

In the ordinary course of business, the Company makes advances to related parties at certain agreed upon rates and terms. BKE, Inc., is a 100% related entity by common ownership from whom the company has an outstanding loan receivable of \$463,274 as of December 31, 2015 and 2014 -- see Note 4.

Loan receivable from BKE, Inc. is due as follows:

2016	\$ 420,064
2017	<u>43,210</u>
Total	<u>\$ 463,274</u>

NOTE 13 - LINE OF CREDIT

On December 19, 2014, the Company obtained a line of credit with a bank that provides borrowings up to \$3,200,000 and bears interest at .50% points over the bank's index rate, with a 3.75% initial rate, and matures on December 19, 2016. The Company will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning January 19, 2015.

As of December 31, 2015 and 2014, outstanding balance on line of credit amount to \$1,001,540 and \$0, respectively.

NOTE 14 - LEGAL PROCEEDINGS

The Company is from time to time involved in litigation and regulatory investigation, which arise in the normal course of doing business. The Company believes that the aggregate unrecorded liability, if any, arising from such actions will not have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

On August 14, 2014, the Company agreed to pay Tenderwoks, LLC and OKM WG, LLC (collectively "KIM") the sum of \$150,000 accounted for in general and administrative expenses, payable in six installments to resolve the disputed claims. In 2015 and 2014, the Company paid \$30,000 and \$120,000 in installments due. As of December 31, 2015 and 2014, outstanding balances relating to this case amount to \$0 and \$30,000, respectively.

On May 5, 2015, the Company agreed to pay a plaintiff the sum of \$300,000 as settlement for full and complete resolution and release of parties' claims and disputes. As of December 31, 2015, the Company has paid the plaintiff a total of \$200,000 accounted for in general and administrative expense. As of December 31, 2015 outstanding settlement balance amounts to \$100,000, accounted for in accounts payable.

WABA GRILL FRANCHISE CORPORATION

**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE 14 - LEGAL PROCEEDINGS - Continued

For the years ended December 31, 2015 and 2014, Company paid in the aggregate \$234,500 and \$150,000, respectively, in settlement payments.

NOTE 15 - SUBSEQUENT EVENTS

On January 19, 2016 and January 21, 2016, the Company opened and started operating its new franchises in Long Beach and San Diego California. On March 3, 2016, the Company entered into lease agreement with a lessor to open the Diamond Bar branch for a monthly base rental of payment of \$4,830 for 10 years.

On January 1, 2016 and February 5, 2016, the Company borrowed a total of \$600,000 from its bank line of credit.

On March 3, 2016, the Company paid BKE, Inc. (Parent) the dividends payable outstanding on December 31, 2015 amounting to \$780,000.

The Company evaluated subsequent events occurring through April 1, 2016 (the date of the audit report).

RECEIPT

(RETURN ONE COPY TO US)

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 WABA GRILL FRANCHISE CORP. OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR-DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

IF WABA GRILL FRANCHISE CORP. DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE ADMINISTRATORS LISTED IN EXHIBIT I.

The sellers of WaBa Grill franchise are:

Waba Grill Franchise Corp.
Representative: Kyle Lee
13181 Crossroads Parkway North, Suite 510
City of Industry, CA 91746 (562) 908-9222

Date of Issuance: June 15, 2018

I have received a disclosure document dated June 15, 2018 that included the following Exhibits:

- A. State Administrators/Agents for Service of Process
- B. State Specific Addendum
- C. Franchise Agreement
- D. Table of Contents of Confidential Operating Manual
- E. List of Franchisees
- F. List of Franchisees Who Have Left the System
- G. Financial Statements

Dated: _____

Franchisee: _____

Name: _____

Phone and Email: _____

Dated: _____

Franchisee: _____

Name: _____

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Name: _____

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