

EXHIBIT C
TO THE ACE SUSHI FRANCHISE CORPORATION
OFFERING CIRCULAR

FRANCHISE AGREEMENT

ACE SUSHI FRANCHISE CORPORATION

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ACE SUSHI FRANCHISE CORPORATION

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT (the "Agreement") made and entered into as of _____, _____, by and between ACE SUSHI FRANCHISE CORPORATION, a California corporation ("FRANCHISOR"), and _____

("FRANCHISEE"), with reference to the following facts:

A. Asiana Management Group, Inc., a California corporation ("AMG"), an affiliate of FRANCHISOR, as the result of the expenditure of time, skill, effort, and money, has developed a distinctive system relating to the establishment and operation of sushi bars ("ACE Sushi Bars") which offer high quality raw and cooked sushi and related food products prepared by a sushi chef for sale as carry-out items for off-premises consumption, either at sushi bar departments in grocery stores, supermarkets and other locations (the "Stores") owned and operated by third-party operators (the "Store Owners") who have entered into agreements ("Sushi Supply Agreements") with AMG or pre-packaged and sold in display and merchandising cases at Stores in the general geographical vicinity of the ACE Sushi Bars (the "Satellite Stores") without a sushi bar department or sushi chef on site (the "System").

B. The distinguishing characteristics of the System include, without limitation, the selection, preparation and distribution of unique high quality fresh and frozen sushi and related food products which incorporate AMG's trade secrets and proprietary information (the "Proprietary Products"), distinctive equipment; standards and specifications for products and supplies, service standards, uniform standards, specifications, and procedures for operations, procedures for inventory and management control, and training and assistance, all of which may be changed, improved, and further developed by FRANCHISOR and its affiliates from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark "ACE SUSHI" and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by FRANCHISOR in writing for use in connection with the System (the "Proprietary Marks").

D. FRANCHISOR has obtained the right to use, and to license others to use, the Proprietary Marks, the Proprietary Products and the System from AMG.

E. FRANCHISOR continues to develop, use, and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under this Agreement and under the System, and to represent the System's high standards of quality and service.

F. FRANCHISEE desires to enter into the business of operating a ACE Sushi Bar under the System and using the Proprietary Products and the Proprietary Marks (the "Main Sushi Bar"), and wishes to enter into an agreement with FRANCHISOR for that purpose, and to receive the training and other assistance provided by FRANCHISOR in connection therewith. FRANCHISEE represents and warrants to FRANCHISOR, as an inducement to FRANCHISOR's execution of this Agreement, that all statements made by FRANCHISEE and all materials provided to FRANCHISOR by FRANCHISEE in connection with the grant of this franchise to FRANCHISEE are accurate and complete and that FRANCHISEE has made no misrepresentations or material omissions in connection with obtaining this franchise. FRANCHISOR grants this franchise in reliance upon each and all of FRANCHISEE's representations.

G. FRANCHISEE understands and acknowledges the importance of FRANCHISOR's high standards of quality, cleanliness, appearance, service, and proprietary menu items, and the necessity of operating the Main Sushi Bar in conformity with FRANCHISOR's standards and specifications.

NOW, THEREFORE, THE PARTIES AGREE:

1. GRANT

1.1 Grant of Franchise. FRANCHISOR hereby grants to FRANCHISEE the non-exclusive right, and FRANCHISEE undertakes the obligation, to use the System, the Proprietary Products and Proprietary Marks solely in connection with the operation of one (1) ACE Sushi Bar at, and only at, the "Franchised Location" (as defined in Paragraph 1.4 of this Agreement).

1.2 Satellite Stores. If applicable, FRANCHISOR hereby grants to FRANCHISEE the non-exclusive right, and FRANCHISEE undertakes the obligation, to use the System, the Proprietary Products and Proprietary Marks solely in connection with the operation of a number of Satellite Stores, as FRANCHISOR shall determine in its sole and absolute discretion, as set forth in FRANCHISOR's standard-form Satellite Store Addendum attached, or to be attached, to this Agreement, either on the date of the parties' execution of this Agreement, or thereafter during the term of this Agreement. FRANCHISEE shall execute and deliver to FRANCHISOR each Satellite Store Addendum for each Satellite Store to operated under this Agreement within five (5) days after FRANCHISEE's receipt of the same from FRANCHISOR.

1.3 Use of Marks Domain Names Only as Directed by Franchisor. The Proprietary Marks, the Internet domain name www.acesushi.com, any other Internet domain names, URLs, copyrights or toll-free telephone numbers which may be utilized by FRANCHISOR, or its affiliates, and their mnemonics and other identifying marks constituting a part of the System, now or in the future, shall be used solely as directed by FRANCHISOR. Nothing contained in this Agreement shall be construed to authorize or permit the use by FRANCHISEE of the System, the Proprietary Products or the Proprietary Marks, the Internet domain name www.acesushi.com, any other Internet domain names, URLs, toll-free telephone numbers, or any confusingly similar imitations of the same, at any location other than the Franchised Location and Satellite Stores, or on the World Wide Web section of the Internet or for any other purpose whatsoever.

1.4 Location of Main Sushi Bar and Name of Store Owner. FRANCHISEE shall operate the Main Sushi Bar only at the address listed on Attachment B to this Agreement (the "Franchised Location"), as selected by FRANCHISOR, either prior to or following the date of the parties' execution of this Agreement. The Store Owner is also listed on Attachment B. If, at the time of execution of this Agreement, the Franchised Location has not been obtained by FRANCHISOR, FRANCHISOR and FRANCHISEE shall complete and execute Attachment B following the acquisition of the Franchised Location by FRANCHISOR. Selection of the Franchised Location by FRANCHISOR pursuant to this Paragraph 1.4 is not, and shall not be deemed to be, a guarantee or assurance by FRANCHISOR that the Sushi Bar shall be profitable or successful.

1.5 Reservation of Rights by Franchisor. FRANCHISEE expressly acknowledges and agrees that the franchise is non-exclusive; that the franchise granted in this Agreement is only for one (1) Sushi Bar at the Franchised Location and if applicable, at the Satellite Stores; that FRANCHISEE is not granted any area, market, or protected territorial rights; and that FRANCHISEE shall not have the right to sublicense, sublease, subcontract or enter into any management agreement

providing for the right to operate the Sushi Bar or to use the System granted pursuant to this Agreement. FRANCHISOR and its affiliates retain the right, among others, in any manner and on any terms and conditions that FRANCHISOR deems advisable, and without granting FRANCHISEE any rights therein:

1.5.1 To own, acquire, establish, and/or operate, and license others to establish and operate, ACE Sushi Bars and Satellite Stores, at any location.

1.5.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses, including ACE Sushi Bars (with or without Satellite Stores) under other proprietary marks or other systems, whether such businesses are the same, similar, or different from ACE Sushi Bars, at any location.

1.5.3 To license others to sell or distribute any the Proprietary Products or services which bear any proprietary marks, including the Proprietary Marks, at any location.

1.5.4 To produce, license, distribute and market ACE SUSHI branded food products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to the Main Sushi Bar or the Satellite Stores) including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the World Wide Web section of the Internet, mail order catalogs, direct mail advertising and other distribution methods.

1.5.5 To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Proprietary Marks and the System, including, without limitation, toll-free telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers, airlines (in-flight service) and military bases.

1.5.6 To sell Proprietary Products to "National Accounts". "National Accounts" means multi-state businesses that purchase such products as end-users and not as re-sellers.

1.6 **Modification to System and Confidential Operations Manual.** FRANCHISEE acknowledges that the System, FRANCHISOR's Confidential Operations Manual or any other manual loaned to FRANCHISEE by FRANCHISOR pursuant to Paragraph 3.3 of this Agreement (the "Confidential Operations Manual"), and the products and services offered by the Main Sushi Bar may be modified, (such as, but not limited to, the addition, deletion, and modification of Proprietary Products, operating procedures and services) from time to time by FRANCHISOR. FRANCHISEE agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, computer ordering systems, computer hardware and software. FRANCHISOR shall notify FRANCHISEE of any such System changes. FRANCHISEE shall implement any System changes upon receipt of notice thereof from FRANCHISOR, and shall complete their implementation within such time as FRANCHISOR may reasonably specify.

1.7 Wholesale Sales. FRANCHISEE shall not engage in wholesale sales of Proprietary Products of any kind without FRANCHISOR's prior consent. "Wholesale sales" means the direct or indirect sale or distribution of Proprietary Products to a third party for resale, retail sale or further distribution through any trade method or trade channel.

2. INITIAL AND EXTENDED TERMS

2.1 Initial Term of this Agreement. The initial term of this Agreement, except as otherwise provided in this Agreement, shall commence upon its acceptance and execution by FRANCHISOR, and shall automatically expire after twenty-four (24) months or upon the expiration or termination of the Sushi Supply Agreement or other agreement, whether oral or written, for the Main Sushi Bar, whichever is less, unless terminated sooner in accordance with the terms of this Agreement. The initial term of the Sushi Supply Agreement applicable to this franchise is set forth on Attachment B. FRANCHISOR and FRANCHISEE acknowledge and agree that the term of the Sushi Supply Agreement with the Store Owner of the Franchised Location generally ranges from ninety (90) days to twenty-four (24) months and that any options to extend the initial term may range from thirty (30) days to thirty-six (36) months. FRANCHISOR and FRANCHISEE further acknowledge and agree that the Sushi Supply Agreement may provide for a month-to-month relationship between the Store Owner and AMG following the expiration of the initial term of the Sushi Supply Agreement, for automatic renewal of the Sushi Supply Agreement on identical terms following the expiration of the initial term of the Sushi Supply Agreement, that either party may terminate a Sushi Supply Agreement on thirty (30) to sixty (60) days notice to the other party, and for the termination of the Sushi Supply Agreement if the Store Owner elects to close a Store. FRANCHISOR and FRANCHISEE further acknowledge and agree that the Sushi Supply Agreement may provide for immediate termination if any health department takes action for any violation of health codes or regulations at the Franchised Location and for other designated violations of the Sushi Supply Agreement.

2.1.1 If this Agreement terminates prior to the scheduled termination date for any reason other than due to the fault of FRANCHISEE, FRANCHISOR shall exert commercially reasonable efforts to relocate FRANCHISEE to a new franchised location within ninety (90) days thereafter, provided that FRANCHISEE satisfies all of the requirements of FRANCHISOR with respect to applicants for new franchises at that time and provided that FRANCHISEE complies with the requirements of Paragraph 2.2.1 through Paragraph 2.2.6 of this Agreement. Following relocation, FRANCHISEE shall have the right to operate the Main Sushi Bar at the new location for the remainder of the term of this Agreement. If FRANCHISOR is unable to relocate FRANCHISEE to a new franchised location within such ninety (90) day period, this Agreement shall terminate and be of no further force or effect. In no event, will FRANCHISEE be entitled to any refund of any fees theretofore paid to FRANCHISOR or its affiliates by FRANCHISEE.

2.1.2 FRANCHISEE shall have no right or option to extend or renew the term of this Agreement.

2.2. Conditions for Successor Franchise. Upon expiration of the initial term of this Agreement, if the Sushi Supply Agreement remains in effect, FRANCHISOR shall have the right to extend the term of this Agreement and to grant FRANCHISEE a successor franchise for the Main Sushi Bar on the terms set forth in FRANCHISOR's then-current form of Franchise Agreement, provided that FRANCHISEE is eligible for a successor franchise at that time in accordance with the requirements and policies of FRANCHISOR as set forth in FRANCHISOR's Confidential Operating Manual or other directives from time to time, and provided that each of the following conditions are satisfied:

2.2.1 FRANCHISEE shall not be in default of any provision of this Agreement, or any other agreement between FRANCHISEE and FRANCHISOR or its affiliates, or any standards set forth in the Confidential Operations Manual, and FRANCHISEE shall have complied with all the terms and conditions of this Agreement, the Confidential Operations Manual and any other agreements during the term of this Agreement.

2.2.2 FRANCHISEE shall have satisfied all monetary obligations owed by FRANCHISEE to FRANCHISOR and its affiliates, and shall have timely met those obligations throughout the term of this Agreement.

2.2.3 FRANCHISEE shall, at FRANCHISOR's option, execute FRANCHISOR's then-current form of Franchise Agreement and any addenda thereto, for the successor term, which agreement shall supersede this Agreement in all respects, and the terms of which, including, without limitation, the amount of "Franchisor's Compensation" and the "Commissions" may differ materially and be less advantageous to FRANCHISEE than the terms of this Agreement.

2.2.4 FRANCHISEE shall comply with FRANCHISOR's then-current qualification and training requirements.

2.2.5 FRANCHISEE shall pay FRANCHISOR a fee for the right to obtain an extended term in an amount equal to fifty percent (50%) of the then-current initial franchise fee charged by FRANCHISOR to new franchisees of FRANCHISOR.

2.2.6 FRANCHISEE shall execute a General Release, in substantially the form of Attachment A to this Agreement, of any and all claims which FRANCHISEE may have or believes to have against FRANCHISOR and/or its affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Main Sushi Bar, Satellite Stores or the Franchised Location, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement, the Main Sushi Bar, the Satellite Stores or the Franchised Location but which relate to other franchise agreements, sushi bars, satellite stores franchised locations and other agreements between FRANCHISOR or its affiliates and FRANCHISEE which arose on or before the date of the General Release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

2.2.7 If FRANCHISOR is not offering new franchises, is in the process of revising, amending or renewing FRANCHISOR's form of Franchise Agreement or franchise offering circular or is not lawfully able to offer FRANCHISEE FRANCHISOR's then-current form of Franchise Agreement at the time FRANCHISEE exercises an option to extend the term of this Agreement, FRANCHISOR may offer to renew FRANCHISEE's existing Franchise Agreement upon the terms and conditions set forth in this Agreement for the extended term of the franchise, or may offer to extend the term of this Agreement on a week-to-week basis following the expiration of the term for as long as FRANCHISOR deems necessary or appropriate so that FRANCHISOR may lawfully offer FRANCHISEE FRANCHISOR's then-current form of Franchise Agreement.

2.3. Grant of Successor Franchise. FRANCHISOR shall provide FRANCHISEE with written notice thirty (30) days prior to the scheduled expiration date of the term of this Agreement advising FRANCHISEE that FRANCHISOR will either grant FRANCHISEE

a successor franchise, or will not grant FRANCHISEE a successor franchise based upon FRANCHISOR's determination that FRANCHISEE has not had a history of compliance with the terms and conditions of this Agreement, and/or the Confidential Operating Manual, and/or other directives from FRANCHISOR and/or any other agreement between FRANCHISOR or its affiliates, and FRANCHISEE during the term of this Agreement.

2.4 Continued Compliance. FRANCHISEE's right to acquire a successor franchise shall be subject to FRANCHISEE's continued compliance with the terms and conditions of this Agreement until the effective date of the successor franchise as well as FRANCHISEE's compliance with the conditions set forth in Paragraph 2.2 of this Agreement.

2.5. Termination at End of Term. If FRANCHISOR does not grant FRANCHISEE a successor franchise, this Agreement shall terminate at the end of the term of this Agreement.

3. DUTIES OF FRANCHISOR

3.1 Supervision and Assistance. FRANCHISOR shall provide such initial and continuing assistance to FRANCHISEE as FRANCHISOR deems advisable.

3.2 Initial Training Program. FRANCHISOR shall offer an initial training program to FRANCHISEE as provided in FRANCHISOR's current Initial Training Agreement.

3.3 Licenses and Permits. FRANCHISOR shall assist FRANCHISEE in securing the various licenses and permits FRANCHISEE must have to operate the Main Sushi Bar.

3.4 Confidential Operations Manual; Ownership of Manuals; Confidentiality. In order to protect the reputation and goodwill of FRANCHISOR, to maintain uniform standards of the products, services, and operations offered and sold under the Proprietary Marks, and to promote the goodwill of all ACE Sushi Bars and the System, FRANCHISOR has created the Confidential Operations Manual which contains mandatory and suggested specifications, standards, operating procedures and rules prescribed by FRANCHISOR for ACE Sushi Bars from time to time. FRANCHISOR shall loan one copy of the Confidential Operations Manual to FRANCHISEE during the term of this Agreement. FRANCHISOR may, from time to time in its sole discretion, revise the Confidential Operations Manual to incorporate System changes. FRANCHISEE shall promptly implement any System change upon receipt of notice thereof from FRANCHISOR, and shall complete their implementation within such time as FRANCHISOR may reasonably specify.

3.5 Inspection and Evaluation. FRANCHISOR shall conduct, when and as frequently as FRANCHISOR deems advisable, inspections of the Main Sushi Bar and evaluations of the Main Sushi Bar's management and operations, in order to assist FRANCHISEE and to maintain the System's standards of quality, appearance, and service.

3.6 Supplies and Suppliers. FRANCHISOR shall provide FRANCHISEE with a list of its approved and designated suppliers and distributors necessary for the operation of the Main Sushi Bar following the parties' execution of this Agreement and shall further provide FRANCHISEE with updated lists of such suppliers and distributors periodically during the term of this Agreement.

3.7 Consultation and Advisory Services. FRANCHISOR may periodically consult with FRANCHISEE from time to time concerning the operation of the Main

Sushi Bar. FRANCHISOR shall at reasonable times, upon request and at no charge to FRANCHISEE, furnish counseling and advisory services to FRANCHISEE with respect to the planning, opening and operation of the Main Sushi Bar, including consultation and advice regarding operating problems and procedures, new developments and improvements in the System and the interpretation of policy as set forth in the Confidential Operations Manual, as the same may from time to time be amended, and other directives of FRANCHISOR. The advice to be rendered pursuant to this Paragraph 3.7 shall be general advice designed to assist FRANCHISEE in the operation of the Main Sushi Bar. FRANCHISEE acknowledges and agrees that FRANCHISOR, by rendering such consultation and advisory services, does not thereby guarantee the success or profitability of the Main Sushi Bar.

3.8 Availability of Proprietary Products. FRANCHISOR shall make all Proprietary Products, all food products other than produce and certain items of equipment and supplies such as employee uniforms, sushi containers, lids and product labels and paper products which bear the Proprietary Marks available to FRANCHISEE through AMG and/or independent distributors and shall use reasonable efforts to fulfill or cause such distributors to fulfill FRANCHISEE's orders for Proprietary Products on a timely basis.

3.9 Liaison. FRANCHISOR shall act as a liaison between FRANCHISEE and the Store Owner to coordinate advertising for the Main Sushi Bar and/or the Satellite Stores in conjunction with the Store Owner's customary advertising programs and policies.

3.10 Delegation of Obligations. FRANCHISEE acknowledges and agrees that any duty or obligation imposed on FRANCHISOR by this Agreement may be performed by any designee, employee, or agent of FRANCHISOR, as FRANCHISOR may direct.

3.11 Franchisor's Rights In Fulfilling Obligations. In fulfilling its obligations to FRANCHISEE pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement or on behalf of the System, FRANCHISOR (and its affiliates) shall have the right:

3.11.1 To take into account, as FRANCHISOR sees fit, the effect on, and the interests of, other ACE Sushi Bars and Satellite Stores in which FRANCHISOR has an interest and on FRANCHISOR's (and its affiliates') own activities.

3.11.2 To share market and product research, and other proprietary and non-proprietary business information, with other ACE Sushi Bars in which FRANCHISOR has an interest, or with FRANCHISOR's affiliates.

3.12 Responsibility of Franchisee. Notwithstanding the provisions of this Section 3, FRANCHISEE shall be and remain responsible for the operation of the Main Sushi Bar at all times and shall hold FRANCHISOR, its affiliates and their respective directors, officers, employees and agents, harmless therefrom. FRANCHISEE shall not look to FRANCHISOR for performance of regular operational duties.

4. SUSHI SUPPLY AGREEMENT

4.1 Property of Franchisor. The Sushi Supply Agreement with the Store Owner and the accounts represented by the Sushi Supply Agreement are, and shall be and remain, the exclusive property of FRANCHISOR and its affiliates. FRANCHISOR and FRANCHISEE acknowledge and agree that all of the rights and duties of the parties under this Agreement are expressly made subject to the terms and conditions of the Sushi Supply Agreement.

4.2 **Business and Management Services.** FRANCHISOR and its affiliates shall have the sole right and obligation to invoice and collect the revenue due from the Store Owner to AMG under the Sushi Supply Agreement for the percentage of the gross sales of Proprietary Products at the Main Sushi Bar and the Satellite Stores each month (the "**Gross Sushi Sales**"), which is payable to AMG under the Sushi Supply Agreement. FRANCHISOR and FRANCHISEE acknowledge and agree that Gross Sushi Sales will be set forth in reports issued to AMG by the Store Owner on a monthly or other basis, depending on the sales cycles of the Store. FRANCHISOR shall assign FRANCHISEE a payment cycle under which FRANCHISEE shall receive monthly payments of "**Commissions**" accompanied by report setting forth the calculation of such "**Commissions**". FRANCHISOR and FRANCHISEE further acknowledge and agree that, unless otherwise determined by FRANCHISOR, due to the irregularity of the receipt of reports of Gross Sushi Sales from the Store Owner, each payment of "**Commissions**" may be an estimate of the amount due to FRANCHISEE for Gross Sushi Sales during the preceding month, together with any adjustments required for prior months based on reports of actual Gross Sushi Sales received from the Store Owner.

4.2.1 Following receipt of the amount of Gross Sushi Sales, FRANCHISOR and/or its affiliates shall calculate the amount of "**Commissions**" due to FRANCHISEE under Paragraph 5.2 of this Agreement. Prior to the payment of the "**Commissions**", FRANCHISOR and/or its affiliates shall deduct and pay FRANCHISOR and/or its affiliates (i) the food costs for the Proprietary Products FRANCHISEE purchased from AMG, or its distributors (the "**Food Costs**"); (ii) the freight charges for delivery of the Proprietary Products to FRANCHISEE (the "**Freight Charges**"); (iii) the costs for liability and workers' compensation insurance AMG must maintain under the Sushi Supply Agreement with the Store Owner (the "**Insurance Charges**"); (iv) rent for refrigeration or other equipment AMG rents to FRANCHISEE for use at the Main Sushi Bar (the "**Equipment Charges**"); and (v) all other expenses incurred in performing the services required to be performed by FRANCHISEE under this Agreement, including the costs for the purchase of other insurance and additional supplies, materials and equipment and the payment of any fees, such as health licenses or other local or union fees, necessary for the operation of the Main Sushi bar (collectively the "**Expenses**"), and shall thereafter pay FRANCHISEE the "**Commissions**" described in Paragraph 5.2 of this Agreement.

4.2.2 A monthly statement setting forth the calculation of Gross Sushi Sales, Commissions, Expenses and Franchisor's Compensation shall be sent to FRANCHISEE by FRANCHISOR. FRANCHISEE shall only contact FRANCHISOR regarding any complaints or inquiries regarding payment or to ascertain sales Gross Sushi Sales, Commissions and Expenses. FRANCHISEE shall not have the right, and shall not, directly contact the Store Owner or any of its personnel, whether at the Store or at the Store Owner's corporate offices, for any such information.

5. **FEES AND COMMISSIONS**

5.1 **Initial Franchise Fees.** FRANCHISEE shall pay to FRANCHISOR an initial franchise fee of \$2,400 for the Main Sushi Bar, payable (i) upon execution of this Agreement; or (ii) in twelve equal monthly installments of \$200 each as an Expense in the manner provided for in Paragraph 4.2.1 of this Agreement, at FRANCHISEE's election. In addition, FRANCHISEE shall pay to FRANCHISOR an initial franchise fee of \$240 for each Satellite Store, payable upon the execution of a Satellite Store Addendum for each Satellite Stores. The initial fees shall be deemed fully earned and non-refundable when paid, in consideration of administrative and other expenses incurred by FRANCHISOR in entering into this Agreement, and for FRANCHISOR's lost or deferred opportunity to enter into this Agreement with others.

5.2 Commissions. FRANCHISOR and/or its affiliates shall pay FRANCHISEE the percentage of the Gross Sushi Sales at the Main Sushi Bar as set forth on Attachment B and shall pay FRANCHISEE the percentage of the Gross Sushi Sales at the Satellite Stores as set forth in the Satellite Store Addendum as sales commissions (the "Commissions") in the manner described in Paragraph 4.2.1 of this Agreement.

5.3 Time of Payments. All payments required by Paragraph 5.2 shall be paid on a monthly basis, calculated in the manner described in Paragraph 4.2.1 of this Agreement, or as frequently as otherwise determined by FRANCHISOR.

5.4 Reimbursement of Monies Paid on Behalf of Franchisee. FRANCHISEE shall pay to FRANCHISOR any monies which FRANCHISOR has paid, or has become obligated to pay on behalf of FRANCHISEE, by consent or otherwise under this Agreement, in addition to the Expenses.

5.5 Audit. All of FRANCHISEE's books, records, tax returns and supporting materials shall be made available by FRANCHISEE for inspection, examination or audit by FRANCHISOR at all reasonable times to confirm that all information reported to FRANCHISOR by FRANCHISEE is accurate and complete and that FRANCHISEE is paying all taxes and other assessments required to be paid by FRANCHISEE's for FRANCHISEE's employees. An examination or audit shall be at FRANCHISOR's cost and expense unless a discrepancy or underreporting of sales of one percent (1%) or more is disclosed in which case these costs and expenses shall be borne by FRANCHISEE. FRANCHISEE shall also immediately pay FRANCHISOR any deficiency which is disclosed by such audit or examination, together with interest at the maximum rate permitted by law or ten percent (10%) per annum, whichever is greater, from the date of the underpayment.

6. TRAINING

6.1 Initial Training Program and Other Training. Prior to the opening of the Main Sushi Bar, FRANCHISEE shall attend and complete to FRANCHISOR's satisfaction FRANCHISOR's initial training program for franchisees offered by FRANCHISOR as provided in FRANCHISOR's current Initial Training Agreement. FRANCHISEE shall also attend and complete all other training and information programs as may be designated by FRANCHISOR from time to time and/or as required by the Store Owner and federal, state or local authorities in order to qualify to operate the Main Sushi Bar.

6.2 Trained Employees. During the term of this Agreement, FRANCHISEE shall always employ, on a full-time basis in the operation of the Main Sushi Bar, at least one (1) employee who has successfully completed the minimum level of training specified by FRANCHISOR in the Confidential Operations Manual or otherwise in writing and/or as required by the Store Owner and federal, state or local authorities in order to qualify to be employed at the Main Sushi Bar.

6.3 Franchisor's Training Personnel. For two (2) days after the opening of the Main Sushi Bar, FRANCHISOR shall provide FRANCHISEE, at FRANCHISOR's expense, with the services of FRANCHISOR's training personnel to facilitate proper operation of the Main Sushi Bar during the "opening period" and to assist in correcting any operational problems that may arise. FRANCHISEE shall be responsible for any and all expenses incurred by FRANCHISOR's training personnel (including the costs of transportation, moderately-priced lodging and meals, but not including wages) in connection with providing training or assistance during the opening of a Main Sushi Bar. If FRANCHISOR determines, in its sole and absolute discretion, that FRANCHISOR's training personnel must remain at the Main Sushi Bar for more than two (2) days, FRANCHISEE shall pay FRANCHISOR the sum of

\$500 per day for each day FRANCHISOR's training personnel must remain at the Main Sushi Bar in excess of two (2) days plus the costs of transportation, lodging and meals that FRANCHISOR's training personnel incur during this additional period.

6.4 **Food Preparation Training.** FRANCHISEE and each of FRANCHISEE's employees shall be required to complete training on food preparation methods in accordance with the standards promulgated by the United States Food and Drug Administration Food Code recommendations and FRANCHISOR's Hazard Analysis Critical Control-Based Food Safety Policy, Procedures and Standards as set forth in the Confidential Operations Manual. One training session is required per Store to ensure that each and every person working in any Store will be trained. Provided that the prior written consent of FRANCHISOR is obtained, FRANCHISEE and/or FRANCHISEE's employees may take a comparable course of training elsewhere, provided that (i) such course is approved by FRANCHISOR and (ii) FRANCHISEE provides FRANCHISOR with a certificate of completion of such approved course.

6.5 **Additional Training.** FRANCHISEE and FRANCHISEE's employees also shall attend such additional courses, seminars, and other training programs as FRANCHISOR may reasonably require from time to time. FRANCHISEE shall pay FRANCHISOR any fee which may be charged by FRANCHISOR to FRANCHISEE and other franchisees to defray the direct costs of providing these programs. In addition, FRANCHISEE shall be responsible for any and all other expenses incurred in connection with sending its employees to such training including, without limitation, the costs of transportation, lodging, meals, training materials and any wages. FRANCHISOR shall, in its sole discretion, select the time and location of all additional training.

7. **DUTIES OF FRANCHISEE**

7.1 **Importance of System Standards.** FRANCHISEE understands and acknowledges that every detail of the System is essential to FRANCHISEE, FRANCHISOR, and other System franchisees in order to: (a) develop and maintain quality operating standards, (b) increase the demand for the products and services sold by all franchisees operating under the System, and (c) protect FRANCHISOR's reputation and goodwill. FRANCHISEE shall maintain FRANCHISOR's high standards with respect to services, products, and operations.

7.2 **Use of Franchised Location.** FRANCHISEE shall utilize the Franchised Location solely for the operation of the Main Sushi Bar and shall keep the Main Sushi Bar open and in normal operation each and every day the Store is open for business, or as otherwise required by the Store Owner. FRANCHISEE shall refrain from using or permitting the use of the Franchised Location for any other purpose or activity.

7.3 **System Standards.** To insure that the highest degree of quality and service is maintained, FRANCHISEE shall operate the Main Sushi Bar in strict conformity with such methods, standards, and specifications as FRANCHISOR may from time to time prescribe in the Confidential Operations Manual or otherwise in writing. FRANCHISEE shall refrain from: (a) deviating from such standards, specifications, and procedures without FRANCHISOR's prior written consent, and (b) otherwise operating in any manner which reflects adversely on the Proprietary Marks or the System. FRANCHISEE understands that the marketing and sales success of sushi and sushi-related products is heavily dependent upon the quality and freshness of those products, and shall therefore use only the freshest sushi and sushi of the highest quality at all times. FRANCHISEE shall follow the proper methods of food handling as required by all local, state and federal health codes to assure safety and freshness at all times. FRANCHISEE shall promote and sell sushi items recommended by menus prepared by FRANCHISOR. FRANCHISEE shall comply,

at FRANCHISEE's sole expense, with any and all applicable local, state and federal health codes health codes, regulations, ordinances, rules and orders relating to the use and operation of the Main Sushi Bar, including without limitation, all health, safety and weights and measure codes. FRANCHISEE shall follow the guidelines and polices set forth in the Confidential Operations Manual, which may be modified from time to time by FRANCHISOR in its sole discretion.

7.4 **Maintain Sufficient Supplies** FRANCHISEE shall maintain in sufficient supply, and use at all times, only Proprietary Products, ingredients, and supplies that conform to FRANCHISOR's standards and specifications; and shall refrain from using non-conforming items. FRANCHISOR shall have the right, but not the obligation, to order Proprietary Products, ingredients, and supplies for FRANCHISEE if FRANCHISOR determines, in its sole and absolute discretion, that FRANCHISEE is not maintaining sufficient inventories of the same.

7.5 **Sale of Approved Products Only**. FRANCHISEE shall sell or offer for sale only such Proprietary Products and services that meet FRANCHISOR's uniform standards of quality, that have been expressly approved for sale in writing by FRANCHISOR, and that have been prepared in accordance with FRANCHISOR's methods and techniques for Sushi Product preparation; shall sell or offer for sale, all products, and services required by FRANCHISOR in the Confidential Operations Manual or otherwise in writing as being part of the System; shall not deviate from FRANCHISOR's methods, standards, and specifications regarding, without limitation, ingredients, methods of preparation and service, and weight, quality, and dimensions of products served; and shall discontinue selling and offering for sale any menu items, products, or services which FRANCHISOR may, in its sole discretion, disapprove in writing at any time. FRANCHISOR may change the types of authorized goods and services to be sold at ACE Sushi Bars, in FRANCHISOR's sole discretion, without restriction, and FRANCHISEE shall comply with each and all of such changes within the time periods and in the manner prescribed by FRANCHISOR from time to time. In this regard, FRANCHISOR may introduce new products or reintroduce previously introduced products for ACE Sushi Bars from time to time. FRANCHISEE shall purchase, maintain and display reasonable inventories of such new products for at least ninety (90) days or as otherwise required by FRANCHISOR and shall continue to purchase, maintain and display reasonable inventories of such new products for such period of time as FRANCHISOR shall require. FRANCHISOR acknowledges and agrees that all customers shall pay for all purchases made from the Sushi Bars at the cash registers operated by the Store Owner. FRANCHISEE shall make no sales of any kind through its own means of contact with a customer without the prior written consent of FRANCHISOR.

7.6 **Required Equipment**. FRANCHISEE shall purchase and install, at FRANCHISEE's expense, all equipment and other items as FRANCHISOR may reasonably direct from time to time in the Confidential Operations Manual or otherwise in writing; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any equipment or other items not previously approved in writing as meeting FRANCHISOR's standards and specifications.

7.7 **Dress and Grooming**. FRANCHISEE shall wear, and require all employees to wear, clean ACE Sushi uniforms, to be well groomed and to comply with all personal hygiene requirements for the preparation and sale of the Proprietary Products.

7.8 **Purchases of Products, Equipment and Supplies**. FRANCHISEE shall purchase all products, equipment and supplies used or sold at the Main Sushi Bar and the Satellite Stores only from suppliers and distributors who have been approved by FRANCHISOR in the Confidential Operations Manual or otherwise in writing and not thereafter disapproved. FRANCHISEE shall purchase all food

products other than produce, and certain items of equipment and supplies such as employee uniforms, sushi containers, lids and product labels from FRANCHISOR, AMG or from suppliers or distributors designated or approved by FRANCHISOR, who may automatically re-order and ship the same to FRANCHISEE, based upon historical or anticipated sales and inventory requirements. In addition, FRANCHISEE must purchase all printed paper and paper products bearing the Proprietary Marks from FRANCHISOR, AMG or from a distributor or manufacturer authorized or approved by FRANCHISOR.

7.9 **Recommended Suppliers.** If FRANCHISEE desires to purchase products from other than approved suppliers and distributors, FRANCHISEE shall submit to FRANCHISOR a written request to approve the proposed supplier or distributor, together with such evidence of conformity with FRANCHISOR's specifications as FRANCHISOR may reasonably require, or shall request the supplier or distributor itself to do so. FRANCHISOR shall have the right to inspect and evaluate the supplier's facilities and products to be supplied, and FRANCHISEE shall pay all of FRANCHISOR's reasonable expenses incurred in so doing. FRANCHISOR shall provide FRANCHISEE with FRANCHISOR's specifications and standards and FRANCHISOR's criteria for approval of suppliers and shall approve or disapprove a proposed supplier within sixty (60) to ninety (90) days. FRANCHISOR may from time to time re-inspect and re-evaluate the facilities and products of any approved supplier or distributor and revoke FRANCHISOR's general approval of particular products, suppliers or distributor when FRANCHISOR determines, in its sole discretion, that such products or suppliers no longer meet FRANCHISOR's standards. Upon receipt of written notice of such revocation, FRANCHISEE shall cease to sell any disapproved products and cease to purchase from any disapproved supplier.

7.10 **Cooperation with Inspection.** FRANCHISEE shall permit FRANCHISOR or its agents, at any reasonable time, to remove from the Franchised Location representative samples of any ingredients, products, materials, supplies, and paper goods used in the operation of the Main Sushi Bar, without payment therefor, in amounts reasonably necessary for testing by FRANCHISOR or an independent laboratory, for the purposes of determining whether the samples meet FRANCHISOR's then-current standards and specifications. In addition to any other remedies FRANCHISOR may have under this Franchise Agreement, FRANCHISOR may require FRANCHISEE to bear the cost of such testing if the supplier has not been approved by FRANCHISOR or if the sample fails to conform to FRANCHISOR's specifications.

7.11 **Maintenance of Franchised Location.** FRANCHISEE shall maintain the Franchised Location in a clean, orderly condition and in excellent repair; and, in connection therewith, FRANCHISEE shall, at its expense, make such additions, alterations, repairs, and replacements thereto as FRANCHISOR may require by written notice to FRANCHISEE. FRANCHISEE shall complete all work specified in any such notice within the time frame FRANCHISOR may specify.

7.12 **Franchisee Employee Policy.** After the Main Sushi Bar has opened to the public, FRANCHISEE shall maintain a competent, conscientious, and trained manager (which may be FRANCHISEE) and/or staff, and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; meet such minimum standards as FRANCHISOR may establish from time to time in the Confidential Operations Manual or otherwise in writing; and are properly disciplined for poor performance as necessary. FRANCHISEE shall be solely responsible for all employment decisions and functions of the Main Sushi Bar, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, and regardless of whether FRANCHISEE receives advice from FRANCHISOR on these subjects. FRANCHISEE shall maintain all insurance coverage required for the benefit of FRANCHISEE's

employees and shall timely and completely pay all taxes and assessments required by employers for their employees. If required, FRANCHISEE shall join and maintain, and shall require FRANCHISEE's employees to join and maintain, membership in all unions required for food workers in the metropolitan area surrounding the Store.

7.13 Modification to the System. FRANCHISEE shall not implement any modification to the System without the express prior written consent of FRANCHISOR. FRANCHISEE shall notify FRANCHISOR in writing of any proposed modification, and shall provide to FRANCHISOR such information as FRANCHISOR requests regarding such modification. FRANCHISOR shall have the right to incorporate the modification into the System without compensation to FRANCHISEE.

7.14 Compliance with Governmental Regulations. FRANCHISEE shall meet and maintain the highest health standards and ratings applicable to the operation of the Main Sushi Bar, and shall timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Main Sushi Bar.

7.14.1 FRANCHISEE shall comply, at FRANCHISEE's expense, with all applicable local, state and federal health codes, regulations, ordinances, rules and orders relating to the proper methods of food handling, including, without limitation, all health, safety and weights and measure codes.

7.14.2 If any product sold from the Main Sushi Bar or the Satellite Stores evidences adulteration or contamination, or if FRANCHISEE fails to maintain the Main Sushi Bar in compliance with all applicable laws and regulations, FRANCHISEE shall immediately cease operations, search out and destroy any adulterated or contaminated products, eliminate their source and remedy all unsanitary conditions present at the Main Sushi Bar. FRANCHISEE shall not resume operation of the Main Sushi Bar until (i) FRANCHISOR's analysis of the products sold from the Main Sushi Bar and/or the Satellite Stores and FRANCHISOR's inspection of the Main Sushi Bar demonstrate compliance with all applicable laws and regulations; and (ii) all applicable governmental authorities approve the resumption of operations at the Main Sushi Bar. FRANCHISEE's obligations under this Paragraph 7.14 do not alter FRANCHISOR's right to terminate this Agreement under Paragraph 12.2.1 of this Agreement if FRANCHISOR instead elects to terminate this Agreement.

7.15 Customer Data. Without limiting any other provision of this Agreement, all "Customer Data" is and shall remain the sole property of FRANCHISOR and its affiliates. For purposes of this Agreement, "Customer Data" includes, without limitation, any and all information by, from, or about an ACE Sushi Bar customer, including, without limitation, a customer's name, address, e-mail address, telephone number, credit card information and account numbers, order information, purchasing preferences or history and all other personally identifiable information. No right, title or interest in the Customer Data is conveyed, transferred, or otherwise licensed to FRANCHISEE hereunder or otherwise. Accordingly, FRANCHISEE shall not, during the term or thereafter sell, lease, share or rent any Customer Data or make any use whatsoever of the Customer Data.

7.16 Time and Efforts. FRANCHISEE shall devote FRANCHISEE's full time, attention and best efforts to the development, opening and operation of the Main Sushi Bar and shall only permit the Main Sushi Bar to be operated and managed in accordance with the terms of this Agreement. FRANCHISEE shall be responsible for the operation of the Main Sushi bar each and every day the Store is open for business, at a minimum from 9:00 A. M. to 6:00 P. M., subject to the operating hours of the Store. If, at any time during the term of this Agreement, FRANCHISOR determines, in its sole and absolute discretion that FRANCHISEE is not operating the Main Sushi Bar in accordance with the Confidential Operations Manual and

FRANCHISOR's standards, FRANCHISOR shall have the right to install its operations personnel at the Main Sushi Bar to assume direction and control over the operation of the Main Sushi Bar and FRANCHISEE shall pay FRANCHISOR the sum of \$500 per day for each day FRANCHISOR's operations personnel remain at the Main Sushi Bar.

7.17 **Samples.** FRANCHISEE shall comply with all sampling policies that FRANCHISOR may establish from time to time and with all sampling policies that the Store Owner may require from time to time. These policies may require FRANCHISEE to provide free samples to customers and potential customers.

7.18 **Right of Franchisee to Set Prices.** FRANCHISOR may recommend prices or price schedules for the products and services offered by FRANCHISEE and may provide FRANCHISEE with pricing labels which include FRANCHISOR's recommended prices. FRANCHISEE shall have the right to sell all products and services at any prices FRANCHISEE may determine and shall not be bound by any price which may be recommended, suggested or advertised by FRANCHISOR. If FRANCHISEE elects to charge prices that differ from the prices or price schedules recommended or suggested by FRANCHISOR, FRANCHISEE shall pay and/or reimburse FRANCHISOR for any additional expenses FRANCHISOR may incur to provide FRANCHISEE with price labels which conform with the prices charged by FRANCHISEE. To the extent permitted by applicable law, FRANCHISOR and/or the Store Owner shall have the right to establish maximum prices for the products and services offered by ACE Sushi Bars and, in such event, FRANCHISEE shall not charge any prices for the products and services offered at the Main Sushi Bar in excess of the prices established by FRANCHISOR and/or the Store Owner.

8. **PROPRIETARY MARKS**

8.1 **Franchisor Representations.** FRANCHISOR represents with respect to the Proprietary Marks that:

8.1.1 FRANCHISOR has obtained from its affiliate a license to use, and license others to use, the Proprietary Marks.

8.1.2 All steps reasonably necessary to preserve and protect the validity of the Proprietary Marks, and FRANCHISOR's right to use and license others to use, the Proprietary Marks will be taken.

8.1.3 FRANCHISOR will use and permit FRANCHISEE and other franchisees to use the Proprietary Marks only in accordance with the System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Proprietary Marks.

8.2 **Franchisee Representations.** FRANCHISEE agrees and represents with respect to the Proprietary Marks that:

8.2.1 FRANCHISEE shall use only the Proprietary Marks designated by FRANCHISOR, and shall use them only in the manner authorized and permitted by FRANCHISOR.

8.2.2 FRANCHISEE shall use the Proprietary Marks only for the operation of the Main Sushi Bar, and only at the Franchised Location or at the Satellite Stores.

8.2.3 Unless otherwise authorized or required by FRANCHISOR, FRANCHISEE shall operate and advertise the Main Sushi Bar only under the name "ACE SUSHI " without prefix or suffix.

8.2.4 FRANCHISEE shall identify itself as an independent franchisee-owner of the Main Sushi Bar in conjunction with any use of the Proprietary Marks or the operation of the Main Sushi Bar. The form and content of such identification shall comply with standards set forth in the Confidential Operations Manual.

8.2.5 FRANCHISEE's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement.

8.2.6 FRANCHISEE shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of FRANCHISOR.

8.2.7 FRANCHISEE shall execute any documents deemed necessary by FRANCHISOR or its affiliates to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

8.2.8 FRANCHISEE shall not use the Proprietary Marks as part of its corporate or other legal name.

8.2.9 FRANCHISEE shall promptly notify FRANCHISOR of any suspected unauthorized use of, or any challenge to the validity of the Proprietary Marks, or any challenge to FRANCHISOR's or FRANCHISOR's affiliate's ownership of, FRANCHISOR's license to use and to license others to use, or FRANCHISEE's right to use, the Proprietary Marks licensed under this Agreement. FRANCHISEE acknowledges that FRANCHISOR or its affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks, including any settlement thereof. FRANCHISOR or its affiliate has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. FRANCHISOR shall defend FRANCHISEE against any third-party claim, suit, or demand arising out of FRANCHISEE's use of the Proprietary Marks. If FRANCHISOR, in its sole discretion, determines that FRANCHISEE has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by FRANCHISOR. If FRANCHISOR, in its sole discretion, determines that FRANCHISEE has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by FRANCHISEE. In the event of any litigation relating to FRANCHISEE's use of the Proprietary Marks, FRANCHISEE shall execute any and all documents and do such acts as may, in the opinion of FRANCHISOR, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of FRANCHISEE's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, FRANCHISOR agrees to reimburse FRANCHISEE for its out-of-pocket litigation costs in doing such acts.

8.3 Franchisee Acknowledgments Concerning Proprietary Marks. FRANCHISEE expressly understands and acknowledges that:

8.3.1 FRANCHISOR or its affiliate is the owner of all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them and FRANCHISOR has the right to use, and license others to use, the Proprietary Marks.

8.3.2 The Proprietary Marks are valid and serve to identify the System and those who are franchised under the System.

8.3.3 During the term of this Agreement and after its expiration or termination, FRANCHISEE shall not directly or indirectly contest the validity of, or FRANCHISOR's or FRANCHISOR's affiliate's ownership of the Proprietary Marks, nor take any other action which may tend to jeopardize FRANCHISOR's or FRANCHISOR's affiliate's interest therein, or FRANCHISOR's right to use, and to license others to use, the Proprietary Marks.

8.3.4 FRANCHISEE's use of the Proprietary Marks pursuant to this Agreement does not give FRANCHISEE any ownership interest or other interest in or to the Proprietary Marks other than the license granted by this Agreement.

8.3.5 Any and all goodwill arising from FRANCHISEE's use of the Proprietary Marks shall inure solely and exclusively to the benefit of FRANCHISOR or its affiliate, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with FRANCHISEE's use.

8.3.6 The right and license of the Proprietary Marks granted under this Agreement to FRANCHISEE is nonexclusive, and FRANCHISOR and its affiliates have and retain the rights described in Paragraph 1.3 of this Agreement, and, among others: (a) to use the Proprietary Marks themselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to FRANCHISEE.

8.3.7 FRANCHISOR reserves the right to change, revise, or substitute different proprietary marks for use in identifying the System, the Main Sushi Bar, and products sold or offered for sale through the Main Sushi Bar, if the Proprietary Marks no longer can be used, or if FRANCHISOR, in its sole discretion, determines that substitution of different proprietary marks will be beneficial to the System. In such circumstances, the use of the substituted proprietary marks shall be governed by the terms of this Agreement, and FRANCHISOR shall not compensate FRANCHISEE for such substitution and shall bear only the costs of modifying FRANCHISEE's signs and advertising materials to conform to FRANCHISOR's new proprietary marks. If FRANCHISOR's currently licensed Proprietary Marks can no longer be used, FRANCHISEE shall implement promptly any such substitution.

8.3.8 FRANCHISOR shall have the right, at all reasonable times, at the Main Sushi Bar and elsewhere, to inspect the products and services on which the Proprietary Marks shall be used as FRANCHISOR considers necessary to carry out the purposes of inspection as part of appropriate quality control. Upon request, FRANCHISEE shall submit to FRANCHISOR all packages, labels, advertising, displays, advertising brochures and other materials used in connection with the goods and/or services bearing the Proprietary Marks and FRANCHISEE specifically undertakes to amend to the satisfaction of FRANCHISOR any such package, labels, advertising displays, advertising brochures and other materials which are not approved by FRANCHISOR.

8.4 Changes in Law Affecting Proprietary Marks. In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, FRANCHISEE shall execute any documents, and do such acts and things as in the opinion of FRANCHISOR may be necessary to affect the intent and purpose of the provisions of this Agreement; provided, however, that FRANCHISOR shall bear all costs associated with such request.

8.5 Web Site. FRANCHISEE shall not establish a web site on the Internet using any domain name containing the words "ACE SUSHI" or any variation thereof. FRANCHISEE acknowledges and agrees that AMG and FRANCHISOR retain the sole right to advertise on the Internet and create a web site using the "ACE SUSHI" domain name and that AMG and FRANCHISOR are the owners of all right, title and interest in and to the "ACE SUSHI" domain name.

9. CONFIDENTIAL OPERATIONS MANUAL AND INFORMATION

9.1 Use of Confidential Operations Manual. FRANCHISEE shall operate the Main Sushi Bar in accordance with the standards, methods, policies, and procedures specified in the Confidential Operations Manual. FRANCHISEE shall treat the Confidential Operations Manual, any other manuals created for or approved for use in the operation of the Main Sushi Bar, and the information contained therein, as confidential, and shall maintain such information as secret and confidential. FRANCHISEE shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person. The Confidential Operations Manual shall at all times remain the sole property of FRANCHISOR and shall be kept in a secure place on the Franchised Location. If FRANCHISEE loses, damages or destroys the Confidential Operations Manual, FRANCHISEE shall pay FRANCHISOR the sum of \$1,000 for a replacement, if necessary. FRANCHISEE shall ensure that its copy of the Confidential Operations Manual is kept current at all times, and in the event of any dispute as to the contents of the Confidential Operations Manual, the terms of the master copy of the Confidential Operations Manual maintained by FRANCHISOR shall be controlling.

9.2 Confidentiality of Information. FRANCHISEE shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of, anyone else, any confidential information, knowledge, or know-how concerning the methods of operation of the Main Sushi Bar 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 perform their employment responsibilities. Any and all matters, information, knowledge, know-how, techniques, Proprietary Products, and other data which FRANCHISOR designates as confidential shall be deemed confidential for purposes of this Agreement.

9.3 Irreparable Injury from Disclosure of Confidential Information. FRANCHISEE acknowledges that failure to comply with the requirements of this Section 9 will result in irreparable injury to FRANCHISOR for which no adequate remedy at law may be available, and FRANCHISEE consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 9.

9.4 Confidentiality Covenants from Individuals Associated with Franchisee. FRANCHISEE shall require any employee who may have access to any confidential information of FRANCHISOR to execute covenants that they will maintain the confidentiality of information they receive in connection with their association with FRANCHISEE. Such covenants shall be in a form satisfactory to FRANCHISOR, including, without limitation, specific identification of FRANCHISOR as a third party beneficiary of such covenants with the independent right to enforce them.

10. **INSURANCE**

10.1 **Franchisee's Insurance Obligations.** FRANCHISEE shall obtain and shall maintain in effect during the term of this Agreement, all of the following insurance coverage, either through FRANCHISOR, or AMG, or through insurance companies approved by FRANCHISOR prior to FRANCHISEE's purchase of the same, with such minimum limits as required by FRANCHISOR, as such requirements may be revised from time to time by FRANCHISOR in the Confidential Operations Manual or otherwise in writing, and/or the Store Owner: (a) broad form comprehensive general liability coverage, restaurant owners, contractual liability and injury and product liability coverage; (b) worker's compensation and employer's liability insurance; (c) unemployment insurance covering FRANCHISEE's employees; (d) fire, flood, earthquake and extended coverage insurance on the Sushi Bars and FRANCHISEE's property in an amount adequate to replace it in the event of an insured loss; (e) business interruption insurance in reasonable amounts; and (f) state disability insurance for FRANCHISEE's employees (as required by law). These coverages shall name FRANCHISOR, FRANCHISOR's personnel, and the Store Owner, as required, as additional insureds and provide that FRANCHISOR is entitled to receive at least thirty (30) days prior written notice of any intent to reduce coverage or policy limits, cancel or otherwise amend the policy. FRANCHISEE shall reimburse FRANCHISOR for FRANCHISOR's direct costs to obtain liability insurance for the Sushi Bars. If FRANCHISEE uses a refrigerated truck to service any Satellite Stores, FRANCHISEE must obtain and maintain automobile insurance for the vehicle.

10.2 **Automobile Liability Insurance.** If FRANCHISEE uses a refrigerated truck to service any Satellite Stores, FRANCHISEE shall procure, prior to the opening of the Main Sushi Bar, and shall maintain in full force and effect at all times during the term of this Agreement, at FRANCHISEE's expense, automobile liability insurance in an amount not less than \$500,000.

10.3 **Waiver of Subrogation.** In connection with any and all insurance required to be maintained by FRANCHISEE under Paragraph 10.1, FRANCHISEE and FRANCHISEE's insurers shall agree to waive their rights of subrogation against FRANCHISOR, and FRANCHISEE shall provide evidence of such waiver in accordance with Paragraph 12.5.

10.4 **Franchisee's Insurance Obligation Not Affected By Franchisor's Insurance.** FRANCHISEE's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by FRANCHISOR, nor shall FRANCHISEE's performance of that obligation relieve FRANCHISEE of liability under the indemnity provisions set forth in Paragraph 16.4 of this Agreement.

10.5 **Certificates of Insurance.** At least ten (10) days prior to the time any insurance is first required to be carried by FRANCHISEE, and thereafter at least thirty (30) days prior to the expiration of any policy, FRANCHISEE shall deliver to FRANCHISOR a Certificate of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given FRANCHISOR in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates.

10.6 **Franchisor's Right to Secure Insurance on Behalf of Franchisee.** Should FRANCHISEE, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by FRANCHISOR in the Confidential Operations Manual or otherwise in writing, FRANCHISOR shall have the right and authority (but not the obligation) to immediately procure such insurance and to charge same to FRANCHISEE, which