

ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this Offering Circular, "ACE", "we" or "us" means ACE SUSHI FRANCHISE CORPORATION, the franchisor of this business. "You" means the person who buys the franchise, and includes your owners if you are a partnership, limited liability company, corporation or other entity.

The Franchisor

We were incorporated in California on October 7, 2004. Our principal business address is 1447 West 178<sup>th</sup> Street, Suite 303, Gardena, California 90248. We do business under our corporate name as well as under the trade name "ACE SUSHI." We do not do business under any other names.

Our agents for service of process are listed in Exhibit A.

Our Predecessors and Affiliates

We have been licensed by our "affiliate", Asiana Management Group, Inc., a California corporation ("AMG"), to offer and sell franchises for ACE Sushi Bars. "Affiliate" means a person (other than a natural person) controlled by, controlling or under common control with ACE which provides products or services to our franchisees. AMG will provide high quality sushi and related food products to our franchisees and will provide them with the services described in this Offering Circular. AMG's principal business address is 1447 West 178<sup>th</sup> Street, Suite 303, Gardena, California 90248. We have no other affiliates. We have no predecessors.

Licensees

~~Before the date of this Offering Circular, Beginning in April 2003, AMG entered into Contracts for Services ("Contracts for Services") under which AMG granted licenses to individuals ("Licensees") to operate ACE Sushi Bars in grocery stores and super markets in various states in the United States. As of November 30, December 31, 2005, there were 310 Licensees 240 licensed ACE Sushi Bars in the United States. Exhibit G is a list of these Licensees. The Contracts for Services may be considered franchises under the California Franchise Investment Law and, since they were offered for sale without registration or exemption from registration in California, AMG may have liability for doing so. We have filed a Notice of Violation with the California Department of Corporations in accordance with Section 31303 of the California Franchise Investment Law in an attempt to limit that liability. Exhibit G-1 is a list of our Licensees. We will offer all Licensees the right to terminate their Contracts for Services and become franchisees of ACE after the effective date of this Offering Circular. Licensees will not have to become franchisees and Licensees who elect not to become franchisees will continue to operate their ACE Sushi Bars under their Contracts for Services. Licensees who elect to become franchisees will operate their Ace Sushi Bar under our Franchise Agreement for the balance of the term of their Contract for Services. As these existing Contracts for Services expire, the Licensees who desire~~

and are qualified to continue to operate their ACE Sushi Bar will sign the Franchise Agreement and become a member of the franchised system.

### The System

ACE Sushi Bars are identified by certain trade names, service marks and trademarks, such as "ACE SUSHI" (the "Proprietary Marks"), and by their high quality raw and cooked sushi and related food products (the "Proprietary Products") which are offered for sale as carry-out items for off-premises consumption. ACE Sushi Bars ("ACE Sushi Bars") are generally located in grocery stores, supermarkets and other locations (the "Stores") owned and operated by third-party operators (the "Store Owners") who have entered into oral or written agreements (the "Sushi Supply Agreements") with AMG to have Proprietary Products provided for sale at the Stores, either at sushi bar departments in the Stores where you will prepare the sushi as an on-site sushi chef (a "Main Sushi Bar"), or pre-packaged in display and merchandising cases at Stores in the general geographical vicinity of your Main Sushi Bar ("Satellite Stores") without a sushi bar department or sushi chef on site (the "System"). If your franchised business includes a Main Sushi Bar and Satellite Stores, you will prepare the Proprietary Products at your Main Sushi Bar and deliver the Proprietary Products to the Satellite Stores in the general vicinity (approximately 30 miles - 50 miles) of your Main Sushi Bar.

### The Franchise Offered

We offer a Franchise Agreement (the "Franchise Agreement") which grants you the right to establish and operate one Main Sushi Bar at a Store we select as specified in the Franchise Agreement (the "Franchised Location"). The Franchise Agreement may also grant you the right and obligation to deliver Proprietary Products from your main Ace Sushi Bar to Satellite Stores under a Satellite Store Addendum (the "Satellite Store Addendum") attached to your Franchise Agreement. All of our respective rights and obligations under the Franchise Agreement are subject to the terms and conditions of the Sushi Supply Agreement.

The term of your Franchise Agreement will be 24 months or the term of the Sushi Supply Agreement with the Store Owner of the Franchised Location, whichever is less. The term of the Sushi Supply Agreement with the Store Owner will range from 90 days to 24 months and, if options to extend are granted, will range from 30 days to 36 months. In some cases, the Sushi Supply Agreement may provide: for a month-to-month arrangement after the expiration of the initial term of the Sushi Supply Agreement, automatic renewal for the same term as the initial term after the expiration of the initial term, that either party may terminate a Sushi Supply Agreement on 30 days' notice to the other party, and for termination of the Sushi Supply Agreement if the Store Owner elects to close a Store. Most Sushi Supply Agreements 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. Your Franchise Agreement will automatically terminate upon the termination of the Sushi Supply

Agreement for your Main Sushi Bar or your Satellite Stores unless we provide you with at least 30 days notice that your Franchise Agreement will not be renewed. You do not have the right to extend or renew the Franchise Agreement when it expires. We have the right to extend the term of the Franchise Agreement and to grant you a successor franchise for the Franchised Unit if you are eligible for a successor franchise and if the Sushi Supply Agreement is still in effect. We must give you 30 days written notice before the expiration date of your Franchise Agreement of your eligibility to acquire a successor franchise. If the term of your Franchise Agreement terminates for any reason other than your fault, we will use commercially reasonable efforts to relocate you to a new franchised location in 90 days. After relocation, you will have the right to operate your Main Sushi Bar at the new location for the remainder of the term of your Franchise Agreement. If we are unable to relocate you to a new franchised location in this 90 day period, your Franchise Agreement will terminate. You will not be entitled to any refund of any fees you have paid us before the date of termination. See Item 17, Note 1, for a further discussion about the term of your Franchise Agreement.

### Operating Experience

We do not operate a business of the type being franchised; however, AMG operated ~~7880~~ ACE Sushi Bars as of ~~November 30,~~ December 31, 2005.

### Franchising Experience

~~We did not offer~~have offered franchises for sale ~~before the effective date of this~~beginning in June 2005 on the dates our Franchise Offering Circular was accepted for registration in the various franchise registration states. As of December 31, 2005, there were 66 franchised ACE Sushi Bars in the United and States. Exhibit G-2 is a list of our franchisees. We do not conduct any other business activities. Neither AMG or ACE have offered franchises for sale in any other line of business.

### Forms of Agreements

Item 22 of this Offering Circular describes the following forms of agreements, copies of which are attached to this Offering Circular: our Initial Training Agreement (Exhibit B), our Franchise Agreement and attachments (Exhibit C) and our Satellite Store Addendum (Exhibit D). Licensees who become franchisees must sign our Conversion Agreement for Licensees (Exhibit E) when they sign their Franchise Agreement.

### Competition

ACE Sushi Bars will generally be located in grocery stores, supermarkets and other locations we select. The sushi market is well established and very competitive. ACE Sushi Bars will compete with sushi bars in grocery stores, supermarkets and other locations and with quick service and fine dining restaurants that offer sushi products for sale for both on-premises and off-premises consumption.

### Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your ACE Sushi Bar on the preparation, labeling, storage and sale of seafood and other perishable products and the operation of your franchised business including health, sanitation, weights and measures, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. You must obtain health, business and other licenses. You should consult with your attorney concerning these and other local laws and ordinances that may affect your ACE Sushi Bar.

**ITEM 2**

**BUSINESS EXPERIENCE**

**President and Chief Executive Officer:** Harlan H. Chin

Mr. Chin has served as the President and Chief Operating Officer of AMG in Gardena, California since January 1991 and the President and Chief Executive Officer of ACE since October 7, 2004.

**Vice President, Store Operations** Brian Tan

Mr. Tan has served as the Vice President, Store Operations of AMG in Gardena, California since June 2003. From June 1997 until May 2003, Mr. Tan served as the Director of Sales and merchandising for AMG. Mr. Tan has served as the Vice President, Store Operations of ACE since October 7, 2004.

**ITEM 3**

**LITIGATION**

**State of California Determination.** In June 2005, we voluntarily acknowledged to the State of California Department of Corporations that that the rights offered and sold by AMG in California under the Contracts for Services may have been franchises within the meaning of the California Franchise Investment Law (the "CFIL"). In August 2005, the State of California Department of Corporations determined that the rights offered and sold by AMG in California under the Contracts for Services were franchises within the meaning of the CFIL and violated the CFIL. We agreed to offer all California Licensees the right to rescind their Contracts for Services.

**State of Hawaii Determination.** In June 2005 we voluntarily acknowledged to the State of Hawaii, Department of Commerce and Consumer Affairs, that that the rights offered and sold by AMG in Hawaii under the Contracts for Services may have been franchises within the meaning of the Hawaii Franchise Investment Law (the "Hawaii Law") and may have violated the Hawaii Law. We have agreed to offer all Hawaii Licensees the right to rescind their Contracts for Services and are awaiting a decision by the Hawaii Department of Commerce and Services. Consumer Affairs regarding additional sanctions for these violations.

**State of Illinois Determination.** In June 2005, we voluntarily acknowledged to the State of Illinois Attorney General that that the rights offered

and sold by AMG in Illinois under the Contracts for Services may have been franchises within the meaning of the Illinois Franchise Disclosure Act of 1987 (the "IFDA"). In October 2005, the State of Illinois Attorney General determined that the rights offered and sold by AMG in Illinois under the Contracts for Services were franchises within the meaning of the IFDA and violated the IFDA. We agreed to offer all Illinois Licensees the right to rescind their Contracts for Services and paid a fine of \$10,000 for these violations.

**State of Maryland Determination.** In August 2004, the State of Maryland determined that the Contracts for Services offered and sold by AMG in Maryland were franchises under the Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law") and violated the Maryland Franchise Law. In February 2005, AMG entered into a Consent Order with the Office of the Attorney general of Maryland and agreed to cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law, to diligently pursue the completion of an application to register the ACE Sushi Bar franchise offering in Maryland, to enroll an officer who is responsible for franchise sales in an approved franchise law compliance training program, to notify Licensees with ACE Sushi Bars in Maryland of their right to rescind their Contracts for Services and to provide the Licensees with a copy of this Offering Circular after its registration for use in Maryland.

**State of New York Determination.** In June 2005, we voluntarily acknowledged to the State of New York Department of Law that that the rights offered and sold by AMG in New York under the Contracts for Services may have been franchises within the meaning of the New York State Franchise Act (the "New York Act"). In October 2005, the State of New York Department of Law determined that the rights offered and sold by AMG in New York under the Contracts for Services were franchises within the meaning of the New York Act and violated the New York Act. We agreed to offer all New York Licensees the right to rescind their Contracts for Services and paid a fine of \$3,000 for these violations.

**State of Rhode Island Determination.** In June 2005, we voluntarily acknowledged to the State of Rhode Island Department of Business Regulation, Division of Securities, that that the rights offered and sold by AMG in Rhode Island under the Contracts for Services may have been franchises within the meaning of the Rhode Island Franchise Investment Act (the "Rhode Island Act"). In October 2005, the State of Rhode Island Department of Business Regulation, Division of Securities, determined that the rights offered and sold by AMG in Rhode Island under the Contracts for Services were franchises within the meaning of the Rhode Island Act and violated the Rhode Island Act. We agreed to offer all Rhode Island Licensees the right to rescind their Contracts for Services and paid a fine of \$5,000 for these violations.

**State of Virginia.** In June 2005, we voluntarily acknowledged to the State of Virginia State Corporation Commission, Division of Securities and Retail Franchising, that that the rights offered and sold by AMG in Virginia under the Contracts for Services may have been franchises within the meaning of the Virginia Retail Franchising Act (the "Virginia Act"). In September 2005, the State of Virginia State Corporation Commission, Division of Securities and Retail Franchising, determined that the rights offered and sold by AMG in Virginia under the Contracts for Services were franchises within the meaning of the Virginia Act

and violated the Virginia Act. We agreed to offer all Virginia Licensees the right to rescind their Contracts for Services and paid investigation costs of \$1,500 and a penalty of \$15,600 for these violations.

**State of Washington.** In June 2005, we voluntarily acknowledged to the State of Washington, Department of Financial Institutions, Securities Division, that that the rights offered and sold by AMG in Washington under the Contracts for Services may have been franchises within the meaning of the Washington Franchise Investment Protection Act (the "Washington Act") and may have violated the Washington Act. On February 3, 2006, the Securities Division entered into a Consent Order with ACE and AMG. The Division alleged that AMG sold 2 franchises in the State of Washington prior to the filing of a registration application with the Securities Division and that AMG had not complied with disclosure document requirements. ACE and AMG agreed in the Consent Order to comply with the registration and disclosure document provisions of the Washington Act in the future and also agreed to reimburse the Securities Division \$600 for its cost of investigation of the matter. ACE and AMG also waived their rights to a hearing or other further proceedings in this matter.

**State of Wisconsin Determination.** In June 2005, we voluntarily acknowledged to the State of Wisconsin, Department of Financial Institutions, that that the rights offered and sold by AMG in Wisconsin under the Contracts for Services may have been franchises within the meaning of the Wisconsin Franchise Investment Law (the "Wisconsin Law") and may have violated the Wisconsin Law. In September 2005, the State of Wisconsin, Department of Financial Institutions, accepted our voluntary agreement to offer all Wisconsin Licensees the right to rescind their Contracts for Services.

With these exceptions, no litigation is required to be disclosed in this Offering Circular.

#### ITEM 4

#### BANKRUPTCY

No person previously identified in Item 1 or Item 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

#### ITEM 5

#### INITIAL FRANCHISE FEE

#### Initial Training Fee

You must pay us \$700 for our initial training program when you sign our Initial Training Agreement. The initial training fee is payable in full when you sign the Initial Training Agreement, is fully earned when paid and is not refundable. If you would like us to train additional trainees for you, the initial training fee for each additional trainee is \$500 payable in full when you sign the Initial Training Agreement, is fully earned when paid and is not refundable.

### Initial Franchise Fee

If you successfully complete our initial training program, in our judgment, you will be eligible to sign our Franchise Agreement and must then pay us an initial franchise fee of \$2,400 for your Main Sushi Bar and an initial franchise fee of \$240 for each Satellite Store unless your main Ace Sushi Bar and Satellite Stores are located in Hawaii (see Different Initial Fees below). The initial franchise fee for your Main Sushi Bar is either payable in full when you sign the Franchise Agreement, or if you prefer, by the deduction of \$200 each month for 12 months from our payments to you. The initial franchise fee is fully earned when paid and is not refundable. The initial franchise fee for your Satellite Store is payable in full when you the sign the Satellite Store Addendum, which may be at the same time you sign your Franchise Agreement or at a later date as Satellite Stores are assigned to you, and is fully earned when paid and is not refundable.

### Other Initial Payments

You must also pay us the amounts listed below, which range from \$5,332 to \$13,659, for the items listed below before you begin business at your Main Sushi Bar:

- a. Interior Signage. You must pay us \$100 - \$200 for interior signage.
- b. Insurance. You must pay us \$285 - \$2,225 for our direct costs to obtain liability insurance and worker's compensation insurance for your Main Sushi Bar that AMG must maintain under the Sushi Supply Agreements with the Store Owners. If you use a refrigerated truck to service any Satellite Stores, you must obtain, before the opening of the Sushi Bar, and maintain in full force and effect at all times during the term of your Franchise Agreement, at your expense, automobile liability insurance of at least \$500,000. This estimate covers annual insurance premium for required coverages.
- c. Initial Food Inventory. You must pay us or other suppliers \$1,500 - \$5,000 to stock your Main Sushi Bar with Proprietary Products necessary for 1 - 2 weeks after the opening of your Main Sushi Bar.
- d. Initial Small Wares, Supplies, Uniforms and Other Food Items. You must pay us or other suppliers \$200 - \$400 for cooking and food preparation utensils, pots, knives, menu holders, labels and uniforms.
- e. NSF Approved Camcarrier. You must pay us \$300 for an NSF approved Camcarrier.
- f. Refrigerated Display Case and Refrigerated Table. In some cases, the Store Owner may require us to provide a refrigerated display case and refrigerated table for the Main Sushi Bar. If the Store Owner requires us to do so, you must pay us \$32 - \$259 per month for 36 months for a refrigerated display case and refrigerated table which will be deducted as an Expense before the payment of Commissions to you and the payment of our compensation.

g. Label Machine and Label Template. You must pay us \$300 as a one-time payment and \$85 per month for a label machine and \$300 - \$700 for label templates which will be deducted as an Expense before the payment of Commissions to you and the payment of our compensation.

h. Security Deposit. Depending upon the strength of your financial condition, we may require you to pay us a security deposit of \$2,500 - \$5,000 when you sign your Franchise Agreement (the "Security Deposit"), in our discretion, to secure your payment of any expenses, including reasonable attorneys' fees, that we incur if you fail to comply with the terms of your Franchise Agreement and to ensure continuation of business operations at the Main Sushi Bar following a termination of your Franchise Agreement. We may retain all or part of the Security Deposit to recover all or a portion of the actual expenses we incur. Licensees are not required to pay us a Security Deposit.

### Licensees

All Licensees will be offered the right to become franchisees of ACE after the effective date of this Offering Circular under our Franchise Agreement without the payment of any initial training fee or initial franchise fee. As these Franchise Agreements expire, the Licensees who become franchisees, who have satisfactorily operated their ACE Sushi Bar for at least 1 year and who desire and are qualified to continue to operate their ACE Sushi Bar as franchisees will be required to pay us 50% of our then-current initial franchisee fee as a renewal fee. Licensees who elect not to become franchisees will continue to operate their ACE Sushi Bars under their Contracts for Services without the payment of any initial training fee or initial franchise fee. As these existing Contracts for Services expire, the Licensees who desire and are qualified to continue to operate their ACE Sushi Bar will be required to sign the Franchise Agreement and will be required to pay us our then-current initial franchise fees. All Licensees paid AMG a \$500 training/administrative processing fee at the time each Licensee signed his or her Contract for Services.

### Different Initial Fees

We reserve the right to negotiate different initial training fees and initial franchise fees in our discretion. In addition, initial training fees and initial franchise fees for your Main Sushi Bar and Satellite Stores will also vary if your Main Sushi Bar and Satellite Stores are located in Hawaii. As of the date of this Offering Circular, the initial franchise fee for your Main Sushi Bar in Hawaii is \$3,600, the initial franchise fee for each Satellite Store in Hawaii is \$360 and the initial training fee for Hawaii is \$700.

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ITEM 6

OTHER FEES

You will or may be required to pay us the following fees:

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Compensation to ACE	Varies. Typically 25% - 45% of "Gross Sushi Sales". See Item 1 for details	Monthly on Gross Sushi Sales for the prior month.	"Gross Sushi Sales" means the all revenue from the sale of sushi products at your Ace Sushi bar and Satellite Stores. You are paid 55% - 75% of "Gross Sushi Sales" less payment of the "Expenses" as a "Commission". See Note 1 for details
Expenses (Food Charges, Freight Charges, Insurance Charges, Equipment Charges, initial franchise fee and other amounts due to us or AMG or ACE	Varies. Typically, Food Costs: 20% - 30% of Gross Sushi Sales; Freight Charges: 1% - 5% of Gross Sushi Sales; Insurance Charges: .5% - 5% of Gross Sushi Sales; Equipment Charges: .05% - 4% of Gross Sushi Sales; Other Charges: .001% - 1% of Gross Sushi Sales	Before the payment of Commissions to you and the payment of our compensation.	See Item 1, Item 8 and Notes 1 and 2 for details.
NSF Approved Camcarrier	\$300	Before Opening	Used to deliver food products to Satellite Stores. See Item 1 and Note 3 for details.

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Refrigerated Display Case and Refrigerated Table	36 monthly lease payments of \$235	Deducted as an Expense before the payment of Commissions to you and the payment of our compensation	If required by the Store Owner
Uniforms	\$200	Before Opening	Includes 2 sets of coats, hats and aprons
Label Machine	\$300 one-time payment; monthly lease payments of \$85	Deducted as an Expense before the payment of Commissions to you and the payment of our compensation	Used to place price and ingredient labels on Proprietary Products
Pricing Labels	Our cost, estimated to be approximately \$500 per item for which a price is changed	When we must print special price labels for you because you charge prices different than our recommended or suggested prices	You pay or reimburse us for the costs to reprogram our computers to print labels for you which conform with the prices you charge
Initial Training Fee	\$700 for you and \$500 for each additional employee you want us to train	Before Training	See Item 11 for details
Additional Training and Education Programs	\$100 - \$500 per trainee necessary to defray our direct costs to provide additional training programs	Upon Demand	We may charge you a fee which will range from \$100 - \$500 per trainee to attend our additional training and education programs.

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Administrative Transfer Fee	\$3,000	At Transfer	To pay a portion of our administrative costs to process a transfer of the franchise. You do not pay us a transfer fee for an assignment to a controlled corporation or limited liability company or if you inherit the Sushi Bar from a family member.
Management Fee	\$500 per day plus the travel and lodging fees for our employees	Upon Demand	If we must operate your Sushi Bar
Renewal Fee	50% of our then-current initial franchise fees	At the Time of Renewal	We will have the option to extend the term of your Franchise Agreement
Supplier Approval Fee	\$200 - \$600 per item	Upon Demand	You must pay our reasonable costs and expenses if you request us to inspect and evaluate a proposed supplier
Interest on Overdue Payments	Lesser of 18% per year or maximum rate permitted by law which may range from \$10 - \$500 or more	Upon Demand	Payable on overdue amounts
Adulteration, Health Violation or Failure of Sanitation Inspection Fee	Our expenses including attorneys' fees, and inspection fees of a minimum of \$500	Upon Demand	If we inspect your ACE Sushi Bar and find a health violation and find the same violation at a later date, you must pay the inspection fee and our expenses to correct the violation

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Reimbursement of money paid by us on your behalf	Varies with circumstances and may range from \$100 - \$5,000 or more	Monthly, before the payment of Commissions to you and the payment of our compensation	Covers any payments you fail to make which we make on your behalf in addition to the Expenses
Costs and Attorneys' Fees	Will vary under circumstances and may range from \$1,000 - \$25,000 or more	Upon Demand	You must reimburse us for our expenses in enforcing or terminating the Franchise Agreement
Audit Expenses	Cost of audit and interest on underpayment at 10% per annum or the maximum rate permitted by law which may range from \$1,000 - \$5,000 or more	Upon Demand	Payable if you under report sales by 1% or more
Indemnification	Will vary under circumstances and may range from \$1,000 - \$25,000 or more	Upon Demand	You must reimburse and pay our attorneys' fees if you are held liable for claims arising under your Franchise Agreement
Lost Manual Fee	\$1,000	Upon Demand	You must pay us \$1,000 if you lose our Manuals.
Amounts Owed to AMG under Contracts for Services	Amounts already due to AMG which may range from \$1,000 - \$5,000 or more	Before the payment of Commissions to you and the payment of our compensation	Licenses who elect to become franchisees will sign a Franchise Agreement and a Conversion Agreement for Licensees which will provide that all amounts due under the Contract for Services remain due under the Franchise Agreement and Conversion Agreement for Licensees.

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Security Deposit	\$2,500 - \$5,000	When you sign your Franchise Agreement	You must reimburse us for our expenses in enforcing or terminating the Franchise Agreement. Depending upon the strength of your financial condition, we may require you to pay us a Security Deposit of \$2,500 - \$5,000 when you sign your Franchise Agreement, in our discretion. We may retain all or part of the Security Deposit to recover all or a portion of the actual expenses we incur.

Except for attorneys' fees established by a Court, all fees are imposed by and are payable to us or AMG, unless otherwise noted. No other fees or payments are to be paid to us or AMG, nor do we impose or collect any other fees or payments for any third party. ~~Any~~All fees paid to us and AMG are non-refundable ~~unless otherwise~~ noted. Fees payable to third parties are refundable based on your individual arrangements.

**NOTE 1:**

In most cases, customers of your Main Sushi Bar and Satellite Stores will select the Proprietary Products they wish to purchase from your Main Sushi Bar or from display and merchandising cases at the Satellite Stores and will present them to the Store's cashiers for purchase and payment, who will scan their purchases through their cash register systems ("**Scanned Sales**"). In some cases, you will deliver the Proprietary Products to a Store and present the Store Owner with an invoice for the products you deliver ("**Invoiced Sales**"). Store Owners will provide AMG with scan reports for Scanned Sales and with sales reports for Invoiced Sales which will detail the total gross sales of Proprietary Products ("**Gross Sushi Sales**"), and will pay AMG a fixed percentage of Gross Sushi Sales (the "**Gross Sushi Sales**") as agreed upon between AMG and the Store Owners in the Sushi Supply Agreements. AMG will pay you sales commissions (the "**Commissions**") equal to 55% - 75% of the Gross Sushi Sales on the sale of Proprietary Products at your Main Sushi Bar and 55% - 75% of the Gross Sushi Sales on the sale of Proprietary Products at your Satellite Stores, **LESS** (i) the food costs for the Proprietary Products and other goods you purchase from us or AMG or its distributors (the "**Food Costs**"); (ii) the freight charges incurred for delivery of the Proprietary Products to you (the "**Freight Charges**"); (iii) the costs for liability insurance AMG must maintain under the Sushi Supply Agreements with the Store Owners (the "**Insurance Charges**"); (iv) rent for refrigeration or other equipment AMG rents to you for use at your ACE Sushi Bar (the "**Equipment**").

**Charges**"); and (v) any other sums due from you to AMG or ACE, such as your initial franchise fee, if you elect to pay the initial fee over 12 months at \$200 per month (collectively the "**Expenses**"). We will retain 25% - 45% of the Gross Sushi Sales as payment of our compensation. AMG will act as your agent in the performance of these business and management services. AMG will invoice and collect its fixed percentage of Gross Sushi Sales due from all Store Owners, accept payments of its fixed percentage of Gross Sushi Sales from the Store Owners and maintain records of the same on your behalf.

**NOTE 2:**

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. We will assign you a payment cycle under which you will receive monthly payments of "**Commissions**" after the payment of the Expenses, accompanied by report setting forth the Expenses and the calculation of these "**Commissions**". Due to the irregularity of the receipt of reports of Gross Sushi Sales from the Store Owners, each payment of "**Commissions**" may be an estimate of the amount due to you 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. We will send you a report with the calculation of Gross Sushi Sales, Expenses, Commissions and our compensation each month.

**NOTE 3:**

Food Costs are the amounts you pay for Proprietary Products and other goods you purchase from us, AMG and AMG's distributors. Freight charges are the amounts you pay for delivery of the Proprietary Products to you. Insurance Charges are the amounts you must pay AMG liability insurance for your Main Sushi Bar that AMG must maintain under the Sushi Supply Agreements with the Store Owners. Equipment Charges are the amounts you will pay AMG for refrigeration and other equipment AMG rents to you or sold to you for your use at your ACE Sushi Bar. Other charges include direct general and administrative expenses AMG incurs for your ACE Sushi Bar, costs for permits and licenses and other like expenses due from you to AMG or ACE.

**Note 4:**

If you will Satellite Stores from your Main Sushi Bar, you must transport the Proprietary Products to the Satellite Stores in a special refrigerated cooler we will rent to you or in a refrigerated truck you must acquire from a third party which will maintain the proper temperature for the Proprietary Products in transit.

The percentages of the Expenses listed above are estimates only and will vary depending upon many factors, including the Gross Sushi Sales at your ACE Sushi Bar. Your financial results are likely to differ from these estimates. We recommend that prospective franchisees contact qualified professionals such as bankers, accountants, attorneys and business consultants regarding whether or not these estimated percentages can be attained.

ITEM 7

INITIAL INVESTMENT

You may incur the following estimated initial expenditures when you being operating as an ACE Sushi Bar franchisee. Additional factors concerning each expenditure category are described in the Notes following the chart.

<u>Item</u>	<u>Estimated Cost</u>	<u>When Due</u>	<u>To Whom Paid</u>
Initial Training Fee <sup>1/</sup>	\$700 to \$1,700	When you sign the Initial Training Agreement	Us
Initial Franchise Fee <sup>1/</sup>	\$2,400 to \$3,600 for each Sushi Bar and \$240 to \$360 for each Satellite Store	When you sign the Franchise Agreement and each Satellite Store Addendum. You may pay the initial franchisee fee in 12 payments of \$200 or \$300 each as applicable, as an Expense.	Us
Equipment <sup>2/</sup>	\$1,000 to \$2,500	As Required	Us
Licenses <sup>3/</sup>	\$100 to \$500	Before Opening	Local Authorities
Insurance <sup>4/</sup>	\$500 to \$5,000	Annually	Us
Initial Food Inventory <sup>5/</sup>	\$3,000 to \$5,000	Before Opening	Us; Various Suppliers and Distributors
Initial Small Wares, Supplies, Uniforms and Other Non-Food Items <sup>6/</sup>	\$200 to \$300	Before Opening	Us; Various Suppliers and Distributors
NSF Approved Camcarrier	\$300	Before Opening	Us

<u>Item</u>	<u>Estimated Cost</u>	<u>When Due</u>	<u>To Whom Paid</u>
Refrigerated Display Case and Refrigerated Table	\$32 - \$259	You will pay between \$32 - \$259 per month for 36 months, deducted as an Expense before the payment of Commissions to you and the payment of our compensation	Us
Refrigerated Truck <sup>7/</sup>	**	Before Opening Satellite Stores	Various Suppliers and Distributors
Label Machine with Label Template	\$300 as a on-time payment and \$300 - \$700 for templates	You will pay \$300 as a one-time payment and \$85 per month which will be deducted as an Expense before the payment of Commissions to you and the payment of our compensation	Us
Expenses Before Opening <sup>8/</sup>	\$500 to \$5,000	Before Opening	Various Vendors and Professional Advisors
Security Deposit <sup>9/</sup>	\$2,500 to \$5,000	When you sign your Franchise Agreement	Us
Additional Funds, Working Capital Reserve <sup>10/</sup>	\$5,000 to \$10,000	During the first 3 months of operation	Various
<b>TOTAL <sup>11/</sup></b>	<b>\$16,832 to \$40,519**</b>		

\*\* If you have to purchase a refrigerated truck to service Satellite Stores, the estimated cost for the refrigerated truck is \$35,000 to \$40,000 and your total estimated initial investment will range from \$51,832 to \$80,519.

**NOTE 1:**

The initial training fee and initial franchise fee are discussed in Item 5 of this Offering Circular. All Licensees will be offered the right to become franchisees of ACE following the effective date of this Offering Circular without the payment of any initial training fee or initial franchise fee and without any additional investment except for fees for any professional advisors you hire to review this Offering Circular, the Franchise Agreement and the Conversion Agreement for Licensees before you become a franchisee. See Note 8 below.

**NOTE 2:**

Equipment includes a refrigerated cooler, a labeling machine and interior signage.

**NOTE 3:**

License fees include business permits and health permits.

**NOTE 4:**

You will reimburse us for our direct costs to obtain liability insurance and other insurance, such as worker's compensation insurance, for your Main Sushi Bar that AMG must maintain under the Sushi Supply Agreements with the Store Owners. If you use a refrigerated truck to service any Satellite Stores, you must obtain, before the opening of the Sushi Bar, and maintain in full force and effect at all times during the term of your Franchise Agreement, at your expense, automobile liability insurance of at least \$500,000. This estimate covers annual insurance premium for required coverages.

You must maintain all the following insurance coverage: (a) broad form comprehensive general liability coverage, restaurant owners, contractual liability and injury and product liability coverage with minimum limits of \$1,000,000 - \$5,000,000 or as required by the Store Owner; (b) worker's compensation and employer's liability insurance (as required by law); (c) unemployment insurance covering your employees; (d) fire, flood, earthquake and extended coverage insurance on the location and your property in an amount adequate to replace it if there is an insured loss; (e) business interruption insurance in reasonable amounts; and (f) state disability insurance for your employees (as required by law).

**NOTE 5:**

This estimate covers the cost of stocking your Main Sushi Bar with Proprietary Products necessary for 1 - 2 weeks after the opening of your Main Sushi Bar.

**NOTE 6:**

This estimate is for cooking and food preparation utensils, pots, knives, menu holders, labels and uniforms.

**NOTE 7:**

You will have to purchase a refrigerated truck to service your Satellite Stores if you service a number of Satellite Stores you service, or if the size of your delivery area and the distance between your Main Sushi Bar and the Satellite Stores are extensive. If you must purchase a refrigerated truck, you must pay all expenses to acquire the vehicle. You can either purchase the vehicle directly from a vendor or dealer, in which case you must either make a lump sum payment at the time of delivery, or you can arrange for a vehicle lessor or other financing source to participate in the acquisition of the vehicle with you. You will pay a deposit and/or a number of installment payments at the funding of the obligation

and must make monthly installment payments for 24-60 months if you arrange financing of this type.

**NOTE 8:**

Expenses before opening may include food consumed during training, fees for professional advisors and other costs during the 3 months after the opening of your Main Sushi Bar.

**NOTE 9:**

Depending upon the strength of your financial condition, we may require you to pay us a Security Deposit of \$2,500 - \$5,000 when you sign your Franchise Agreement, in our discretion to secure your payment of any expenses, including reasonable attorneys' fees, that we incur if you fail to comply with the terms of your Franchise Agreement and to ensure continuation of business operations at the Main Sushi Bar following a termination of your Franchise Agreement. We may retain all or part of the Security Deposit to recover all or a portion of the actual expenses we incur.

**NOTE 10:**

You will need capital to support ongoing expenses, such as payroll, inventory and supplies, to the extent that these costs are not covered by your Commissions. The need for additional funds will vary widely among franchisees. New businesses usually generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of your ACE Sushi Bar, which we calculate to be 3 months. This is only an estimate, however, and there is no assurance that additional funds will not be necessary during or after the start-up phase of your ACE Sushi Bar. We relied upon the experience of AMG when preparing these figures.

**NOTE 11:**

The table, together with its footnotes, estimates your initial investment for one Main Sushi Bar and one Satellite Store. These expenditures will vary depending on factors such as the number of Satellite Stores you will service, your financial condition, the arrangements negotiated, and the business decisions you make. Therefore, there can be no assurance that your experience will correspond with the information in the table. We offer financing for your initial franchisee fee and your Expenses. See Item 6, Notes 1 and 2, Item 8 and Item 10.

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## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure that the highest degree of quality and service is maintained, you must operate your ACE Sushi Bar in strict conformity with our methods, standards and specifications. You must purchase all Proprietary Products, equipment and supplies used or sold at your Main Sushi Bar and Satellite Stores solely from us, AMG or our approved suppliers and distributors.

#### Proprietary Products, Equipment and Supplies

You must purchase the Proprietary Products, all food products other than produce, a refrigerated display case and refrigerated table, a label machine and label template, interior signage and utensils, pots, knives, menu holders, labels and uniforms and an NSF approved Camcarrier from us or AMG. In addition, you must buy produce, liability insurance and worker's compensation insurance and all printed paper and paper products bearing the Proprietary Marks either from us or from a distributor or manufacturer we authorize or approve in accordance with our specifications. To protect our trade secrets and maintain quality control, AMG and its distributors are the sole suppliers of our Proprietary Products, the refrigerated display case and refrigerated table, the label machine and label template, the interior signage, the utensils, pots, knives, menu holders, labels and uniforms and the NSF approved Camcarrier. We estimate that your required purchases of Proprietary Products and equipment and supplies will range from 25% to 35% of your total initial investment and 90% to 95% of your annual operating expenses. We do not provide any material benefits to you based upon your use of approved suppliers.

#### Our Revenue From Sales and Leases to You

We will derive revenue from your purchase of Proprietary Products, equipment and supplies from us and AMG or our approved suppliers and distributors. We estimate that our revenue from your required purchases of Proprietary Products, equipment and supplies will range from 15% to 20% of our total revenue.

#### Site Selection/Improvements

We select all sites for Main Sushi Bars and Satellite Stores before you sign your Franchise Agreement. We enter into oral or written Sushi Supply Agreements with Store Owners under terms we negotiate, which may vary from site to site. The Store Owners generally improve the area selected for your Main Sushi Bar and generally provide display and merchandising cases, storage areas for dry and frozen supplies, refrigerated storage space and a working area with tables and cutting boards at their expense. In some cases, you may be required to provide your own tables and cutting boards at your expense.

### Occupation of Premises

You will occupy your Main Sushi Bar in accordance with the terms of our Sushi Supply Agreements with the Store Owners. The term of our Sushi Supply Agreements with the Store Owners generally range from 90 days to 24 months and options to extend the initial term, if granted, range from 30 days to 36 months. The Store Owners and AMG generally retain the right to terminate the Sushi Supply Agreements on 30 to 60 days' notice.

### Recommended Suppliers

We have compiled a list of approved suppliers and distributors who provide products which comply with our specifications, which is available to you and approved suppliers upon reasonable request. If you desire to purchase products from other than our approved suppliers and distributors, you must submit a written request to us for approval of the proposed supplier, together with any evidence of conformity with our standards and specifications as we may reasonably require, or shall request the supplier itself to do so. We may inspect and evaluate the supplier's facilities and products before we approve or disapprove your proposed supplier, and you must pay all of our reasonable costs and expenses incurred in doing so. You may not use a supplier before we approve the supplier in writing. A supplier must demonstrate to our reasonable satisfaction that it can supply an item meeting our standards and specifications for the item, that it is in good financial standing in the business community and that its products and services are reliable. We will provide you with our specifications and standards and our criteria for approval of suppliers and will approve or disapprove a proposed supplier in 60 - 90 days. We will notify you if and when we no longer approve a previously approved supplier. A supplier must continually adhere to our standards and specifications to maintain its approval.

### Cooperatives

There are no franchisee purchasing or distribution cooperatives. However, you may take advantage of any bulk pricing discounts or rebates offered to AMG by our suppliers and distributors for your purchase of Proprietary Products, equipment and supplies. Any rebates that may be provided by suppliers will be provided to you based upon your pro rata share of purchases.

### Standards, Specifications and Procedures

Every aspect of the operation of your ACE Sushi Bar is subject to our standards and specifications. You must comply with all mandatory specifications for the appearance, function, cleanliness and operation of your Main Sushi Bar and your Satellite Stores. We formulate and modify our methods, standards and specifications in writing through supplements to our Confidential Operations Manual and other written communications.

Maintenance and repair of your ACE Sushi Bar are solely your responsibilities. You must, at your expense, maintain your Main Sushi Bar and your

Satellite Store premises in a clean, orderly condition and in excellent repair. You must make all additions, alterations, repairs, and replacements that may be required for that purpose, including replacing obsolete or deteriorated fixtures, equipment and signs as we may reasonably require. The Store Owners will generally maintain and repair the display and merchandising cases for your Proprietary Products at your Satellite Stores. You must make all alterations, additions, or modifications to your ACE Sushi Bar as we may reasonably require to accommodate changes made by us to the System, including changes to menu items or marketing positioning. You will have 30 days in which to make any required changes to your ACE Sushi Bar.

#### **Compliance with Governmental Regulations**

You must meet and maintain the highest health standards at your ACE Sushi Bar and must obtain all permits, certificates, or licenses necessary for the operation of your ACE Sushi Bar. You must comply, at your expense, with all local, state and federal health codes, regulations, ordinances, rules and orders for the proper methods of food handling and all health, safety and weights and measure codes. If any products you sell from your Main Sushi Bar or the Satellite Stores are adulterated or contaminated, or if you fail to maintain your Main Sushi Bar in compliance with all applicable laws and regulations, you must immediately cease operations, search out and destroy any adulterated or contaminated products, eliminate their source and remedy all unsanitary conditions present at your Main Sushi Bar. You cannot resume operation of your ACE Sushi Bar until (i) our analysis of the products sold from your Main Sushi Bar and/or the Satellite Stores and our inspection of your 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.

#### **Insurance**

If you do not maintain the required insurance coverage, we may obtain the insurance for you and charge you for its cost as well as our costs to obtain it. We will derive income from purchasing insurance for you.

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