

**ITEM 9**

**FRANCHISEE'S OBLIGATIONS**

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

<u>Obligation</u>	<u>Section in Franchise Agreement</u>	<u>Item in Offering Circular</u>
a. Site selection and acquisition/ lease	§ 1	Items 8 and 11
b. Pre-opening purchases/ leases	§ 7 and 11	Items 5, 7, and 8
c. Site development and other pre-opening requirements	§ 1	Items 8 and 11
d. Initial and ongoing training	Initial Training Agreement and §6 of Franchise Agreement	Item 11
e. Opening	§ 7	Item 11
f. Fees	§ 4 and 5	Items 5 and 6
g. Compliance with standards, policies Confidential Operations Manuals	§ 7	Items 8, 11 and 14
h. Trademarks and proprietary information	§ 8	Items 13 and 14
i. Restrictions on products/ Service offered	§ 7	Item 16
j. Warranty and customer service requirements	§ 7	Item 11
k. Territorial development and sales quotas	N/A	
l. Ongoing product/service purchases	§ 7	Item 8
m. Maintenance, appearance and remodeling requirements	§ 7	Item 8

n. Insurance	\$ 10	Items 7 and 8
o. Advertising	N/A	Items 8 and 11
p. Indemnification	\$ 16	Item 6
q. Owner's participation/ management/ staffing	\$ 7	Item 15
r. Records/reports	\$ 4	Item 6
s. Inspection/audits	\$ 4	Items 6 and 11
t. Transfer	\$ 11	Item 17
u. Renewal	\$ 2	Item 17
v. Post-Termination Obligations	\$ 13, 14	Item 17
w. Non-Competition Covenants	\$ 14	Item 17
x. Dispute Resolution	\$ 19	Item 17

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ITEM 10  
FINANCING

ITEM FINANCED (SOURCE)    AMOUNT FINANCED    DOWN PAYMENT    TERMS (MOS)    APR &    MONTHLY PAYMENT    PREPAY PENALTY    SECURITY REQUIRED    LIABILITY UPON DEFAULT    LOSS OF LEGAL RIGHT ON DEFAULT

Initial Franchise Fees	\$2,400 to \$3,600	None	12	None	\$200 if your initial franchise fee is \$2,400 and \$300 if your initial franchise fee is \$3,600	None	None	Loss of Franchise Damages, & Attorney Fees	Your Franchise Agreement does not contain provisions that bar you from asserting a defense against us. You waive objections to personal jurisdiction. Trial by jury, applicable statutes of limitation and punitive damages under Paragraphs 19.2 and 19.4 of the Franchise Agreement
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<u>Initial Franchise Fees</u>	<u>\$2,400 to \$3,600</u>	<u>None</u>	<u>12</u>	<u>None</u>	<u>None</u>	<u>Loss of Franchise, Damages, &amp; Attorney Fees</u>	<u>Your Franchise Agreement does not contain provisions that bar you from asserting a defense against us. You waive objections to personal jurisdiction, trial by jury, applicable statutes of limitation and punitive damages under Paragraphs 19.2 and 19.4 of the Franchise Agreement.</u>
						<u>\$200 if your initial franchise fee is \$2,400 and \$300 if your initial franchise fee is \$3,600</u>	

Expenses (Food Charges, Freight Charges, Insurance Charges, Equipment Charges and other amounts due to us or AMG.)	Varies from Month to Month	None	3--6	None	Varies	None	None	Loss of Franchise Damages & Attorney Fees	Your Franchise Agreement does not contain provisions that bar you from asserting a defense against us. You waive objections to personal jurisdiction. trial by jury, applicable statutes of limitation and punitive damages under Paragraphs 19.2 and 19.4 of the Franchise Agreement
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<u>Expenses</u>	<u>Varies</u>	<u>None</u>	<u>3 - 6</u>	<u>None</u>	<u>Varies</u>	<u>None</u>	<u>None</u>	<u>Loss of</u>	<u>Your</u>
<u>(Food</u>	<u>from Month</u>							<u>Franchise</u>	<u>Franchise</u>
<u>Charges,</u>	<u>to Month</u>							<u>Damages, &amp;</u>	<u>Agreement</u>
<u>Freight</u>								<u>Attorney Fees</u>	<u>does not</u>
<u>Charges,</u>								<u>contain</u>	<u>provisions</u>
<u>Insurance</u>								<u>that bar you</u>	<u>from</u>
<u>Charges,</u>								<u>asserting a</u>	<u>defense</u>
<u>Equipment</u>								<u>against us.</u>	<u>You waive</u>
<u>Charges</u>								<u>objections to</u>	<u>personal</u>
<u>and other</u>								<u>jurisdiction,</u>	<u>trial by</u>
<u>amounts</u>								<u>jury.</u>	<u>applicable</u>
<u>due to us</u>								<u>statutes of</u>	<u>limitation</u>
<u>or AMG 1/</u>								<u>and punitive</u>	<u>damages under</u>
								<u>Paragraphs</u>	<u>19.2 and 19.4</u>
								<u>of the</u>	<u>Franchise</u>
								<u>Agreement.</u>	<u>Agreement.</u>

Bar. We have not sold or assigned our rights to these financing arrangements to any third parties and have no plans to do so.

ITEM 11

FRANCHISOR'S OBLIGATIONS

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

Pre-Opening Obligations

Before you open your ACE Sushi Bar, we will provide the following assistance and services to you:

1. We will obtain a site for your Main Sushi Bar location and will prepare the site for the operation of an ACE Sushi Bar. (Franchise Agreement, Paragraph 1.2).

2. We will obtain liability insurance and worker's compensation insurance required for your Main Sushi Bar by the Sushi Supply Agreement. (Franchise Agreement, Paragraph 10.1).

3. We will assist you to obtain the necessary licenses and permits for your ACE Sushi Bar. (Franchise Agreement, Paragraph 3.3).

4. We will offer an initial training program to you. (Initial Training Agreement; Franchise Agreement, Paragraph 3.2). More detailed information about training appears in this Item 11 under the heading "Initial and Continuing Training."

5. We will provide any initial advisory assistance to you as we deem advisable. (Franchise Agreement, Paragraph 3.7).

6. We will lend you a copy of the Confidential Operations Manual. (Franchise Agreement, Paragraph 3.4). The Table of Contents to our Confidential Operations Manual is attached as Exhibit F. The Confidential Operations Manual contains 120 pages.

7. We will 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 you through AMG or independent distributors. (Franchise Agreement, Paragraph 3.8). We will use reasonable efforts to fulfill or cause distributors to fulfill your orders for Proprietary Products on a timely basis. (Franchise Agreement, Paragraph 3.8).

8. We will provide you with a list of our approved distributors and suppliers. (Franchise Agreement, Paragraph 3.6).

Continuing Obligations

During the ongoing operation of your ACE Sushi Bar, we will provide the following assistance to you:

1. We will make available training programs for you and your employees as we deem appropriate. (Franchise Agreement, Paragraph 3.2).
2. We will provide continuing advisory assistance to you as we deem advisable. (Franchise Agreement, Paragraph 3.7).
3. We will provide copies of any modifications to the Confidential Operations Manual. (Franchise Agreement, Paragraph 3.4).
4. We will inspect your Main Sushi Bar and evaluate its operations to assist you and to maintain the System's standards of quality, appearance, and service. (Franchise Agreement, Paragraph 3.5).
5. We will provide you with a list of our approved distributors and suppliers. (Franchise Agreement, Paragraph 3.6).
6. We will periodically consult with you concerning the operation of your ACE Sushi Bar. (Franchise Agreement, Paragraph 3.7).
7. We will 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 you through AMG or independent distributors. (Franchise Agreement, Paragraph 3.8). We will use reasonable efforts to fulfill or cause distributors to fulfill your orders for Proprietary Products on a timely basis. (Franchise Agreement, Paragraph 3.8).
8. We will act as a liaison between you and the Store Owner to coordinate advertising for your Main Sushi Bar with the Store Owner's customary advertising programs and policies as we deem advisable. (Franchise Agreement, Paragraph 3.9).

### **Advertising**

All advertising for your ACE Sushi Bar will be undertaken by the Store Owners in conjunction their customary advertising programs and policies. Neither AMG, ACE or you have any advertising obligations under the Franchise Agreement. (Franchise Agreement, Paragraph 3.8)

### **Computer Systems**

We do not require you to purchase any computer hardware or software. Customers of your Main Sushi Bar and Satellite Stores will present the sushi they wish to purchase to the Store's cashiers, who will scan the sale of the sushi through their cash register systems. Neither AMG, ACE or you have any obligations for computer systems or POS systems under the Franchise Agreement; however, we may require you to purchase, update and upgrade computer hardware and software in the future. (Franchise Agreement, Section 4.2).



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**Site Selection**

We will obtain a site for your Main Sushi Bar location. (Franchise Agreement, Paragraph 1.2). We consider the general location and neighborhood, parking, size, physical characteristics, lease terms, level of competition and population density, income levels and other demographic information in our consideration of a site for your Main Sushi Bar. Our selection of a site is not an assurance that your Main Sushi Bar will be successful. Additionally, selection of a site does not guarantee that you will be allowed to become a franchisee. All requirements of ACE, including the completion of the initial training program described below, must be satisfied before you will be eligible to open an ACE Sushi Bar under a Franchise Agreement. There is no time limit within which we must select, approve or disapprove a site. You may not re-locate your Main Sushi Bar or Satellite Stores.

**Initial and Continuing Training**

Before you open your ACE Sushi Bar, you must successfully complete our initial training program. You must sign our Initial Training Agreement (Exhibit B) and must pay us a training fee of \$700 for our initial training program before training begins. If you would like us to train additional trainees for you, the initial training fee for each additional trainee is \$500, payable before training begins. Our initial training program generally covers the following subjects:

<u>SUBJECT</u>	<u>DAY</u>	<u>INSTRUCTIONAL MATERIALS</u>	<u>NUMBER OF HOURS OF CLASSROOM TRAINING</u>	<u>NUMBER OF HOURS OF ON-THE-JOB TRAINING</u>
<u>SUBJECT</u>	<u>DAY</u>	<u>INSTRUCTIONAL MATERIALS</u>	<u>NUMBER OF HOURS OF CLASSROOM TRAINING</u>	<u>NUMBER OF HOURS OF ON-THE-JOB TRAINING</u>
Company policies, procedures and standards; company organization; insurance; basic food service safety; daily routine	1	Confidential Operations Manual	8 hours	N/A
Inventory control; reports; sampling; introduction of products; weights and measurements	2	Confidential Operations Manual	N/A	2 hours

<u>SUBJECT</u>	<u>DAY</u>	<u>INSTRUCTIONAL MATERIALS</u>	<u>NUMBER OF HOURS OF CLASSROOM TRAINING</u>	<u>NUMBER OF HOURS OF ON-THE-JOB TRAINING</u>
Washing hands; daily logs; cleaning and sanitizing; labeling products; food preparation	3	Confidential Operations Manual	N/A	8 hours
Cleaning and sanitizing; food preparation; record keeping	4	Confidential Operations Manual	N/A	8 hours
Cleaning and sanitizing; food preparation; record keeping	5	Confidential Operations Manual	N/A	8 hours
Food preparation; record keeping; packaging	6	Confidential Operations Manual	N/A	8 hours

Training workshops will be held at regional training locations and at your Main Sushi Bar. Training is provided as needed. We may modify our initial training program at any time.

All training will be under the direction of Brain Tan. He has been employed by AMG since 1997 and has 8 years of experience in the operation of ACE Sushi Bars and all subjects taught as part of our initial training program.

You and your employees must also attend any additional courses, seminars and other training programs we reasonably require. You will have to reimburse us for the cost of seminar materials, if any. You will be responsible for all other expenses which are incurred with the courses (including expenses related to our support training personnel), and for the cost of transportation, moderately-priced lodging, meals, and wages.

For 2 days after the opening of your Main Sushi Bar, we will provide you with the services of our training personnel to facilitate proper operation of your Main Sushi Bar during the opening period and to assist in correcting any operational problems that may arise. Our personnel will be furnished without charge during this 2 day period. If we determine that our training personnel must remain at the Sushi Bar for more than 2 days, you must pay us the sum of \$500 per day for each day our training personnel must remain at the Sushi Bar in excess of 2 days. In addition, if we determine at any time during the term of your Franchise Agreement that in our judgment, you are not operating the Sushi Bar in accordance with our Confidential Operations Manual and standards, we may send our operations personnel to assume direction and control of the Sushi Bar and you must pay us the sum of \$500 per day for each day our operations personnel remain at the Sushi Bar.

If you successfully complete our initial training program, in our judgment, you will be eligible to sign our Franchise Agreement. You will generally begin operating your Main Sushi Bar 10 - 14 days after you sign our Franchise Agreement.

You must also attend and complete all other training and information programs that we designate, that the Store Owner may designate and that federal, state or local authorities require to qualify to operate your ACE Sushi Bar.

## ITEM 12

### TERRITORY

#### Franchise Agreement

The Franchise Agreement will designate the location of your Main Sushi Bar, and you may conduct business only at the Franchised Location, unless you are granted the right and obligation to operate Satellite Stores, in which case you may only conduct business at your Main Sushi Bar and your Satellite Stores. You will not receive any protected territory nor will you have any exclusive rights to the Franchised Location, the Satellite Stores or the geographic territory in which your Main Sushi Bar and Satellite Stores are located. These franchises are non-exclusive. There may already be franchised ACE Sushi Bars or Satellite Stores near your Main Sushi Bar, Satellite Stores or trade area which will continue to operate. We may franchise additional ACE Sushi bars with Satellite Stores without consulting you or giving you the first right to open them or deliver Proprietary Products to them. These additional ACE Sushi Bars and their Satellite Stores may compete directly with you. In addition, we and our affiliates retain the right:

(a) To own and operate, and license others to own and operate, ACE Sushi Bar and Satellite Stores at any location.

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

(c) To license others to sell or distribute, any Proprietary Products or related services under any proprietary marks, including the Proprietary Marks, at any location.

(d) To produce, license, distribute and market ACE SUSHI branded food products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to your Main Sushi Bar or 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.

(e) To own and operate and grant others the right to own and 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, toll-free "1-800", "1-888" and "1-877" 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.

(f) To sell Proprietary Products to "National Accounts". "National Accounts" are multi-state businesses that purchase these products as end-users and not re-sellers. You may not engage in wholesale sales of any kind without our prior consent. "Wholesale sales" includes the sale or distribution of sushi products to a third party for resale, retail sale or other method of distribution.

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ITEM 13

TRADEMARKS

AMG filed the following applications with the United States Patent and Trademark Office ("USPTO") for the "ACE SUSHI" trademark and logo design.

Mark	Serial/Reg.	Registration
Filing	Number	Date
ACE SUSHI	<del>78/290233</del>	<del>8/29/032969954</del>
<u>7/19/05</u>		
ACE SUSHI and logo design	<del>78/290710</del>	<del>8/21/032932830</del>
<u>3/15/05</u>		
ASIANA CUISINE	<del>78/301809</del>	<del>9/17/032871862</del>
<u>8/10/04</u>		
ASIANA CUISINE and logo design	<del>78/301815</del>	<del>9/17/032871863</del>
<u>8/10/04</u>		
<del>TOKYO GARDENS</del>	<del>2,731,805</del>	<del>7/1/03</del>

~~By not having a Principal Register federal registration for the "ACE SUSHI" trademark, we do not have certain presumptive legal rights granted by registration.~~

AMG has filed all required affidavits. There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the Trademark

administrator of this state or any court. There is no pending infringement, opposition, or cancellation proceeding and there is no pending material litigation involving the trademarks that may be relevant to their use in this state or in any other state.

We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere. However, we cannot represent with certainty that we have exclusive or superior rights to the name "ACE SUSHI" in all geographic areas. You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will pay for your defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must pay for the cost of defense, including the cost of any judgment or settlement. In any litigation about your use of the Proprietary Marks, you must sign all documents and do whatever is necessary to defend or prosecute the action, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs.

We are parties to a perpetual, exclusive, worldwide right and license trademark license agreement under which AMG has licensed the use of the Proprietary Marks to us, including our right to use and license others to use the Proprietary Marks. The trademark license agreement is subject to termination if we do not notify AMG of any known or alleged infringement of the Proprietary Marks, if we do not indemnify AMG from any losses AMG may incur as a result of our default under the trademark license agreement and if we assign any of our rights under the trademark license agreement in violation of the express terms of the trademark license agreement and do not cure our default within 30 days after our receipt of written notice to do so from AMG. Except for this trademark license agreement, there are no agreements currently in effect which limit our rights to use or license the use of any Proprietary Mark.

We may substitute different proprietary marks for use in identifying the System and the businesses operating under it if we determine that substitution of different marks as Proprietary Marks will be beneficial to the System, or if the Proprietary Marks no longer can be used. You must promptly implement any substitution of new Proprietary Marks and the use of the new Proprietary Marks will be governed by the terms of the Franchise Agreement. We will pay your costs of modifying your signs and advertising materials to conform to our new Proprietary Marks, but will otherwise have no obligation or liability to you as a result of a substitution.

You must not establish a web site on the Internet using any domain name containing the words "ACE SUSHI" or any variation of these names. We retain the sole right to advertise on the Internet and create a web site using the "ACE

SUSHI" domain name. You acknowledge that we are the owner of all right, title and interest in and to the "ACE SUSHI" domain name.

ITEM 14

**PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

**Patents and Copyrights**

We do not own any right in or to any patents or copyrights that are material to the franchise. We do, however, claim common law copyright protection for our printed literature and our Confidential Operations Manual.

**Confidential Operations Manual**

You must operate your ACE Sushi Bar in the manner specified in the Confidential Operations Manual. We may revise the Confidential Operations Manual, and you must comply with each new or changed standard.

We will lend you a copy of the Confidential Operations Manual after you complete our initial training program. You must treat the Confidential Operations Manual and the information contained in it, as confidential. You cannot copy these materials or show them to any unauthorized person. The Confidential Operations Manual will remain our sole property.

**Confidential Information**

You must not, during or after the term of the Franchise Agreement, divulge or use for the benefit of anyone else any confidential information, knowledge, or know-how concerning the System and the methods of operation of your ACE Sushi Bar. You may divulge confidential information only to those employees who must have access to it to operate your ACE Sushi Bar. Any and all information and other data, which we designate as confidential, will be deemed confidential for purposes of the Franchise Agreement.

At our request, you must require your manager and any personnel having access to any confidential information to sign covenants that they will maintain the confidentiality of information they receive during their employment at your ACE Sushi Bar. These covenants must be in a form we find satisfactory, and specifically identify us as a third party beneficiary of these covenants with the independent right to enforce them.

**Customer Data**

All "Customer Data" will remain our property. "Customer Data" includes, all information about an ACE Sushi Bar customer, including 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. You may not sell, lease, share or rent any Customer Data or make any use of the Customer Data.

ITEM 15

**OBLIGATION TO PARTICIPATE IN THE  
ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You must actively participate in YOUR ACE Sushi Bar's operations. Unless we approve otherwise, only you may be your ACE Sushi Bar's principal operator. Your ACE Sushi Bar must be managed at all times by you or one full-time management employee who has completed the minimum level of training required of in-store management employees. You are not required to grant an equity interest to any employee.

Certain employees who work for you must sign covenants of confidentiality and non-competition upon our demand. See Items 14 and 17 for descriptions of these obligations.

If we determine that your credit report is insufficient in any way, we may require, as a condition to granting you a franchise, that a financially qualified guarantor guarantee the performance of your obligations under the Franchise Agreement by signing a Guarantee in the form attached as Attachment C to the Franchise Agreement.

**ITEM 16**

**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

The Franchised Location and the display and merchandising cases at your Main Sushi Bar and the Satellite Stores may not be used for any activity other than for the sale of Proprietary Products and other goods we approve. Your Main Sushi Bar must remain open, stocked with Proprietary Products and in normal operation for the minimum hours and days required under the Sushi Supply Agreements with the Store Owners, but at least from 9:00 A. M. to 6:00 P. M., and must be operated in conformity with the specifications contained in the Confidential Operations Manual or otherwise in writing. If you operate Satellite Stores, you must deliver your sushi products to your Satellite Stores by no later than 10:30 A. M. each day.

You must sell only products and services that meet our current standards of quality, that have been expressly approved for sale in writing by us, and that have been prepared in accordance with our methods and techniques for product preparation. You must sell or offer for sale, all items, products, and services required by us in the Confidential Operations Manual or otherwise in writing as being part of the System. You may not deviate from our requirements. We may change the types of authorized products and services, and there are no limits on our right to make changes. We have the exclusive right to develop new products and services to be offered for sale at ACE Sushi Bars. You do not have the right to develop new products or services for sale at your ACE Sushi Bar. You will have sole discretion as to the prices of all services and products you offer and sell to your customers.

You must comply with all reasonable requirements if we modify the System, including offering and selling different services and products that we specify. We may change the types of authorized goods and services, and there are no limits on

our right to make changes. You must also comply with all sampling policies that we may establish and with all sampling policies that the Store Owner may require. These policies may require you to provide free samples to customers and potential customers.

We may introduce new products or reintroduce previously introduced products for ACE Sushi Bars. You must purchase, maintain and display reasonable inventories of all new products for at least 90 days and must continue to purchase, maintain and display reasonable inventories of all new products for the period of time we require.

For a description of your restrictions on some purchases, see Item 8 of this Offering Circular.

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ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Offering Circular. CALIFORNIA LAW REQUIRES ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS ITEM 17. THESE ADDITIONAL DISCLOSURES APPEAR IN EXHIBIT J, STATE SPECIFIC ADDENDA, TO THIS OFFERING CIRCULAR.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Term of the franchise	§ 2.1	Same in the Sushi Supply Agreements with the Store Owners. See Note 1



- |   |        |  |
|---|--------|--|
| b. Renewal or extension of the term                 | § 2.2  | 24 months or the term of our Sushi Supply Agreements with the Store Owners, whichever is less. See Note 1  |
| c. Requirements for you to renew or extend          | § 2.2  | Satisfaction of monetary obligations, compliance with Franchise Agreement, sign a General Release in substantially the form of <u>Attachment A</u> to the Franchise Agreement, sign renewal Franchise Agreement, and others. |
| d. Termination by you                               | § 12.3 | You may terminate the Franchise Agreement if you give us 30 days' notice   |
| e. Termination by us without cause                  | § 12.3 | We may terminate the Franchise Agreement if we give you 30 days' notice  |
| f. Termination by us with cause                     | § 12.2 | Default under Franchise Agreement, bankruptcy, and other grounds.  |
| g. "Cause" defined - defaults which can be cured    | § 12.4 | All other defaults not specified in § 12.1 and 12.2.   |
| h. "Cause" defined - defaults which cannot be cured | § 12.2 | Bankruptcy, conviction of felony, abandonment, adulteration of Proprietary Products, health violations and others.   |

Provision

Section in Franchise Agreement

Summary

- |  |        |  |
|--|--------|--|
| i. Your obligations on termination/non-renewal | § 13   | Vacate and cease operating your ACE Sushi Bar, discontinue use of Proprietary Marks, sale of personal property to us at our request. |
| j. Assignment of contract by us                | § 11.1 | There are no limits on our assignment rights.  |
| k. "Transfer" by you definition                | § 11.2 | Includes transfer of any interest in Franchise Agreement, Franchisee, or all or substantially all of your ACE Sushi Bar assets.      |

l.	Our approval of transfer by you	\$ 11.2, 11.3 11.6	We have the right to approve transfers.
m.	Conditions for our approval of transfer	\$ 11.3, 11.6, 11.9	Includes payment of money owed, non-default, sign new Franchise Agreement, payment of our administrative transfer fee of \$3,000, sign a General Release in substantially the form of <u>Attachment A</u> attached to the Franchise Agreement, and others. You do not pay 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. We can match any offer.
n.	Our right of first refusal to acquire your business	\$ 11.5	
o.	Our option to purchase your business	None	
p.	Your death or disability	\$ 11.6	Must be transferred in 6 months. We will waive the transfer fee.
q.	Non-competition covenants during the term of the franchise	\$ 14.1	Includes prohibition on engaging in any other sushi bar business; diverting business or employing persons who were our employees.
	<b><u>Provision</u></b>	<b><u>Section in Franchise Agreement</u></b>	<b><u>Summary</u></b>
r.	Non-competition covenants after the franchise is terminated or expires	\$14.2	Includes a 2 year prohibition for any sushi bar business in a 10 mile radius of any ACE Sushi Bar.
s.	Modification of the agreement	\$ 18.1	Must be in writing signed by both parties.
t.	Integration/merger clause	\$ 18.1	Only the terms of the Franchise Agreement are binding.
u.	Dispute Resolution by Arbitration or Mediation	None	None
v.	Choice of forum	\$ 19.2	Los Angeles County, California, subject to state law

These states have statutes which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise: **ARKANSAS** (Stat. Section 70-807), **CALIFORNIA** (Bus. & Prof Code Sections 20000-20043), **CONNECTICUT** (Gen. Stat. Section 42-113e et seq.), **DELAWARE** (Code, tit.), **HAWAII** (Rev. Stat. Section 482E-1), **ILLINOIS** (815 ILCS 705/1 - 44), **INDIANA** (Stat. Section 23-2-2.7), **IOWA** (Code Sections 523H.1-523H.17), **MICHIGAN** (Stat. Section 19.854(27)), **MINNESOTA** (Stat. Section 80C.14), **MISSISSIPPI** (Code Section 75-24-51), **MISSOURI** (Stat. Section 407.400), **NEBRASKA** (Rev. Stat. Section 87-401), **NEW JERSEY** (Stat. Section 56:10-1), **SOUTH DAKOTA** (Codified Laws Section 37-5A-51), **VIRGINIA** (Code 13.1-557-574-13.1-564), **WASHINGTON** (Code Section 19.100-180), **WISCONSIN** (Stat. Section 135.03). These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise. **APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS OFFERING CIRCULAR. THESE ADDITIONAL DISCLOSURES APPEAR IN EXHIBIT J TO THIS OFFERING CIRCULAR.**

**NOTE 1:**

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 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. This notice will advise you of our decision to grant you a successor franchise or not grant you a successor franchise based upon our determination that you did not comply with your Franchise Agreement or any other agreement between you and us or our affiliates during the term of the Franchise Agreement.

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, if you satisfy all of our then-current requirements for applicants for new franchises at that time and that you comply with Paragraph 2.2.1 - Paragraph 2.2.7 of your Franchise Agreement. 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.

**ITEM 18**

**PUBLIC FIGURES**

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

**ITEM 19**

**EARNINGS CLAIMS**

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of an ACE Sushi Bar. Actual results will vary from unit to unit and we cannot estimate the results of any particular franchise.

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**ITEM 20**

**LIST OF OUTLETS (OWNED BY LICENSEES)  
AS OF NOVEMBER 30, 2005**

~~We have no franchisees of a type substantially similar to those offered under this offering circular as of the date of this offering circular. Our licensees OPERATING UNDER CONTRACTS FOR SERVICES are as follows:~~

State	Number
Arizona	29

**AS OF DECEMBER 31, 2005**

Arizona	28
California	20
California	18
Connecticut	25

Arizona	28
Connecticut	1
Hawaii	21
Hawaii	4
Illinois	4
Maryland	47
Maryland	46
Massachusetts	29
Massachusetts	0
Nebraska	6
New Jersey	6
New Mexico	6
New York	4
North Carolina	2
Ohio	15
Pennsylvania	15
Rhode Island	6
Rhode Island	2
Texas	6
Utah	6
Utah	3
Virginia	35
Washington	6
Washington D. C.	8
Washington D. C.	0
Wisconsin	14
Total	310
Total	240

Exhibit G contains a listSee Exhibit G-1 for a listing of the names, addresses and phone numbers of all of our Licensees as of December 31, 2005.

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**LIST OF OUTLETS (OWNED BY FRANCHISEES)  
AS OF DECEMBER 31, 2005**

STATE	TRANSFERS	CANCELLED OR TERMINATED	NOT RENEWED	REACQUIRED BY FRANCHISOR	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
California	0	0	0	0	0	0	2
Connecticut	0	0	0	0	0	0	24
Massachusetts	0	0	0	0	0	0	28
Rhode Island	0	0	0	0	0	0	4
Washington DC	0	0	0	0	0	0	8
Total	0	0	0	0	0	0	66

See Exhibit G-2 for a listing of the names, addresses and phone numbers of all of our franchisees as of December 31, 2005. We have no franchisees that have had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to ~~November 30, 2005~~ business under a Franchise Agreement as of December 31, 2005. We have communicated with all our franchise locations within 10 weeks of the application date.

**STATUS OF COMPANY OWNED ACE SUSHI BARS  
AS OF ~~NOVEMBER 30,~~ DECEMBER 31, 2005**

STATE	NUMBER
State	Number
California	6
California	7
Connecticut	5
Hawaii	3
Hawaii	4
Idaho	1
Iowa	7
Iowa	6
Maryland	12
Maryland	10
Massachusetts	4
Minnesota	1
Minnesota	2
Montana	1
New Jersey	3
New Jersey	6
Nevada	1
Pennsylvania	6
Texas	3

STATE	NUMBER
Utah	3
Utah	5
Virginia	13
Virginia	11
Washington D. C.	1
Washington D. C.	0
Wisconsin	8
<b>Total</b>	<b>78</b>
Wisconsin	7

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**PROJECTED OPENINGS DURING OUR  
FISCAL YEAR ENDING DECEMBER 31, 2005-2006**

State	FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT OPEN	PROJECTED NEW FRANCHISED BUSINESSES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR
Arizona	0	2	0
California	0	2	0
Connecticut	0	2	0
Hawaii	0	2	0
Illinois	0	2	0
Maryland	0	2	0
Massachusetts	0	2	0
Minnesota	0	2	0
New Mexico	0	1	0
New York	0	2	0
North Carolina	0	2	0
Ohio	0	2	0
South Carolina	0	2	0
Texas	0	2	0
Utah	0	2	0
Virginia	0	2	0
Washington	0	1	0
Wisconsin	0	2	0
<b>Total</b>	<b>0</b>	<b>34</b>	<b>0</b>

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit H is our audited financial statement as of December 31, 2005 and our audited Balance Sheet as of April 30, 2005 and our unaudited financial statements as of November 30, 2005. Our fiscal year ends on December 31 of each year. ~~THE NOVEMBER 30, 2005 FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.~~

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ITEM 22

CONTRACTS

The following contracts are attached to this Offering Circular in the following order:

1. Initial Training Agreement: Exhibit B
2. Franchise Agreement and Attachments: Exhibit C
3. Satellite Store Addendum: Exhibit D
4. Conversion Agreement for Licensees: Exhibit E

ITEM 23

RECEIPT

The last page of this Offering Circular is a detachable document acknowledging receipt of this Offering Circular by you.

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