

THE FLAME BROILER, INC.

FRANCHISE AGREEMENT

EXHIBIT B TO THE OFFERING CIRCULAR

THIS CONTRACT IS SUBJECT TO ARBITRATION

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THE FLAME BROILER, INC.

FRANCHISE AGREEMENT

This Franchise Agreement ("this Agreement"), made this ____ day of _____, _____, by and between THE FLAME BROILER, INC., a California corporation, having its principal place of business at 1203 E. Chapman Avenue, Fullerton, California 92831 ("Franchisor"), and _____

_____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor, over a period of time and as the result of the expenditure of time, expertise, effort and money (i) has developed and owns a system ("System"), identified by the Mark "THE FLAME BROILER THE RICE BOWL KING", relating to the establishment, development and operation of a restaurant facility providing quick counter service featuring display cooking of family-style Korean food and other food and beverage products, all prepared in accordance with specified recipes and procedures ("Menu Items") for carry-out and on-premises dining; (ii) has developed a proprietary teriyaki sauce and a beef marinade ("Trade Secret Food Products"); (iii) has developed certain presentation, packaging and marketing standards and techniques for all Menu Items and Trade Secret Food Products; and (iv) may develop certain items and merchandise bearing the Marks ("Trademarked Products") which may be introduced into the System (collectively "Franchised Restaurant"); and

WHEREAS, the distinguishing characteristics of the System include, and will include, without limitation, distinctive exterior and interior layout, design and color scheme; exclusively designed signage, decorations, furnishings and materials; special recipes, formulae, menus and food and beverage designations, marketing and packaging; the THE FLAME BROILER Confidential Operations Manual ("Manual"); the Proprietary Software Package ("Software"), if developed; food and beverage storage, preparation, service and delivery procedures and techniques; operating procedures for sanitation and maintenance; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising; all of which, once developed, may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, Franchisor is the owner of the right, title and interest together with all the goodwill connected thereto in and to the trade names, service marks and trademarks "THE FLAME BROILER THE RICE BOWL KING", associated logos, commercial symbols and such other trade names, service marks and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) as part of the System ("Mark[s]"); and

WHEREAS, Franchisor shall continue to develop, use and control such Marks for the benefit and use of itself and its franchisees in order to identify for the public the source of food products and services marketed thereunder and to

represent the System's high standards of quality regarding Menu Items, operations, food products, ingredients, appearance and service; and

WHEREAS, Franchisor intends to grant to qualified persons franchises to own and operate THE FLAME BROILER restaurants offering food products and services authorized and approved by Franchisor and utilizing the System and Marks. Franchisee desires to operate a THE FLAME BROILER restaurant using the System and Marks and has applied for a franchise, which application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and customer service and the necessity of operating the THE FLAME BROILER restaurant in conformity with Franchisor's standards and specifications; and

WHEREAS, Franchisor expressly disclaims the making of and Franchisee acknowledges that it has not received nor relied upon any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges that it has read this Agreement and Franchisor's Uniform Franchise Offering Circular and that it has no knowledge of any representations by Franchisor, or its officers, directors, shareholders, employees or agents that are contrary to the statements made in Franchisor's Uniform Franchise Offering Circular or to the terms herein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

1. APPOINTMENT AND FRANCHISE FEE

A. Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, the right, license and privilege to use the Mark "THE FLAME BROILER THE RICE BOWL KING" and the other Marks, and Franchisee undertakes the obligation to operate a THE FLAME BROILER restaurant featuring the Menu Items and offering carry-out, delivery and on-premises dining services, and to use solely in connection therewith the System, as it is currently established, and as it may be changed, improved and further developed from time to time, at one (1) location only, such location to be:

1.

_____ ("Premises"); or

2. At a location to be designated, as provided in Paragraph III. hereof within the following area:

_____ ("Designated Area"); provided, however, that when a location has been designated and approved by the parties, said location shall be deemed that

referred to in Paragraph I.A.1., as if originally incorporated therein. Franchisee shall not relocate its Franchised Restaurant without the prior written approval of Franchisor.

B. Franchisor shall not, so long as this Agreement is in force and effect and Franchisee is not in default under any of the terms hereof, enfranchise or operate any other THE FLAME BROILER restaurant within the Designated Area. The determination of the Designated Area shall be made and agreed upon between Franchisor and Franchisee on execution hereof. The Designated Area selected is described in writing and on a map attached hereto as Exhibit A and made a part of this Agreement. However, Franchisor has the right, in its sole discretion, to grant such other franchises outside of the Designated Area as Franchisor, in its sole and exclusive discretion, deems appropriate.

1. Although Franchisor shall not operate a THE FLAME BROILER restaurant within the Designated Area, Franchisor reserves the right, both within and outside of the Designated Area, to offer and sell at wholesale, products and services which comprise, or may in the future comprise, a part of the System, which products, including Trade Secret Food Products, may be resold at retail or through any other distribution channel to the general public.

2. Franchisor further reserves the right, both within and outside the Designated Area, to sell at both wholesale and retail all products and services which do not comprise a part of the System. Franchisor also reserves the right, both within and outside the Designated Area, to establish food service units operating under a format, trademarks and service marks distinct from the THE FLAME BROILER System.

3. Franchisee shall engage only in the retail sale of Menu Items, and Franchisee agrees not to engage in the wholesale sale and/or distribution of any product offered for sale through the Franchised Restaurant, except if authorized in writing by Franchisor. "Wholesale sale and/or distribution" shall mean any sale and/or distribution of product by Franchisee to a third party for resale, retail sale or further distribution by such third party.

C. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor upon execution of this Agreement, an initial franchise fee of TWENTY-FIVE THOUSAND DOLLARS (\$25,000) ("Franchise Fee"). The Franchise Fee shall be deemed fully earned and non-refundable upon execution of this Agreement as consideration for expenses incurred by Franchisor in furnishing assistance and services to Franchisee and for Franchisor's lost or deferred opportunity to franchise others, except as may be otherwise specifically provided in this Agreement and/or any exhibit attached hereto.

D. Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to negotiate one (1) or more terms hereof based upon the peculiarities of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such franchisee's business. Franchisee shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation hereunder.

E. In consideration of Franchisor's agreement not to grant another franchise in Franchisee's Designated Area, Franchisee at all times shall use its best efforts to promote and increase the sales and service of Menu Items and to effect the widest and best possible distribution throughout the Designated Area, soliciting and servicing all potential customers for THE FLAME BROILER food products and services. Failure of Franchisee to devote its best efforts to adequately represent a THE FLAME BROILER restaurant in its Designated Area through its sales and service efforts shall be deemed just cause for termination.

II. TERM AND RENEWAL

A. This Agreement shall be effective and binding from the date of execution for an initial term of five (5) years, and may renew for four (4) additional successive terms of five (5) years each, unless executed in accordance with paragraph XVIII on the sale or transfer of the franchise by the current franchisee. In that event, this Agreement shall be effective for the remainder of the unexpired term the prior Franchise Agreement, and all extensions thereof remaining.

B. The term of the franchise shall renew automatically on the terms and conditions in effect between the parties, unless Franchisor gives Franchisee a timely written notice of intention not to renew, at least 180 days prior to the expiration of the term, in the form and format required by law, and:

1. Grounds for the termination of the franchise exist at the time of the notice. Nothing herein shall be construed to restrict Franchisor's right to terminate the franchise at any time, provided termination is in accordance with Paragraph XVI. herein; or

2. The parties have agreed not to renew the franchise; or

3. The Franchisor has withdrawn from distributing its products or services through franchises in the geographic market served by the Franchisee, and the Franchisor complies with the law in effect at the time of its decision to withhold distribution of said products and services; or

4. The Franchisor gives the Franchisee the opportunity, during said period of notice, to sell the franchise to a purchaser meeting the Franchisor's then current requirements for granting new or renewal franchises, subject to the terms of Paragraphs XVIII. and XX. below; or

5. The parties hereto fail to reach an agreement to continue the franchise for the renewal term.

C. Grounds for the non-renewal of the franchise under Subparagraph II.B.5., above, shall require the Franchisor to provide Franchisee with a copy of the Franchise Agreement for the renewal term, on such terms and conditions as the Franchisor is then granting renewal or original franchises. The Agreement for the renewal term shall be sent concurrently with the notice under Paragraph B. Said notice shall, in addition, expressly provide:

1. For a period of at least thirty (30) days after the notice in which to execute the agreement for the renewal term; and

2. That in the event the Franchisee fails to execute the Agreement within the time allowed in the notice, the notice shall be deemed a notice of intention not to renew at the end of the franchise term.

D. Execution of the agreement for the renewal term by the Franchisee within the time for execution of the Agreement set forth in the notice, shall result in a renewal of the franchise for the duration set forth under Paragraph A. above. Failure of the Franchisee to execute the Agreement within the time allowed by the notice shall be deemed an Agreement by the parties not to renew the franchise, effective as of the date set for the execution of the Agreement and shall operate to preclude: (i) renewal of the franchise on any terms at the end of the term; (ii) the sale of the franchise by the Franchisee to a qualified purchaser at any time during the balance of the term; and (iii) shall result in termination of the franchise at the end of the term, without further notice.

III. RESTAURANT LOCATION

A. Franchisee shall operate the Franchised Restaurant only at the location specified in Paragraph I.A.1. hereof. If the lease for the site of the Franchised Restaurant expires or terminates without fault of Franchisee, or if the site is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor shall grant permission for relocation of the Franchised Restaurant at a location and site acceptable to Franchisor. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge Franchisee a relocation fee in the sum of EIGHT THOUSAND FIVE HUNDRED DOLLARS (\$8,500.00) payable on Franchisee's application to Franchisor to relocate as a condition to Franchisor's approval. Said fee is a nonrefundable fee, subject only to Franchisee's failure to establish a relocation site for the restaurant and may be charged for the services, if any, of the Franchisor under Paragraph III.E., below, at the rate set forth in Paragraph III.F., before the balance, if any, is refunded.

B. Franchisee shall be responsible for purchasing a suitable site, or leasing same, at Franchisee's option. Within ninety (90) days after date of execution hereof, in the case of a new franchise, or, in the case of the relocation/rebuilding of a restaurant under the preceding paragraph, within ninety (90) days of the termination, destruction, condemnation, or Agreement referred to therein, unless the parties otherwise agree in writing, the Franchisee shall have established a site for the restaurant.

C. Establishing a site for the restaurant, within the definition of those terms in the preceding paragraph, shall require: (i) Franchisee's obtaining written approval of the specific proposed location (as will allow for the insertion of same in Paragraph I.A.1. above; and of the condition of the Premises at that location, from the Franchisor; and (ii) the Franchisee's concurrent compliance with the provisions of Paragraphs III.D. and G.(i) and (ii) below, in submitting and obtaining Franchisor's approval of the lease or purchase provisions, and architectural plans and specifications for the development of the restaurant. Franchisor's approval of the location and condition of the Premises may be made contingent upon its approval of the terms of purchase or lease, as applicable, and/or of the plans for the development of

the restaurant, at Franchisor's option. Franchisee shall have complied with the requirements of III.G.(iii) through (vi) on or before the ninetieth (90th) day after fully complying with all requirements for establishing a site for the restaurant, but in no event, not later than one hundred eighty (180) days after execution of this agreement, or the date of termination, destruction, condemnation or agreement referred to in Paragraph III.A. above, as applicable.

D. Franchisee shall, subject to the prior approval of terms by Franchisor, execute a lease (if the Premises are to be leased) or a binding agreement to purchase the site. Franchisor's approval of the lease shall be conditioned upon inclusion in the lease of terms acceptable to Franchisor, and at Franchisor's option, the lease shall contain such provisions including, but not limited to:

1. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant;
2. A provision which expressly requires the lessor to provide to Franchisor all sales and other information lessor may have related to the operation of the Franchised Restaurant, as Franchisor may request;
3. A provision which requires the lessor concurrently to provide Franchisor with a copy of any written notice of deficiency or default under the lease sent to Franchisee and which grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so;
4. A provision which evidences the right of Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;
5. A provision that the Premises be used for the operation of a Franchised Restaurant; and
6. A provision which expressly states that any default under the lease shall constitute a default under this Agreement.

E. If a specific site for the restaurant is not identified under Paragraph I.A.1. above, on execution hereof, or, upon request of the Franchisee for assistance in relocating the Franchised Restaurant, Franchisor shall use reasonable efforts to help analyze Franchisee's market area, to help determine site feasibility, and to assist in the designation of the location, which must be approved by Franchisor who shall have seven (7) days after notice from Franchisee, to reject any site. Franchisor shall not conduct site selection activities on Franchisee's behalf. While Franchisor shall utilize its experience and expertise in a designation of location, nothing contained herein shall be interpreted as a guarantee of success for said location nor shall any site recommendation or approval made by Franchisor be deemed a representation that any particular site is available for use as a THE FLAME BROILER restaurant. It shall be the sole responsibility of Franchisee to undertake site selection activities and otherwise secure premises for Franchisee's Franchised Restaurant.

F. In the event no acceptable site is established within the ninety (90) days or such other time as provided under Paragraph III.B. above, then, and in that event, on notice from Franchisor, this Agreement may be

terminated and a fee, for the services of the Franchisor allowed under this Paragraph III., through date of termination, may be charged against the franchise, or the Relocation Fee, as applicable at the rate of THREE HUNDRED FIFTY DOLLARS (\$350.00) per day, or any fraction thereof, per member of Franchisor's staff. On termination, the remaining balance of the fee, after charges, shall be refunded to the Franchisee. Upon return of said amount, Franchisor shall be fully and forever released from any claims or causes of action Franchisee may have under or pursuant to this Agreement and any right, title or interest of Franchisee in the Marks or the System and any rights shall automatically revert to Franchisor.

G.. Franchisee shall: (i) cause to be prepared and submit for approval by Franchisor a site survey and any modifications to Franchisor's basic architectural plans and specifications (not for construction) for the development of a THE FLAME BROILER restaurant (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating) at the site leased or purchased therefor, provided that Franchisee may modify Franchisor's basic plans and specifications only to the extent required to comply with all applicable ordinances, building codes and permit requirements and with prior notification to and approval by Franchisor; (ii) obtain all required zoning changes, building, utility, health, sanitation and sign permits and licenses and any other required permits and licenses; (iii) purchase or lease equipment, fixtures, furniture and signs as provided herein; (iv) complete the construction and/or remodeling, equipment, fixtures, furniture and sign installation and decorating of the Franchised Restaurant in full and strict compliance with plans and specifications therefor approved by Franchisor and all applicable ordinances, building codes and permit requirements; (v) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and (vi) otherwise complete development of and have the Franchised Restaurant ready to open and commence the conduct of its business in accordance with Paragraph XII. hereof.

H. Execution of the Franchise Agreement by the Franchisor shall not constitute approval, promise of approval, or waiver of any term or condition to be performed by Franchisee under Paragraph III. hereof, notwithstanding that Franchisee may have submitted a site selection, lease/purchase terms for the site, or plans for development, or any of them, concurrently with the execution of this Agreement. Nor shall a concurrent submission of any or all of the foregoing, constitute a consideration for Franchisee's signature hereto. The Franchisee further understands that successful completion of the performance required of the Franchisee under Paragraph III. shall not constitute Franchisor's approval, promise of approval, or waiver of Franchisee's performance under Paragraph IV. hereof.

IV. TRAINING AND ASSISTANCE

A. Approximately one (1) month prior to Franchisee's commencement of operations, Franchisor shall make an initial training program available to any three (3) employees of Franchisee. The initial training program shall be up to two (2) weeks in duration. The selected candidates are required to attend and successfully complete such program. The initial training program shall be conducted at Franchisor's headquarters. Said training program shall include classroom training and on-the-job training at a THE FLAME BROILER restaurant and shall cover material aspects of the operation of a THE FLAME BROILER restaurant, including financial controls, general bookkeeping procedures, food preparation, service and operational techniques, familiarization with recipes and cooking procedures, marketing and advertising techniques, sanitation and maintenance procedures, deployment of labor, maintenance of

quality standards, and an understanding of the Manual. All expenses incurred by Franchisee and its employees in attending such program including, without limitation, travel costs, room and board expenses and employees' salaries shall be the sole responsibility of Franchisee.

B. For up to two (2) weeks immediately preceding, two (2) weeks after opening or one (1) week either side of it, at Franchisee's option, Franchisor shall furnish to Franchisee, at the Premises and at Franchisor's expense, one (1) of Franchisor's representatives for the purpose of facilitating the opening of Franchisee's Franchised Restaurant. During this period, such representative shall also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a THE FLAME BROILER restaurant and shall assist in training personnel. Requests, if any, by Franchisee for additional staff, or for assistance beyond period set forth herein, shall be honored, at the option of the Franchisor, at the rate set forth in Paragraph IV.C., and be paid for by the Franchisee, on a daily basis, as incurred.

C. If Franchisor determines, in its sole discretion, that Franchisee or the other training candidates are unable to satisfactorily complete the training program, Franchisor shall have the right to terminate this Agreement in the manner provided for herein, despite the fact that a restaurant site was established, and all other terms complied with on date of notice. Within the thirty (30) day period after notice to cure default to the Franchisee, Franchisor shall offer such additional training, upon notice and request by Franchisee, at the Franchisor's rate for services set forth herein. The Franchisee's compliance with training requirements after additional training, shall require completion thereof to the satisfaction of the Franchisor, and payment in full to the Franchisor, on demand, for the cost thereof. If this Agreement is terminated pursuant to this Paragraph, a fee for the services of Franchisor allowed under Paragraph IV., through date of termination, may be charged against the Franchise Fee, or Relocation Fee, as applicable, at the rate of THREE HUNDRED FIFTY DOLLARS (\$350.00) per day, or any fraction thereof, per member of Franchisor's staff, unless otherwise already paid by the Franchisee. In addition, Franchisor may charge the cost of its services under Paragraph III. above, if any, against the fee, notwithstanding the selection of a site for the restaurant under that paragraph. On termination, the remaining balance of the fee, after charges, shall be refunded to the Franchisee. Upon return of said amount, Franchisor shall be fully and forever released from any claims or causes of action Franchisee may have under or pursuant to this Agreement and any right, title or interest of Franchisee in the Marks, and any such rights shall automatically revert to Franchisor.

D. Franchisor from time to time may provide and, if it does, may require that previously-trained and experienced franchisees, their managers and/or employees attend and successfully complete refresher training programs or seminars to be conducted at Franchisor's location. Attendance at such refresher training programs or seminars shall be at Franchisee's sole expense, provided, however, that attendance shall not be required at more than two (2) such programs in any calendar year and shall not exceed five (5) business days in duration during any calendar year.

E. If Franchisee designates new or additional managers after the initial training program, Franchisor shall provide training to such managers at the rate set forth above. Any and all designated managers shall be required to successfully complete the training program provided at Franchisor's headquarters or such other location designated by Franchisor. Franchisee shall bear all costs incurred by Franchisee's employees in attending such training program.

V. PROPRIETARY MARKS

A. Franchisee acknowledges that Franchisor is the owner of all right, title and interest together with all the goodwill of the Marks. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time during the term of this Agreement. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee acknowledges that all usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor, and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of the Marks. All provisions of this Agreement applicable to the Marks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

B. Franchisee shall not use any Mark or portion of any Mark as part of a corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law.

C. Franchisee shall promptly notify Franchisor of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any colorable imitation thereof. Franchisee shall also notify Franchisor of any action, claim or demand against Franchisee relating to the Marks within ten (10) days after Franchisee receives notice of said action, claim or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks, Franchisor may assert any legal remedy on its behalf that it deems appropriate, and shall control all action taken. Franchisor shall have no obligation to defend, indemnify or hold Franchisee harmless as to any claim, demand or action against Franchisee arising out of the use of the Mark on any grounds. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and shall exercise such right in their sole discretion. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary in the opinion of their counsel, to carry out such defense or prosecution. Both parties shall make every effort consistent with the foregoing to protect, maintain and promote the Marks as identifying the System and only the System. **NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, MAY BE MADE AT THIS TIME AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS IN THE FRANCHISOR, EXCEPT THE PRINCIPAL MARK, WHICH HAS BEEN REGISTERED UNDER LAW.**

D. If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor to modify or discontinue use of any Mark, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within a reasonable time after notice

to Franchisee by Franchisor. Franchisee hereby waives any rights or recourse against, and covenants not to sue Franchisor for any loss or damages from the loss of, or loss of use of, any Mark. Franchisee shall defend, indemnify and hold Franchisor harmless for any claim, demand or action arising out of the unauthorized modification, alteration or misuse of any Mark by the Franchisee.

E. In order to preserve the validity and integrity of the Marks and copyrighted materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Franchised Restaurant, Franchisor or its agents shall have the right of entry and inspection of the Premises and operating procedures at all reasonable times. Franchisor shall have the right to observe the manner in which Franchisee is rendering its THE FLAME BROILER services and conducting its operations, to confer with Franchisee's employees and customers, and to select Menu Items, ingredients, food and non-food products, beverages and other items, products and supplies for test of content and evaluation purposes to make certain that the Menu Items, ingredients, food and non-food products, beverages and other items, products, materials and supplies are satisfactory and meet the quality control provisions and performance standards established by Franchisor.

F. Franchisee shall not establish a Web site on the Internet using any domain name containing the words "THE FLAME BROILER" or any variation thereof without prior written consent from Franchisor. Franchisor retains the sole right to advertise on the Internet and create a Web site using the "THE FLAME BROILER" domain name. Franchisee acknowledges that Franchisor is the owner of all right, title and interest in and to such domain names as Franchisor shall designate in the Manual. Franchisor retains the right to pre-approve Franchisee's use of linking and framing between Franchisee's Web pages and all other Web sites. If requested by Franchisor, Franchisee shall, within five (5) days, dismantle any frames and links between Franchisee's Web pages and any other Web sites.

VI. CONFIDENTIAL OPERATIONS MANUAL

A. Franchisor shall loan to Franchisee during the term of this Agreement and any renewal thereof one (1) copy of the Manual containing specifications, standards, operating procedures and rules prescribed from time to time by Franchisor for THE FLAME BROILER restaurants and information relative to other obligations of Franchisee hereunder. Franchisor shall have the right to add to and otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for THE FLAME BROILER restaurants, provided that no such addition or modification shall alter any term or provision hereof, or any agreement referred to herein.

B. The Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon the expiration or other termination of this Agreement.

C. The Manual contains proprietary information of Franchisor and shall be kept confidential by Franchisee both during the term of this Agreement and any renewal thereof and subsequent to the expiration and/or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual be available at the Premises in a current and up-to-date manner. At all times that the Manual is not in use by authorized personnel, Franchisee shall maintain the Manual in a locked receptacle at the Premises, and shall only grant authorized personnel,

as defined in the Manual, access to the key or lock combination of such receptacle. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's home office shall be controlling.

VII. CONFIDENTIAL INFORMATION

A. Franchisee acknowledges that its entire knowledge of the operation of a THE FLAME BROILER restaurant including, without limitation, the method of preparation of Menu Items and other food products, and other specifications, product formulae, standards and operating procedures of a THE FLAME BROILER restaurant is derived from information disclosed to Franchisee by Franchisor and that such information is proprietary, confidential and the trade secret of Franchisor. In addition, any enhancements, adaptations, derivative works, modifications or new processes ("Improvements") developed by Franchisee, its owners or employees to use in the processes, services or products of THE FLAME BROILER Copyrighted Works, Manual or System shall constitute proprietary information of Franchisor. "Trade Secrets" refer to the whole or any portion of know-how, knowledge, methods, recipes, formulae, specifications, processes, procedures and/or Improvements regarding the THE FLAME BROILER restaurant and the System that is valuable and secret in the sense that it is not generally known to competitors of Franchisor. Franchisee shall maintain the absolute confidentiality of all such information during and after the term of this Agreement and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor.

B. Franchisee shall divulge such confidential information only to the extent and only to such of its employees as must have access to it in order to operate the Franchised Restaurant. Any and all information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulae, recipes and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate lawfully came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had lawfully become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, lawfully becomes a part of the public domain, through publication or communication by others.

C. Due to the special nature of the confidential information, Marks and Manual of Franchisor, Franchisee hereby acknowledges that Franchisor shall be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Paragraphs V., VI. and VII. of this Agreement. Franchisee, each owner of Franchisee, and all persons employed in the operation of the Franchised Restaurant by the Franchisee shall execute a Proprietary Information Non-Disclosure Agreement in the form and format prescribed by the Franchisor, on the execution of the Franchise Agreement. The Franchisee shall have a continuing responsibility thereafter to obtain the signature of each person employed in any manner in the operation of the Franchised Restaurant by the Franchisee, and of each person to whom, or all partners, shareholders or members of each business entity to which any interest in the Franchisee is sold or transferred at any time thereafter, for any cause or reason. Signatures required hereunder shall be an express term of, and constitute a material consideration for the sale/transfer, or employment, as applicable.

Compliance herewith is a condition to, and in consideration of the grant of the franchise, and a violation thereof at any time by the Franchisee, constitutes a default hereunder.

D. Franchisee acknowledges and agrees that Franchisor owns or is the licensee of the owner of the copyrighted works and may further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of the Franchised Restaurant including, but not limited to, all categories of works eligible for protection under the United States Copyright Law, all of which shall be deemed to be "Copyrighted Works" under this Agreement. Such Copyrighted Works include, but are not limited to, the Manual, advertisements, promotional materials, posters and signs, and may include all or part of the Marks, Software, trade dress and other portions of the System. Franchisor intends that all works of authorship related to the System which are created in the future shall be owned by it.

1. Franchisor may authorize Franchisee to use the Manual, marketing material, artwork, including the Software and other items subject to copyright protection;
2. The Copyrighted Works are the valuable property of Franchisor or its licensors;
3. Franchisee's right to use the Copyrighted Works are granted solely on the condition that Franchisee complies with the terms of Paragraph VII. of this Agreement; and
4. Franchisee will use the Copyrighted Works only as Franchisor designates.

E. Franchisee must promptly notify Franchisor when Franchisee learns of an unauthorized use of the confidential information or any Copyrighted Work. Franchisor does not have to take any action against any unauthorized user of the confidential information or Manual, but will respond to this information as Franchisor deems appropriate and shall control any action taken. Franchisee shall cooperate with Franchisor and execute any and all documents and take all actions as may be directed by Franchisor in the course of preparing or participating in any action. If it becomes necessary or desirable to the Franchisor to modify or discontinue use of any copyright or proprietary information, Franchisee shall comply within a reasonable time after notice. Franchisee hereby waives any rights or recourse against, and covenants not to sue Franchisor for any loss or damages as a result of the loss, or loss of use of any copyright or proprietary information. Franchisor shall have no obligation to defend, indemnify or hold Franchisee harmless as to any claim, demand or action against Franchisee in connection with, or arising out of the use of any confidential information, or the copyright, on any grounds.

F. If Franchisee makes or acquires any Improvements to the processes, services or products of The Flame Broiler Copyrighted Works, Manual or System, Franchisee shall release any interest in, and transfer all right, title or claim in and to such Improvements to Franchisor, on demand, in accordance with the agreement of the parties entitled, "Release and Assignment of Rights to Improvements Agreement," in consideration of the grant of the franchise made under this Agreement and without the payment of additional consideration by Franchisor. Franchisor may include any Improvements made or acquired by Franchisor in the THE FLAME BROILER Copyrighted Works, Manual and the System for use by all THE FLAME BROILER Franchisees or Franchisor. If Franchisor seeks patent protection or

copyright registration for any Improvements, it shall do so at its own expense. Franchisee shall execute or have the creator execute all documents necessary to enable Franchisor to apply for intellectual property rights protection and to secure all rights to such Improvements. Franchisee shall assign or have the authors assign to Franchisor any intellectual property rights in such Improvements, pursuant to the Release and Assignment of Rights to Improvements Agreement, and shall require all owners of the Franchisee, and each person employed in the operation of the Franchised Restaurant by the Franchisee, to execute same, on the execution of the Franchise Agreement. The Franchisee shall have a continuing responsibility thereafter to obtain the signature of each person employed in any manner in the operation of the Franchised Restaurant by the Franchisee, and of each person to whom, or all partners, shareholders or members of each business entity to which any interest in the Franchisee is sold or transferred at any time thereafter, for any cause or reason. Signatures required hereunder shall be an express term of, and constitute a material consideration for the sale/transfer, or employment, as applicable. Compliance herewith is a condition to, and in consideration of the grant of the franchise, and a violation thereof at any time by Franchisee constitutes a default hereunder. Franchisee agrees to the requirements of this Paragraph in recognition of the benefits that can be derived by THE FLAME BROILER Franchisees from the Improvements made by other THE FLAME BROILER Franchisees. The provisions of this Paragraph shall not constitute consent by Franchisor to the modification by Franchisee of any THE FLAME BROILER Copyrighted Works, Manual or the System or the creation of any derivative work based on any THE FLAME BROILER copyright and Franchisee must obtain Franchisor's express written consent prior to making such modification or derivative work.

VIII. DEVELOPMENT OF THE SYSTEM

Franchisor reserves the right to add to, develop and improve the System presently identified by the Marks, including, without limitation, new and modified trade names, marks and other proprietary information, specifications for food storage, preparation and service equipment, computer hardware and software, food products, Menu Items and techniques for the improved operation of all THE FLAME BROILER restaurants. Some Improvements may be mandated by law. Others will occur through the ongoing improvement of the franchise by the Franchisor. Franchisee shall pay for the cost of acquiring and/or incorporating said Improvements into each restaurant owned by the Franchisee, within the time established by the Franchisor in the Manual. The cost of acquiring and/or incorporating Improvements to the Franchisee may not exceed the sum of TEN THOUSAND DOLLARS (\$10,000.00) per year, or the total sum of TWENTY-FIVE THOUSAND DOLLARS (\$25,000.00) (both figures subject to increases in the Department of Labor Consumer Price Index [CPI]) during the initial term of this Agreement. No Franchisee shall be required to incur any cost for the acquisition/incorporation of Improvements, beyond the investment made to open a THE FLAME BROILER restaurant, for a period of at least one (1) year after date of opening.

IX. ADVERTISING

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of THE FLAME BROILER Franchised Restaurants, Franchisee agrees as follows:

A. Franchisee shall submit to Franchisor or its designated agency, for its prior approval, all promotional materials and advertising to be used by Franchisee including, but not limited to, newspapers, radio and television advertising, specialty and novelty items, signs, containers and boxes. In the event written disapproval of said advertising and promotional material is not given by Franchisor to Franchisee within thirty (30) days from the date such material is received by Franchisor, said materials shall be deemed approved. Failure by Franchisee to conform with the provisions herein and subsequent non-action by Franchisor to require Franchisee to cure or remedy this failure and default shall not be deemed a waiver of future or additional failures and defaults of any other provision of this Agreement. The submission of advertising to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells its products or services. Franchisor reserves the right, at its option, to revoke its approval of advertising at any time the advertising fails to continue to meet Franchisor's criteria.

B. Franchisee shall spend a minimum of ONE THOUSAND DOLLARS (\$1,000.00) on newspaper, direct mail advertising, other advertising or promotional items through other media including, without limitation, product samples, during the first month of operation of the Franchised Restaurant ("Grand Opening Advertising"). Such Grand Opening Advertising shall be conducted in accordance with the Manual.

C. At such time as Franchisor establishes the systemwide THE FLAME BROILER Advertising and Development Fund ("Advertising Fund"), Franchisee shall contribute to the Advertising Fund an amount not to exceed one percent (1%) of the Net Sales derived from the Franchised Restaurant, as defined in Paragraph X.A.2. of this Agreement. Franchisee's required payments to the Advertising Fund shall be made at the same time, in the same manner as and in addition to the Royalty Fee provided in Paragraph X.A. herein. Such payment shall be made in addition to and exclusive of any sums that Franchisee may be required to spend on local advertising and promotion. The Advertising Fund shall be maintained and administered by Franchisor or its designee, as follows:

1. Franchisor shall direct all advertising programs with sole discretion over the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Advertising Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System and that Franchisor and its designee undertake no obligation in administering the Advertising Fund to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly pro rata from the placement of advertising.

2. The Advertising Fund may be used for the cost of creating, producing and distribution of advertising and promotion, in any form, in any media, of the THE FLAME BOILER restaurants, including such related public relations and marketing activities as are reasonable to that end. Advertising Funds shall be maintained in an account separate from all other funds of the Franchisor. Franchisor shall not receive a fee for its services to administer the Advertising Fund. Franchisor's expenses in administering the Advertising Fund, if any, and the costs incurred in creating, producing and distribution of advertising and promotion in-house, including salaries of Franchisor's employees, if any, may be paid from the Advertising Fund.

3. It is anticipated that all contributions to the Advertising Fund shall be expended for advertising and promotional purposes during Franchisor's fiscal year within which contributions are made. If, however,

excess amounts remain in the Advertising Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of any current interest or other earnings of the Advertising Fund, next out of any accumulated earnings and finally from principal.

4. Although Franchisor intends the Advertising Fund to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and promotional purposes.

5. An accounting of the operation of the Advertising Fund shall be prepared annually and shall be made available to Franchisee upon request. Franchisor reserves the right, at its option, to require that such annual accounting include an audit of the operation of the Advertising Fund prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Advertising Fund.

6. Each THE FLAME BROILER restaurant operated by Franchisor, offering products and services similar to the Franchised Restaurant, shall make contributions to the Advertising Fund on the same basis as the contributions required of Franchised Restaurants within the System.

7. The media selected may be print, radio, television or other, and may be local, regional or national, at Franchisor's discretion. Franchisor may conduct its advertising in-house or through an agency.

D. Franchisee shall spend each calendar month on local advertising and promotion, an amount equal to ONE THOUSAND DOLLARS (\$1,000.00) or three percent (3%) of the Net Sales, whichever is greater, as defined in Paragraph X.A.2. of this Agreement. Franchisee shall make all local advertising and promotion expenditures pursuant to Franchisor's guidelines. Any deviation from such guidelines shall require prior approval by Franchisor or Franchisor's designated advertising agency. Franchisor reserves the right, in Franchisor's sole discretion, to require Franchisee to contribute up to one hundred percent (100%) of the required local advertising expenditures to cooperative advertising as provided in Paragraph IX.E. of this Agreement. Within thirty (30) days of the end of each month, Franchisee shall furnish to Franchisor, in a manner approved by Franchisor, an accurate accounting of Franchisee's expenditures on local advertising and promotion for the preceding month just ended. Franchisor shall provide guidelines for local advertising and any deviation from such guidelines requires the prior approval of Franchisor.

E. Franchisor reserves the right, in the future, to form a local, regional or national advertising coverage area ("ACA") in which Franchisee's Franchised Restaurant and at least one (1) other THE FLAME BROILER Franchised Restaurant is located for the purpose of developing a cooperative local, regional or national advertising or promotional program ("Cooperative"). An ACA is defined as an area covered by the particular advertising medium (television, radio, Internet, print media or other medium) as recognized in the industry. A THE FLAME BROILER Franchised Restaurant may have to contribute up to one hundred percent (100%) of its required expenditures for local advertising, as described in Paragraph IX.D., to the Cooperative. Franchisee shall participate in and contribute its share to the Cooperative in its ACA in addition to Advertising Fund contributions as described in Paragraph IX.C. Assessments against funds of each franchisee required for local advertising hereunder, shall be based on a graduated percentage that is uniform to all franchisees. Franchisee contributions to the Cooperative shall be credited toward the

required expenditures for local advertising as set forth in Paragraph IX.D. Franchisor or its designee shall be responsible for administering the Cooperative. However, Franchisor reserves the right to form Regional Advisory Councils for advisory purposes. If formed, the Regional Advisory Councils shall be comprised of Franchisor and franchisees in the ACA. Franchisor shall submit a list to Franchisee of all operating Franchised Restaurants within the ACA. The Cooperative shall operate from written governing documents, prepared by Franchisor or its designee, which shall be made available to Franchisee upon reasonable request. An accounting of the operation of the Cooperative shall be prepared annually by Franchisor, at the expense of the Cooperative, and Franchisor shall make it available to Franchisee upon reasonable request. Franchisor reserves the right, at its option, to require that the annual accounting include an audit of the operation of the Cooperative prepared by an independent certified public accountant Franchisor selects and prepared at the expense of the Cooperative. Franchisor, in its sole discretion, shall have the right to change, merge or dissolve the Cooperative. The Cooperative shall not be dissolved until all of the money in the Cooperative has been spent for advertising and promotional purposes.

F. Franchisee shall not advertise or use in advertising or any other form of promotion, the copyrighted materials, trademarks, service marks or commercial symbols of Franchisor without the appropriate [©] or [®] registration marks or the designation TM or SM where applicable.

X. CONTINUING SERVICES AND ROYALTY FEE

A. Franchisee shall pay without offset, credit or deduction of any nature, to Franchisor, so long as this Agreement shall be in effect, a weekly Royalty Fee equal to five percent (5%) of the Net Sales derived from the Franchised Restaurant. Said Royalty Fee shall be paid weekly in the manner specified below or as otherwise prescribed in the Manual.

1. Each week, Franchisee shall submit to Franchisor in such form as prescribed in the Manual, a correct statement, signed by Franchisee, of Franchisee's Net Sales for the preceding week ended Sunday. Each weekly statement of Net Sales shall be accompanied by the Royalty Fee payment based on the Net Sales reported in the statement so submitted. Franchisee shall make available to Franchisor all original books and records that Franchisor may deem necessary to ascertain Franchisee's Net Sales for reasonable inspection at reasonable times.

2. The term "Net Sales," as used herein and throughout this Agreement, shall mean and include the total of all revenues and income from the sale of all Menu Items, Trade Secret Food Products, and any other food products, beverages and other related merchandise, products and services to customers of Franchisee, or any other source, whether or not sold or performed at or from the THE FLAME BROILER Franchised Restaurant, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment is received therefor) or otherwise. There shall be deducted from Net Sales for purposes of said computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority. There shall be further deducted from Net Sales the amount of any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee. All barter and/or exchange transactions pursuant to which Franchisee furnishes services and/or products in exchange for goods or services to be provided to Franchisee

by a vendor, supplier or customer will, for the purpose of determining Net Sales, be valued at the full retail value of the goods and/or services so provided to Franchisee.

B. All Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor, and other amounts which Franchisee owes to Franchisor shall bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed one and one-half percent (1.5%) per month. Franchisee acknowledges that this Paragraph shall not constitute agreement by Franchisor to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Restaurant. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Paragraph XVI. hereof, notwithstanding the provisions of this Paragraph.

C. Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, advertising contributions, purchases from Franchisor, interest or any other indebtedness.

D. All Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor and other amounts which Franchisee owes to Franchisor shall be paid through an Electronic Depository Transfer Account ("EDTA") as further described in the Manual. Immediately following execution of this Agreement, Franchisee shall set up an EDTA and Franchisor shall have access to such account for the purpose of receiving payment for Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor and any other amounts which Franchisee owes to Franchisor. Every week, Franchisee shall make deposits to the EDTA sufficient to cover amounts owed to Franchisor on Monday for Royalty Fees, advertising contributions and other funds owed to Franchisor for the preceding week ending on Sunday. Deposits for all other amounts owed to Franchisor shall be in accordance with the procedures set forth in the Manual.

XI. ACCOUNTING AND RECORDS

A. Franchisee shall maintain during the term of this Agreement, and shall preserve for the time period specified in the Manual, full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain for a period of three (3) years thereafter all books and records related to the Franchised Restaurant including, without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals and general ledgers.

B. Franchisee shall supply to Franchisor on or before the tenth (10th) day of each quarter, in such form as prescribed in the Manual, a profit and loss statement and balance sheet for the last preceding quarter just ended. Additionally, Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each fiscal year during the term of this Agreement, a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements. Such financial statements shall be certified to be true and correct by Franchisee. Franchisor

reserves the right to require annual financial statements, prepared in accordance with generally accepted accounting standards, audited by an independent certified public accountant at Franchisor's expense.

C. Franchisee shall submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manual.

D. Franchisee shall record all sales and related activities on computer-based point-of-sale cash registers which are fully compatible with any program or system which Franchisor, in its discretion, may now or in the future employ. Franchisee must procure a computer system meeting the specifications and standards prescribed by Franchisor. All Net Sales and sales information shall be recorded on such equipment. Franchisor shall have full access to all of Franchisee's data, system and related information by means of direct access whether in person, or by telephone/modem.

E. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at its expense, the books, records and tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books and records of Franchisee at Franchisor's expense. If an inspection should reveal that any payments due to Franchisor have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the maximum rate permitted by law. If an inspection discloses an understatement in any report of three percent (3%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). The remedies listed in this Paragraph XI.E. shall be in addition to any other remedies Franchisor may have.

F. Franchisee acknowledges that nothing contained herein constitutes Franchisor's agreement to accept any payments after same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Franchised Restaurant. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute a material default of, and grounds for termination of this Agreement.

XII. STANDARDS OF QUALITY AND PERFORMANCE

A. Franchisee shall comply with all requirements set forth in the Manual. Compliance with all terms, specifications and conditions in the Manual, and its amendments and all procedures, rules and policies prescribed after execution hereof, from time to time by the Franchisor, shall be required of Franchisee as a term and condition to Franchisee's rights hereunder. Franchisee shall comply with the entire System including, but not limited to, the requirements of this Paragraph XII.

B. Franchisee shall commence operation of the Franchised Restaurant not later than six (6) months after execution of this Agreement or as otherwise required or approved in writing by Franchisor. Prior to such opening, Franchisee shall have procured all necessary licenses, permits and approvals including, but not limited to, construction permits, hired and trained personnel, made all leasehold Improvements and purchased initial inventory. If Franchisee for any reason fails to commence operation as herein provided, unless Franchisee is precluded from doing so by force majeure, such failure shall be considered a default and Franchisor may terminate this Agreement as herein provided.

C. Franchisee shall maintain the condition and appearance of the Premises consistent with Franchisor's quality controls and standards. Franchisee shall effect such reasonable maintenance of the Franchised Restaurant as is from time to time required to maintain or improve the appearance and efficient operation of the Franchised Restaurant including, but not limited to, replacement of worn out or obsolete fixtures, signs and equipment, and the repair of the exterior and interior of the Premises. If at any time in Franchisor's judgment the general state of repair or the appearance of the Premises or its equipment, fixtures, signs or decor does not meet Franchisor's quality control and standards therefor, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. At all times, Franchisor shall have access to Franchisee's Premises at such reasonable times and intervals, with or without notice, to inspect same for the purposes of this Paragraph. Franchisee's obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is impractical due to force majeure.

D. Franchisee shall make no material alterations to the Premises nor shall Franchisee make material replacements of or alterations to the equipment, fixtures or signs of the Franchised Restaurant without the prior written approval by Franchisor.

E. The location of the Franchised Restaurant approved by Franchisor in accordance with Paragraph III hereof shall be used solely for the purpose of conducting a THE FLAME BROILER Franchised Restaurant during the term of this Agreement, or any extension thereof.

F. Franchisee shall offer for sale and sell at the Franchised Restaurant all types of Menu Items and other categories of food and beverage products that Franchisor from time to time authorizes and shall not offer for sale or sell at the Premises which it occupies any other category of products or use such Premises for any purpose other than the operation of a Franchised Restaurant in full compliance with this Agreement.

G. In order to ensure that all Menu Items produced by Franchisee meet Franchisor's high standards of taste, texture, appearance and freshness, and in order to protect Franchisor's goodwill and Marks, the Menu Items and other food products shall be prepared only by properly trained personnel strictly in accordance with Franchisor's recipes, cooking techniques and processes as designated by Franchisor in the Manual, and shall be sold only at retail to customers in conformity with Franchisor's marketing plan and concept. Franchisee acknowledges that such recipes, cooking techniques and processes are integral to the System and failure to adhere to such recipes, cooking techniques and processes (including the handling and storage of both ingredients and fully prepared Menu Items) shall be detrimental to the System and Marks.

H. From time to time, Franchisor shall provide to Franchisee a list of manufacturers, suppliers and distributors ("Suppliers List") and approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Franchised Restaurant ("Approved Supplies List"). Such list shall specify the manufacturer, brand name, suggested supplier and distributor and the inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and services which Franchisor has approved to be carried or used in the System. Franchisor may revise the Suppliers List and Approved Supplies List from time to time in its sole discretion.

and such lists shall be submitted to Franchisee. If Franchisee proposes to offer for sale at the Franchised Restaurant any brand of product, or to use in the operation of Franchised Restaurant any brand of food ingredient or other material or supply which is not then approved by Franchisor as meeting its minimum specifications and quality standards, Franchisee shall first notify Franchisor and shall upon request by Franchisor submit samples and such other information as Franchisor requires for examination and/or testing or to otherwise determine whether such product, material or supply meets its specifications and quality standards. A charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test and in all cases, not to exceed ONE THOUSAND DOLLARS (\$1,000.00), shall be paid by Franchisee or the supplier. Franchisor shall have a reasonable period in which to conduct the test and give its approval/disapproval to the product. Franchisor reserves the right, at its option, to re-inspect the products of any supplier of an approved item and to revoke its approval of any item which fails to continue to meet any of Franchisor's criteria. Franchisor reserves the right, in its sole discretion, to approve or reject any and all supplies, brand name products and other products and services, whether currently approved by Franchisor or submitted to Franchisor by Franchisee for approval, authorized for use by or sale from the Franchised Restaurant.

I. All inventory, products and materials and other items and supplies used in the operation of the Franchised Restaurant which are not specifically required to be purchased in accordance with Franchisor's Approved Supplies List shall conform to the specifications and quality standards established by Franchisor from time to time.

J. Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Restaurant and shall operate the Franchised Restaurant in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to occupational hazards and health, dispensing of food products, consumer protection, trade regulation, workers' compensation, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes.

K. Franchisee shall refrain from any merchandising, advertising or promotional practice which is unethical or may be injurious to the business of Franchisor and/or other Franchised Restaurants or to the goodwill associated with the Marks.

L. Franchisee shall in the operation of the Franchised Restaurant use only displays, trays, napkins, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors as prescribed from time to time by Franchisor.

M. Franchisee acknowledges that the Franchised Restaurant shall at all times maintain an inventory of ingredients, food and beverage products and other products, materials and supplies that shall permit operation of the Franchised Restaurant at maximum capacity.

N. The Franchised Restaurant shall at all times be under the direct, on-premises supervision of Franchisee (or a trained and competent employee acting as full-time manager). If Franchisee employs a full-time manager, however, Franchisee acknowledges that it shall remain obligated to supervise the operations of the Franchised Restaurant as agreed upon by Franchisee and Franchisor. In the event Franchisee operates more than one (1) franchise,

at least one (1) trained and competent employee referred to above shall act as a full-time manager. Franchisee shall keep Franchisor informed at all times of the identity of any employee(s) acting as manager(s) of the Franchised Restaurant. Prior to appointing any person to the position of manager, the Franchisee shall advise Franchisor of the appointment with sufficient lead time to allow the appointee to complete the initial training program set forth in Paragraph IV.A., above, prior to assuming any duties as a manager. Franchisee shall pay all expenses incurred by the manager appointee, including the cost of training by Franchisor at the rate of THREE HUNDRED FIFTY DOLLARS (\$350.00) per day, for each day of training, or fraction thereof. Except as provided for in this Agreement, Franchisor shall have no obligation to train Franchisee, its owners, managers or employees. Franchisee shall, at all times, faithfully, honestly and diligently perform its obligations hereunder and shall not engage in any business or other activities that shall conflict with its obligations hereunder.

O. Franchisee shall not install or maintain on the Premises any newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices without the written approval of Franchisor.

P. Franchisee shall participate actively in a THE FLAME BROILER Regional Advisory Council ("Council") and participate in all Council programs, for Franchisee's particular Council, approved by Franchisor at such time as the region(s) is/are defined by the Franchisor, and a Regional Council for the region in which the Franchisee is located is established by the Franchisor. The purposes of the Council(s) include, but are not limited to, exchanging ideas and problem solving methods, advising Franchisor on expenditures for regional advertising, providing back-up support and staffing for political influence and coordinating franchisee efforts and are advisory only, in nature. The cost, if any, of creating and convening the Council shall be borne by the Franchisor. Each Franchisee shall bear his/her own costs to attend the Council meeting, and related activities, including hotel, meals, recreation, etc. Failure to participate in the Council, if convened, shall constitute a default hereunder.

Q. Franchisor may, in the future, develop and custom design Software for conducting accounting, inventory control, point-of-sale functions and related activities. If developed, the Software shall be proprietary to and the confidential information of Franchisor and will be covered by current confidential non-disclosure and proprietary agreements. Franchisee shall implement and utilize the Software in the operation of the Franchised Restaurant and comply with all specifications and standards prescribed by Franchisor regarding the Software, as provided from time to time in the Manual. This proprietary software is in an ongoing development and testing stage and upgrades may be implemented into the System at Franchisor's discretion. Once developed, Franchisee shall be responsible for maintaining ongoing service and support regarding the Software, and Franchisor shall lease such software to Franchisee at the then-current rates published by Franchisor.

R. Franchisor developed Trade Secret Food Products and may continue to develop and own a proprietary teriyaki sauce and a beef marinade. In order to protect its Trade Secrets and to monitor the manufacture, packaging, processing and sale of the Trade Secret Food Products, Franchisor shall: (i) manufacture, supply and sell the Trade Secret Food Products to franchisees of Franchisor; and/or (ii) disclose the formulae for and methods of

preparation of the Trade Secret Food Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture the Trade Secret Food Products to Franchisor's precise specifications and to sell the Trade Secret Food Products to franchisees of Franchisor; at Franchisor's election. Franchisee acknowledges that it must use the Trade Secret Food Products at all times in the operation of the franchise.

S. Franchisor may develop proprietary or private-labeled Trademarked Products related to the Franchised Restaurant. In order to monitor the manufacture, packaging, processing and sale of the Trademarked Products, Franchisor shall: (i) manufacture, supply and sell the Trademarked Products to Franchisor's franchisees; and/or (ii) disclose the designs or specifications of the Trademarked Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture the Trademarked Products to Franchisor's precise specifications and to sell the Trademarked Products to Franchisor's franchisees. Franchisee acknowledges that Franchisee shall be required to use the Trademarked Products.

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

XIII. FRANCHISOR'S OPERATIONS ASSISTANCE

A. Prior to commencement of operations, Franchisor shall provide site location assistance, approval of site and plans to remodel same, and training to Franchisee on the terms and conditions provided for under Paragraphs III. and IV. above. All specifications needed for the opening and operation of the franchise, including site selection guidelines and supplies/supplier lists, not otherwise included in the Manual, shall be provided to Franchisee on the execution of the Franchise Agreement.

B. Upon commencement of operations, and thereafter, for the term of the Agreement, Franchisor shall:

1. Coordinate all advertising materials, promotional programs and administer advertising funds;

2. Regulate quality standards and products throughout all Franchised Restaurants; including procedures for the service and sale of Menu Items, other food and beverage items, and related items approved by Franchisor, the proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures, restaurant condition and appearance and updating franchisees on new products/services and Improvements to System;

3. Provide continuing education of trained employees and the initial training of new managers;

4. Negotiate best available rates for purchase of products and materials and for distribution of same from available suppliers;
5. Administer Cooperative and Advisory Council and Advertising Fund, once established; and
6. Remain available for general counsel, advice and guidance in the operation of the Franchised Restaurant, including the recommendation of prices for the food and other products offered by the restaurant.

C. Franchisor may make periodic visits to the Franchised Restaurant for the purposes of consultation, assistance and guidance of Franchisee in all aspects of the operation and management of the Franchised Restaurant. Franchisor or Franchisor's representatives who visit the Franchised Restaurant may prepare, for the benefit of both Franchisor and Franchisee, written reports with respect to such visits outlining any suggested changes or Improvements in the operations of the Franchised Restaurant and detailing any defaults in such operations which become evident as a result of any such visit, and a copy of each such written report shall be provided to both Franchisor and Franchisee. Franchisor shall advise Franchisee of problems arising out of the operation of the Franchised Restaurant as disclosed by reports submitted to Franchisor by Franchisee or by inspections conducted by Franchisor of the Franchised Restaurant.

XIV. INSURANCE

A. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, their officers, directors and employees against any loss, liability, personal injury, death or property damage or expense whatsoever arising or occurring upon or in connection with the Franchised Restaurant, as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor shall be an Additional Named Insured in such policy or policies. Such insurance is limited to its "conditions, provisions and exclusions" and does not necessarily include any expense whatsoever arising or occurring upon or in connection with the Franchised Restaurant.

B. Such policy or policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide in accordance with standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as different coverages and policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manual or otherwise in writing), the following:

1. All "Risks" coverage insurance on all furniture, fixtures, equipment, supplies, products and other property used in the operation of the Franchised Restaurant (which coverage may include flood and/or earthquake coverage where there are known exposures to either peril and theft insurance) for full repair as well as replacement value, except that an appropriate deductible clause shall be permitted not to exceed ONE THOUSAND DOLLARS (\$1,000.00).

2. Workers' Compensation and Employer's Liability insurance as well as such other insurance as may be required by statute or rule of the state or county in which the Franchised Restaurant is located and operated.

3. Comprehensive General Liability insurance, including a per premises aggregate with the following coverages: broad form contractual liability; personal and advertising injury; products/completed operations; medical payments and fire damage liability; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, occurring in the course of or on or about or otherwise relating to the Franchised Restaurant, including General Aggregate coverage in the following limits:

<u>Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate.....	\$1,000,000.00
Products/Completed Operations Aggregate.....	\$1,000,000.00
Personal and Advertising Injury.....	\$1,000,000.00
Each Occurrence.....	\$1,000,000.00
Fire Damage (any one fire).....	\$50,000.00
Medical Expense (any one person).....	\$5,000.00

The amounts required herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

4. Business interruption insurance for actual losses sustained, including Year 2000 compliance, for a twelve (12) month period.

5. Automobile Liability Insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00).

6. Such insurance and types of coverage as may be required by the terms of any lease for the Franchised Restaurant, or as may be required from time to time by Franchisor.

C. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Within ninety (90) days of the signing of this Agreement, but in no event later than the date on which Franchisee acquires an interest in the real property from which it shall operate the Franchised Restaurant, a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by Franchisee to Franchisor for approval. Such certificate shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Minimum limits as required above may be modified from time to time, as conditions require, by written notice to Franchisee.

D. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

XV. COVENANTS

A. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall devote full-time energy and best efforts to the management and operation of the Franchised Restaurant.

B. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for himself, or through, on behalf of or in conjunction with any person, persons, partnership, corporation or limited liability company:

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

2. Employ or seek to employ any person who is at that time employed by Franchisor, or by any other franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat.

3. Own, maintain, engage in or have any interest in any business (including any business operated by Franchisee prior to entry into this Agreement) specializing in whole or in part, in dispensing, promoting or selling family-style Korean food and other prepared food products, or any other business which sells or offers to sell family-style Korean food and other prepared food products or services, the same as or similar to those sold in the System.

C. At no time during or after the termination of this Agreement shall the Franchisee divulge to any person, partnership, corporation or any other entity any information, trade secrets, ingredients, recipes, cooking techniques and processes, used in the Menu Items and other food and beverage products used in the System or any information stated in the Manual.

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

XVI. DEFAULT AND TERMINATION

A. If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within a reasonable time after written notice thereof is delivered to Franchisor, Franchisee may terminate this Agreement for cause. Such termination shall be effective thirty (30) days after delivery to Franchisor of written notice that such breach has not been cured and Franchisee elects to terminate this Agreement. A termination of this Agreement by Franchisee for any reason other than breach of this Agreement by Franchisor and Franchisor's failure to cure such breach within a reasonable time after receipt of written notice thereof shall be deemed a termination by Franchisee without cause.

B. Franchisor may terminate the Franchise Agreement under any of the following circumstances:

1. After Franchisee's failure or refusal to make timely payment of any sum or sums due Franchisor hereunder, within five (5) days after receiving written notice from Franchisor that said sum or sums were overdue; or,

2. Except as provided in Paragraph 3., hereafter, upon the failure of the Franchisee to comply with any other obligation or performance required of the Franchisee under the Agreement, within thirty (30) days after receiving written notice from Franchisor of the default, and failure to cure the same; or,

3. Upon receipt of written notice from the Franchisor, without opportunity to cure, on any one of the following grounds:

a. Any material misrepresentation or omission made by the Franchisee relating to the acquisition of the franchise;

b. Upon the entry of a plea of no contest by, or the conviction of the Franchisee of a felony or other criminal misconduct relevant to the operation of the Franchised Restaurant;

c. Upon the admission of the Franchisee of its inability to pay its debts, when due; the assignment of all or a substantial part of the assets of the franchise, or the Franchisee for the benefit of any creditor, or creditors; or the bankruptcy, insolvency or receivership of the Franchised Restaurant or the Franchisee;

d. Upon the abandonment of the Franchised Restaurant by the Franchisee, by failure to operate the Franchised Restaurant for a period of five (5) consecutive days during the period the Franchisee is required to operate the business, or shorter period, after which it is reasonable to conclude the Franchisee does not intend to continue the franchise, except due to force majeure; but including the dissolution of a Franchisee partnership, corporation or limited liability company; the attempt to sell or transfer the franchise or the sale, transfer or assignment of the Premises of the franchise, except as provided for herein;

e. The engagement in conduct by the Franchisee which reflects materially and unfavorably upon the operation and reputation of the Franchised Restaurant or System, including the unauthorized use of any Mark or Marks, that materially impairs the goodwill associated with said Mark or Marks;

f. Upon the failure of the Franchisee to comply with any applicable federal, state or local law or regulation, within ten (10) days after receiving written notice of default from the Franchisor, and failure to cure same;

g. After curing any failure under Paragraph XVI.B.2. above, the engagement by the Franchisee in the same noncompliance, whether or not corrected after notice;

h. Upon the repeated failure of the Franchisee to comply with one or more of the requirements of the franchise, whether or not corrected after notice;

i. Upon the seizure or the foreclosure of the Franchised Restaurant, or business Premises, if owned by the Franchisee, by a governmental official in the exercise of his duties, or by a creditor, lien holder, or, if leased Premises, by lessor; or upon the levy of execution against the license granted by the Franchise Agreement, or against any property used in the Franchised Restaurant, or the entry of a judgment against the Franchisee, not stayed by supersedeas or appeal bond, that remains undischarged within five (5) days after levy of execution, or within thirty (30) days after date of entry of judgment.

j. Upon the reasonable determination of the Franchisor that the continued operation of the Franchised Restaurant will result in an imminent danger to public health;

k. Upon the written agreement of the parties to terminate the franchise.

C. To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, not be effective, and Franchisor shall comply with applicable law in connection with each of these matters.

XVII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

Upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall forthwith terminate, and:

A. Franchisee shall immediately cease to operate the Franchised Restaurant under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold himself out as a present or former franchisee of Franchisor.

B. Upon demand by Franchisor, Franchisee shall assign Franchisee's interest in any lease then in effect for the Premises to Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

C. Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any confidential methods, procedures and techniques associated with the System; the Marks, any distinctive forms, slogans, signs, symbols, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, stationery, forms and any other articles which display the Marks associated with the System.

D. Franchisee shall take such action as may be necessary to cancel or assign to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name rights or equivalent registration filed with state, city or county authorities which contains the name "THE FLAME BROILER THE RICE BOWL KING", or any Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

E. Franchisee shall, in the event it continues to operate or subsequently begins to operate any other business, not use any reproduction, counterfeit, copy or colorable imitation of the Marks either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Marks and shall not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition. Franchisee shall make such modifications or alterations to the Premises (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business thereon subsequently operated by Franchisee or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose, including, without limitation, removal of all distinctive physical and structural features identifying the System.

F. Franchisee shall promptly pay all sums owing to Franchisor.

G. Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the franchise herein granted in obtaining injunctive or other relief for the enforcement of any provisions of this Paragraph XVII. or Paragraph XV.

H. Franchisee shall immediately turn over to Franchisor all manuals, including the Manual, customer lists, records, files, instructions, brochures, agreements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Restaurant (all of which are acknowledged to be Franchisor's property).

I. Franchisor shall have the option to acquire any sign or sign faces bearing the Marks under Paragraph K., below.

J. Franchisee hereby acknowledges that all telephone and facsimile numbers and Internet and electronic mail addresses used in the operation of the Franchised Restaurant constitute assets of the Franchised Restaurant and upon termination or expiration of this Agreement, Franchisee shall assign to Franchisor or its designee, all Franchisee's right, title and interest in and to Franchisee's telephone numbers and facsimile numbers and Internet addresses and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers and facsimile numbers and Internet and electronic mail addresses and any regular, classified or other telephone directory listing associated with the Marks and authorize a transfer of same to or at the direction of Franchisor.

K. Upon notice to Franchisee, as set forth herein, within thirty (30) days after termination of the franchise, the Franchisor shall have the right (but not the duty) to purchase any or all assets of the Franchised Restaurant, including leasehold Improvements, equipment, supplies and other inventory, advertising materials, and all other items bearing the Marks, at Franchisee's cost or fair market value, whichever is less for cash. If the parties cannot agree on fair market value within a reasonable time, the determination of fair market value shall be submitted to arbitration in accordance with Paragraph XXIX. If Franchisor elects to exercise any option to purchase as herein provided, it shall have the right to set off all amounts due from Franchisee under this Agreement, if any, against any payment therefor.

L. Franchisee shall comply with such covenants in Paragraph XV. herein that apply after termination of this Agreement.

M. Except where specifically released, all obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement may be enforced by arbitration or other legal remedy, in accordance with the terms hereof.

XVIII. TRANSFERABILITY OF INTEREST

A. This Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall:

1. At the time of such assignment, be financially responsible and economically capable of performing the obligations of Franchisor hereunder; and

2. Expressly assume and agree to perform such obligations. Specifically, and without limitation to the foregoing, Franchisee expressly agrees that Franchisor may sell its assets, Marks or System outright to a third party; may make a public offering of securities; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or entities, or be acquired by another corporation or other entity; may undertake a refinancing, recapitalization, leveraged buy out or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages against Franchisor arising from or related to the loss of said Marks (or any variation thereof) and/or the loss

of association with or identification of THE FLAME BROILER, INC. as Franchisor hereunder. Nothing contained in this Agreement shall require Franchisor to remain in the business in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

B. This Agreement and all rights hereunder may be assigned and transferred by Franchisee and, if so, shall be binding upon and inure to the benefit of Franchisee's successors and assigns, subject to the following conditions and requirements, and Franchisor's right of first refusal as set forth herein:

1. No Franchisee shall sell, assign, transfer, convey, give away or encumber to any person firm or corporation all or any part of its interest in this Agreement or its interest in the franchise granted hereby, including by gift, descent, devise or bequest, transfer to trust (except as allowed by prior written approval from the Franchisor), family partnership, or association of any kind, except as provided for herein. Franchisee may not fractionalize any of the rights of the Franchisee granted pursuant to this Agreement. The term "transfer" hereunder shall include any change in the form by which the Franchisee does business, including change from proprietor to partnership, corporation, limited liability company or other association, or from any business form, above, to any other, wherein the Franchisee elects to continue the franchise after the change. Any decision to continue the franchise after change in business form shall be restricted by, and subject to the terms of this Paragraph and Paragraph XX. Any purported sale, assignment or transfer or gift of any of the Franchisee's rights herein shall be null and void, and constitute a material breach hereof.

2. Franchisor shall not unreasonably withhold its consent to any transfer referenced in Paragraph XVIII.B.1. of this Agreement when requested; provided, however, that the following conditions and requirements shall first be met to the full satisfaction of Franchisor.

a. Franchisee shall comply with the terms of Paragraph XX. below.

b. The transferee(s) shall be of good moral character and reputation and shall have a good credit rating and competent business qualifications reasonably acceptable to Franchisor. Franchisee shall provide Franchisor with such information as Franchisor may require to make such determination concerning each such proposed transferee(s). Franchisee shall provide such information to Franchisor concurrently with notice of transfer and offer of sale under Paragraph XX. below. Said financial information shall be sufficient to the satisfaction of the Franchisor to make a determination of the matters set forth in this Paragraph. Failure to provide information to the satisfaction of the Franchisor hereunder shall extend all performance deadlines of the Franchisor under Paragraph XX. until satisfactory information is received.

c. The transfer shall be expressly conditioned on the successful completion of the Franchisor's initial training course then in effect for franchisees.

d. The parties to the transfer shall execute all of the following within ninety (90) days of the receipt by the Franchisee of the Franchisor's refusal to purchase the franchise:

(1) A Franchise Agreement under which the Franchisor is then granting franchises and other standard ancillary agreements, including such personal guarantees as may be required by Franchisor under Paragraph XXXII. below and Proprietary Information Non-Disclosure, and Release and Assignment of Rights to Improvements Agreements herein on the forms then used by the Franchisor.

(2) A general release by the Franchisee, in a form prescribed by the Franchisor, of any and all existing claims against Franchisor, its officers, directors, agents and employees, except such claims as may not be waived by law.

e. Consent by Franchisor to a transfer of the franchise shall not constitute or be interpreted as consent for any future transfer thereof.

f. The term of said agreements required pursuant to Subparagraph XVIII.B.2.d. shall be for the unexpired term of this Agreement and for any extensions or renewals as provided herein.

g. Any offer or acceptance of offer by Franchisee to transfer the franchise hereunder, shall contain an express provision that the offer or acceptance, as applicable, is subject to the terms of this Paragraph XVIII., and the Franchisor's Right of First Refusal under Paragraph XX. below.

h. All accrued money obligations of Franchisee to Franchisor or its assignees, shall be satisfied prior to assignment or transfer, and Franchisee shall not be in default under the terms of this Agreement.

3. Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor, and the transferee or Franchisee shall have fully paid to Franchisor a non-refundable transfer fee equal to fifty percent (50%) of the then-current Franchise Fee charged by Franchisor for start-up franchises on or before the date of execution of the agreement(s) under XVIII.B.2.d. by the transferee.

4. No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the franchise granted thereby, shall relieve Franchisee of the obligations of the covenants contained in Paragraph XV., except where Franchisor shall expressly authorize in writing.

C. In the case of any transfer hereunder in which the date of execution under Paragraph XVIII.B.2.d. above, falls within the period of notice required for non-renewal under Paragraph II., above, and the parties have failed to execute same before notice of non-renewal under law is required, Franchisor, at its option, may extend the current term of the franchise under California Business and Professions Code, Section 20026 for a sufficient time past date of execution to enable Franchisor to give sufficient notice of non-renewal under law in the event the parties fail to execute their agreements timely.

D. Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Restaurant, or in any communication media, any form of advertising, or list with any business, real estate

broker, agent or attorney any information relating to the sale of the Franchised Restaurant or the rights granted hereunder.

E. Franchisee shall defend, indemnify and hold Franchisor harmless against any claim by a transferee or proposed transferee arising out of, or in connection with any transfer or attempted transfer of the franchise between Franchisee and said transferee under the terms of this Paragraph XVIII., including any exercise of Franchisor's rights thereunder that may affect the transfer.

XIX. DEATH OR INCAPACITY OF FRANCHISEE

A. For a period of one hundred eighty (180) days following the death of an individual sole Franchisee, or the majority shareholder of the Franchisee, the Franchisor shall allow the surviving spouse, heirs or estate of the decedent to operate the franchise, provided that, for the duration of said period, the spouse, heirs or estate, as applicable, comply(ies) with all standards and obligations of the franchise hereunder, and as may be set forth in the Manual and related documents. Failure to comply with one or more of the obligations of the franchise during said period, shall constitute grounds for breach of the Franchise Agreement. Upon breach of the Franchise Agreement, Franchisor shall comply with, and have all rights arising under the terms hereof to the Franchisor that result from the breach, including the right to terminate the Franchise Agreement with proper notice, and all rights after termination.

B. On or before the one hundred eightieth (180th) day after date of death, provided that the franchise was not sooner terminated under Paragraph XIX.A., above, the spouse, heirs or estate shall have either:

1. Satisfied all of the then current qualifications for a purchaser of a franchise, to the satisfaction of the Franchisor under Paragraph XVIII., below, (except that no transfer fee shall be required); or,

2. Subject to Franchisor's first right of refusal herein to purchase the franchise, sold, transferred or assigned the franchise to a person who satisfies the Franchisor's then current standards for new Franchisees, and complied in all other respects with the requirements of Paragraph XVIII. governing the transfer of Franchises.

C. The failure of the spouse, heirs or estate to perform within the time limits under Paragraph XIX.B. above shall constitute a breach of the Franchise Agreement and shall be grounds for termination with proper notice hereunder.

D. On the disability of an individual sole Franchisee, the Franchisor shall allow the spouse or attorney-in-fact of the person disabled, the same opportunities afforded the survivors of a decedent under Paragraphs XIX.A. to XIX.C. above, subject to the same terms and conditions. Disability, hereunder, shall be defined as the precipitous substantial loss of/impairment to the ability of the Franchisee to devote the equivalent time, personal attention and effort to administer the franchise after the disabling event, that the Franchisee devoted to the franchise before the disabling event. Franchisee acknowledges the possibility of the sale of the franchise hereunder, in accordance with the terms of Paragraph XIX. before recovery from the disability, but consents thereto, despite the fact that a recovery may follow the

sale. "Loss" or "impairment" hereunder that constitutes a disability, shall be a determination made at the sole discretion of the Franchisor, exercised in a reasonable manner, and with all due regard to available medical information and advice.

XX. RIGHT OF FIRST REFUSAL

A. As a condition to the sale, transfer or assignment, hereafter, "transfer," of its interest in the franchise under any term or provision hereof, the Franchisee shall first provide written notice of transfer to the Franchisor at least forty five (45) days before date of transfer, together with a written offer of purchase signed by the proposed transferee. The offer shall state the purchase price for the franchise, and all terms of payment to apply, and shall contain an express term that it is subject to the applicable terms of Paragraph XVIII. and to Franchisor's first right of refusal to acquire the franchise.

B. Franchisor shall have thirty (30) days after receipt of written notice of transfer, above, to deliver written notice of intent to exercise its rights hereunder to the Franchisee and proposed transferee. Franchisee hereby agrees that Franchisor may pay the purchase price in cash, in lieu of the terms of payment in the offer, at its option. Upon delivery of the acceptance, Franchisor shall tender payment to Franchisee within ninety (90) days thereafter. On failure of the Franchisor to provide notice, or on breach of agreement to make payment hereunder, the transfer of the franchise to the third party transferee may proceed.

C. The sale of the franchise to any proposed transferee hereunder, may proceed only on such terms of payment as were presented to the Franchisor, or for cash. Payment on any other terms, must again be presented first, to the Franchisor under Paragraph A. above.

D. Nothing in this Paragraph XX. shall be construed to relieve the Franchisee and transferee from compliance with the terms and provisions of Paragraph XVIII., above, as a condition to the completion of the transfer, after Franchisor's refusal to purchase.

XXI. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. The terms hereof do not create an agency or condition of employment between the parties, nor is Franchisee a legal representative, joint venturer, or partner of Franchisor for any purpose whatever. Franchisee shall make no representation to third parties that it is an agent of Franchisor and it is understood between the parties hereto that Franchisee shall be an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor.

B. Franchisee shall prominently display, by posting of a sign within public view, on or in the Premises, a statement that clearly indicates that the Franchised Restaurant is independently owned and operated by Franchisee as a THE FLAME BROILER Franchised Restaurant of Franchisor and not as an agent thereof.

C. Franchisee shall defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition, or construction, equipping, decorating, maintenance or operation of the Franchised Restaurant, including the sale of any food products, service or merchandise sold from the Franchised Restaurant. Such loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchised Restaurant, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

XXII. NON-WAIVER

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof at any time thereafter. Waiver by Franchisor of any particular default by Franchisee shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of its right to declare a default resulting from Franchisee's failure to make any other payment(s) hereunder.

XXIII. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, delivered by messenger or delivery services, mailed by certified mail return receipt requested, or facsimile transmission, and shall be effective when received or confirmation of receipt is acknowledged to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: THE FLAME BROILER, INC.
1203 E. Chapman Avenue
Fullerton, California 92831
Facsimile No.: (714) 526-9370

Courtesy Copy to:

Facsimile No.: _____

Notices to Franchisee: _____

Facsimile No.: _____

Courtesy Copy to: _____

Facsimile No.: _____

Any notice by certified mail shall be deemed to have been given at the date and time of mailing.

XXIV. COST OF ENFORCEMENT OR DEFENSE

In the event that Franchisor is required to employ legal counsel or to incur other expenses to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, and provided that legal action is filed and such action or the settlement thereof establishes Franchisee's default hereunder, then Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action or proceeding, whether incurred prior to, in preparation for, or in contemplation of the filing of such action or thereafter.

XXV. APPROVALS

A. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

B. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

XXVI. ENTIRE AGREEMENT

This Agreement, its exhibits and any agreements required to be signed under the terms hereof, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. No other representation has induced Franchisee to execute this Agreement, and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise.

No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties in accordance with applicable law and regulations.

XXVII. SEVERABILITY AND CONSTRUCTION

A. Each paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not part of this Agreement.

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

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

D. All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. The singular usage includes the plural, where appropriate in the context, and the masculine and neuter usages include the other and the feminine.

E. This Agreement may be executed in duplicate, and each copy so executed shall be deemed an original.

F. The recitals set forth in this Agreement are specifically incorporated into the terms of this Agreement and hereby constitute a part thereof.

XXVIII. APPLICABLE LAW

A. **THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER TAKE EFFECT UPON ACCEPTANCE AND EXECUTION BY FRANCHISOR AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF CALIFORNIA, WHICH LAWS SHALL PREVAIL IN THE EVENT OF ANY CONFLICT OF LAW, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15, U.S.C. SECTIONS 1051 ET SEQ.).**

B. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT IS ENTERED INTO IN ORANGE COUNTY, CALIFORNIA, AND THAT ANY ACTION SOUGHT TO BE BROUGHT BY EITHER PARTY, EXCEPT THOSE CLAIMS REQUIRED TO BE SUBMITTED TO ARBITRATION SHALL BE BROUGHT IN THE APPROPRIATE STATE OR FEDERAL COURT WITH JURISDICTION OVER ORANGE COUNTY, CALIFORNIA. THE PARTIES DO HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSES OF CARRYING OUT THIS PROVISION.

C. NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR FRANCHISEE BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY.

D. NOTHING HEREIN CONTAINED SHALL BAR FRANCHISOR'S RIGHT TO OBTAIN INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT THAT SHALL CAUSE IT LOSS OR DAMAGES, UNDER THE USUAL EQUITY RULES, INCLUDING THE APPLICABLE RULES FOR OBTAINING RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS.

XXIX. ARBITRATION

A. Any monetary claim arising out of or relating to this Agreement, or any breach thereof, and any controversy regarding the establishment of the fair market value of leasehold Improvements and other Franchised Restaurant assets pursuant to Paragraph XVII.K. hereof, excluding any claims regarding confidential information, the non-compete clauses in Paragraph XV. or the Marks, shall be submitted to arbitration in Orange County, California, in accordance with the rules of the American Arbitration Association and judgment upon the award may be entered in any court having jurisdiction thereof. Nothing contained herein shall, however, be construed to limit or to preclude Franchisor from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with his obligations hereunder or to protect the Marks, copyrights, trade secrets or confidential information of Franchisor. This arbitration provision shall be deemed to be self-executing and in the event that either party fails to appear at any properly noticed arbitration proceeding, award may be entered against either party notwithstanding his failure to appear.

B. Nothing herein contained shall bar the right of either party to seek and obtain temporary injunctive relief from a court of competent jurisdiction in accordance with applicable law against threatened conduct that is likely to cause irreparable harm, pending completion of the arbitration.

C. It is the intent of the parties that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a classwide basis.

XXX. FORCE MAJEURE

Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. Delay of any period caused by, or resulting from force majeure, shall not result in an extension of any term of this Agreement.

XXXI. "FRANCHISEE" DEFINED AND GUARANTY

The meaning of all terms used herein given specific definition under California law, shall conform thereto.

XXXII. GUARANTY

As a condition to, and in consideration of the grant of the franchise, each Franchisee corporation or limited liability company shall obtain the signature of each shareholder or member thereof on a Continuing Guaranty, jointly and severally guaranteeing the full performance of the Franchisee hereunder. It shall remain the responsibility of the Franchisee to obtain the signature of each person to whom, or of all owners, partners or members of each business entity to which any interest in said Franchisee is sold or transferred for any cause or reason during the term, or any renewal thereof. The execution of the Continuing Guaranty shall be an express term or condition of and constitute a material consideration for the sale or transfer. As a condition to, and in consideration of the grant of the franchise to an individual or partnership Franchisee, the full performance of the Franchisee hereunder, shall be jointly and severally guaranteed by at least two (2) persons who are acceptable to Franchisor. It shall be the continuing responsibility of the individual or partnership Franchisee, and shall constitute a material consideration for the grant of the franchise hereunder, to replace any lost or revoked guarantor hereunder and maintain the same number of guarantors who meet Franchisor's requirements as that initially agreed to by the Franchisor for the balance of the term and any renewals thereof.

XXXIII. CAVEAT

The success of the business venture contemplated to be undertaken by Franchisee by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Franchisee as an independent businessperson, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not, in this Agreement or otherwise, make any representation or warranty, express or implied, as to the potential success of the business venture.

XXXIV. ACKNOWLEDGMENTS

A. Franchisee represents and acknowledges that it has received, read and understood this Agreement and Franchisor's Uniform Franchise Offering Circular; and that Franchisor has fully and adequately explained the provisions

of each to Franchisee's satisfaction; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

B. Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby, and the prospects for that business. Franchisee has either consulted with such advisors or has deliberately declined to do so.

C. Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with Franchisee expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

D. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in a THE FLAME BROILER Franchised Restaurant involves business risks and that the success of the venture is primarily dependent upon the business abilities and efforts of Franchisee.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed and delivered this Agreement in multiple copies the day and year first above written.

ATTEST:

ATTEST/WITNESS:

THE FLAME BROILER, INC.:

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

By: _____

Title: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT

DESCRIPTION OF DESIGNATED AREA

THE FLAME BROILER, INC.:

FRANCHISEE:

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT B TO THE FRANCHISE AGREEMENT

CONTINUING GUARANTY

CONTINUING GUARANTY

This GUARANTY is given this _____ day of _____, _____
by _____,
hereafter, GUARANTOR, or the UNDERSIGNED, for and in
consideration of the execution of a Franchise Agreement,
hereafter, AGREEMENT, by THE FLAME BROILER, INC., hereafter,
COMPANY, granting a franchise to _____
_____, hereafter, FRANCHISEE.

By his/her signature hereto, the UNDERSIGNED, for
him/herself, successors and personal representatives, jointly
and severally, unconditionally guarantees to COMPANY, and its
successors, to pay and perform, when due, each and every
undertaking, promise and covenant of the FRANCHISEE set forth
in the AGREEMENT, as presently written, and as may be changed,
added to or modified, from time to time, under the terms thereof.

The liability of each GUARANTOR under this guaranty is
unlimited. This guaranty is a continuing guaranty covering every
indebtedness, liability and obligation of the FRANCHISEE to
COMPANY, including that arising under successive transactions,
which may continue, renew, or modify the indebtedness, liability
or obligation in accordance with the AGREEMENT. The liability
of the UNDERSIGNED, and each of them, is not contingent upon,
nor in consideration of the liability of any other person or

GUARANTOR hereto, and the release of any GUARANTOR or other person shall not act as a release, or otherwise affect the continuing liability of all remaining GUARANTORS hereunder.

The liability of each GUARANTOR under this guaranty is not affected by, and COMPANY has full authority and discretion hereunder, with or without notice to, knowledge or consent of GUARANTOR, to undertake, or agree to:

(a) the extension of time, other forbearance or indulgence in favor of FRANCHISEE, the acceptance of partial payment or performance therefrom, the compromise or release of any claim or against, or the acceptance, release, substitution, alteration or loss of any security given by FRANCHISEE;

(b) the renewal, extension or modification of any indebtedness, liability or obligation of the FRANCHISEE under the AGREEMENT, or the loss, impairment or waiver of any rights against FRANCHISEE thereunder by COMPANY;

(c) the discharge of any indebtedness, liability or obligation of the FRANCHISEE by operation of law;

(d) the assignment of the Guaranty by COMPANY;

(e) the addition, substitution or release of any co-guarantor.

Each GUARANTOR hereby waives notice of acceptance of guarantee, of any transaction, or creation, renewal or modification of any indebtedness, liability, or obligation

entered into in reliance hereon; notice of demand, presentment or protest upon default or non-performance by FRANCHISEE; the right that COMPANY first proceed against FRANCHISEE, a co-guarantor or any other person, or to first proceed against or exhaust any security or other property of FRANCHISEE, before proceeding against the undersigned for the enforcement of the guaranty; all rights under California Civil Code § 2809, which provides that a guarantor's liability not exceed his original obligation, and all rights, to the extent applicable, under California Civil Code, Sections 2810, 2815, 2819, 2839, 2845, 2847-2850, 2899 and 3433, to the fullest extent permitted by law ; any applicable defenses under U.S. Bankruptcy Code, Sections 364 and 1111(b)(2); and all applicable statutes of limitation, as a defense or defenses to the obligations under this Guaranty.

The UNDERSIGNED further waives, to the extent applicable, and agrees not to assert any claim under Title 11, Section 101 of the United States Code, that he/she may now or later have against FRANCHISEE for any payment or transfer that the UNDERSIGNED is obligated to make to COMPANY under this Guaranty. The obligations of the UNDERSIGNED include all amounts paid to COMPANY by FRANCHISEE that are later recovered from COMPANY in a legal proceeding.

Any indebtedness of FRANCHISEE now or later owed to the

GUARANTOR, and any security received by the GUARANTOR from the FRANCHISEE in consideration of the GUARANTOR'S signature hereto, is subordinated to the GUARANTOR'S obligations hereunder, and shall be collected, enforced and received by the GUARANTOR as trustee for the COMPANY, and paid thereto on demand, without affecting GUARANTOR'S obligations hereunder.

COMPANY shall have no duty to advise or inform the UNDERSIGNED of the financial condition of FRANCHISEE, or of circumstances bearing on the risk of non-payment or performance. on COMPANY'S reasonable request, the UNDERSIGNED shall provide complete and current financial information about the UNDERSIGNED in the form and format requested.

This Guaranty is assignable with any one of several, or all of the indebtedness, liability and obligations that it guarantees, and when so assigned, GUARANTORS shall be bound, as set forth herein, to the transferees.

The UNDERSIGNED herewith warrants to COMPANY that the FRANCHISEE is authorized to execute the AGREEMENT.

If there is more than one signatory to the AGREEMENT, or more than one GUARANTOR, the terms "FRANCHISEE" and "GUARANTOR" shall refer to all, or any one or more of the persons within the term.

The UNDERSIGNED shall, without demand, reimburse COMPANY for all costs and expenses, including attorneys fees, incurred in the enforcement hereof, in the enforcement of the indebtedness, liability or obligations of the FRANCHISEE to COMPANY under the AGREEMENT or the engagement of counsel by COMPANY during a restructuring or "workout" of the indebtedness.

Dated:
