

EXHIBIT C
FRANCHISE AGREEMENT

MANCHU WOK FRANCHISING USA INC.

FRANCHISE AGREEMENT

FOR

SUTEKI EXPRESS™ RESTAURANTS

THIS AGREEMENT MADE THIS _____ day of _____, 200__

BETWEEN:

MANCHU WOK FRANCHISING USA INC.

a corporation incorporated under the laws of the State of Delaware (hereinafter referred to as the "**Franchisor**"), whose principal offices are located at 85 Citizen Court, Unit 9, Markham, Ontario Canada L6G 1A8

AND

_____ a _____ organized under the laws of the State of _____ (hereinafter referred to as the "**Franchisee**"), whose principal offices are located at _____

AND

_____ an individual residing at _____ (hereinafter referred to as the "**Guarantor**").

WHEREAS through the expenditure of time, effort and money by the Franchisor and its associated entities, the Franchisor has acquired experience and skill in the development, opening and operating of fast food restaurants utilizing the SUTEKI EXPRESS Restaurant System (as hereinafter defined) specializing in the preparation, sale and merchandising of Japanese style quick-serve food and other related products.

WHEREAS the SUTEKI EXPRESS Restaurant System, which the Franchisor has developed and continues to develop, includes, without limitation, standards and specifications for buildings, decor, equipment, equipment layouts, supplies and menus, quality and quantity standards, operating procedures for sanitation, maintenance, food and beverage storage, preparation and service, methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales, promotions and advertising;

WHEREAS The Franchisor is in the business, among other things, of operating restaurants and franchising restaurants that are opened or are to be opened and operated pursuant to franchise agreements and using the SUTEKI EXPRESS Restaurant System;

WHEREAS the SUTEKI EXPRESS Restaurant System uses the Trademarks as listed in Schedule A annexed hereto;

WHEREAS the SUTEKI EXPRESS Restaurant System also uses the trade name "SUTEKI EXPRESS" and other trade names that include the words "SUTEKI EXPRESS," all of which have been adopted and used to identify restaurants using the SUTEKI EXPRESS Restaurant System and the services, food, beverages and other products sold or used in connection therewith; and

WHEREAS the Franchisee recognizes the benefits to be derived from a franchise issued by The Franchisor to be identified with the name "SUTEKI EXPRESS" and recognizes the value of the SUTEKI EXPRESS Restaurant System and the necessity of opening and operating the Business (as hereinafter

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THIS AGREEMENT MADE THIS _____ day of _____, 200__

BETWEEN:

MANCHU WOK FRANCHISING USA INC.

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AND

a _____ organized under the laws of the State of _____ (hereinafter referred to as the "**Franchisee**"), whose principal offices are located at _____

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an individual residing at _____ (hereinafter referred to as the "**Guarantor**").

WHEREAS through the expenditure of time, effort and money by the Franchisor and its associated entities, the Franchisor has acquired experience and skill in the development, opening and operating of fast food restaurants utilizing the SUTEKI EXPRESS Restaurant System (as hereinafter defined) specializing in the preparation, sale and merchandising of Japanese style quick-serve food and other related products.

WHEREAS the SUTEKI EXPRESS Restaurant System, which the Franchisor has developed and continues to develop, includes, without limitation, standards and specifications for buildings, decor, equipment, equipment layouts, supplies and menus, quality and quantity standards, operating procedures for sanitation, maintenance, food and beverage storage, preparation and service, methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales, promotions and advertising;

WHEREAS The Franchisor is in the business, among other things, of operating restaurants and franchising restaurants that are opened or are to be opened and operated pursuant to franchise agreements and using the SUTEKI EXPRESS Restaurant System;

WHEREAS the SUTEKI EXPRESS Restaurant System uses the Trademarks as listed in Schedule A annexed hereto;

WHEREAS the SUTEKI EXPRESS Restaurant System also uses the trade name "SUTEKI EXPRESS" and other trade names that include the words "SUTEKI EXPRESS," all of which have been adopted and used to identify restaurants using the SUTEKI EXPRESS Restaurant System and the services, food, beverages and other products sold or used in connection therewith; and

WHEREAS the Franchisee recognizes the benefits to be derived from a franchise issued by The Franchisor to be identified with the name "SUTEKI EXPRESS" and recognizes the value of the SUTEKI EXPRESS Restaurant System and the necessity of opening and operating the Business (as hereinafter

defined) at the Premises in accordance with the SUTEKI EXPRESS Restaurant System and pursuant to the covenants, terms and conditions set out in this Agreement; and

WHEREAS (If this Franchise Agreement is entered into under an Area Development Agreement) The Franchisee and the Guarantor have represented to the Franchisor that they are successful multi-unit franchisees of other food-based franchise systems, which representations to the knowledge of the Franchisee and the Guarantor have been relied upon by the Franchisor, and

WHEREAS as an inducement to the Franchisor to grant to the Franchisee the right to operate a SUTEKI EXPRESS Restaurant at the Premises, the Guarantor has agreed to enter into this Agreement to, among other things, unconditionally guarantee the performance and observance of the duties and obligations of the Franchisee;

NOW THEREFORE in consideration of the covenants, conditions and provisions herein contained and in consideration of the full and faithful performance by the Franchisee of each and every one of the covenants, terms and conditions herein contained, the parties hereto hereby covenant, warrant and agree as follows:

ARTICLE 1. DEFINITIONS

1.1. Definitions

In this Agreement the following terms shall have the following meanings:

“Affiliate” means, with respect to a corporation or other business entity, any person controlling, controlled by, or under common control with that corporation or business entity. With respect to an individual, Affiliate means that individual’s immediate family members, as well as such immediate family members’ spouses, and the corporations or other business entities such individual and his or her family members, directly or indirectly, control.

“Agreement” or **“Franchise Agreement”** means this franchise agreement and all schedules and attachments appended to it and any amendments made to it.

“Area Development Agreement” means the area development agreement, if any, entered by the Franchisee, or an affiliate, and the Franchisor pursuant to which the Franchisee is entering this Agreement.

“Business” means the SUTEKI EXPRESS Restaurant conducted by Franchisee at the Premises.

“Contracts” means any and all of this Agreement, Lease, Offer to Lease, Sublease, any financing or security agreement, license or other contract, agreement, document or instrument to which Franchisee is party with Franchisor or Franchisor’s Affiliates or any of them (with or without other parties) including, unless otherwise specifically excluded, a contract relating to premises other than the Premises, any Area Development Agreement, or to any right, license or franchise other than this Franchise Agreement relating to any SUTEKI EXPRESS Restaurant. A **“Contract”** means any of the Contracts.

“Equipment” means all the equipment necessary for the operation of a SUTEKI EXPRESS Restaurant that is not affixed to the premises.

“Fixtures” means tangible moveable or affixed goods, including equipment, fixtures, furnishings and signs.

“Franchise” is as defined in section 2.1 below.

“Franchise Renewal Fee” means the fee payable for a Renewal Term and has the meaning set out in section 3.8 below.

“Franchisee” means the person, firm or corporation who or which enters into this Agreement with the Franchisor, its or their permitted successors and assigns.

“Franchisee’s Fixtures” and **“Franchisee’s Equipment”** means Fixtures and Equipment used in connection with the Business or usually located on the Premises, including, without limitation, until immediately prior to the time of expiration or termination, with or without cause, of the Agreement (at which time there shall then be excluded) anything that is deemed by the Lease to either become part of the Premises or to be owned by the Landlord on expiration or termination (with or without cause) of the Lease.

“Franchisor” means Manchu Wok Franchising USA Inc., its successors and assigns.

“Guarantor” means the person or persons who enter into this Agreement to personally guarantee all of the obligations of the Franchisee and who incur thereby certain personal obligations as set out in this Agreement.

“Gross Sales” means all Franchisee’s gross receipts from its Business operations, including, without limitation, sales, charges, fees, orders taken, services, gift certificates, concessions, licenses, business interruption insurance and all other revenues of every kind and nature, in, from, about or by reason of the operation of the Business or the use or occupation of the Premises, whether evidenced by check, cash, credit, charge accounts, exchange or otherwise and whether or not made by means of mechanical or other vending machines or devices in or on the Premises, including, but not limited to, telephones, cigarette or confectionery machines or entertainment game machines but excludes bona fide credits and refunds upon returns of merchandise and any sales or use taxes, goods and services taxes, or other similar taxes imposed by any governmental agency on sales of products or services made or rendered by Franchisee and actually remitted by it to the applicable governmental agency. There shall be no deductions allowed for uncollected or uncollectible credit accounts and no allowances shall be made for bad debts. The revenue derived from the sale of any gift certificate, promotional coupon or other right or option shall be included in Gross Sales at the time it is originally sold and shall not be included again when it is redeemed and the original document evidencing same shall be submitted to Franchisor on request. Payments made upon installment or credit shall be treated as a sale for the full price in the week during which the related charge or sale was made, irrespective of the time when Franchisee shall receive payment (whether full or partial) therefor.

“Initial Franchise Fee” is as defined in section 3.1 below.

“Landlord” means the landlord of the Premises as described in *Schedule B* hereto.

“Lease” means the documents described in *Schedule B* hereto pursuant to which the Franchisor or the Franchisee is the tenant of the Premises and includes a Sublease and an Offer to Lease.

“Licensed Items” means: (a) the Trademarks; (b) trademarks, trade names, logo types, trade symbols, emblems, slogans, insignia, designs, logos and other commercial symbols (including, to the extent so used, telephone numbers); (c) Proprietary Products; (d) any and all works in any medium in which Franchisor has right, title or interest by way of copyright, patent, inventor’s rights or other form of intellectual or industrial property, whether registered or not, that are now or in the future designated or provided by Franchisor for use in connection with the operation of the Business; (e) the Operating Manuals; (f) all building plans; (g) advertising and marketing materials; and (h) all confidential or proprietary information or materials provided by Franchisor for use in connection with operation of the Business.

“Manager” means a person fully trained by or otherwise approved and accepted by the Franchisor and duly appointed by the Franchisee on Notice to the Franchisor to be fully responsible for the day-to-day operations of the Franchisee’s Business.

“Marketing Fee” is as defined in section 3.5 below.

“Offer to Lease” means any offer accepted by or any agreement with, a landlord for the use of Premises as a SUTEKI EXPRESS Restaurant.

“Operating Manuals” or **“Manuals”** means all operations, administration and managers’ manuals and all books, computer programs, pamphlets, memoranda, recipes and other publications prepared by or on behalf of Franchisor or its Affiliates and as may be added to, changed, modified, withdrawn or otherwise revised from time to time by Franchisor or its Affiliates setting out the standards, methods, procedures and specifications of the SUTEKI EXPRESS Restaurant System. All references in the Operating Manuals to a “SUTEKI EXPRESS Restaurant” or to a “SUTEKI EXPRESS Outlet” shall be taken to apply, unless specifically directed by the Franchisor or unless the context otherwise requires, to a SUTEKI EXPRESS Restaurant.

“Original Term” has the meaning set out in section 2.1 below.

“Payments” all payments to the Franchisor pursuant to this Agreement shall be paid in US Funds.

“POS System” means the point-of-sale system approved, from time to time, for use by the Franchisor and includes, without limitation, the computer, electronic cash register and computer terminals referred to in Article 6.9 below.

“Premises” means the premises more particularly described in *Schedule “B”* annexed hereto.

“Proprietary Products” means products (including, without limitation, specially formulated sauces and menu items) developed by the Franchisor for the SUTEKI EXPRESS Restaurant System.

“Restaurant” or **“SUTEKI EXPRESS Restaurant”** means a restaurant that operates using the SUTEKI EXPRESS Restaurant System and Trademarks.

“Renewal Term” has the meaning set out in section 2.2 below.

“Royalty” is as defined in section 3.4 below.

“Sublease” means any sublease of the Premises by Franchisor or an Affiliate to Franchisee made pursuant to the Agreement and includes all documents affecting same.

“SUTEKI EXPRESS Restaurant System” means a Japanese style quick-serve restaurant business system, including, without limitation, the uniform standards, methods, procedures and specifications designated and approved by Franchisor regarding the construction, operation and management of a SUTEKI EXPRESS restaurant and may be a modification or derivation in whole or in part of or from other restaurant systems operated or franchised by Franchisor or its affiliates, including, without limitation, building plans, Fixtures and Equipment, identification schemes and uniforms; menu, products and services; techniques of product preparation, proprietary products and provision of services; business, accounting, supply, management, operations and marketing programs, techniques and systems and Licensed Items.

“Trademarks” or **“Marks”** means the registered and unregistered trademarks described in *Schedule “A”* annexed hereto and otherwise and referred to in Article 9 hereof.

“Trade Area” (if applicable) means the area described in *Schedule “C”* annexed hereto.

1.2. Table of Contents and Headings

The table of contents, the division of this Agreement into articles and sections and the insertion of articles and section headings are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

1.3. Number and Gender

In this Agreement the singular number includes the plural and vice versa, the use of any gender includes all genders, and the word “person” includes an individual, a trust, a corporation, a limited liability

company, a partnership, an association and any other incorporated or unincorporated organization or entity. Words commencing with "here" (including without limitation "herein" and "herewith" and "hereof" shall, unless the context clearly indicates to the contrary, refer to the whole of this Agreement (including its schedules) and not to any particular article or section. "Including " means "including, without limitation." All forms of the verb "include" shall bear that meaning as well.

1.4. Time

Time is of the essence of this Agreement. When calculating the period of time within which or following which any act is to be done or step taken pursuant to this agreement, the day which is the reference date for calculating the period shall be excluded. If the last day of the period is a non-business day, then the period shall end on the next business day.

ARTICLE 2. GRANT OF FRANCHISE

2.1. Grant

Subject always to the terms and conditions of this Franchise Agreement, and to earlier termination as provided herein and/or in the Area Development Agreement, Franchisor hereby grants to Franchisee and Franchisee hereby accepts a non-exclusive franchise and license (the "**Franchise**") to operate a SUTEKI EXPRESS Restaurant using the SUTEKI EXPRESS Restaurant System to sell only the products supplied or specified by Franchisor at the Premises during the Original Term commencing on the date that this Agreement is signed by all parties (the "**Effective Date**") and expiring on a date that is i) the earlier of ten (10) years from the date the Franchisee's SUTEKI EXPRESS Restaurant is first required hereunder to be opened to the public (the "**Opening Date**") and ii) the expiration of the initial term of the Lease for the Premises. If the initial term of the Lease is less than ten (10) years, the Franchisee must renew the Lease so as to be entitled to continue to be in possession of the Premises until the conclusion of the aforesaid ten (10) year period; otherwise upon the expiration of the initial term of the Lease, this Agreement shall terminate. The Opening Date shall be conclusively determined by the Franchisor and shall not in any circumstances be later than the required opening date set forth in Section 4.4; provided always that the Original Term may be adjusted by written agreement between the parties should the initial term of the Lease for the Premises be greater than ten (10) years, in which event the Initial Franchise Fee payable shall be increased by a prorated amount as provided in Section 3.1 hereof.

2.2. Renewal

If Franchisee is not and has not been in default of any of the terms and conditions of this Agreement, the Area Development Agreement (if applicable) or any Contract and has, during the Original Term of this Agreement, consistently complied with all of the terms and conditions of this Agreement and the Contracts, then at the expiration of the Original Term, Franchisee shall have the right to renew the Franchise and to continue as Franchisee of the Franchisor at the Premises, for one additional period of ten (10) years (the "**Renewal Term**") provided that the actual length of the Renewal Term shall correspond to the length of the renewal term of the Lease (less one day) subject to and upon the following terms and conditions:

- (a.) The Franchisee shall give Notice to the Franchisor of its election to renew its franchise not less than twenty-four (24) months nor more than thirty (30) months prior to the end of the Original Term.
- (b.) The Franchisee must have the right to remain in the Premises or other premises acceptable to the Franchisor in accordance with Section 4.6 hereof, for the full duration of the Renewal Term and shall have executed and paid all costs attendant upon such Lease or Sublease.
- (c.) The Franchisee shall agree to make, at Franchisee's expense, such renovations, alterations and upgrades to the Premises, Fixtures and Equipment as may be required by

Landlord, and such renovations, alterations and upgrades to the Premises, Fixtures and Equipment as may be required by Franchisor in order to renovate, upgrade and modernize the Franchisee's SUTEKI EXPRESS Restaurant so as to reflect the then-current image of the SUTEKI EXPRESS Restaurant System for SUTEKI EXPRESS Restaurants. All such work shall be completed (unless otherwise agreed to by Franchisor in writing) not later than thirty (30) days prior to the expiration of the Original Term, failing which Franchisee's right of renewal shall irrevocably lapse at the option of Franchisor and be of no further effect; without limiting the generality of the foregoing, required renovations and alterations may include a complete remodeling and upgrading of the Premises and the Fixtures and Equipment. The Franchisee shall pay the fee specified in Section 3.2(b) hereof.

(d.) The Franchisee shall execute at the time of the renewal the Franchisor's then current form of franchise agreement and other documents then being used to grant new franchises, the terms of any of which may differ in material respects from some or all of the documentation governing the Franchisee's franchise during the Original Term. Without limitation, the new franchise agreement and other new franchise documentation may contain financial, legal and other terms and conditions substantially different from, and less favorable to the Franchisee than those in this Agreement and the other present franchise documentation, including, without limitation, terms and conditions regarding: the size of the Trade Area, royalties, advertising obligations and contributions, rent or other payments or expenditures (any of which may be higher) and the methods of computing same; and any further right of renewal.

(e.) Any person who Franchisee wishes to have Franchisor approve to be the Manager of the Franchisee's SUTEKI EXPRESS Restaurant on the Premises during the Renewal Term, whether that individual is Franchisee or one or more persons employed by Franchisee, shall, at Franchisee's sole expense, attend and satisfactorily complete such training or refresher training as Franchisor may require at such time and place, prior to the end of the Original Term, as Franchisor may designate.

(f.) The Franchisee shall have paid to the Franchisor at the time it delivers the notice of its election to renew the Franchise Renewal Fee described in Section 3.8.

(g.) Franchisee and Guarantor shall each have executed a general release, in form and substance satisfactory to Franchisor, of any and all claims, demands, actions and causes of action that Franchisee or Guarantor may have or have had against Franchisor, its Affiliates or any of their respective officers, directors, shareholders, employees, agents or legal counsel, in their corporate or individual capacities, arising in connection with the execution or performance of the Agreement or any Contract.

(h.) The Franchisee shall reimburse the Franchisor on demand for all costs and expenses incurred by the Franchisor in connection with any renewal, including, without limitation, any and all commissions, legal fees and Landlord's fees.

(i.) Notwithstanding anything in this Section 2.2 to the contrary, if, during the 12-month period ending on the date the Original Term expires, the Franchisor has not entered a franchise agreement for a SUTEKI EXPRESS franchised restaurant located within 10 miles from the Franchisee's Franchised Restaurant (the "Market Area"), the Franchisor may choose to withdraw from the Franchisee's Market Area and, in such event, the Franchisee is not entitled under this Section 2.2 to renew its Franchise and receive a Renewal Term.

2.3. Use of Premises; Trade Area

Franchisee is only permitted to conduct and operate a SUTEKI EXPRESS Restaurant at the Premises and, except as otherwise may be agreed to in writing by the Franchisor, Franchisee shall not be entitled to operate a SUTEKI EXPRESS Restaurant at any other location. Franchisee acknowledges that the

Franchise is non-exclusive and that Franchisor shall have the absolute and unconditional right in Franchisor's absolute discretion to construct and operate and to permit others to construct and operate, other SUTEKI EXPRESS Restaurants outside the Trade Area (or other restaurants or outlets using other Trademarks wherever situated both within and outside of the Trade Area) at any other location and to use and permit others to use Licensed Items at any other location, in each case on such terms and conditions as Franchisor deems acceptable. Franchisor retains the unrestricted right on behalf of itself and its affiliates to distribute any and all food products, including, without limitation, Proprietary Products and services, to the public or others using either the Trademarks or trademarks other than the Trademarks. Franchisor shall not be accountable in any way to Franchisee, regardless of the proximity of any other SUTEKI EXPRESS Restaurant outside the Trade Area or other restaurant using the Trademarks or the SUTEKI EXPRESS Restaurant System wherever situated (whether operated by Franchisor or by a franchisee or licensee of Franchisor) to the Premises. The Franchisee shall not solicit customers residing outside its Trade Area nor provide off-premises services including without limitation catering and home delivery to customers residing outside the Trade Area.

Without limiting the generality of the foregoing paragraph, during the Original Term for so long as the Franchisee is not in default of any Contract, the Franchisor shall not operate, or grant a third party the right to operate, another SUTEKI EXPRESS Restaurant within the Trade Area (if applicable).

The Franchise (including, the license of the Licensed Items) granted to the Franchisee has limited exclusivity. In addition to the Franchisor's right to use and grant others the right to use the Licensed Items outside the Trade Area, all rights not expressly granted in this Agreement to the Franchisee concerning the Licensed Items or any other matters are reserved for the Franchisor, including the right to:

- (a.) establish, develop, and license or franchise other systems different from the System licensed by this Agreement, within or outside the Trade Area, without offering or providing the Franchisee any rights in, to, or under such other systems;
- (b.) sell, within or outside the Trade Area, through dissimilar channels of distribution, such as retail grocery stores, under any terms that the Franchisor deems appropriate, SUTEKI EXPRESS products and services (including Proprietary Products) similar or identical to those authorized for the Business, using the Trademarks; and

2.4 System Changes and Modification

Franchisee acknowledges and agrees that the SUTEKI EXPRESS Restaurant System may continue to evolve in order to effect improvements therein and also to reflect changing markets and accommodate new or changing consumer demands. Franchisee therefore further agrees that:

- (a.) Franchisee will, immediately upon receipt of any and all updates and changes to the Operating Manuals, implement the modifications or alterations to the SUTEKI EXPRESS Restaurant System that are required by such updates and changes;
- (b.) upon receipt of written notice from Franchisor, Franchisee will promptly proceed to implement, provide for and use, and to fully complete within thirty (30) days following receipt of Franchisor's notice (or such longer period of time as may be specified in such notice) the implementation of any and all other modifications or alterations to the SUTEKI EXPRESS Restaurant System as Franchisor, in the good faith exercise of its judgment from time to time, designates as necessary or advisable, including, without limitation, the adoption and use of new Licensed Items, products, techniques and Fixtures; and
- (c.) changes and modifications to and evolutionary developments of the SUTEKI EXPRESS Restaurant System may be introduced by the Franchisor for testing purposes or otherwise in SUTEKI EXPRESS Restaurants other than that of the Franchisee. Franchisee shall not be entitled to introduce any such change(s) or modification(s) or evolutionary development(s) in its SUTEKI

EXPRESS Restaurant unless and until Franchisor has directed that it is appropriate for Franchisee so to do; in which event Franchisee shall introduce any such change or modification to its SUTEKI EXPRESS Restaurant with thirty (30) days of such notification by the Franchisor.

2.5 Acknowledgement and Importance of Compliance

Franchisee acknowledges that the SUTEKI EXPRESS Restaurant System is an integrated food service system for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere that is intended to be attractive to persons of all ages. The basis for the valuable goodwill and public acceptance of all restaurants utilizing the SUTEKI EXPRESS Restaurant System, including Franchisee's SUTEKI EXPRESS Restaurant, is Franchisee's compliance with the SUTEKI EXPRESS Restaurant System and the Contracts in conjunction with the use of Licensed Items. The essence of this Agreement is Franchisee's accountability for performance of the obligations contained in this Agreement and Franchisee's adherence to the SUTEKI EXPRESS Restaurant System, including, but not limited to, serving only designated food and beverage products; strict adherence to designated food and beverage specifications and to Franchisor's prescribed standards of quality, preparation, service and cleanliness; the use of prescribed equipment; and methods of use of equipment. The provisions of this Agreement shall be interpreted to give effect to the intent of the parties stated in this Section 2.5 and so as to ensure that the Business is operated in strict conformity with the SUTEKI EXPRESS Restaurant System as it now exists or may later be modified as set out in Section 2.4 or otherwise.

ARTICLE 3. FEES PAYABLE BY THE FRANCHISEE

As consideration for Franchisor entering into this Franchise Agreement and the granting to the Franchisee a franchise for a SUTEKI EXPRESS Restaurant, the Franchisee agrees to pay to the Franchisor, without notice or demand, the amounts set out in this section together with any and all other amounts as may be payable by Franchisee from time to time pursuant to this Franchise Agreement. Receipt of any check, draft or other commercial paper shall not constitute payment until Franchisor shall have collected all the funds therefrom.

3.1. Initial Franchise Fee

Franchisee shall pay to Franchisor by certified check or bank draft, an Initial Franchise Fee in the amount of Thirty Thousand (\$30,000) Dollars ("**Initial Franchise Fee**"); provided that in the event that the initial term of the Lease for the Premises is greater than ten (10) years, the Original Term of this Agreement shall be extended so as to correspond with the initial term of the Lease (less one day) and the Initial Franchise Fee shall be increased by an amount equal to Three Thousand (\$3,000) Dollars for each year or part year of the Original Term in excess of ten (10) years. The Initial Franchise Fee shall be fully paid not later than the date of execution of this Franchise Agreement, at which time such payment shall be deemed to have been fully earned by Franchisor. Except as otherwise expressly provided in this Franchise Agreement, Franchisee shall not be entitled to a refund of the whole or any part of the Initial Franchise Fee.

3.2. Development Construction Fees

- (a.) In connection with the development of the Premises for the Original Term, if Franchisor supervises the construction and improvement of the Premises, Franchisee shall pay to Franchisor a fee equal to three percent (3%) of the total cost of the development of the Premises.
- (b.) In connection with any remodeling or general refurbishing or upgrading of the Premises for any reason, including, without limitation, any remodeling carried out as part of the conditions applicable to any Renewal Term, if Franchisor supervises such remodeling, Franchisee shall pay

to Franchisor a fee equal to the greater of Three Thousand Five Hundred (\$3,500.00) Dollars or Three (3%) percent of the total renovation cost.

3.3. Training Fee

Franchisee shall pay to Franchisor the training fees described in Section 5.2.

3.4. Royalty Fee

Franchisee shall pay to Franchisor (in such manner as Franchisor may, from time to time, prescribe in the Operating Manuals or otherwise in writing), on or before Thursday of each week during the Original Term of the Franchise Agreement, as a continuing fee for Franchisee's right to operate a SUTEKI EXPRESS Restaurant at the Premises an amount equal to seven (7%) of the Gross Sales of Franchisee's SUTEKI EXPRESS Restaurant for the seven (7) day period ending at the close of business on the Sunday preceding such Thursday (the "**Royalty**"); provided that during such period as Franchisee is an Area Developer and continues to operate this SUTEKI EXPRESS Restaurant pursuant to an Area Development Agreement, the Royalty rate referred to herein shall be reduced to five (5%) percent.

3.5. Marketing Fees

(a.) Franchisee shall pay to Franchisor, in the same manner and at the same time as the Royalty is payable, a marketing contribution (the "**Marketing Fee**") to Franchisor's marketing and sales promotion fund (the "**Fund**") in an amount equal to one per cent (1 %) of Gross Sales for the seven (7) day period ending at the close of business on the Sunday preceding such Thursday;

(b.) Franchisee acknowledges and agrees that:

(i.) the Fund shall be used by Franchisor, as determined in its sole and absolute discretion, for any one or more of the purposes of: formulating, developing and conducting programs and policies for marketing, sales promotional matters, marketing research and communication and development; purchasing advertising or marketing rights or services in any media; administration of any media-buying co-operative established by Franchisor; and development and administration of the SUTEKI EXPRESS Restaurant System;

(ii.) Franchisor shall administratively aggregate the monies in the Fund;

(iii.) Franchisor shall have the right to pay itself out of the Fund (in addition to the payments referred to in section b.1 above) an annual administration fee of fifteen per cent (15%) of the total amounts paid to the Fund; and

(iv.) Franchisor shall be entitled, in its sole and absolute discretion, to retain and use the Fund monies in such manner as Franchisor determines; and

(c.) Franchisee shall at its expense pay all costs for and participate in any and all marketing and/or promotional programs required by the Lease. (if any). Franchisee shall use in the Business and display at the Premises all such marketing and promotional materials (including, but not limited to, banners, signs and point-of-purchase materials) as Franchisor may, in its absolute discretion, provide. All Marketing other than that specified by Franchisor shall be subject to the prior written approval of Franchisor, such approval not to be unreasonably withheld.

(d.) Franchisee shall pay to the Franchisor at the same time as the Initial Franchise Fee is payable and in addition thereto, the sum of Ten Thousand Dollars (\$10,000) ("the **Grand Opening and Promotion Fee**") to be applied towards the cost of the Grand Opening Marketing and Promotion for the Franchisee's SUTEKI EXPRESS Restaurant.

(e.) Save for the Grand Opening Advertising and Promotion Fee referred to in section 3.5(d) above, Franchisee shall not be obligated to spend an amount in excess of five per cent (5%) of Franchisee's Gross Sales in any twelve (12) month period for the aggregate costs incurred for the Marketing Fee, the Regional Cooperative Marketing Fee (defined below), and the advertising and promotional requirements under the Lease and the Sublease, if any, and Franchisor shall be entitled to adjust or apportion any or all the fees and contributions referred to in this Section 3.5(e) as it deems fit within such limit.

(f.) intentionally deleted

(g.) The Franchisor reserves the right to create a regional marketing cooperative ("Cooperative") in any ADI, and establish the rules and regulations therefor. ("ADI" means Area of Dominant Influence, which is a geographic-survey area created and defined by Arbitron based on measurable patterns of television viewing.) Immediately upon the Franchisor's request, the Franchisee must become a member of the Cooperative for the ADI in which some or all of the Trade Area is located. In no event shall the Franchisee's SUTEKI EXPRESS Restaurant be required to be a member of more than one Cooperative. The cooperative must be organized, governed, and operated in the manner the Franchisor prescribes. The Cooperative may require each of its members to make contributions thereto (the "**Regional Cooperative Marketing Contribution**") not to exceed the amounts set forth in Section 3.5(e).

3.6 Convention Registration Fee

Franchisee shall pay to the Franchisor monthly on the first day of each month a non-transferable, non-refundable convention registration fee ("Convention Registration Fee") in the monthly amount of Fifty Dollars (\$50). The Convention Registration Fee shall be accumulated by the Franchisor and shall be credited to the Franchisee in full upon registration for and attendance at the Alternate Year Convention of all SUTEKI EXPRESS franchisees which may be conducted every other year, or at regional meetings (as advised by the Franchisor) to be held in any year during which an Alternate Year Convention is not held, and shall be retained by the Franchisor in an interest-free account. Accumulated Convention Registration Fees, however, are not an asset of the Franchisor, except as provided below. The Franchisee is solely responsible for all other expenses arising from or referable to the attendance by the Franchisee at the Alternate Year Convention or at such regional meetings. Notwithstanding the foregoing, if the fee for any regional meeting held by the Franchisor in a non Alternate Year Convention year is less than the Convention Registration Fee for that year, the Franchisee shall receive a refund of the difference, provided always that the Franchisee registered and attended such regional meetings. If the Franchisee does not attend any such regional meeting or Alternate Year Convention, the Franchisee shall forfeit an amount of its accumulated Convention Registration Fees equal to the fees pertaining to that regional meeting or Alternate Year Convention. The Franchisee's failure to attend any such regional meeting or Alternate Year Convention shall constitute an act of Default of this Franchise Agreement.

3.7 Lease Administration Fee

Upon the execution of any Lease or Sublease or upon any amendment to or alteration of the Lease or Sublease (including, without limitation, entering a renewal of or a new Lease or Sublease for any Renewal Term) Franchisee shall pay to Franchisor a lease administration fee ("**Lease Administration Fee**") of One Thousand Dollars (\$1,000).

3.8. Franchise Renewal Fee

Upon the Franchisee giving notice to the Franchisor of its intention to renew its Franchise to operate its SUTEKI EXPRESS Restaurant for a Renewal Term as provided in Section 2.2 hereof, Franchisee shall pay by certified check or bank draft a franchise renewal fee ("**Franchise Renewal Fee**") in the amount of Thirty Thousand Dollars (\$30,000) (to be prorated based on a fee of Three Thousand Dollars (\$3,000) per year for each full or part year of the Renewal Term if a Lease/Sublease be available for only part of the

Renewal Term). The Franchise Renewal Fee shall be deemed as fully earned by the Franchisor upon the Premises being secured for occupancy by the Franchisee or the Franchisor for such Renewal Term.

ARTICLE 4. DEVELOPMENT AND OPENING OF THE PREMISES

4.1. Site Selection

The location of the Premises must be approved in writing by the Franchisor. The Franchisee understands and acknowledges that the Franchisor's recommendation or acceptance of a location or site for the Premises, or any assistance it may render with respect thereto, does not constitute any assurance that Franchisee's SUTEKI EXPRESS Restaurant will be profitable at such location or site or more profitable at such location or site in comparison to other locations or sites. Location or site recommendation, acceptance, or assistance merely indicates that such location or site meets the Franchisor's minimum criteria.

4.2. Leasing of Premises

(a.) Lease of Premises by Franchisee

Subject to Section 4.2 (b) below, within thirty (30) days after (i) execution by all parties of this Franchise Agreement, or (ii) notification of location or site acceptance by the Franchisor, whichever shall first occur, the Franchisee shall enter into a Lease of the Premises with the owner or landlord thereof, in form and terms acceptable to the Franchisor. Such Lease shall contain, among other terms, clauses providing:

(i.) for the inclusion of the terms in the Lease Rider attached as Schedule "D" annexed hereto, as well as the other mandatory lease terms set forth in such schedule;

(ii.) that no action shall be taken to enforce any term of the Lease without first giving no less than ten (10) days notice to the Franchisor and permitting the Franchisor a reasonable time to correct or remedy any default;

(iii.) for reasonable prior written notice from the Landlord to the Franchisor in the event that the Landlord should elect to cancel or terminate the Lease by reason of any breach or default of the Franchisee in compliance with the terms of the Lease. In the event that the Lease is terminated by the Landlord, the Franchisor may elect to immediately terminate this Franchise Agreement and require the Franchisee to immediately transfer possession of the Premises to the Franchisor or otherwise vacate the Premises in accordance with the Franchisor's written instructions. The Franchisee shall be deemed to have released the Franchisor and the Landlord from any claims relating to the taking of possession of the Premises or the granting of a lease to the Franchisor by the Landlord in such event(s).

In the event of such cancellation or termination and provided that the Franchisor has corrected or remedied or agrees to correct or remedy any default or breach of the Franchisee within thirty (30) days following such notice, cancellation or termination, the Franchisor shall be entitled to take possession of the Premises and to have a lease in its name for the unexpired balance of the initial term of the Lease, plus renewals, on the same terms and conditions as set forth in the Lease.

(iv.) for the Franchisor having the right to call for an assignment of the Lease to the Franchisor or, as directed by the Franchisor to an Affiliate or to a franchisee of the Franchisor, or, at the Landlord's option, for a new lease on the same terms and conditions as contained in the Lease, for the unexpired portion of the initial term, plus renewals/option terms, upon producing to the Landlord a certificate from the Franchisor to the effect that that this Franchise Agreement has been terminated and that the

Franchisor is entitled to call for such assignment or new lease; for the Franchisee and the Landlord agreeing to transfer possession of the Premises to the Franchisor in such instance and the Franchisee releasing the Franchisor and the Landlord from any claims relating the taking of possession of the premises or the granting of a lease to the Franchisor; for the Landlord agreeing to consent to such assignment or to issue a new lease without regard to any objection by the Franchisee and any dispute between the Franchisee and the Franchisor being dealt with as between themselves; in the event of an assignment of the Lease to the Franchisor, the Franchisor shall covenant to be bound by all the terms and conditions of the Lease in the same manner as if the Franchisor were the original tenant thereunder; provided if Franchisor shall elect not to become an assignee of the Lease as provided for herein, Franchisor shall have the right, at its expense, to enter upon the Premises and remove all SUTEKI EXPRESS Restaurant signage and identification therefrom;

(v.) the Lease not being altered, amended, or modified in any particular, or renewed or extended without the express prior written consent of the Franchisor which consent shall not be unreasonably withheld; and

(vi.) the Franchisee effecting and maintaining adequate insurance coverage on the building in which the Premises are located in accordance with the Franchisor's standard provisions in that regard.

All other terms and conditions of the Lease shall be otherwise satisfactory to the Franchisor, acting reasonably.

The Franchisee and the Guarantor covenant and agree not to execute any Lease, or renewed or extended, without the prior written consent of the Franchisor. The Franchisee shall deliver at least one fully executed copy of any such Lease to the Franchisor within fifteen (15) days after its execution.

(b.) Lease of Premises by Franchisor

If, notwithstanding the Franchisee's best efforts to have the Landlord lease the Premises directly to it, the Landlord for the Premises shall determine that it will only enter into a Lease for the Premises with the Franchisor or an Affiliate, Franchisor shall use reasonable commercial efforts to enter into a binding Lease for the Premises, in form and terms acceptable to the Franchisor as soon as reasonably possible following execution of this Franchise Agreement. Upon the Franchisor entering into such Lease, and prior to assuming possession of the Premises, the Franchisee shall execute the Franchisor's standard form of Sublease for the Premises which shall, *inter alia*, require the Franchisee as subtenant to perform all of the tenant's obligations pursuant to the Lease. If Franchisor enters the lease for the Premises, it will supervise the construction and improvement thereof, and in such event is entitled to the development construction fee set forth in Section 3.2(a). Default by the Franchisee under the Sublease shall be an Event of Default under this Franchise Agreement and any default under this Franchise Agreement shall be a default under the Sublease. Without limiting the generality of the foregoing, the Sublease shall require that the Franchisee pay to the Franchisor all amounts payable under the Lease for the Premises, payment to be made at least five (5) days in advance of the date on which any payment is required from the Franchisor under its Lease and otherwise to fulfill and maintain at the Franchisee's expense, all of the tenant's obligations under such Lease.

(c.) Deposit and Fee

In the event that the Franchisor enters into a Lease under Section 4.2 (b) above or in the event that the Franchisor is required by the terms of any Lease entered into by the Franchisee to guarantee in whole or in part any of the obligations of the Franchisee in the Lease entered into by the Franchisee, the Franchisee shall pay to the Franchisor:

(i.) provided that it is required by the terms of the Lease, a deposit ("Deposit") equal to one month's gross rent for the Premises (or such greater amount that may be required as security and/or a damage deposit under the Lease) to be held by the Franchisor without interest and, to the extent not applied to amounts due under the Lease or Subleases, or to offset any other monies owing by the Franchisee to the Franchisor or any Affiliate of the Franchisor under any Contract, returned to the Franchisee; and

(ii.) Franchisee shall pay to the Franchisor at such time or times as rent becomes due and payable pursuant to the Lease or Sublease and in addition thereto, an amount equal to ten (10%) of the base or minimum rent otherwise payable thereunder, for the Franchisor's own account.

4.3. Development Obligations

The Franchisee's obligations regarding the construction, renovation or other preparation of the Premises for operation as a SUTEKI EXPRESS Restaurant including, without limitation, the purchase of opening inventory and supplies and the purchase and installation of Fixtures and Equipment are as set out in Schedule "E" to the Agreement (collectively called the "**Development Obligations**"). Except as otherwise specifically set out in the Agreement, the performance of and payment for all Development Obligations including, without limitation, all training costs as provided in this Agreement, including, without limitation, Section 5.2 hereof, shall be promptly paid for or reimbursed to the Franchisor by Franchisee, whether or not performed in whole or in part by Franchisee or Franchisor or the agents or contractors of either or both of them. Notwithstanding anything in this Agreement to the contrary, if Franchisor requests, it must designate, or review and approve, the contractor who constructs and improves the Premises.

4.4. Opening for Business

The Franchisee shall not open for nor start operating the Business until:

(a.) the training described in Section 5.2 below has been completed to the Franchisor's satisfaction,

(b.) the Franchisee's SUTEKI EXPRESS Restaurant has:

(i.) been completed in all respects to the satisfaction of the Franchisor and

(ii.) is in the opinion of the Franchisor (acting reasonably) ready to be opened to the public;

(c.) the Franchisee has provided the Franchisor with certificates of all insurance policies required by Article 7 below (and such other evidence of insurance coverage as Franchisor reasonably requests); and

(d.) the Franchisee has complied with any other reasonable terms and conditions imposed by the Franchisor.

Notwithstanding anything in this Agreement to the contrary, the Business must open and begin operating no later than 180 days from the date of this Agreement or the required opening date under any Area Development Agreement under which this Agreement has been entered into, whichever first occurs.

4.5. Revocation

Franchisee expressly acknowledges and agrees that Franchisor has the right to revoke the Franchise and terminate the Agreement and all other Contracts relating to the Premises or the Franchise if Franchisee fails for any reason either to fulfill the Development Obligations for the SUTEKI EXPRESS Restaurant subject of this Franchise Agreement or for other SUTEKI EXPRESS Restaurant(s) referred to in any Development Agreement entered into with the Franchisor or its affiliates and Franchisee within the time required pursuant to attached Schedule "E" or in Development Schedule attached to any Development

Agreement, or if none, within a reasonable time as determined by Franchisor, or to start operating a SUTEKI EXPRESS Restaurant at the Premises within five (5) days after completion of the Development Obligations (but in no event later than the date set forth in the last sentence of Section 4.4), with the exception that, if local government approval of anything required for the opening of the Business (or other Business referred to in any Development Agreement) is withheld during such period for reasons beyond Franchisee's control, Franchisor shall grant Franchisee such reasonable additional time, up to sixty (60) days, as is necessary to obtain such approval. In the event of such revocation and termination by Franchisor, the parties shall be released and discharged from any and all further obligations under Contracts relating to the Premises or the Franchise or to other SUTEKI EXPRESS Restaurants to be developed (except for those applicable to, or stated to survive, their termination) and Franchisor shall be entitled to retain for its absolute use, and not be obligated to refund to Franchisee, any and all monies paid under such Contracts.

4.6. Location of Franchisees SUTEKI EXPRESS Restaurant

The Franchisee shall operate its SUTEKI EXPRESS Restaurant only at and from the Premises and may not relocate except with the Franchisor's prior written consent. If, prior to the expiration or sooner termination of this Agreement, the Lease or Sublease for the Premises expires or terminates without fault of the Franchisee, or if the Premises are destroyed, condemned or otherwise rendered unusable, the Franchisor will grant its consent to the relocation of the Franchised Business to a site acceptable to the Franchisor within the Trade Area, and in accordance with the provisions of this Section 4.6. Any such relocation shall be at the Franchisee's sole expense, including payment to the Franchisor and its Affiliates of all reasonable costs and expenses to which the Franchisor or such Affiliate is put or incurs, and the Franchisee agrees to indemnify the Franchisor and its Affiliates against, and reimburse each of them for, all loss, liability, costs and expenses incurred by the Franchisor in connection therewith. If the Franchisee has not found an acceptable new site for its SUTEKI EXPRESS Restaurant within thirty (30) days of the occurrence of such expiration or sooner termination of the Lease or Sublease or casualty to or destruction or condemnation of the Premises, or if it has not completed all required improvements to the new premises and opened them for business as a SUTEKI EXPRESS Restaurant within three (3) months of such expiration or sooner termination or casualty to or destruction or condemnation of the Premises then the Franchisor may thereafter at its sole option immediately terminate this Agreement, as provided in Section 10.1(d) hereof, by written notice to the Franchisee. Except as specifically referred to in this section, the Franchisee shall have no right to relocate its SUTEKI EXPRESS Restaurant to any other location without a) the written consent of the Franchisor which consent the Franchisor shall have the absolute right to withhold, and b) payment to the Franchisor of all fees referable to a new store, including, without limitation, a franchise fee in an amount then charged by the Franchisor to new SUTEKI EXPRESS Restaurant Franchisees.

4.7. Equipment and Furnishings

The Franchisee shall use in and about its SUTEKI EXPRESS Restaurant only such Equipment and Fixtures, which are required by the Franchisor and which strictly conform to the appearance, uniform standards and specifications prescribed by the Franchisor for the SUTEKI EXPRESS Restaurant System. All Equipment and Fixtures shall be purchased or leased from the Franchisor or from suppliers designated by it. The Franchisor agrees that the prices charged by it to the Franchisee for items of Equipment and Fixtures purchased from the Franchisor will be competitive with the prices being generally charged in the Franchisee's market area for equivalent items of comparable quality and in similar quantities. If at any time the Franchisor and its designated suppliers are unable to furnish to the Franchisee any item of Equipment and Fixtures then the Franchisee may purchase such item from another supplier approved by the Franchisor in writing, which approval will not be unreasonably withheld.

4.8. Rebates and Allowances

The Franchisee acknowledges and agrees that the Franchisor shall in consideration of its efforts in negotiating with suppliers and developing itself and with suppliers Proprietary Products for the SUTEKI EXPRESS Restaurant System, be absolutely entitled for its own account to the benefit of all discounts, volume rebates and other concessions and allowances that the Franchisor may obtain from any person by reason of that person supplying goods or services, including, without limitation, Fixtures, Equipment and Proprietary Products to the Franchisee or to other franchisees of the SUTEKI EXPRESS Restaurant Systems. The Franchisor may, in its sole and absolute discretion (but without any obligation on the part of the Franchisor), make available some or all of such discounts, volume rebates, concessions and other allowances for distribution to or apportionment among any group or all of the franchisees of the SUTEKI EXPRESS Restaurant Systems as it may deem advisable or such amounts may be added by the Franchisor in its sole and absolute discretion (but without obligation on its part) to the Fund referred to in Section 3.5 hereof.

4.9. Certification of Performance

After it performs its pre-opening obligations under this Agreement, the Franchisor may request the Franchisee to execute a certification (the "Certification of Performance"), in a form the Franchisor reasonably requests, confirming such performance. If the Franchisor does so request, the Franchisee must execute and deliver the Certification of Performance to the Franchisor within three-business days of the request therefore. If, however, the Franchisee does not reasonably believe that the Franchisor has performed all its pre-opening obligations hereunder, it must, within said three-day period, provide the Franchisor with written notice specifically describing the obligations that the Franchisor has not performed. Not later than three-business days after the Franchisor completes all the obligations specifically described in such notice, the Franchisee must execute and deliver the Certification of Performance to the Franchisor. It must do so even if the Franchisor performed such obligations after the time performance was due under this Agreement. The term "pre-opening obligations" means such of the Franchisor's obligations to the Franchisee under this Agreement that must be performed before the Opening Date for the Business.

ARTICLE 5. DUTIES AND RESPONSIBILITIES OF FRANCHISOR

Franchisor shall provide Franchisee with the following assistance during the Original Term of this Agreement so long as Franchisee has not defaulted under any Contracts relating to the Premises or the Franchise or under this Agreement:

5.1. Operating Manuals

- a) Franchisor shall lend to Franchisee a copy of the Operating Manuals, which shall be maintained and updated by the Franchisee as materials are provided from time to time by the Franchisor. Franchisor may periodically revise and change the contents of the Operating Manuals. Beginning on the 30th day (or such longer time as specified by Franchisor) after delivery of written notice from Franchisor, Franchisee must comply with each new or changed provision. Revisions to the Operating Manuals may be based on what Franchisor, in its sole discretion, deems in the best interests of the System, including, among other things, promoting quality, enhancing good will, increasing efficiency, decreasing administrative burdens, or improving profitability of Franchisor or the Franchisee or SUTEKI EXPRESS franchisees generally. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor may, in its sole discretion and as it may deem in the best interests of all concerned in any specific instance, vary standards for any franchisee based upon the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, or any condition that Franchisor deems important to the successful operation

of such franchisee's Franchised Business. In such event(s) Franchisee is not entitled to require Franchisor to grant to Franchisee a like or similar variation under this Agreement. Franchisee must at all times ensure that its copy of the Operating Manuals contains all updates Franchisor delivers. In the event of any dispute as to the contents of the Operating Manuals, the terms contained in the Master Copy of each of the Operating Manuals that Franchisor maintains at Franchisor's home office are controlling.

- b) Franchisor shall have the right at its discretion to establish an internet based "extranet" system for use by SUTEKI EXPRESS Franchisees for dissemination of all information which Franchisor provides to Franchisees. Franchisee shall at all times maintain at its expense such computer hardware and software as may be necessary from time to time inclusive of high speed internet connection, to enable Franchisee to access the SUTEKI EXPRESS Extranet. When established, the Franchisor shall have the right on appropriate notice to the Franchisee, to use the SUTEKI EXPRESS Extranet for delivery to Franchisee of all notices and changes to the SUTEKI EXPRESS System including without limitation, changes or amendments to the Manuals.

5.2. Training

Franchisor shall provide an initial training course regarding the SUTEKI EXPRESS Restaurant System ("**Initial Training**") for up to two (2) of the restaurant's employees designated by Franchisee (one of whom shall be Franchisee if Franchisee is an individual or one of Franchisee's designated shareholders (as provided in Section 6.2 hereof) if Franchisee is not an individual). If Franchisee has previously operated a SUTEKI EXPRESS Restaurant then, prior to the opening of the Business, Franchisor shall provide refresher training in food preparation techniques and other aspects of the physical operation of a SUTEKI EXPRESS Restaurant ("**Refresher Training**") to two (2) persons designated by Franchisee (one of whom shall be Franchisee as Manager if Franchisee is an individual or one of Franchisee's designated shareholders (as provided in Section 6.2 hereof) as Manager if Franchisee is not an individual). Franchisor may from time to time thereafter provide such further training assistance as Franchisor deems necessary ("**Supplemental Training**"), including assistance with any new developments in the SUTEKI EXPRESS Restaurant System or matters that may be described in revisions made to the Operating Manuals. All training described in this paragraph shall be provided at a place chosen by Franchisor and may include both in-store and classroom training. All persons attending such training shall complete the same to the satisfaction of Franchisor. Initial Training and Refresher Training, including all requisite materials, shall be provided to Franchisee at a non-refundable cost of Three Thousand Dollars (\$3,000) payable by Franchisee to Franchisor prior to commencement of such training. For Supplemental Training and any training other than Initial Training, Refresher Training, or training required on a Transfer, the Franchisee shall pay to the Franchisor the non-refundable amount of One Thousand, Five Hundred Dollars (\$1,500) for each person attending such training. In addition, in connection with every type of training, Franchisee shall be responsible for all personal expenses incurred by the persons attending such training (including, but not limited to, accommodation and travel expenses) and for any and all injury or damage to person(s) or property occurring to, incurred by or caused by persons attending such courses. No compensation shall be payable to Franchisee or its employees for any services rendered by them during the training courses. Franchisee or at least one of the designated shareholders (as provided in Section 6.2 hereof) of a corporate Franchisee, must attend and satisfactorily complete all training. If the Franchisor designates any Supplemental Training to be mandatory, the Franchisee must attend such training; if it does not, such failure is an Event of Default.

5.3. Advice and Guidance

- (a.) The Franchisor may make available to the Franchisee such assistance as the Franchisor considers necessary based upon the experience and judgment of the Franchisor in connection with the pre-opening, opening and initial operation of the Business and conforming to the requirements of the SUTEKI EXPRESS Restaurant System; and

(b.) Franchisor, to the extent it deems it appropriate or necessary, may provide continuing advice and guidance to Franchisee concerning the use of the SUTEKI EXPRESS Restaurant System and the operation of the Business, including advice and guidance regarding formulation and implementation of local advertising and promotional programs, purchasing of goods and other supplies, establishment and maintenance of any administrative, bookkeeping, accounting and general operating procedures required by Franchisor, hiring and training of employees and the provision from time to time of results of research on market trends, where practicable.

5.4. Special Assistance

In response to any written request by the Franchisee and to the extent the Franchisor deems it appropriate, necessary or advisable and has personnel available for such purpose, the Franchisor may furnish additional or special assistance to the Franchisee (in addition to the assistance referred to in Section 5.3 above) to rectify any specific problems encountered by Franchisee in the operation of the Franchisee's SUTEKI EXPRESS Restaurant. In such event, the Franchisee shall promptly reimburse the Franchisor for each person designated by the Franchisor to provide additional or special services pursuant to the provisions of this Section, the amount of Five Hundred Dollars (\$500) per day or part thereof during which any additional assistance is provided, together with for all reasonable costs incurred by the Franchisor on account of travel, lodging and meals for all personnel so designated by the Franchisor.

5.5. Opening Marketing

The Franchisor, using the amount the Franchisee paid under Section 3.5(d) shall prepare, coordinate, and conduct, on and in the Franchisee's behalf, the Grand Opening Marketing and Promotion program referred to in Section 3.5(d), which is a marketing program to promote the opening of the Business. The nature and scope of such opening promotional marketing program shall be determined by the Franchisor; in its sole and absolute judgment, and the cost of same shall be payable by the Franchisee.

5.6. Promotional Materials

Franchisor shall review and approve prior to any use by Franchisee, all marketing and promotional materials which Franchisee proposes to use in connection with the Business and may, at its option and in its sole and absolute discretion, provide promotional and marketing materials to Franchisee for use in the Business whether pursuant to payments to the Fund or otherwise.

5.7. Conventions and Seminars

Franchisor may invite Franchisee to attend all Alternate Year Conventions, regional meetings, seminars and other franchisee-oriented functions sponsored by Franchisor. Franchisor reserves the right to include franchisees of other restaurant systems operated or franchised by Franchisor or its affiliates in any such events.

ARTICLE 6.

FRANCHISEE DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The Franchisee acknowledges that the Franchisor maintains and demands the maintenance of high standards of quality of product and service in restaurants utilizing the SUTEKI EXPRESS Restaurant System and that the Franchisor may, in the interest of improving thereon, and enhancing public acceptance of SUTEKI EXPRESS Restaurants, upgrade its standards from time to time. Therefore, in order to maintain a uniform standard of operation and quality for all Restaurants and to further protect the goodwill of the Franchisor, the Franchisee covenants and agrees:

6.1. Conform to SUTEKI EXPRESS System

to operate its SUTEKI EXPRESS Restaurant in conformity with such uniform methods, standards and specifications as the Franchisor may from time to time prescribe for general application in the Operating Manual or otherwise in writing to ensure that the highest degree of quality and service

is uniformly maintained, refrain from any deviation therefrom and from otherwise operating in any manner that reflects adversely on the Franchisor's name and goodwill, or on the name "SUTEKI EXPRESS" as associated with the Business.

6.2. Management of Business

to manage and operate the Business using at all times at least the two (2) employees (one of whom may be the manager of the Business if such Manager is actually involved in the day to day operations of the Business) who have been trained in the operation of a SUTEKI EXPRESS Restaurant (as set out in Section 5.2 hereof), who have signed a Confidentiality and Non-Competition Agreement in terms similar to the confidentiality and non-competition provisions of this Agreement and who carry out their duties courteously and with a view to complete customer satisfaction. Franchisee (if an individual) shall be the Manager of the Business. If Franchisee is a corporation, or other entity, one shareholder, or owner, shall be designated by Franchisee to be the Manager of the Business and that Manager shall have the authority to receive and implement all directions received from time to time from the Franchisor and to represent the Franchisee in all dealings with the Franchisor. Before his or her appointment as Manager, the Franchisee must submit in writing the name and qualifications of any proposed Manager, or replacement Manager, together with any other information relating thereto the Franchisor requests, to Franchisor for its review and written approval of the proposed Manager. Without such written approval, the Franchisee may not appoint any person a Manager. The Manager shall have, and at all times maintain, at minimum, a ten percent (10%) equity interest in the ownership of the Business. The Manager must devote his or her full-time efforts to on-premises supervision of the SUTEKI EXPRESS Restaurant. Franchisee shall reimburse Franchisor's reasonable costs and expenses of providing any and all training following the initial training of the Manager or any employees and retraining or training of all Business personnel in new methods, all as deemed necessary or advisable from time to time by the Franchisor.

6.3. Conform to Laws

to operate in accordance with, and immediately correct any failure to comply with, all governmental requirements, applicable laws, regulations and orders ("**Laws and Regulations**") of competent authorities (whether federal, state, municipal or otherwise), including, without limitation, Laws and Regulations relating to health, sanitation and safety, employment, human rights, wages, child labor, misleading advertising, and including obtaining all necessary licenses, permits and approvals ("**Licenses**") as may be required to permit the operation of a SUTEKI EXPRESS Restaurant at the Premises, and Franchisee shall deliver to Franchisor on a timely basis (i) a copy of each License and (ii) a copy of any and all notices of violation of any Law or Regulation as may be received by Franchisee from time to time (whether or not such violation has been corrected by Franchisee).

6.4. Products and Techniques

to use and offer for sale in the operation of the Franchisee's SUTEKI EXPRESS Restaurant all and only those food and beverage products and ingredients ("**Products**") conforming with all directions specifications, recipes, formulae and techniques as to the contents, quality, weight and form and preparation of the unit of food or beverage products as may be prescribed by the Franchisor from time to time, (including, without limitation, using all Proprietary Products and no substitutes), together with approved packaging and serving materials, paper goods, utensils, supplies and other items of inventory, uniforms, Fixtures, Equipment and other items required for the operation of the Business prescribed by or which conform to the SUTEKI EXPRESS Restaurant System, and to sell no other food or beverage item or other merchandise of any kind without Franchisor's prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion. Without limiting the generality of the foregoing, the Franchisee must

purchase any item referred to in this Section 6.4 and Section 6.5 from such suppliers, and/or in accordance with such specifications, as the Franchisor may from time to time prescribe. Without limiting the generality of the foregoing, the Franchisee may offer and sell only such goods and services as the Franchisor may authorize from time to time in writing and it must offer and sell all such goods and services.

6.5. Approved Products

to purchase and maintain at the Premises at all times sufficient quantities of all food and beverage ingredients and products, packaging and serving materials, paper goods, utensils, supplies and other items of inventory, uniforms, marketing or promotional materials, Fixtures, Equipment and other items required for or used in any manner in the operation of Franchisee's SUTEKI EXPRESS Restaurant both in inventory and as finished goods for sale and to acquire all such items from suppliers who have been approved by Franchisor and not purchase any such items from any other supplier unless such other supplier has been first approved in writing by Franchisor;

6.6. Approved Design

to use in the operation of the Franchisee's SUTEKI EXPRESS Restaurant all, but only those, methods of exterior and interior design and construction, and signage as may be prescribed by the Franchisor or which conform to the requirements and specifications of the SUTEKI EXPRESS Restaurant System, and no others and to make no material alteration or addition to, or replacement of or improvement or change to, the interior or exterior of the Premises or the Fixtures or Equipment without the prior written consent of Franchisor;

6.7. Maintenance and Renovations

to maintain the condition and appearance of the Premises, the Fixtures and the Equipment in a manner consistent with the high quality image of the SUTEKI EXPRESS Restaurant System as an attractive, modern, clean, convenient and efficiently operated SUTEKI EXPRESS Restaurant offering high quality products and efficient and courteous service. The Franchisee will effect such maintenance of the Premises, the Fixtures and the Equipment as is required by the Lease and Sublease and as reasonably required from time to time by the Franchisor and the Landlord and as required by Laws and Regulations to maintain such condition, appearance and efficient operation, including, without limitation, replacement of worn-out or obsolete Fixtures and Equipment, repair of the interior and exterior of the Premises, and periodic cleaning, decorating and redecorating. If, at any time in the Franchisor's reasonable opinion, the general state of repair, appearance or cleanliness of the Premises, the Fixtures or the Equipment or the general state of the Premises does not meet SUTEKI EXPRESS Restaurant System standards or the requirements of the Lease and Sublease, the Franchisor may give notice to the Franchisee specifying the action to be taken by the Franchisee to correct such deficiency, and the Franchisee shall initiate such action forthwith upon receipt of such notice. If the Franchisee fails to take such action within three (3) days after receipt of such notice from the Franchisor, the Franchisor may, without prejudice to any other rights or remedies hereunder, cause such repairs or maintenance to be done at the sole cost and expense of the Franchisee. In such event, the Franchisee will reimburse the Franchisor for the amount of such costs and expenses upon demand plus an administrative fee of fifteen percent (15%) of such costs and expenses. Franchisor shall have the right at all times to enter upon the Premises for purposes of enforcing the terms of this paragraph as set out in Section 6.8 below.

In addition, the Franchisee shall, on the 5th anniversary of the Opening Date, make at Franchisee's expense, such renovations, alterations and upgrades to the Premises, Fixtures and Equipment as may be required by Landlord and such renovations, alterations and upgrades to the Premises,

Fixtures and Equipment as may be required by Franchisor in order to renovate, upgrade and modernize the Franchisee's SUTEKI EXPRESS Restaurant so as to reflect the then-current image of the SUTEKI EXPRESS Restaurant System for SUTEKI EXPRESS Restaurants. All such work shall be completed (unless otherwise agreed to by Franchisor in writing) within 90 days. Required renovations and alterations may include complete remodeling and upgrading of the Premises and the Fixtures and Equipment. In connection with any renovation, alteration, upgrading, etc., required under this Section 6.7, the Franchisee shall pay the applicable fees specified in Section 3.2(b) hereof.

6.8. Inspection

to permit the Franchisor or its authorized representatives to enter and inspect the Premises at reasonable times and to examine and test the Fixtures and Equipment (including, without limitation, the POS System) and the goods and services offered by the Business, for the purpose of ascertaining whether the Franchisee is operating its SUTEKI EXPRESS Restaurant in accordance with the terms of this Agreement. Inspections may be conducted at any time at the discretion of the Franchisor and without prior notice to the Franchisee. The Franchisor agrees to give notice to the Franchisee of any deficiencies detected during any inspection. The Franchisee will diligently and promptly correct all such deficiencies. If the Franchisee receives notice from the Franchisor that any Fixtures or Equipment or goods or services do not meet the specifications, standards and requirements established by Franchisor for SUTEKI EXPRESS Restaurants, the Franchisee will immediately refrain from the further use thereof until the same are repaired or replaced to the reasonable satisfaction of the Franchisor.

6.9. Use POS System

to give to each customer of the Business a receipt detailing such customer's purchases from the Business and record all sales on an electronic cash register, computer and computer terminals ("POS System") approved by Franchisor containing: (i) devices that will record cumulative sales and provide sequential customer count recording on a daily and cumulative basis and that cannot be turned back or reset; and (ii) such devices permitting the electronic polling of cash register information as may be required by Franchisor. The Franchisor may, from time to time, require the Franchisee to upgrade, supplement, or replace any or all the components of the POS System. The Franchisor may poll the POS System at any time it elects; to permit such polling, the Franchisee must configure and constitute its POS System so that the Franchisor has complete, continuous, and unfettered access to all information the POS System generates and collects. At the Franchisor's request, the Franchisee must provide any assistance the Franchisor requires to bring the POS System "on-line" with the Franchisor's computer at the Franchisor's headquarters. The Franchisee is exclusively responsible for the telephonic cost of such polling.

6.10. Hours of Operation

to keep the Business open and in normal operation during such hours of the day and during such days of the year as are directed by the Franchisor and/or as required by the Lease and/or Sublease;

6.11. Pay Suppliers

to pay on a timely basis for all food and beverage products, packaging and serving materials, paper goods, utensils, supplies and other items of inventory, uniforms, marketing or promotional materials, Fixtures, Equipment and all other items used in the Business. Franchisee acknowledges that failure to make prompt payment to its suppliers may cause irreparable harm to the reputation and credit of Franchisor, other SUTEKI EXPRESS Franchisees, and franchisees of other restaurant systems in which the Franchisor and its affiliates are associated.

6.12. Signage, Notices and Menus

to post on the Premises such signs, in size, form, color and location as the Franchisor may require, notifying customers of the Business and others of: (i) Franchisee's identity and status as an independent contractor and operator of the Business as a Franchisee of the Franchisor; (ii) the manner in which to contact Franchisor; (iii) each customer's right to a receipt in respect of goods or services purchased from the Business; (iv) such other matters as Franchisor may, in its absolute discretion, determine necessary or desirable in connection with the operation of the Business and to maintain and display signs (including all or any part of a menu-board or store sign) reflecting the then-current image of the SUTEKI EXPRESS Restaurant System, which are of the color(s), size, design and location as determined and specified by the Franchisor.

6.13. Pay Franchisor

to pay to the Franchisor as and when due all monies due the Franchisor pursuant to this Franchise Agreement from time to time, together with the amount, calculated in accordance with the applicable laws, equal to any and all, sales taxes, value added taxes, business transfer taxes or any other taxes imposed on or collectable from Franchisee in respect of any and all amounts payable by Franchisee to Franchisor under the Agreement.

6.14. Marketing Obligations

to carry out the marketing obligations set out in section 3.5 above.

6.15. Banking

to open and use one (1) bank account only and deposit all revenues received from the Business in such account and notify Franchisor of such bank and account number and authorize Franchisee's banker to provide to Franchisor such information as may be required by Franchisor. Franchisee shall also, at its own expense and, at the request of Franchisor (whether or not Franchisee is or ever has been in default in any payment to Franchisor), implement an automatic bank transfer or other electronic funds transfer from the said account in connection with the payment of any and all amounts payable to the Franchisor pursuant to this Franchise Agreement or to Franchisor or any Landlord or sub-landlord payable pursuant to any Lease and/or Sublease.

6.16. Financial Reporting

to provide Franchisor, without notice or demand, the reports, statements and financial information at the times and in the forms as provided in Section 8.2 hereof.

6.17. Advise Suppliers

to advise each supplier and all others with whom the Franchisee deals that the Franchisee is an independent contractor/business person and that all debts incurred by it are for its account only and are not debts of the Franchisor.

6.18. Telephone Listings

to obtain and maintain, at its sole cost and expense, a listing for its SUTEKI EXPRESS Restaurant in the principal regular (white pages) and classified (yellow pages) telephone directories serving the location of the Business, in such directory categories as are specified by the Franchisor from time to time. All such listings will be of such type and size as are specified by the Franchisor from time to time. If the Franchisee does not obtain such listings, as aforesaid, the Franchisor may obtain such listings on behalf of and at the expense of the Franchisee, and the Franchisee shall forthwith reimburse the Franchisor for all the Franchisor's costs and expenses for so doing, upon demand.

6.19. Promote Franchise

to obtain and maintain an adequate supply of brochures, pamphlets, videotapes and other special promotional materials prescribed by the Franchisor (including, without limitation, materials directed to prospective franchisees of the SUTEKI EXPRESS Restaurant Systems) at such locations in and about the Premises as the Franchisor may require from time to time for its franchisees generally. All such brochures, pamphlets, videotapes and other special promotional materials (save for those directed to prospective franchisees of the SUTEKI EXPRESS Restaurant System which shall be provided to the Franchisee without charge) shall be purchased from the Franchisor or from its approved suppliers.

6.20. Administration Programs

Franchisor shall have the right, in its sole and absolute discretion, to inaugurate and administer for the benefit of the franchisees of the SUTEKI EXPRESS Restaurant System and franchisees of other restaurant Systems operated by the Franchisor and its affiliates various third-party programs including, without restriction, lease and rental payment administration, insurance plan(s), realty tax payment administration, and the like. In such event, the Franchisor shall be entitled to impose a reasonable administration fee in respect of the conduct of each such program, not to exceed fifteen percent (15%) of the gross amount of the payments received by the Franchisor from time to time in respect thereof, and the Franchisee agrees to participate in and abide by the terms of each such program and to execute all such documents and authorizations as may be required by the Franchisor in connection therewith.

6.21. Seminars, Conventions, Training

As and when required by the Franchisor, the Franchisee, the Manager, and such other employees of the Franchisee's Business as may be from time to time directed by the Franchisor (acting reasonably) shall attend and participate in (at Franchisee's sole cost and expense) management seminars and training and refresher courses and Franchisor and/or industry conventions, including, without limitation, the Alternate Year Convention, and participate in ongoing aptitude testing conducted by or on behalf of the Franchisor from time to time. The Franchisor agrees that the Franchisee, the Manager, and such employees shall not be required to attend more than two (2) such seminars, conventions or other courses in each calendar quarter. The foregoing restriction does not apply to Initial Training or any other training that the Franchisor may require the Franchisee's Manager or any replacement Manager to attend.

6.22. Franchisee Organizations

The Franchisee shall actively participate in any and all Franchisee and Franchisee/Franchisor committees and organizations (Bodies) (including without limitation a Franchisee Council) as may be established from time to time by the Franchisor and which may at Franchisor's discretion become Bodies elected by the Franchisees, all for the benefit of the Franchisee, other franchisees of the SUTEKI EXPRESS Restaurant System and the Franchisor.

ARTICLE 7. INSURANCE

7.1. Mandatory Insurance Coverage

The Franchisee shall, at its sole cost and expense, procure and maintain in full force and effect such types of insurance coverage (including, without limitation, product liability insurance, fire and extended coverage insurance on its inventory, Fixtures, Equipment and leasehold improvements situated at the Premises, business interruption insurance, rental insurance, workers' compensation insurance and public liability and indemnity insurance), and in such amounts, as the Franchisor may from time to time in its sole and absolute discretion require and as required by the Lease and the Sublease, fully protecting the Franchisee and the Franchisor and their respective officers, directors, employees and any other persons for whom they may be liable or responsible in law, against loss or damage occurring in conjunction with

the operation of the Franchised Business. All costs and expenses in connection with the placing and maintaining of such insurance will be borne solely by the Franchisee and such insurance will be obtained from qualified insurance companies satisfactory to the Franchisor. The Franchisor shall be an additional named insured in all such policies, or if not permitted to be named an additional insured by the insurer, the Franchisor shall be named as a loss payee thereunder. The Franchisee's general liability insurance shall not be limited in any way by reason of insurance maintained by the Franchisor. At least thirty (30) days prior to the commencement of the development of the Premises, certificates of insurance showing compliance with the foregoing requirements will be submitted by the Franchisee to the Franchisor for its approval. Certificates confirming the renewal of each policy will be furnished to the Franchisor at least ten (10) business days prior to the expiration or renewal thereof. Such certificates will state that the policies referred to therein may not be cancelled, not renewed, or altered without at least thirty (30) days' prior written notice to the Franchisor.

7.2. Franchisor's Right to Obtain Insurance for Franchisee

If the Franchisee fails to insure as required hereunder the Franchisor may, at its sole option but without obligation, obtain all or any part of the insurance required by this Section to be obtained by the Franchisee in the name of and on behalf of the Franchisee and for the Franchisee's account, and the Franchisee will reimburse the Franchisor forthwith upon demand for all premiums and other charges paid by the Franchisor with respect to any such insurance so obtained by it. If the Franchisor receives notice from any insurer regarding impending cancellation or lapse of any required insurance due to the non-payment by the Franchisee of any premium installments the Franchisor may, at its sole option but without obligation, pay the required premium installments on behalf of and for the account of the Franchisee, and the Franchisee will reimburse the Franchisor on demand for all amounts so paid.

7.3. Group Insurance

Notwithstanding the foregoing provisions, the Franchisor may at its sole option require the Franchisee, in lieu of placing its own insurance, as aforesaid, to participate in any group insurance plan maintained by the Franchisor, at the sole cost and expense of the Franchisee. The Franchisor may require the Franchisee to pay all premiums for such insurance coverage to the Franchisor or to whomever the Franchisor may from time to time designate in writing. If such insurance is not sufficient or broad enough for the purposes of the Franchisee, the Franchisee shall be responsible, at its sole cost and expense, for the placement of such additional insurance coverage as the Franchisee may desire.

7.4. Insurance and Indemnification

Maintenance of the insurance required by this Section and the performance by the Franchisee of its obligations hereunder will not relieve the Franchisee of its responsibilities pursuant to the indemnity provisions in Section 13.2 hereof.

ARTICLE 8. RECORDS AND REPORTING

8.1. Records

The Franchisee shall at its cost establish a bookkeeping, accounting and record-keeping system conforming to the requirements prescribed from time to time by the Franchisor (including, without, limitation the use of an approved POS System in accordance with Section 6.9 hereof and retention of cash register tapes, invoices, purchase orders, daily inventory records, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursement journals and general ledgers, together with such further and other records and documents as may from time to time be required by the Franchisor to accommodate any changes in such systems) and shall on request of the Franchisor install and maintain at the Franchisee's expense such microcomputer hardware, bookkeeping and accounting software systems, and telecommunications systems, and to upgrade, supplement, and/or replace any or all

of said items as the Franchisor may from time to time require generally for the SUTTEKI EXPRESS Restaurant System. All personnel employed by the Franchisee shall record at the time of sale, in the presence of customers, all receipts from sales or other transactions, on the POS System as designated by the Franchisor and as provided in Section 6.9 hereof. Such POS System shall be sealed in a manner approved by the Franchisor and shall have such other features as may be reasonably required by the Franchisor from time to time.

8.2. Reports and Financial Information

The Franchisee shall furnish to the Franchisor throughout the Original Term of the Agreement, in respect of the Business, in form from time to time prescribed by the Franchisor but at the sole cost and expense of the Franchisee:

- (a.) not later than thirty (30) days preceding the scheduled Opening Date (in accordance with Section 2.1 hereof), and not later than thirty (30) days preceding the anniversary of the Opening Date in each year thereafter, a forecast signed and verified by the Franchisee if an individual or if a corporation, by the Franchisee's Chief Financial Officer containing (among other details specified by the Franchisor) a budget of anticipated revenue and expenditure for the ensuing fiscal year of the Business ("Forecast");
- (b.) on or before Thursday of each week, a written statement in the form approved by Franchisor and signed by Franchisee, of the Gross Sales for the seven (7) day period ending at the close of business on the preceding Sunday, together with the Royalty and Marketing Fees;
- (c.) on or before the twentieth (20th) day following the end of each calendar month, an unaudited balance sheet for the Business as at the close of such period together with an unaudited statement of profit and loss of the Business for such period, in each case signed and verified by the Franchisee if an individual and, if a corporation, by the Franchisee's Chief Financial Officer, together with a report of variance (if any) from the Forecast and accompanied by such other information and supporting records as the Franchisor may from time to time require;
- (d.) as soon as practicable, and in any event within sixty (60) days after the end of each of Franchisee's fiscal years, audited financial statements of the Business prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"), as well as generally accepted auditing standards ("GAAS"), and consisting at a minimum of (i) a balance sheet as at the close of such fiscal year, and (ii) a statement of income and a statement of cash flows for such fiscal year, setting forth in each case in comparative form the corresponding figures for the previous fiscal year, in each case signed and verified by the Franchisee if an individual or, if a corporation, by the Franchisee's Chief Financial Officer, certified and prepared by an certified public accountant approved by the Franchisor and accompanied by accountant's comments and a report of variance (if any) from forecast. The audit required by this Section shall be carried out at the expense of the Franchisee by a firm of certified public accountants acceptable to the Franchisor and to be accompanied by an unqualified opinion thereon of such firm, all at the Franchisee's sole cost and expense; and when it files such returns with the appropriate tax authorities, the Franchisee must also provide the Franchisor with copies of its federal and state income tax returns; all financial statements and other periodic reports must segregate the Business's income and related expenses from those of any other business that the Franchisee may conduct; and
- (e.) such other periodic forms and reports (including, without limitation, reports of purchases and sales) as may be required by Franchisor.

The Franchisee shall at its expense provide a modem or other electronic communications device as shall be determined from time to time by the Franchisor and a dedicated communications line so as to enable the Franchisor to gather information from the Franchisee's POS System ("**Franchisee's System**"); this

dedicated communications line, which shall be installed and maintained at the expense of the Franchisee, shall be dedicated exclusively to providing the Franchisor with complete and unfettered access to the Franchisee's System so the Franchisor may poll same at such times as it deems appropriate. The Franchisee shall at all times ensure that the Franchisor shall have access to Franchisee's System at Franchisee's ongoing cost and expense. Failure to comply with the provisions of this paragraph shall constitute an Event of Default, entitling the Franchisor to immediately terminate this Agreement, and which may be otherwise dealt with as set out in Section 10.1 of this Agreement.

The Franchisee acknowledges that all financial information will be furnished by it solely for the information of the Franchisor, and the Franchisor does not assume nor undertakes any obligation to review such financial information or to advise the Franchisee in connection therewith.

8.3. Franchisor's Right to Audit

The Franchisor shall have the right at reasonable times without prior notice to the Franchisee to inspect and audit the business records, bookkeeping and accounting records, cash register tapes, invoices, purchase orders, payroll records, check stubs and bank deposit receipts of the Business, the periodic reports, financial statements, tax returns and other forms, information and supporting records which the Franchisee is required from time to time to submit to the Franchisor and the books and records of the Franchisee, and the books and records of the Guarantors as the latter relate to the Business. The Franchisee shall fully co-operate with representatives of the Franchisor and independent accountants hired by the Franchisor to conduct any such inspection or audit. If any such inspection or audit discloses an understatement of Gross Sales for any period, the Franchisee shall pay to the Franchisor, within ten (10) days after receipt of the inspection or audit report, the Royalty and other sums due on account of such understatement. Further, if such inspection or audit is made necessary by the failure of the Franchisee to furnish reports, financial statements, tax returns or schedules or any other documentation as herein required, or if an understatement of Gross Sales for any period is determined by any such inspection or audit to be greater than two percent (2%), the Franchisee shall on demand (in addition to payment of amounts due by reason of understatement plus interest on such amount at the rate of Eighteen Percent (18%) per year [or the maximum permitted by law, whichever is the less] computed from the date payment was due to the date payment is received) reimburse the Franchisor for the full cost of such inspection or audit, including, without limitation, the charges of any independent accountant or other professionals retained by the Franchisor in connection with such audit or inspection and the travel expenses, room, board and compensation of employees of the Franchisor and/or such independent accountant.

8.4. Inquiry by Franchisor

By its execution hereof, the Franchisee specifically authorizes the Franchisor to make reasonable inquiry of the Franchisee's bankers, suppliers, landlord and other trade creditors as to their dealings with the Franchisee in relation to the Business, and to discuss the affairs, finances and accounts of the Business with the Franchisee's bankers (and the Franchisee hereby authorizes and directs its bankers and other suppliers to discuss with the Franchisor the affairs, finances and accounts of the Business). In order for the Franchisor to obtain information and copies of invoices relating to sales or other dealings between all such persons and the Franchisee in any way referable to the Business, the provision of a copy of this paragraph duly certified by the Franchisor to the Franchisee's banker or other supplier shall constitute the express and irrevocable direction of the Franchisee to such banker or other supplier to supply the requested information to the Franchisor. The Franchisee shall on request of the Franchisor, promptly execute such other directions and other documents as the Franchisor may require, in furtherance of this Section. Neither the Franchisor nor any person, firm, or corporation to whom Franchisor may make inquiry shall be deemed in breach of any privacy laws from time to time enacted in any jurisdiction with authority over this Agreement or the parties by reason only of making or answering inquiries as provided for in this Section or otherwise in this Franchise Agreement.

ARTICLE 9.

LICENSED ITEMS AND TRADEMARKS

9.1. Marks

The Franchisee acknowledges and agrees that both existing and future Trademarks and Licensed Items constitute part of the SUTEKI EXPRESS Restaurant Systems and further acknowledges the existence and validity of the Licensed Items, including, without limitation, the Trademarks and that the Franchisor has the exclusive right to use the Licensed Items and Marks and to license others to use the Licensed Items and Marks. The Franchisee shall not, in any way, do anything to infringe upon, harm or contest the rights of the Franchisor (or of the owner of the Licensed Items and Marks if not the Franchisor) in and to the Licensed Items and Marks. The Franchisee shall not use any Licensed Items or Mark other than as herein permitted in connection with the business of the Franchisee's SUTEKI EXPRESS Restaurant. Any materials or products which Franchisee develops in whole or in part for use in its SUTEKI EXPRESS Restaurant shall become the exclusive property of the Franchisor and the Franchisee does hereby assign and transfer all right, title and interest in any such materials or products to the Franchisor. The Franchisee shall not place any Licensed Items or Mark, other than the Licensed Items or Marks originally appearing thereon, on any products, packages or other materials which the Franchisee obtains from the Franchisor or an approved supplier or with the Franchisor's written permission from third parties. The Franchisee agrees not to add any other names or words to the Licensed Items or Marks, or to make any variations in the use of the Licensed Items or Marks, unless the Franchisee has received prior written approval from the Franchisor.

9.2. Corporate Name

The Franchisee shall not use the name "SUTEKI EXPRESS" or any derivation or contraction thereof in its corporate name.

9.3. Goodwill

The Franchisee recognizes that the use of the Licensed Items and Marks, or of any mark or name that incorporates the mark "SUTEKI EXPRESS" and all other Marks or other trademarks which may be developed by the Franchisor inures solely to the benefit of the Franchisor and that all goodwill arising from such use by the Franchisee shall belong and revert to the Franchisor upon the termination or expiration of this Agreement.

9.4. e-Commerce and the Web

The Franchisor retains unto itself the exclusive right to utilize the Licensed Items and Marks for e-commerce purposes and for use on the "world wide web" or "Internet". The Franchisee shall not use the Licensed Items or Marks on the world wide web without the express written consent of the Franchisor which consent the Franchisor shall have the absolute right to withhold. Without limiting the generality of the foregoing, without the Franchisor's prior written consent, Franchisee shall not operate or advertise, market, or otherwise promote the Business on the "Internet" nor shall Franchisee register any domain name containing the words **SUTEKI EXPRESS** or any variation thereof, or establish, operate, or participate in a Web site on which such words appear. With respect to any aspect of the SUTEKI EXPRESS Restaurant Systems, the SUTEKI EXPRESS chain, or the Business (including, without limitation, the use of the Marks), Franchisor retains the sole right to advertise on the Internet, create or operate a Web site or sites, and use **SUTEKI EXPRESS** as part of any domain name. Franchisee acknowledges and agrees that the Franchisor exclusively owns all rights in such domain names and such other domain names as Franchisor shall designate, acquire or from time to time establish, to the absolute exclusion of the Franchisee.

9.5. Infringement; Discontinuing Use of the Marks

(a.) The Franchisor retains the sole and discretionary right to assert infringement of the Marks against any person or concern who may use such name or marks without permission, license or authority of the Franchisor. The Franchisee shall promptly notify the Franchisor of any infringement, actual or suspected, of which the Franchisee becomes aware, and shall co-operate at the Franchisor's expense (unless caused or contributed to by the Franchisee's negligence or misconduct) in doing such acts and things as may be asked of the Franchisee by the Franchisor or the Franchisor's counsel in the furtherance of any such proceedings.

(b.) The Franchisor shall defend the Franchisee from any and all claims of trademark infringement for use of the Marks and hold the Franchisee harmless from any such claims, provided that the Franchisee has at all times complied with the terms of this Agreement, promptly gives written notice to the Franchisor of any such claim, action or suit and grants the Franchisor complete authority to defend against same, and otherwise cooperates with the Franchisor in accordance with its instructions in the conduct thereof. The Franchisor shall conduct such legal action (or settle same) on such terms as it considers appropriate, in its sole discretion, shall bear all costs of defense of any such claim or suit, provided the Franchisee has satisfied the conditions set forth above.

(c.) Notwithstanding anything in this Agreement to the contrary, if, at any time, in the Franchisor's sole and absolute discretion, it becomes advisable to modify or discontinue the use of any of the Marks and/or use one or more additional or substitute names or marks for reasons including, but not limited to, the rejection of any pending registration or revocation of any existing registration of any of the Marks, or the superior rights of senior users, the Franchisee shall do so at its sole expense within 30 days of the Franchisor's request. In such event, the Franchisor is liable solely to reimburse the Franchisee for its reasonable direct printing and signage expenses incurred to modify or discontinue the use of the Mark(s) and substitute a different Mark(s). Such reimbursable expenses shall not include any expenditures the Franchisee makes to promote or market a modified or substitute Mark.

ARTICLE 10. DEFAULT AND TERMINATION OF FRANCHISE

10.1.Events of Default

Except as provided in Section 13.8, this Agreement and the rights conferred upon the Franchisee hereunder shall, at the option of the Franchisor, be terminated upon the occurrence of any of the following events or conditions, each of which shall be an "Event of Default" and which cumulatively may be referred to as "Events of Default," such termination is effective immediately upon the receipt by the Franchisee of notice to that effect:

- (a.) if the Franchisee or the Manager or any replacement Manager does not after two (2) attempts successfully complete his/her Initial Training;
- (b.) if the Franchisee fails to pursue or to successfully complete the Development Obligations in this Agreement or any other franchise agreement or Area Development Agreement to which Franchisee is a party, on a timely basis or does not commence the operation of the Business as required by Sections 4.3 and 4.4 and fails to remedy such default within ten (10) days after the Franchisor delivers notice of such Event of Default;
- (c.) if the Franchisee fails to pay any amount owing to the Franchisor (whether or not under this Agreement) or any Affiliate of the Franchisor and fails to remedy such default within five (5) days after receiving notice of such Event of Default from the Franchisor (or such shorter period of time as may be provided to cure such default, if any);

- (d.) if a default occurs under the Lease or Sublease of the Premises (subject to any notice and cure period thereunder) or if the Franchisee otherwise loses the right to possession of the Premises and does not relocate and open for business as contemplated in Section 4.6 within the time periods specified therein, or if the Franchisee otherwise forfeits the right to conduct the Business at the Premises;
- (e.) if the Franchisee fails to furnish reports, financial statements, tax returns or schedules or any other documentation required by the provisions of this Agreement or to provide electronic access to its records and its system, or fails to furnish the same at the times herein specified;
- (f.) if the Franchisee understates Gross Sales for any period by more than two percent (2%);
- (g.) if the Franchisee or, if it is a corporation or other entity, any shareholder or other owner, assigns or encumbers any interest in this Agreement, any interest in the assets of the Business, or any interest in the Franchisee, without fully complying with the requirements of Article 12;
- (h.) if the Franchisee or, if it is a corporation or other entity, a shareholder or other owner, engages in any conduct that, in the reasonable opinion of the Franchisor, reflects unfavorably upon or is detrimental to the Licensed Items or Marks, to the good name, goodwill or reputation of the Franchisor or any Affiliate of the Franchisor, or the SUTEKI EXPRESS Restaurant System, or to the business, reputation or goodwill of its franchisees (such conduct to include - by way of example only and without limitation - the failure to pay on a timely basis any amount owing to a trade creditor of the Franchisee or the misuse of any of the Licensed Items or Marks) and the Franchisee or the shareholder, as applicable, fails to remedy or cease such conduct within ten (10) days after the Franchisor delivers notice of such Event of Default;
- (i.) if the Franchisee or a Guarantor engages in conduct that, in the reasonable opinion of the Franchisor, reflects unfavorably upon or is detrimental to the Licensed Items or Marks, to the good name, goodwill or reputation of the Franchisor or any Affiliate of the Franchisor, or to the SUTEKI EXPRESS Restaurant System, or to the business, reputation or goodwill of its franchisees;
- (j.) if the Franchisee or, if it is a corporation or other entity, a shareholder or other owner, breaches the provisions of Sections 11.1, 11.2, 11.3 or if section 11.4 is violated, whether by Franchisee or by Guarantor or any individual associated with either of them, or otherwise as set out in section 11.4;
- (k.) except as otherwise provided in this Section 10.1, if the Franchisee breaches any of its other obligations from time to time to the Franchisor (whether under this Agreement or any other Contract) or any Affiliate of the Franchisor, including, without limitation, Franchisee's obligations as set out in Article 6 and fails to cure such breach within five (5) days after the Franchisor delivers notice of same (or such shorter period of time as may be provided to cure such breach, if any); or if the Franchisor, or any of its Affiliates, terminates any Contract;
- (l.) if the Franchisor during any consecutive twelve (12) month period gives to the Franchisee or Guarantor three (3) or more notices of any Event of Default (whether such notices relate to the same or different Events of Default and whether or not such Events of Default have been remedied by the Franchisee);

- (m.) if there has been any intentional misrepresentation of any information supplied to the Franchisor by the Franchisee or the Guarantor in connection with the Franchisee's application for this franchise;
- (n.) if the Franchisee or a Guarantor commits or suffers any act of bankruptcy or is adjudicated a bankrupt, or becomes an insolvent person, or if a petition in bankruptcy is filed against the Franchisee or a Guarantor, or if the Franchisee or a Guarantor takes or attempts to take advantage of any federal or state law now or hereafter in effect for the relief of debtors;
- (o.) if any proceedings are brought with respect to the Franchisee seeking any reorganization, arrangement, composition, liquidation or dissolution or similar relief under any relevant statute or law;
- (p.) if a receiver or other custodian (permanent or temporary) of any assets of the Business or of any shares in the capital of the Franchisee is appointed or a petition seeking same is filed, or if execution, attachment or similar process is levied against any such assets or shares, or if distress or other analogous process is made against any of the assets of the Business;
- (q.) if the Franchisee ceases the operation of the Business or otherwise abandons it; if the Franchisee does not, for any reason, open the Business to the public for three consecutive days, or 14 days in any 12-consecutive-month period, it is deemed to have abandoned the Business; or
- (r.) if the Franchisee or any affiliated entity or any other entity to which the Guarantor is a party in favor of the Franchisor is in default under any other Agreement with the Franchisor including without limitation any Franchise Agreement and/or Area Development Agreement and such default is not fully remedied within the time therein set out.

10.2.Termination Pursuant to Section 10.1 (a)

If the Franchisor terminates this Agreement pursuant to Subsection 10.1(a), then the Franchisor, the Franchisee and the Guarantor shall each execute such documents as may be required to fully rescind all Contracts between them in respect of the franchise herein granted, except for the provisions of Article 11 of this Agreement, and the Franchisee shall promptly return to the Franchisor all Manuals and other documents, including any copies thereof, furnished to or otherwise obtained by the Franchisee in connection with the Franchise herein granted. In the event that the Franchisee shall fail to execute such documents as and when required by this Section, Franchisor shall have the right so to do in Franchisee's name on behalf of the Franchisee and this shall constitute Franchisor's complete authority so to do. Upon compliance with the foregoing, the Franchisor shall refund to the Franchisee all amounts received by the Franchisor in respect of the Initial Franchise Fee referred to in Section 3.1, less i) the sum of Ten Thousand Dollars (\$10,000) and ii) any out of pocket costs or expenses as Franchisor may have incurred pursuant to this Agreement, including, without limitation, any and all costs associated with training or the leasing and/or development of the Premises, which amounts are acknowledged by the Franchisee and the Guarantor to be Franchisor's reasonable costs and expenses incurred to date of termination in connection with this Agreement (and not a penalty).

10.3.Failure to Renew in Accordance With Section 2.2(i)

If the Franchisee satisfies all the renewal conditions in Section 2.2., but the Franchisor chooses not to renew because it is withdrawing from the Market Area in accordance with Section 2.2 (i), then the Franchisor will conclusively be deemed to have exercised, coincident with the effective date of the expiration of the Initial Term, the option to purchase in accordance with the provisions of Section 10.6

hereof, but at a purchase price equal to fair market value of the going concern value of the Business pursuant to provisions of Section 10.6 (b) of this Agreement.

10.4.Cease Use of Marks and Licensed Items

Upon the expiration or sooner termination of this Agreement for any reason, all rights of the Franchisee hereunder shall be at an end and the Franchisee shall immediately cease to use the Licensed Items and Marks, by advertising or otherwise, and shall remove the Licensed Items and Marks from all signs, slogans, symbols, letterheads, stationery and from all documents, instruments or forms of whatever character which use of any of the Licensed Items and Marks. The Franchisee shall further execute such documents and take such action as the Franchisor may, in its sole and absolute discretion, deem necessary or advisable to evidence the fact that the Franchisee has ceased such use and has no further interest or right therein. Without limiting the generality of the foregoing, the Franchisee shall, at the request of the Franchisor, take all such action as may be necessary to cancel any trade name or assumed name registration with respect to any of the Marks. The Franchisee shall furnish to the Franchisor evidence satisfactory to the Franchisor of compliance with its obligations hereunder within thirty (30) days after expiration or sooner termination of this Agreement. Unless the Franchisor has entered into possession of the Premises pursuant to any Section hereof, or pursuant to a Sublease of the Premises with the Franchisee, or pursuant to a conditional lease assignment clause in the Franchisee's lease of the Premises, the Franchisee shall immediately upon the expiration or sooner termination of this Agreement for any reason, make such removals or changes in signs and decor of the Premises as the Franchisor shall request, so as to effectively distinguish the Premises from their former appearance as a SUTEKI EXPRESS Restaurant. If the Franchisor relinquishes possession of the Premises to the Franchisee following a re-entry pursuant to Section 10.8 hereof, then unless otherwise agreed by the Franchisor, the Franchisee shall immediately de-identify the Premises as aforesaid. Neither the Franchisee nor any Guarantor shall at any time following expiration or sooner termination of this Agreement identify itself or himself in any manner as having been at any time involved in a business relationship with the Franchisor; nor may the Franchisor nor any of its owners or any Guarantor disparage the Franchisor or the SUTEKI EXPRESS Restaurant System.

10.5.Return of Manuals

Immediately following the expiration or sooner termination of this Agreement, the Franchisee shall return to the Franchisor all copies of the Manual (which are provided to the Franchisee on a "loan basis" only and shall not at any time become the property of the Franchisee in any event) and all bulletins and advertising matter used by or in the possession of the Franchisee or the Guarantor relating to the Business, together with all materials bearing any of the Marks.

10.6.Option to Purchase

The Franchisor shall have the option, for a period of thirty (30) days following the expiration or sooner termination of this Agreement, to purchase any or all Equipment and Fixtures, leasehold improvements that are not the property of the Landlord, signage, inventory and supplies other than items of a personal nature (the "Franchise Assets") owned and used by the Franchisee in connection with the Business, for a purchase price equal to their then current value determined on an asset-by-asset liquidation-sale basis (rather than on a going-concern basis). Without limiting the generality of the foregoing, the then current value of the Franchise Assets shall not contain any factor or increment for goodwill and other intangibles, and the Franchisor may exclude from the Franchise Assets purchased hereunder any items which, in the reasonable opinion of the Franchisor, are obsolete, shop-worn, damaged or otherwise not in marketable or useable condition. If the parties cannot agree upon the value of the Franchise Assets within a period of ten (10) business days following the exercise of such option by the Franchisor, an independent appraiser shall be designated by the Franchisor to do so, and his determination shall be final and binding on all parties, and no appeal shall lie therefrom. If the Franchisor elects to exercise its option to purchase, it shall be entitled to set off against the purchase price for the assets all amounts owing to it from the

Franchisee (whether or not under this Agreement) and the cost of the appraisal, if any. If the Franchisor exercises its purchase option, the transaction of purchase and sale shall be closed on a date to be determined by the Franchisor, within five (5) days of the date that the purchase price is finally determined. The transaction of purchase and sale shall be completed in accordance with all applicable legislation, and without limiting the generality of the foregoing, the Franchisee shall comply with applicable bulk sales legislation in such manner as will permit the Franchisor to pay the entire purchase price to the Franchisee at closing. The Franchisee shall deliver against payment for the Franchise Assets being purchased a bill of sale with full covenants and warranties as to title (including, without limitation, that all items are being sold free and clear of all liens, claims, and encumbrances), together with such other documents as may be necessary or desirable to complete the transaction of purchase and sale. If the Franchisor exercises its purchase option, it may, in addition to the right of set-off provided above, pay from monies otherwise payable to the Franchisee any debts which the Franchisee owes to any Affiliate of the Franchisor or to any trade creditor (including without limitation any designated or approved supplier) of the Business and remit the balance of the purchase price then remaining, if any, to the Franchisee.

10.7. Removal of Equipment

If following the expiration or sooner termination of this Agreement the Franchisor enters into possession of the Premises and elects not to exercise any of its purchase options under Section 10.4(a) or (c) then the Franchisee shall have five (5) days within which to remove its Franchise Assets from the Premises, failing which the Franchisor may cause the same to be removed at the cost of the Franchisee. In such event, the Franchisor may dispose of the Franchise Assets in whole or in part, in such manner as it, in its sole and absolute discretion, deems appropriate. The proceeds of such disposition shall be applied first in payment of all expenses incurred by the Franchisor in connection with the removal and disposition of such property, then in payment of any amounts owing by the Franchisee to the Franchisor or its Affiliates (whether under this agreement or otherwise) and the balance, if any, shall be paid to the Franchisee. Ownership of any Franchise Assets not so removed by the Franchisee shall be deemed to have passed to the Franchisor and may be used by the Franchisor free of charge for the purpose of carrying on the business of a SUTEKI EXPRESS Restaurant or otherwise at the Premises or elsewhere as the Franchisor may from time to time determine.

10.8. Right of Re-entry

Forthwith upon expiration or sooner termination of this Agreement or upon the occurrence of an Event of Default under this Agreement, and whether or not this Agreement shall have been terminated as a result thereof, the Franchisor may enter upon, occupy and use all or any part of the Premises, and any Equipment and Fixtures, leasehold improvements and other assets located in, on or about the Premises and used in connection with the Business (including, without limitation, all telephone numbers and telephone listings used in connection with the Business). The Franchisor shall pay a reasonable use charge to the Franchisee for its use of such assets if it does not elect to purchase same pursuant to the terms of this Agreement. The Franchisor shall not be liable for any trespass, tort, or neglect in so doing or in respect of any depreciation or damages in connection with such action. All revenues, monies, profits, benefits and advantages derived from the operation of the Premises throughout such period of occupation shall be for the exclusive account of the Franchisor, and the Franchisor shall pay and discharge all debts and liabilities incurred by it in connection with its operation of the Premises. In addition, the Franchisor shall have the option, but not the obligation, to pay all amounts owing by the Franchisee to any creditor of the Business and any amount so paid shall be charged to and repaid by the Franchisee to the Franchisor upon demand (or deducted by Franchisor from any monies otherwise due Franchisee) and until so repaid shall bear interest as provided in this Agreement for overdue amounts. The Franchisor shall have no obligation to retain any employees of the Business nor to honor any contractual commitments previously made by the Franchisee in connection therewith. Any liability with respect thereto shall be exclusively borne and paid for by the Franchisee. If the Franchisor elects to retain any such employee, such employment shall be pursuant to a new employment agreement between the Franchisor and such

employee and shall commence on the first business day on which the Franchisor commences operating the Premises. Any claim of such employee for unpaid salary, vacation or other benefits arising from his employment with the Franchisee shall be the exclusive responsibility of and be paid solely by the Franchisee. The Franchisee and the Guarantor specifically indemnify and save the Franchisor harmless from any and all claims by employees or by government agencies pursuant to any federal or state employment or labor law in respect of past or continuing employees. The right of the Franchisor to use the Premises and the assets of the Business as aforesaid shall continue until the expiration of the option period in Section 10.6, but if the Franchisor elects to exercise such option, such right shall continue throughout the period preceding and including the closing of the transaction of purchase and sale.

10.9. Transfer of Telephone Numbers

The Franchisee agrees that upon the expiration or sooner termination of this Agreement all interest in and right to use all telephone numbers and all listings applicable to the Business (other than listings of a personal nature placed by the Franchisee) in use at the time of such expiration or sooner termination shall, upon request by the Franchisor, be transferred to and vested in the Franchisor. The Franchisee acknowledges that its execution of this Agreement shall, upon the expiration or sooner termination of this Agreement constitute its assignment of all its rights in all telephone numbers and listings applicable to the Business; notwithstanding the foregoing, Franchisee shall execute such additional documentation as may be reasonably required by the Franchisor from time to time to enable the Franchisor to obtain an assignment of the telephone number and listings applicable to the Franchise business. The Franchisor shall thereupon have the exclusive right to use such numbers and listings and to authorize the use thereof by any other person. To facilitate the completion of any such transfer, the Franchisee further agrees that upon the request of the Franchisor, the Franchisee shall pay to the telephone company all charges and other amounts which may be payable in connection with the telephone numbers being so transferred up to and including the date of transfer. The Franchisee agrees to reimburse the Franchisor upon demand for all amounts paid by the Franchisor on account of any such charges as a result of the Franchisee's failure to pay same, together with interest thereon as provided in this Agreement for overdue amounts or to deduct such amounts from any monies otherwise due Franchisor by Franchisee.

10.10. Settlement of Accounts

Upon the earlier of sixty (60) days after the expiration or sooner termination of this Agreement and the closing of the transaction of purchase and sale contemplated in Section 10.6, there shall be an accounting among the parties with respect to the monies due by each to the others. Each of the parties agrees promptly to pay to the others, by certified check, whatever money shall be found to be owing to the others pursuant to such accounting.

10.11. Power of Attorney

If at any time the Franchisee does not execute any document reasonably requested by the Franchisor in connection with any of the Franchisor's rights under this ARTICLE 10 or elsewhere in this Agreement, the Franchisor may do so on behalf of the Franchisee and the Franchisee does hereby constitute the Franchisor as its true and lawful attorney to execute any such document(s) on its behalf.

10.12. Assignment of Lease

Notwithstanding anything in this Agreement to the contrary, upon the expiration or sooner termination of this Agreement, if the Franchisee has directly entered a Lease with the Landlord, the Franchisee shall assign the Lease to the Franchisor if the Franchisor so requests (irrespective of whether the Franchisor exercises any of its purchase options under this ARTICLE 10).