



FRESH ASIAN GRILL

FRANCHISE DISCLOSURE DOCUMENT



Teriyaki Madness
Franchising, LLC
2696 S. Colorado Blvd. #110
Denver, Colorado 80222
Phone: 1-888-978-3160
www.teriyakimadness.com

Teriyaki Madness businesses operate fast casual restaurants that make and sell Japanese-style teriyaki dishes and other specialty food items, beverage items, and other items (“Teriyaki Madness Business(es)”).

The total investment necessary to begin operation of a single Teriyaki Madness Franchise is between \$227,199 and \$441,850. This includes \$52,500 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment in connection with the franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Rodney Arreola at 2696 S. Colorado Blvd., #110, Denver, Colorado 80222 and 1-888-978-3160.

The terms of your contract will govern your franchise relationship. Don’t rely on this disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: APRIL 1, 2014

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION/LITIGATION ONLY IN THE CITY WHERE WE HAVE OUR PRINCIPAL PLACE OF BUSINESS (CURRENTLY DENVER, COLORADO). OUT-OF-STATE ARBITRATION/LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE/LITIGATE WITH US IN COLORADO THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISEE'S SPOUSE MUST SIGN A PERSONAL GUARANTY MAKING SUCH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT WHICH ALSO PLACES THE SPOUSE'S PERSONAL ASSETS AT RISK. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is our agent and represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Dates: See next page for state effective dates.

STATE EFFECTIVE DATES

The following states require the disclosure document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

Effective Dates for States Requiring Registration and Notice Filings:

State	Effective Date
California	Pending
Hawaii	April 10, 2014
Illinois	April 7, 2014
Indiana	Pending
Maryland	April 11, 2014
Michigan	April 3, 2014
Minnesota	April 9, 2014
New York	Pending
North Dakota	Pending
Rhode Island	April 3, 2014
South Dakota	April 21, 2014
Virginia	Pending
Washington	Not Registered
Wisconsin	April 2, 2014

**NOTICE REQUIRED BY
STATE OF MICHIGAN**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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EXHIBITS

Exhibit A	List of State Administrators and Agents for Service of Process
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Exhibit E	Operations Manual Table of Contents
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Exhibit H	Contracts for use with the Teriyaki Madness Franchise
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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA AT EXHIBIT G.

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Company” and “we” and “our” means Teriyaki Madness Franchising, LLC, the franchisor. “You” and “your” means the person who buys the franchise from Teriyaki Madness Franchising, LLC and its owners if you are a business entity.

The Franchisor and Parent

We are a Colorado limited liability company formed on June 6, 2012. We have one parent entity and one predecessor. Our principal business address is 2696 S. Colorado Blvd., #110, Denver, Colorado 80222. We began offering franchises for Teriyaki Madness businesses in September 2012 (“Teriyaki Madness Franchise” or “Franchises”). We do not conduct business under any other name or in any other line of business nor do we offer franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document.

Teriyaki Madness LLC (“TM”) is our parent entity. TM owns and has licensed us to use the know-how, recipes, trademarks and other intellectual property involved in operating Teriyaki Madness Businesses. TM’s principal business address is 2696 S. Colorado Blvd., #110, Denver, Colorado 80222. TM does not conduct, and has not conducted business under any other name or in any other line of business. TM does not offer, and has not offered, franchises in this line or any other line of business. It does not conduct, and has never conducted, a business of the type described in this Franchise Disclosure Document.

Our agent for service of process in Colorado is Tom Wilten at 2696 S. Colorado Blvd., #110, Denver, Colorado 80222 and (702) 403-2308. Our other agents for service of process are disclosed in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Predecessors and Affiliates

Our non-operational predecessor, Madness Worldwide, LLC (“MW”) was a Nevada limited liability company. MW offered franchises similar to the type being offered under this Franchise Disclosure Document from June 2005 until April 2011 and sold approximately five (5) franchises during this time. Its principal business address was 8430 W. Lake Mead Blvd., Suite 100, Las Vegas, Nevada 89128. MW operated under the name of Teriyaki Madness until we acquired all of its assets in June, 2012. MW did not conduct business under any other name or in any other line of business, nor did it offer franchises in any other line of business. MW does not conduct, and has never conducted, a business of the type described in this Franchise Disclosure Document. We have three (3) affiliates: Teriyaki Madness, Inc. (“TMI”), a Nevada corporation with its principal business address at 9845 S. Maryland Pkwy, Suite C, Las Vegas, Nevada 89183; Teriyaki Madness Marketing, LLC (“TMM”), a Colorado limited liability company with its principal business address at 2696 S. Colorado Blvd., #110, Denver, Colorado 80222; and Teriyaki Madness International, LLC (“TM International”), a Colorado limited liability company with its principal business address at 2696 S. Colorado Blvd., #110, Denver, Colorado 80222. TMI currently owns and operates businesses of the type described in this Franchise Disclosure Document and has done so since August 2003. TMM manages the Marketing Fund (which is described in Item 11). TM International provides initial and ongoing support to our franchisees. Neither TMI, TMM, nor TM International has ever offered franchises in this or any other line of business.

The Teriyaki Madness Business

We offer franchises (“Franchises”) for the use of our “TERIYAKI MADNESS” trademarks, trade names, service marks and logos (“Marks”) for the operation of Teriyaki Madness Businesses. The Franchise is operated under a business format per a unique system, including our valuable know-how, information, trade secrets, training methods, confidential operations manual (“Manual”), standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of Teriyaki Madness Businesses (“System”). We reserve the right to change or otherwise modify the System at any time at our sole discretion. Each Teriyaki Madness Franchise operates a fast casual restaurant that makes and sells Japanese-style teriyaki dishes, and other specialty food items, beverage items, and other items. Teriyaki Madness Businesses feature grilled high-quality meats marinated and served with our proprietary signature teriyaki sauces. Teriyaki Madness Businesses offer generous portion sizes at reasonable prices. All meats are grilled to order and served promptly. You will operate your Teriyaki Madness Business from an approved retail location (“Restaurant”).

You must operate your Teriyaki Madness Franchise per our standard business operating practices and sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”). You may operate one (1) Teriyaki Madness Business for each Franchise Agreement you sign with us. Your Teriyaki Madness Business must offer only those services and products that we have authorized. We reserve the right to add, modify, or delete any services or products that you must offer or sell at your Teriyaki Madness Business at any time at our sole discretion.

General Market and Competition

The primary market for the services and items offered by the Teriyaki Madness Business are customers seeking high-quality, quick-service meals at reasonable prices. Most customers are between 18 and 49 years old. The products and services offered by Teriyaki Madness Businesses are not seasonal. The fast casual restaurant market, as a whole, is well developed and highly competitive, and includes retail units, mobile food trucks, and kiosks selling various types of food. In some locations, the quick-serve restaurant market appears to have reached saturation. You may have to compete with numerous other independent and chain-affiliated restaurants, some of which may be franchised. Many fast casual restaurant franchise systems, in particular, have already established national and international brand recognition.

Industry-Specific Laws and Regulations

The restaurant industry is heavily regulated. A wide variety of federal, state and local laws, rules and regulations have been enacted that may impact the operation of your Teriyaki Madness Business, and may include those which: (a) establish general standards, zoning, permitting restrictions and requirements and other specifications and requirements for the location, construction, design, maintenance and operation of the Teriyaki Madness Business’s premises; (b) set standards pertaining to employee health and safety; (c) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and laws and regulations relating to access by persons with disabilities; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations and requirements for fire safety and general emergency preparedness; (d) establish requirements for food identification and labeling; and (e) regulate advertisements. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations. You should

investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Teriyaki Madness Business and you should consider both their effect and cost of compliance.

You must identify, investigate, satisfy and comply with all laws, ordinances and/or regulations applicable to your Teriyaki Madness Business, including employment, workers' compensation insurance, and corporate, tax, public health and similar laws and regulations, because they vary from place to place, can change over time, and may affect the operation of your Teriyaki Madness Business. You must also obtain all necessary permits, licenses and approvals to operate your Teriyaki Madness Business. You should independently research and review the legal requirements of the food service industry with your own attorney before you sign any binding documents or make any investments, as you are solely responsible for compliance and adherence to the rules, regulations and laws in your area.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer, Director: Rodney Arreola

Mr. Arreola has been our Chief Executive Officer and a Director in Denver, Colorado since our inception in June 2012. Mr. Arreola is also the President and CEO of MW, located in Las Vegas, Nevada, and has held that position since May 2005.

Executive Vice President: Erin Hicks

Ms. Hicks has served as our Executive Vice President since July 2013 in Denver, Colorado. She previously served as Executive Vice President for Maui Wowi Franchising, Inc., from August 2009 to July 2013 in Greenwood Village, Colorado. From April 2008 to August 2009, she served as Vice President of Franchise Operations for Maui Wowi Franchising, Inc., in Greenwood Village, Colorado.

Vice President of Operations, Director: Alan Arreola

Mr. Arreola has been our Vice President of Operations and a Director in Denver, Colorado since our inception in June 2012. Mr. Arreola is also the Vice President of Operations for MW located in Las Vegas, Nevada, and has held that position since May 2005.

Vice President of Marketing and Director: Eric Garma

Mr. Garma has been our Vice-President of Marketing and a Director in Denver, Colorado since our inception in June 2012. He is also the Vice President of Marketing for MW, located in Las Vegas, Nevada, and has held that position since May 2005. Since its formation in May 2003, Mr. Garma has also been the Vice President of TMI, located in Las Vegas, Nevada.

Board Member: Michael L. Haith

Mr. Haith has served as a member of our Board in Denver, Colorado since our formation in June 2012. Mr. Haith is also the Chief Executive Officer of Maui Wowi Franchising, Inc., a coffee and smoothie franchisor located in Greenwood Village, Colorado, and has held that position since March 2002. In 1990, Mr. Haith founded, and continues to be the majority owner of, Pour la France! Catering Inc. located in Denver, Colorado. Mr. Haith also serves as Chairman of the Board of Doc Popcorn Franchising Inc. in Greenwood Village, Colorado and has done so since April 2008. Mr. Haith serves on the Board of Directors of Global Street LLC d/b/a Raintree in Denver, Colorado and has done so since

July 2012. Mr. Haith is a founding principal of Franchise Sherpas, Inc. in Denver, Colorado and has been so since November 2009.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

We offer three (3) different Franchise packages depending on the number of Teriyaki Madness Businesses you wish to purchase:

Franchise Type	Number of Teriyaki Madness Businesses	<u>“Initial Franchise Fee”</u>
Single	1	\$40,000
<u>“Multi-3”</u>	Up to 3	\$99,000
<u>“Multi-5”</u>	Up to 5	\$150,000

If you purchase a Multi-3 or Multi-5 Franchise, you will sign the “Multi-Unit Addendum” the form of which is attached to this Franchise Disclosure Document in Exhibit H. There is no development territory or development schedule to open additional Teriyaki Madness Businesses. To open additional Teriyaki Madness Businesses under a Multi-3 or Multi-5 Franchise, you will be required to sign the then-current Teriyaki Madness franchise agreement, but you will not be required to pay an Initial Franchise Fee (all other fees will apply).

The Initial Franchise Fee is uniform, payable when you sign your Franchise Agreement and is nonrefundable under any circumstances, even if you fail to open any Teriyaki Madness Businesses.

In addition to the Initial Franchise Fee, you must pay our affiliate, TM International, a “Location Assistance Fee” of \$12,500 for the first Teriyaki Madness Franchise that you purchase and \$10,000 for each additional Teriyaki Madness Franchise, which offsets our costs in supporting your efforts to find, develop, and open the Restaurant (“Location Assistance”). You will pay the initial Location Assistance Fee when you sign the Franchise Agreement.

Initial Franchise Fees and Location Assistance Fees are fully earned by us when paid and are not refundable under any circumstances. Unless otherwise agreed to, by way of example, through a franchise sales promotion, or otherwise, all Initial Franchise Fees and Location Assistance Fees are uniform.

If you fail to open the Teriyaki Madness Business within 12 months of signing the Franchise Agreement, you will be required to pay us an “Opening Extension Fee” of \$250 per week until the Teriyaki Madness Business is open or we will terminate the Franchise Agreement.

**ITEM 6
OTHER FEES**

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee ⁽²⁾	6% of Gross Revenues	Tuesday of each week	The “ <u>Royalty Fee</u> ” is based on Gross Revenues during the previous week. Payments are made via an Electronic Funds Transfer (“ <u>EFT</u> ”).
Marketing Fund Contribution	2% of Gross Revenues	Same as Royalty Fee	We have established a marketing fund (“ <u>Marketing Fund</u> ”) which is discussed in more detail in Item 11.
Local Advertising Requirement	Up to \$15,000 per year	As incurred	This requirement is discussed in more detail in Item 11. If you fail to spend the local advertising requirement in any given period, you will be required to pay the difference to us, or if established, the Marketing Fund.
Technology Fee	Currently \$99.95 per month	Monthly	For use of our online systems, e-mail, data sharing and other Internet related functions. We collect this fee on the first Tuesday of each month. We reserve the right to increase this fee in the event we offer updated or additional software or technology for use in the Teriyaki Madness Franchise.
Payment Service Fees	3% of total charge	As incurred	If payment is made to us by credit card for any fee required, we may charge a service charge of 3% of the total charge.
Additional Training or Assistance Fees ⁽³⁾	An amount set by us (currently \$500 per additional person for initial training; \$500 per day for additional training plus all travel expenses)	As incurred	We provide initial training at no cost for up to two (2) people; we may charge you for training newly-hired personnel, refresher training courses, and additional or special assistance or training you need or request. The fee amount will depend on the training required. If we provide additional training at your Restaurant, you will be required to pay for our instructors’ travel expenses as well.

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Convention Fee ⁽⁴⁾	\$1,500 for up to two (2) attendees (of which \$500 is credited back if at least one (1) attends), plus expenses and \$500 for each additional attendee, plus expenses	As incurred	The “ <u>Convention Fee</u> ” is payable to us to help defray the cost of your attendance at the convention(s). We reserve the right to charge this fee whether or not you attend the conference. We did not hold an annual convention in 2013.
Transfer Fee	50% of our then-current Initial Franchise Fee	\$1,000 deposit at time of transfer application submittal and the remaining balance of fee at time of approved transfer	Payable only in connection with the transfer of your Teriyaki Madness Business, a transfer of ownership of your legal entity, or the Franchise Agreement.
Successor Franchise Fee	10% of our then-current Initial Franchise Fee	At the time you sign the successor franchise agreement	This fee is commonly referred to as a “renewal fee.” Payable if you qualify for a successor franchise and choose to enter into a successor franchise agreement.
Relocation Fee	\$2,500	Upon submission of request to relocate	Payable if you relocate your Teriyaki Madness Business.
Operations Manual Replacement Fee	\$500	As incurred	Payable if the Manual we loan to you is lost, stolen or destroyed.
Late Payment	\$100 per occurrence, plus lesser of the daily equivalent of 15% per year simple interest or the highest rate allowed by law	As incurred	Payable if any payment due to us is not made by the due date. Interest accrues from the original due date until payment is received in full.
Returned Check Or Insufficient Funds Fee	\$100 per occurrence	As incurred	Due each time a check you write to us is dishonored or you have insufficient funds for an EFT payment.
Audit	Cost of audit plus late fee of one and one-half percent (1.5%) interest per month on understatement (we estimate this cost to be between \$1,000 and \$15,000)	Upon demand	Payable only if audit shows an understatement of at least two percent (2%) of Gross Revenues for any month or if you fail to fully cooperate with our auditors or inspectors.
Taxes	Amount assessed by federal, state and local tax authorities on any payments you make to us	Upon demand	Payable if we are assessed any taxes on any payments you make to us (including sales, gross receipt, excise, use or similar taxes, but not income taxes).

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Indemnification	Varies under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your Teriyaki Madness Business, Franchise or the operation of your Teriyaki Madness Business.
Legal Costs and Professional Fees	Will vary under circumstances	As incurred	You will be required to reimburse us for any legal or accounting fees that we incur as a result of any breach or termination of your Franchise Agreement.
Insurance	Reimbursement of our costs plus a 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us for the cost of insurance obtained plus twenty percent (20%) of the premium for an administrative cost of obtaining the insurance.
Management Fee	\$500 per day per representative, plus expenses	As incurred	Payable if we manage the Franchise after you materially breach the Franchise Agreement, or upon your death, disability, or prolonged absence.
Liquidated Damages ⁽⁵⁾	Will vary under the circumstances	15 days after termination of the Franchise Agreement	See Note 5.
Unauthorized Advertising Fee	\$250	Upon demand	This fee is payable to the Marketing Fund if you use unauthorized advertising in violation of the terms of the Franchise Agreement.
Failure to Submit Required Financial Report Fine	\$100 per occurrence and \$100 per week	Your bank account will be debited for failure to submit any requested report within five (5) days of request	Fines collected are paid to the Marketing Fund.
Maintenance and Refurbishment	Varies under the circumstances	As incurred	You must perform regular maintenance for your Teriyaki Madness Business. You must refurbish your Teriyaki Madness Business within six (6) months after our request. You will not be required to refurbish your Teriyaki Madness Business within your first three (3) years of operation.

Name of Fee ⁽¹⁾	Amount	Due Date	Remarks
Supplier and Product Evaluation fee	Cost of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect or test product samples from proposed suppliers nominated by you.
Customer Satisfaction Reimbursement	Varies under circumstances	As incurred	We may, in our sole discretion, remedy any issues with customers of your Teriyaki Madness Business, including full reimbursement of any fees paid to you. You are required to reimburse us for any such costs.

Notes:

The Item 6 table describes other recurring or isolated fees or payments that you must pay to us or our affiliates, or which we or our affiliates may impose or collect on behalf of a third party, in whole or in part.

1. All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may or may not be refundable depending on the vendors and suppliers. We reserve the right to require you to pay fees and other amounts due to us via EFT or other similar means, as described in the Franchise Agreement and/or Manual. If payments are required in this method, you must comply with our procedures and perform all acts and deliver and execute all documents, including authorization (Exhibit H) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure you shall authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing. You shall make the funds available to us for withdrawal by EFT no later than the payment due date.

2. “Gross Revenues” means the revenues you receive from the sale of all items and services, and all other income of every kind and nature related to the Teriyaki Madness Business or Teriyaki Madness Business operations, whether for cash or credit, and regardless of collection in the case of credit, but not including: (a) any sales taxes or other taxes you collect from customers for, and thereafter paid directly to, the appropriate taxing authority; or (b) any bona fide refunds you make to customers. Gross Revenues are deemed received by you at the time the services or products from which they were derived are delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on an account receivable) actually has been received by you. If you have not timely reported your Teriyaki Madness Franchise’s Gross Revenues to us for any reporting period, then we shall be authorized, at our option, to debit your account for the higher of: (a) the fees transferred from your account for the last reporting period for which a report of your Teriyaki Madness Franchise’s Gross Revenues was provided to us, or (b) an estimated amount due.

3. If you desire, or we require, additional people to attend the initial training program, we will charge \$500 per person per day. If you request or we require additional or ongoing

training, you will be required to pay us our then-current fee. You will also need to pay for the cost of travel, room and board, and other personal expenses for each person attending the initial and recurring training programs.

4. Your Managing Owner and Designated Manager (as defined in Item 15), if applicable, must attend mandatory conferences at locations that we designate, and you must pay other expenses of each person attending, including any conference fees, travel expenses, meals, living expenses and personal expenses. You will pay us, in the same manner as the Royalty Fee, a convention fee of \$1,500. If your required attendees attend the annual convention, we will credit \$500 of the \$1,500 back to you in the form of a royalty rebate. The Convention Fee is in addition to other expenses of each person attending, including any conference fees, travel expenses, meals, living expenses and personal expenses. If you wish to send more than two (2) individuals to our annual conference, you must pay, in addition to expenses, a fee of \$500 per additional individual.
5. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination, liquidated damages equal to the average monthly Royalty Fees you paid to us during the 12 months of operation preceding the effective date of termination multiplied by: (a) 24 (being the number of months in two (2) full years), or (b) the number of months remaining in the Franchise Agreement had it not been terminated, whichever is higher.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Initial Franchise Fee ⁽¹⁾	\$40,000	\$40,000	Lump sum	Upon signing Franchise Agreement	Us
Location Assistance Fee	\$12,500	\$12,500	Lump sum	Upon signing Franchise Agreement	Our Affiliate
Rent, Security Deposit, Utility Deposit ⁽²⁾	\$7,000	\$13,500	As incurred	As agreed	Landlord, Utility Companies
Leasehold Improvements ⁽³⁾	\$75,000	\$180,000	As incurred	As agreed	Landlord, Contractors, Other Suppliers
Furniture, Fixtures and Equipment ⁽⁴⁾	\$48,000	\$110,000	As incurred	As agreed	Approved Suppliers
Architect	\$8,000	\$15,000	As incurred	As agreed	Approved Suppliers

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Initial Inventory and Supplies ⁽⁵⁾	\$2,000	\$5,000	As incurred	As agreed	Approved Suppliers
Insurance ⁽⁶⁾	\$1,500	\$3,000	As incurred	As agreed	Insurance Providers
Business Licenses and Permits ⁽⁷⁾	\$500	\$750	As incurred	As agreed	Third Parties
Professional Fees ⁽⁸⁾	\$2,500	\$4,000	As incurred	As agreed	Attorney, Accountant
Signage ⁽⁹⁾	\$5,500	\$15,000	As incurred	As agreed	Approved Suppliers
Office Equipment and Supplies ⁽¹⁰⁾	\$9,500	\$12,600	As incurred	As agreed	Approved Suppliers
Grand Opening Promotion ⁽¹¹⁾	\$5,000	\$10,000	As incurred	As agreed	Approved Suppliers
Uniforms ⁽¹²⁾	\$600	\$1,000	As incurred	As agreed	Approved Suppliers
Initial Training Expenses ⁽¹³⁾	\$599	\$4,500	As incurred	As agreed	Airline, Hotel, Restaurants, etc.
Additional Funds – 3 Months ⁽¹⁴⁾	\$9,000	\$15,000	As incurred	As agreed	Third Parties
TOTAL ⁽¹⁵⁾	\$227,199	\$441,850			

Notes:

All expenditures paid to us or our affiliates are nonrefundable under any circumstances once paid. Fees paid to vendors, suppliers, or other third parties may or may not be refundable depending on their policies or your arrangements with them.

1. The Initial Franchise Fee is \$40,000 for the purchase of a single Teriyaki Madness Business. If you purchase a Multi-3 or Multi-5 Franchise, the only additional initial cost that you will incur over the purchase of a single Franchise will be the increase in Initial Franchise Fee until you open the additional Teriyaki Madness Businesses. Once you open additional Teriyaki Madness Businesses, you will incur the costs listed in this Item 7 (except for the Initial Franchise Fee) at the time you open the additional Teriyaki Madness Businesses. These costs may increase in the future depending on when you open the additional Teriyaki Madness Businesses.
2. This estimate anticipates that your rent commencement date will start approximately 180 days after you take possession of the Restaurant and provides for rent payment for one month, an initial security deposit and a utility deposit. If you are required to pay rent

prior to this date, your expenses may be greater than what is indicated in the chart. We estimate that a typical Teriyaki Madness Business will need between 1,500 and 2,000 square feet of space, and we estimate lease rates to range between \$2.25 and \$4.00 per square foot per month. There are a variety of factors that can affect lease rates, the most prominent being location and market conditions. In addition, some leases are triple net leases which require the tenant to pay rent plus all taxes, insurance and maintenance expenses, while other leases may charge a variable rent based on a percentage of your income, with no fixed minimum rental charge. This estimate does not account for triple net expenses or other amounts beyond the base rental rate. You should investigate lease rates in your own area.

3. The estimate shown assumes that the landlord provides a contribution or tenant improvement allowance to help the cover the costs of the build out. You may be able to negotiate with your landlord for a significant landlord contribution for these expenses. In a build-to-suit lease, the landlord typically includes some or all of the improvements and fixtures in your lease payments. The costs may go up if the landlord does not provide what we request in our standard work letter or does not provide an adequate allowance to cover these improvements. The estimate involves expenses associated with the design and build-out of the Restaurant, such as plumbing, electrical and remodeling work and are based on our experience with existing franchisees. These costs may significantly vary depending on the size, condition and location of the leased premises, supply and demand for materials and labor in your local area, local building and fire code requirements, and requirements of the lease regarding such matters as construction, signage and inflation. The costs vary with factors such as Teriyaki Madness Business size and type, configuration, remodeling needs, and location.
4. This estimate involves the furniture, fixtures, and equipment you will need to open a Teriyaki Madness Business, such as chairs, tables, casework, refrigerators, freezers, grills, a range, deep fryer, exhaust hood and other items. Some of these expenses will depend on Teriyaki Madness Business size, shipping distances, supplier chosen and your credit history.
5. You must have an opening inventory and supply items on hand when you begin the onsite training of your Teriyaki Madness Business.
6. You must obtain and maintain certain types and amounts of insurance (See Item 8).
7. You must obtain all necessary permits and licenses required by applicable law before you begin operation of the Teriyaki Madness Business.
8. We strongly recommend that you hire a lawyer, accountant or other professional to advise you on this franchise offering. Rates for professionals can vary significantly based on area and experience.
9. The estimate is the cost of the interior and exterior signs you will need for your Teriyaki Madness Business.
10. You must purchase an approved point-of-sale system, a computer, business stationery, and certain other related items necessary to operate and manage the Teriyaki Madness Business. See Items 6 and 11 for additional information.

11. You must spend at least \$5,000 on an approved grand opening advertising campaign.
12. You are required to have at least one (1) clean apron per employee per shift. You are also required to have one (1) hat per employee, two (2) shirts for each part-time employee and four (4) shirts for each full-time employee.
13. This estimates the expense you will incur in sending two (2) individuals to our initial training programs, including travel expenses. We do not charge a fee for training. These estimates do not include any salary or wages you may pay to any of your trainees for the time they spend in training (See Item 11).
14. This estimates your initial startup expenses (other than the items identified separately in the above table). These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the Teriyaki Madness Businesses. Your costs depend on how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your services and products; the prevailing wage rate; competition; and the sales level reached during the initial period. These estimates are based on an initial period of three (3) months.
15. We have relied on the experience of our affiliates, predecessor, TMI, and officers to arrive at these estimates. You should review these figures carefully with a business advisor before deciding to acquire the Franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Teriyaki Madness Business according to our System and specifications. This includes purchasing or leasing all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Teriyaki Madness Franchise under our specifications, which may include purchasing these items from: (1) our designees, (2) approved suppliers, and/or (3) us or our affiliates.

You must purchase all food items, beverage items, marketing materials, uniforms, logo apparel, credit card merchant services, and apparel from our approved suppliers. We will provide you with written notice of any changes to our approved suppliers (which may be in the form of an update to the Manual). All other products and services must meet our specifications and standards and must be purchased from suppliers we designate or from suppliers that you select that meet our criteria for suppliers. Our Manual states our specifications, standards, and guidelines for all goods and services that we require you to obtain in establishing and operating your Teriyaki Madness Business. We may in the future require franchisees to purchase ingredients, supplies and materials only from distributors and manufacturers which meet our standards and specifications for quality and consistency. We estimate that the required purchases and leases described in this Item will represent approximately 85% of your cost to establish your Teriyaki Madness Business and 75% of your cost to operate your Teriyaki Madness Business.

We are currently not an approved supplier of any products or services. We may designate ourselves and/or any affiliates we may have as an approved supplier, or the only approved supplier, from

which you may or must lease or purchase particular products or services in developing and operating your Teriyaki Madness Business. We and our affiliates may derive revenue from these sales, and may sell these items at prices exceeding our or their costs that include a profit margin. Our affiliate, TM International, is the only approved supplier of the Location Assistance. Some of our officers own an equity interest in TM International, an approved supplier. We and our affiliates may derive revenue from these sales, and may sell these items at prices exceeding our or their costs that include a profit margin. During the last fiscal year, TM International's revenue from required purchases by franchisees was \$105,000. During our last fiscal year, we did not derive revenue from the sale or lease of products or services to franchisees. Certain designated suppliers made payments to TM International based on percentage of franchisee purchases.

If you wish to propose a supplier for a product or service, you may submit a proposal in writing to us prior to use of any product or service not yet evaluated or approved by us including any information, specifications, and samples that we request. We do not make our specifications and/or standards generally available to franchisees or suppliers. We may need to inspect the proposed supplier's facilities. We will notify you in writing within 90 days after receiving all requested information and materials whether or not you are authorized to use or sell the product or service or to purchase or lease the product or service from that supplier or provider. We reserve the right to charge you for our reasonable expenses for testing and evaluating any proposed item. We may periodically re-inspect approved suppliers' facilities and products and we reserve the right to revoke our approval of any supplier, provider, product or service that does not continue to meet our specifications. We will notify you of any revocations within ten (10) days of our decision either in writing or by supplying you with a revised Manual.

You must purchase the insurance coverage that we periodically require for your Teriyaki Madness Franchise. You currently must have the following insurance coverage: (1) commercial general liability insurance with limits of at least \$2 million per occurrence, at least \$4 million aggregate, and at least \$2 million per person, with \$5,000 per person medical benefits, and a maximum deductible of \$2,500; (2) all risks coverage insurance on all furniture, fixtures, equipment, inventory, supplies and other property used in the operation of the Teriyaki Madness Business (including flood and/or earthquake coverage where there are known risks) for full replacement value; and (3) workers' compensation insurance consistent with applicable law. The insurance policies must be purchased from a supplier rated A+ or better by A.M. Best & Company, Inc., or meeting other criteria we may periodically establish.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional insured parties and provide for thirty (30) days prior written notice to us of a policy's material modification, cancellation or expiration. You must furnish us with a copy of your certificate of insurance within ten (10) days after the policy is issued or renewed.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your Teriyaki Madness Franchise. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may be limited to us and/or our affiliates).

We have negotiated price terms and other purchase arrangements with suppliers for some items, including food and drink products, that we require you to lease or purchase in developing and operating your Teriyaki Madness Franchise. There currently are no purchasing and distribution cooperatives. We do not provide material benefits (for example, renewal or granting additional franchises) to franchisees based on their use of designated or approved sources.

**ITEM 9
FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Franchise Disclosure Document.

Obligation	Section In Agreement	Disclosure Document Item
(a) Site selection and acquisition / lease	Sections 4.01 and 4.02 in Franchise Agreement	Items 7 and 11
(b) Pre-opening purchases / leases	Sections 4.04 and 4.05 in Franchise Agreement	Items 6, 7 and 8
(c) Site development and other pre-opening requirements	Section 4.03 in Franchise Agreement	Items 6, 7 and 11
(d) Initial and ongoing training	Sections 6.02, 6.03 and 6.04 in Franchise Agreement	Items 6, 7, 11 and 15
(e) Opening	Section 4.06 in Franchise Agreement	Item 11
(f) Fees	Sections 3, 4, 5, 7, 8, 14, 15 in Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies / operating Manual	Sections 5.01, 5.07 and 9 in Franchise Agreement	Items 8, 11, 14 and 16
(h) Trademarks and proprietary information	Sections 9, 10 and 11 in Franchise Agreement	Items 13 and 14
(i) Restrictions on products / services offered	Section 5.10 in Franchise Agreement	Items 8 and 16
(j) Warranty and customer service requirements	Section 5.07 in Franchise Agreement	Item 8
(k) Territorial development and sales quotas	None	Item 12
(l) Ongoing product / service purchases	Sections 5.10, 5.11, 5.12 and 5.14 in Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 5.05, 5.08 and 5.09 in Franchise Agreement	Items 7 and 17
(n) Insurance	Sections 14.01 and 14.02 in Franchise Agreement	Items 6, 7 and 8
(o) Advertising	Sections 5.13, 5.15 and 5.16 in Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Sections 14.03 and 14.04 in Franchise Agreement	Item 6
(q) Owner's participation / management / staffing	Section 6.01 in Franchise Agreement	Item 15
(r) Records and reports	Sections 8.10, 8.11, 8.12, 8.13, 8.14 and 8.15 in Franchise Agreement	Items 6 and 11

Obligation	Section In Agreement	Disclosure Document Item
(s) Inspections and audit	Section 12 in Franchise Agreement	Item 6
(t) Transfer	Section 15 in Franchise Agreement	Items 6 and 17
(u) Renewal	Sections 3.02 and 3.03 in Franchise Agreement	Items 6 and 17
(v) Post-termination obligations	Section 17 in Franchise Agreement	Item 17
(w) Non-competition covenants	Sections 5 and 17.09 in Franchise Agreement	Item 17
(x) Dispute resolution	Section 18 in Franchise Agreement	Item 17
(y) Liquidated damages	Section 17 in Franchise Agreement	Item 6

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your notes, leases or any other obligations.

Franchisees of the Teriyaki Madness System are eligible for expedited and streamlined Small Business Administration loan processing through the SBA's Franchise Registry Program, www.franchiseregistry.com.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Teriyaki Madness Franchising, LLC is not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your Teriyaki Madness Business, we (or our designee) will provide the following assistance and services to you:

1. Provide you with assistance including site selection, site evaluation, lease review, and construction project management, as we have outlined in our Manual (See Franchise Agreement – Section 7.01).
2. Review your lease agreement for the Restaurant to ensure that its terms contain our required provisions and otherwise meet our minimum standards (See Franchise Agreement – Section 7.02).
3. Provide you with specifications for all initial and replacement furniture, fixtures, equipment, inventory, and supplies required to operate your Teriyaki Madness Business. We will also provide you with a schematic design review. You must submit final construction plans and specifications to us for our approval before you begin construction at the Restaurant, and must construct the Teriyaki Madness Business in accordance with those approved plans and specifications (See Franchise Agreement – Sections 7.05 – 7.07).

4. Counsel you on necessary pre-opening procedures and assist you with inventory ordering of products, equipment and supplies, through our affiliate or other suppliers, as applicable, which are necessary for commencement of operations (See Franchise Agreement – Sections 7.05 – 7.07).

5. Loan to you or make available to you on our website one (1) copy of the Manual, which may include audio and video media, compact disc media, computer software, other electronic media, and/or written materials. The Manual contains mandatory and suggested specifications, standards, operating procedures, and rules (“System Standards”). The Manual includes approximately 276 pages. The table of contents for the Manual is attached to this Franchise Disclosure Document as Exhibit E. (See Franchise Agreement – Section 7.04).

6. Provide you with a list of our approved items, services and suppliers, and consultation on required purchases as we deem necessary and appropriate (See Franchise Agreement – Sections 7.05 – 7.07).

7. Provide an initial training program to you and your managing owner or designated manager, if applicable (See Franchise Agreement – Section 7.08).

8. Provide you with on-site assistance for up to 14 days in connection with your opening (up to seven (7) days before your soft opening and up to seven (7) days during your soft and grand openings) (See Franchise Agreement – Section 7.10).

9. Provide you with templates for certain promotional and advertising materials and consultation in connection with the grand opening marketing for your Teriyaki Madness Business (See Franchise Agreement – Section 7.10).

10. Provide you with other pre-opening consultation as we deem necessary and appropriate during normal business hours (See Franchise Agreement – Section 7.10).

Site Selection

We and TM International will provide you with our site selection criteria for you to use to select and acquire a site for your Teriyaki Madness Business which meets our site selection criteria. You may not lease or purchase a site for your Teriyaki Madness Business until after we have approved the site in writing. The factors we consider in approving sites include location, size, suitability, layout, access and visibility of the proposed location, proximity to other businesses, location and nature of any competitors, population density and demographics, vehicle traffic, pedestrian traffic, existing tenant mix, parking convenience, and other factors that may be relevant to your market. The same site selection criteria will generally be applicable to all System franchisees.

Our site selection criteria and our approval of a site do not constitute a representation or warranty as to the suitability of any particular site for a Teriyaki Madness Business or as to any other purpose. Our approval only indicates that we believe that the site falls within our minimum site selection criteria. There are no deadlines for our approval or disapproval of your proposed site, although we will typically be able to respond within two (2) weeks after you submit to us all of the required information. Once we have approved your location, the Franchise Agreement will automatically be amended to show the specific location as the only location where you are authorized to operate the Teriyaki Madness Business. If you and we are not able to reach agreement on an approved site for your Teriyaki Madness Business within six (6) months after you sign the Franchise Agreement, then we have the option to terminate the Franchise Agreement without providing you a refund.

You must obtain our prior written approval of your lease. Your lease must meet our lease approval criteria, including certain mandatory lease provisions that we require for our protection.

Although we will consult with you on your site, assist you in finding an acceptable location, and require that your site be subject to our final authorization, you have the ultimate responsibility in choosing, obtaining and developing the site for your Teriyaki Madness Business. Our consultation is not a promise or guarantee that the Teriyaki Madness Business operated at your site will be successful.

Opening

You must open your Teriyaki Madness Business no more than 12 months after you sign the Franchise Agreement. The typical time between signing the Franchise Agreement and opening the Teriyaki Madness Business is five (5) to eight (8) months. Factors that affect this length of time include: securing any necessary financing; selecting the site; negotiating the lease; obtaining necessary permits; completing leasehold improvements; delivery of equipment, inventory and supplies; completing our initial training program; and hiring and training a manager and other employees. If you do not open within 12 months after you sign the Franchise Agreement, you will be required to pay us an Opening Extension Fee until you open.

You may not open your Teriyaki Madness Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) you have completed the initial training program to our satisfaction and have commenced the on-site assistance program; (3) all amounts due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; (5) you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; (6) you have received all required permits and licenses; (7) you have ordered, received and installed your equipment, supplies, inventory and computer system; and (8) you have signed the “Franchisee Onsite Training Agreement” which is attached to this Franchise Disclosure Document in Exhibit H . You must be prepared to begin operating your Teriyaki Madness Business after we state that your Teriyaki Madness Business is ready for opening.

Continuing Obligations

During your operation of your Teriyaki Madness Business, we (or our designee) will provide the following assistance and services to you:

1. Advise you regarding the Teriyaki Madness Business operation based on your reports and our inspections. We also will guide you on standards, specifications, and operating procedures and methods that Teriyaki Madness Businesses use; required purchases and authorized operating assets and other items and arranging for their distribution to you from us or the suppliers; advertising and marketing materials and programs; employee training; and administrative, bookkeeping, accounting, and inventory control procedures. We will guide you through the Manual, in bulletins or other written materials, through the use of electronic media, telephone conferences and/or meetings at our offices or at your Restaurant (See Franchise Agreement – Section 7.12).

2. Continue to loan you or make available to you on our website one (1) copy of the Manual (See Franchise Agreement – Section 7.04).

3. Issue and modify System Standards for Teriyaki Madness Franchises. We may periodically modify System Standards, and those modifications may require you to invest additional

capital in the Teriyaki Madness Business and/or incur higher operating expenses (See Franchise Agreement – Section 7.12).

4. License to you for your use, confidential and proprietary information designed to assist you in the operation of the Teriyaki Madness Business (See Franchise Agreement – Section 10.03).

5. License to you use of the Marks (See Franchise Agreement – Section 10.03).

6. Maintain and administer the Marketing Fund, described in greater detail immediately below in this Item 11 (See Franchise Agreement – Section 7.14).

7. Maintain and administer one (1) or more websites to advertise, market and promote Teriyaki Madness Businesses and the services and products offered (each a “System Website”) (See Franchise Agreement – Section 7.16).

8. Review requests for approval of additional items, services and/or suppliers, and notify you of our decision (See Franchise Agreement – Section 7.17).

9. Review samples of all marketing materials and other materials bearing our Marks you submit to us for approval and notify you of our decision (See Franchise Agreement – Section 10.03).

10. Provide you with additional training at our corporate headquarters or a corporate location, if we determine that you require additional training, or if you request additional training. We may require you to undergo additional training if we determine that you are not operating your Teriyaki Madness Business in accordance with our standards and specifications. If we provide any additional training or assistance at a location other than our corporate headquarters, you will be charged our standard rate in effect at the time. As of the Issuance Date of this Franchise Disclosure Document, we charge a fee of \$500 per day, payable in advance or as otherwise agreed. You will also pay the cost of travel, meals and accommodations for our representatives, if we provide on-site training or assistance. You will pay the cost of travel, meals and accommodations for you or your representatives associated with any additional training or assistance that is conducted at our corporate headquarters.

11. We will provide you with a newsletter that we may periodically publish in print or electronic format, at our sole discretion.

Advertising and Marketing

Grand Opening Marketing

You must execute an opening marketing and advertising program (“Grand Opening Marketing Program”) in which you must spend at least \$5,000 during the time period beginning approximately one (1) week before your Teriyaki Madness Business is scheduled to open and within approximately four (4) weeks after the opening. The Grand Opening Marketing Program must comply with our specifications and standards, as set forth in the Manual.

Local Advertising

In addition to the Marketing Fund Contributions and the Grand Opening Marketing Program described above, each Teriyaki Madness Business must implement the local marketing plan that we prescribe, which will require the franchisee to spend up to \$15,000 on local marketing each year (“Local Advertising Requirement”) according to the marketing plan that we provide to you. If you fail to spend

the Local Advertising Requirement in any given period, you will be required to pay the difference to the Marketing Fund.

All advertising, promotional, and marketing content must be clear, factual, not misleading, and must conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we may require from time to time. Before you conduct any advertising or marketing you must send us or our designated agency samples of your proposed materials for review. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. You may not advertise via the Internet or a worldwide web page, including social media websites such as Twitter and Facebook, unless we have authorized you to do so in writing. At our request, all local advertising materials must include certain language, such as “Franchises Available” and our website address and telephone number. You are prohibited from making press releases or contributions or donations associated with the Marks or the Teriyaki Madness Business without our consent.

Marketing Fund

We have established an advertising and Marketing Fund for Teriyaki Madness Franchises. You must contribute to the Marketing Fund two percent (2%) of your Gross Revenues. Your Marketing Fund Contribution will be due at the same time and in the same manner as the Royalty Fee. Teriyaki Madness Businesses owned by us or our affiliates are not obligated to contribute to the Marketing Fund, but may do so on a voluntary basis. The Marketing Fund may allocate resources to advertise locally, regionally, and/or nationally, in printed materials, on radio, on television, and/or on the Internet, in our sole discretion.

Use of Marketing Fund

We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. We will account for the Marketing Fund separately from our other funds and not use the Marketing Fund for our general operating expenses.

We will hold all Marketing Fund Contributions for the benefit of the contributors and use contributions only for their permitted purposes. We have no fiduciary obligation to you for administering the Marketing Fund. The Marketing Fund may allocate in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use any interest earned on Marketing Fund Contributions to pay costs before spending the Marketing Fund’s other assets. We will not use the Marketing Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available” or similar phrasing. Upon written request, we will make available an unaudited annual accounting for the Marketing Fund that shows how the Marketing Fund proceeds have been spent for the previous year. We may, in our sole discretion, have the Marketing Fund audited annually, at the Marketing Fund’s expense, by an independent certified public accountant. We may incorporate the Marketing Fund or operate it through a separate entity, in our sole discretion. If the Marketing Fund is managed by a separate entity, then such entity will have all of the rights and obligations described in this Item 11.

We may forgive, waive, settle, and/or compromise all claims by or against the Marketing Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

We may at any time defer or reduce a franchisee's Marketing Fund Contributions and, upon 30 days' prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one (1) or more periods of any length and terminate and/or reinstate the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unused contributions to contributing franchisees, and to us or our affiliates, in proportion to respective contributions during the preceding 24 month period (See Franchise Agreement – Section 7.15).

The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining a website that promotes Teriyaki Madness Businesses and/or related strategies; administering area and multi-area marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising, and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Marketing Fund periodically will give you samples of advertising, marketing, and promotional formats and materials at no cost.

We may use the Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Funds' other administrative costs, travel expenses of personnel while they are on business relating to the Marketing Fund, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Fund and their programs, including, without limitation, conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Marketing Fund Contributions.

The Marketing Fund is designed to maximize recognition of our Marks and increase business for Teriyaki Madness Businesses. Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising and marketing that will benefit all Teriyaki Madness Businesses, we do not ensure that the money from the Marketing Fund used in or affecting any geographic area will be proportionate or equivalent to Marketing Fund Contributions by contributors operating in that geographic area, or that any contributor benefits directly or in proportion to its Marketing Fund Contributions. We are not required to spend any amount on advertising in your geographic area or territory. We typically disseminate advertising in print media. We direct all advertising and promotional programs. All creative concepts, materials, and media used in these programs and their placement and allocation will be created by our in-house advertising department and/or by an outside third party.

During the fiscal year ended December 31, 2013, the Marketing Fund had the following expenditures: 18% for production; 82% for media placement; 0% for administration and the solicitation of franchisees.

System Website

We have established a System Website for Teriyaki Madness Businesses. Other than the System Website, and certain other activities that we approve from time to time in our sole discretion, you may not conduct activity associated with your Teriyaki Madness Franchise over the Internet and World Wide Web.

We may allow you to promote your business via alternate on-line strategies consistent with our on-line policy as contained in our Manual. We have the right to review all on-line content on social media sites, blogs, in electronic communications and on other on-line sites on which our trademarks are used to protect the reputation and high quality associated with our trademarks and to maintain consistency

within the System. We may remove or require you to remove any questionable usage or content involving our Marks. We may also require you to cease using our Marks at all such sites or discontinue all use of such sites.

As long as we maintain a System Website, we will have the right to use the Marketing Fund's assets to develop, maintain and update the System Website. We may update and modify the System Website from time to time. You must promptly notify us whenever any information on your listing changes or is not accurate. We have final approval rights of all information on the System Website. We may implement and periodically modify System Standards relating to the System Website.

We are only required to reference your Teriyaki Madness Business on the System Website while you are in full compliance with your Franchise Agreement and all System Standards. If you are in default of any obligation under the Franchise Agreement or System Standards, then we may temporarily remove references to your Teriyaki Madness Business from the System Website until you fully cure the subject default(s). You may not, without our prior written approval, develop, maintain or authorize any website that mentions or describes you, your Teriyaki Madness Business, or displays any of the Marks. If we approve your use of a website, including social media websites, we will reserve the right to require you to obtain our written approval of its initial content and as it is updated or modified from time to time. If we develop a template or other standardized format and/or content for franchisee websites, you must agree to use our mediums. You may not sell services or products not approved by us in the Manual on your Teriyaki Madness Business website without our prior written approval (See Franchise Agreement – Section 7.16).

Advisory Councils

We reserve the right, at any time, to form one (1) or more advisory councils to assist us in improving products and services, the System, and improving marketing and promotion of Teriyaki Madness Businesses. If formed, the council will include our representatives and franchisee representatives. Franchisee representatives may be selected by us or may be elected by other franchisees in the System. If you participate in any advisory council, you may incur additional expenses related to your participation, such as travel, lodging and meal expenses related to attending council meetings.

There currently are no advisory councils in existence. If formed, the advisory council will serve in an advisory capacity only. We reserve the right to form, change, or dissolve any advisory council at any time.

Computer System

You will be required to purchase the computer system (“Computer System”) that consists of: one (1) back office server and desktop computer; one (1) 24” monitor; two (2) point-of-sale systems; two (2) 15” LCD touchscreens; and three (3) thermal receipt printers and cables. We estimate that the initial cost of the Computer System, including hardware and software, will be approximately \$8,500. We currently do not require you to purchase a specific computer system for placing orders from the counter to the kitchen, but reserve our right to do so in the future. You must at all times have a high speed Internet connection for your Computer System.

You must obtain the Computer System, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may be limited to us and/or our affiliates). We may periodically modify the specifications for, and components of, the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or obtain by license new or modified computer hardware and/or software, and obtain service and

support for the Computer System. The Franchise Agreement does not limit the frequency or cost of these changes, upgrades, or updates. We estimate that the annual costs of required maintenance updates or upgrading or support contracts will be \$500 (however, it may be more or less depending the update or contract). We have no obligation to reimburse you for any Computer System costs. Within 60 days after you receive notice from us, you must obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

In addition to the Technology Fee described in Item 6, we may charge you a reasonable fee or require that you hire a third party vendor for: (i) installing, providing, supporting, modifying, and enhancing any proprietary software or hardware that we develop and license to you; and (ii) other Computer System-related maintenance and support services that we or our affiliates provide to you. If we require you to utilize the services of a third party vendor, you will be required to pay them directly. If we or our affiliates license any proprietary software to you or otherwise allow you to use similar technology that we develop or maintain, then you must sign any software license agreement or similar instrument that we or our affiliates may require.

You will not install or permit the installation of any unauthorized software on your point-of-sale equipment or computer equipment without our prior express written consent. If we determine that unauthorized software or programs have been installed on your systems, you must immediately remove them upon notice from us. You will use your point-of-sale system only in connection with the Teriyaki Madness Business and only according to System Standards. Unless we agree otherwise, you will use only one (1) computer at your Teriyaki Madness Business to connect to, and communicate with, our computer system, and you must maintain all data relating to your Teriyaki Madness Business on this same computer. If you have any other computers at your Teriyaki Madness Business, you must give us full access to those computers anytime we request (including if we audit your Teriyaki Madness Franchise).

You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained and upgraded.

The Computer System will store information about the items sold at your Teriyaki Madness Business, information about the inventory you purchase, customer data including contact information and lists, sales prices, taxes, fees, sales records, daily totals, and other types of data related to the operation of your Teriyaki Madness Business. All information stored on the Computer System is our property and we will have independent access to the Computer System and/or the right to download any and all information. There are no contractual limitations on our right to access and download this information. You must make sure that we have access to your point-of-sale system in the manner we require, at your expense. We require that franchisees use QuickBooks Pro, Premier, or Enterprise Software for desktops for accounting/bookkeeping.

We or our affiliate may establish an intranet system to provide you with access to an electronic version of the Manual, marketing materials, other System materials and support, and for other purposes. If an intranet system like this is established, we or our affiliate will administer and maintain it, and we will provide you and/or your managers with access to this system. Subject to System Standards, we will continue to allow you or your managers to access our intranet system during the term of the Franchise Agreement, but we have the right to suspend your access to our intranet if you are in default of your Franchise Agreement. We may require you to use the intranet system for communications, reports, and other functions.

Initial Training Programs

We provide an initial training program that lasts approximately 43 hours and is conducted over a period of approximately five (5) days (“Initial Training Program”). The Initial Training Program is offered periodically as we determine, but will occur at a minimum of four (4) times per year. The Initial Training Program is conducted at either our designated training facility in Las Vegas, Nevada or at one of our affiliate locations. Additionally, you and your operating manager will be required to return to our designated training facility for 5 days of hands-on training (“Hands-On Training Program”) within 30 days of your restaurant opening. During the opening of your Teriyaki Madness Business, we will provide an on-site training program (“On-Site Training Program”) that consists of a maximum of 14 days (up to seven (7) days before your “soft opening” and an additional week after the official opening). The On-Site Training Program is conducted at your Teriyaki Madness Business.

Before you begin operating your Teriyaki Madness Business, your managing owner and, if applicable, designated manager, must attend and successfully complete to our satisfaction our Initial Training Program, Hands-On Training program and the On-Site Training Program. If your managing owner and/or designated manager fail(s) to successfully complete the Initial Training Program or On-Site Training Program to our satisfaction, we may require the failing attendee to attend additional training programs that we designate, at your sole expense, or we may require you to appoint a new managing owner and/or designated manager and to send that individual to the next available Initial Training Program, at your sole expense. If the Initial Training Program is not completed to our satisfaction after two (2) attempts, we may terminate the Franchise Agreement.

There is no tuition or fee for the Initial Training Program or Hands-On Training for up to two (2) attendees. There is no tuition or fee for the On-Site Training Program. If you desire to have additional people attend the Initial Training Program, you will be charged \$500 per person. We do not pay any travel expenses, lodging, meals (with the exception of lunch each day), ground transportation or other personal expenses for any person attending the Initial Training Program or Hands-On Training Program.

Our Initial Training Program consists of approximately 43 hours of training as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
History / Philosophy of Teriyaki Madness	1	0	Las Vegas, Nevada
Launch Program	1	0	Las Vegas, Nevada
Case Study Work	1	1	Las Vegas, Nevada
Construction	4	0	Las Vegas, Nevada
Architectural Design	1	0	Las Vegas, Nevada
Real Estate	1	0	Las Vegas, Nevada
Morning Shift at Store	0	3	Las Vegas, Nevada
Review of Positions	1	0	Las Vegas, Nevada
Goals	2	0	Las Vegas, Nevada
Accounting	2	3	Las Vegas, Nevada

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Customer Service	1	0	Las Vegas, Nevada
Lunch Shift at Store	0	3	Las Vegas, Nevada
Health Department	1	0	Las Vegas, Nevada
Employees	1	0	Las Vegas, Nevada
Insurance	1	0	Las Vegas, Nevada
Tour of Distribution	3	0	Las Vegas, Nevada
COGS	1	0	Las Vegas, Nevada
Marketing	2	0	Las Vegas, Nevada
Closing Shift at Store	0	3	Las Vegas, Nevada
Onsite Training	1	0	Las Vegas, Nevada
Grand Opening	1	0	Las Vegas, Nevada
Visit with Franchisee	2	0	Las Vegas, Nevada
Case Study Presentation	2	0	Las Vegas, Nevada
TOTAL	30 hours	13 hours	

Our Hands-On Training Program consists of approximately 50 hours of training as follows:

HANDS-ON TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Opening Procedures	0	2	Las Vegas, Nevada
Closing Procedures	0	2	Las Vegas, Nevada
Downtime Duties	0	2	Las Vegas, Nevada
Cashier Position	0	8	Las Vegas, Nevada
Point Position	0	8	Las Vegas, Nevada
Food Prep Position	0	8	Las Vegas, Nevada
Grill Position	0	8	Las Vegas, Nevada
Range Position	0	8	Las Vegas, Nevada
Inventory Management	0	2	Las Vegas, Nevada
TOTAL	0	50 hours	

Our On-Site Training Program consists of between 7 to 14 days of training as follows:

ON-SITE TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Store Set Up/Ergonomics	0	8	Franchisee's Restaurant
Position Review	0	7	Franchisee's Restaurant
Sauce Recipes	0	7	Franchisee's Restaurant
Food Preparation	0	11	Franchisee's Restaurant
Inventory	3	0	Franchisee's Restaurant
Food Safety	3	0	Franchisee's Restaurant
Cooking Sessions	0	17	Franchisee's Restaurant
Customer Service	4	0	Franchisee's Restaurant
POS	0	7	Franchisee's Restaurant
Product Knowledge	3	0	Franchisee's Restaurant
Team Orientation	2	0	Franchisee's Restaurant
Resources	2	0	Franchisee's Restaurant
Mock Service	0	10	Franchisee's Restaurant
VIP Party	0	2	Franchisee's Restaurant
Opening Operations	0	32	Franchisee's Restaurant
TOTAL	17 hours	101 hours	

Notes:

1. Alan Arreola, our Vice-President of Operations will supervise and conduct training. Mr. Arreola has 8 years of experience with us as a trainer and over 10 years of experience in the field.
2. We will use the Manual as the primary instruction materials during the initial training.

Additional Training Programs

If you request or if we determine that it is appropriate or necessary, in our sole discretion, whether as a result of observations or otherwise during the operation of your Teriyaki Madness Business, we can require that you (or, if you are not an individual, then a managing member, partner or officer of you designated by you to participate personally in the Teriyaki Madness Business) and/or any of your managers, attend and successfully complete additional training, including online computer training designated by us. You will be charged our then-current costs (currently \$500 per day) for any additional training or assistance provided in a location other than our corporate headquarters. You will be responsible for all of the travel and living expenses that we incur if we send a representative to provide

on-site training or assistance. You will be responsible for your travel expenses and living expenses, and those of your representatives, if such additional training or assistance is not provided on-site.

Your managing owner and designated manager, if applicable, must attend mandatory conferences at locations that we designate, and you must pay any conference fees and travel expenses.

ITEM 12 TERRITORY

You will operate the Teriyaki Madness Business at a location that we approve (the “Approved Location”) with a protected territory based on the geographic area and populations properties within that territory and other relevant demographic characteristics (“Protected Territory”). During the term of the Franchise Agreement, except as provided below, we will not establish or operate, or franchise any entity to establish or operate, a business using the Marks and System at any location within the Protected Territory. The scope of the area will likely differ among franchisees, and will be determined by population density and demographics, and geographical and political boundaries. As a general rule, the Protected Territory will include an area with a population of approximately 25,000 to 35,000. Your Protected Territory may include less than 35,000 if your Teriyaki Madness Business is located in an area with high non-resident traffic. The boundaries of your Protected Territory may be described in terms of contiguous zip codes, street boundaries, and county boundaries or depicted on a map that is attached to your Franchise Agreement. Once we establish your Protected Territory, we will not change or modify it without your consent. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Although you will have a Protected Territory, we retain the right, for ourselves and our affiliates, on any terms we deem advisable, and without granting you any rights:

1. to own, franchise, or operate Teriyaki Madness Businesses at any location outside of the Protected Territory regardless of the proximity to your Approved Location or the impact on your existing or potential customers;
2. to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other trademarks other than the Marks or other systems, at any location within or outside the Protected Territory (even if these businesses are in competition with you);
3. to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, grocery store, college campus, or military base, within any outlet mall or other area mall, or by way of a mobile food truck, within or outside the Protected Territory;
4. to use any proprietary marks or systems (including the Marks and the System) to sell any products, including products that are the same or similar to those which you will sell, through any alternative channels of distribution within or outside of the Protected Territory, regardless of their proximity to the Approved Location or their impact on your existing or potential customers. This includes, but is not limited to, grocery stores, convenience stores, club stores, other retail outlets, direct marketing sales, and other

channels of distribution such as television, direct mail, mail order, catalog sales, telemarketing, or over the Internet. We exclusively reserve the Internet, including computerized or remote entry ordering systems, as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce unless you have received our prior written permission or unless such activities are expressly authorized by the Manual;

5. to acquire, or be acquired by, any competing system, including a competing system that has (1) one or more locations within your Protected Territory; and
6. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

You do not receive the right to acquire additional Teriyaki Madness Businesses within or outside the Protected Territory unless you have purchased a Multi-3 or Multi-5 Franchise. You are not given a right of first refusal on the sale of existing Teriyaki Madness Businesses. You may not engage in any promotional activities or market our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere.

You must operate the Teriyaki Madness Business only at the Approved Location. If you have not identified an Approved Location for the Restaurant when you sign the Franchise Agreement, as is typically the case, you and we will agree on the Approved Location in writing and amend the Franchise Agreement after you select and we approve the Approved Location. Although we may assist you in selecting a location for your Restaurant, you are solely responsible for selecting the Approved Location and negotiating the lease or purchase term. You are not guaranteed any specific Approved Location and you may not be able to obtain your top choice as your Approved Location. You may not relocate the Teriyaki Madness Business without our approval, which will be based the following: where your new Restaurant will be located; whether or not such relocation will infringe upon the rights of other Teriyaki Madness Businesses; and the time it will take to relocate your Teriyaki Madness Business.

You are not prohibited from directly marketing to or soliciting customers located outside of your Protected Territory. You may sell products to customers located outside of the Protected Territory so long as they are sold from your Approved Location. You may not knowingly sell our proprietary products or any other products to any business or other customer at wholesale or for resale.

The continuation of the Protected Territory is not dependent upon your achievement of a certain sales volume, market penetration, or quota. We do not pay compensation for soliciting or accepting orders inside your Protected Territory. As of the Issuance Date of this Franchise Disclosure Document, we do not sell anything directly to customers.

ITEM 13 TRADEMARKS

The Marks and the System are owned by TMI and are licensed exclusively to us. TM has granted us an exclusive license (“Trademark License”) to use the Marks for purposes of franchising the System around the world. The Trademark License extends until December 31, 2025, but it will automatically

renew for subsequent ten (10) year periods provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. In the event the Trademark License is terminated, TM has agreed to license the use of the Marks directly to our franchisees until such time as each Franchise Agreement expires or is otherwise terminated. Otherwise, the license agreement may be terminated by TM for cause upon any affirmative act of insolvency (or similar events) or upon our breach of the license agreement. There are no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks listed above in a manner material to the Franchises.

We grant you the non-exclusive right and obligation to use the Marks under the Franchise Agreement. You must use the Marks as we require. You may not use any of the Marks as part of your firm name, corporate name, or domain name. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Teriyaki Madness Franchise or any interest in the franchise. All rights and goodwill from the use of the Marks accrue to us.

Our affiliate, TM, has registered following trademarks for use with the System on the Principal Register with the United States Patent and Trademark Office (“USPTO”).

Mark	Filing or Registration Date	Serial or Registration No.	Status
	March 7, 2006	3,066,808	Registered on the Principal Register. Nothing due in 2013.
TERIYAKI MADNESS	May 7, 2013	4,331,710	Registered on the Principal Register
	May 6, 2014	4,524,355	Registered on the Principal Register

All required affidavits for the registered Marks have been filed.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; no pending infringement, opposition or cancellation; and no pending material litigation involving the principal trademark. We are aware of other businesses using the name “Teriyaki Madness” in the Seattle, Washington area, but we are not aware that these businesses have sought federal registration for the marks. There are no other infringing uses of the Marks actually known to us that could materially affect your use of the Marks in this state or elsewhere.

You must follow our rules regarding use of the Marks. Any display of the Marks by you must be accompanied with notice of registration or claims by use of the symbols “®,” “TM” or “SM” as required in the Manual. You must cooperate with us and the owner of the Marks in maintaining registrations and prosecuting applications for the Marks, and in otherwise securing and preserving our rights in the Marks. The Marks may be used only in connection with the Teriyaki Madness Business, and may not be used in your corporate name or legal name. The Marks may not be used in connection with any unauthorized product or service, or in any manner not expressly authorized by the Franchise Agreement. You must

indicate to the public in any contract, advertisement and with a conspicuous sign in your Approved Location that you are an independently owned and operated licensed franchisee.

You must notify us promptly in writing of: (1) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), our confidential information or other System intellectual property, and (2) any threatened or pending litigation relating to the Marks or System against (or naming as a party) you or us, of which you become aware. We or the Marks owner will handle disputes with third parties concerning use of all or any part of the Marks or System in any manner we deem appropriate, in our sole discretion. You must cooperate fully and in good faith with us and the Marks owner in our efforts to resolve these disputes. We or the Marks owner may bring suit in your name or join you as a party to the relevant proceedings. We or the Marks owner may resolve the matter by obtaining a license of the property at no expense to you, or by requiring that you discontinue using the infringing property or modify your use to avoid infringing the rights of others. We and the Marks owner are not required to initiate suit against imitators or infringers who do not, in our sole opinion, have a material adverse impact on the Teriyaki Madness Business, and we are not required to initiate any other suit or proceeding to enforce or protect the Marks or System in a matter we do not believe, in our sole opinion, to be material.

We or the Marks owner will defend you against any third-party claim, suit, or demand arising out of your use of the Marks in accordance with the Franchise Agreement and Manual. If we determine that you have used the Marks in accordance with the Franchise Agreement and Manual, we will bear the cost of your defense, including the cost of any judgment or settlement. If we determine that you have not used the Marks in accordance with the Franchise Agreement or Manual, you will bear the cost of, and reimburse us for, your defense, including the cost of any judgment or settlement. If there is litigation relating to your use of the Marks, you must sign any documents and do any acts as may be necessary, in our opinion, to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except if the litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement or Manual, we will reimburse you for your out-of-pocket litigation costs in cooperating with us with respect to the litigation.

We reserve the right to substitute different proprietary marks for use in identifying the System, the businesses operating under them, and/or the services offered, if the Marks no longer can be used, or if we determine that substitution of different proprietary marks will be beneficial to the System. In these circumstances, the terms of the Franchise Agreement will govern the use of the substituted proprietary marks, and we will not compensate you for this substitution. You must promptly implement any substitutions of this kind, at your expense. Any use of the Marks not authorized by the Franchise Agreement provisions will be deemed an infringement. You will have no right to license others to use the Marks.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or patents pending are material to the Franchise. We claim copyrights in the Manual, which contains trade secrets, advertising and marketing materials, the System Website, and similar items used in operating Teriyaki Madness Businesses. We have not registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating your Teriyaki Madness Business (and must stop using them if we so direct you).

There are currently no effective adverse determinations of the USPTO, the Copyright Office (Library of Congress), or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of

our copyrights that could materially affect your use of the copyrighted materials in any state. We need not protect or defend copyrights, although we intend to do so if in the System's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Our Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; training and operations materials; methods, formats, proprietary mixes and recipes, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Teriyaki Madness Businesses; marketing and advertising programs for Teriyaki Madness Businesses; any computer software or similar technology that is proprietary to us or the System; knowledge of, specifications for, and suppliers of operating assets and other products and supplies; and knowledge of the operating results and financial performance of Teriyaki Madness businesses other than your Teriyaki Madness Business.

All ideas, concepts, techniques, or materials concerning a Teriyaki Madness business, whether or not they are protected intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works-made-for-hire for our use. To the extent that any item does not qualify as a "work-made-for-hire" for us, you must assign ownership of that item, and all related rights to that item, to us and must take whatever action, including executing an assignment agreement or other documents, that we request to show our ownership or to help us obtain intellectual property rights in the subject item(s).

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure and non-competition agreements with those having access to such information. We may regulate the form of confidentiality agreement that you use and must be included as a third party beneficiary with independent enforcement rights in that agreement.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE TERIYAKI MADNESS BUSINESS

The Teriyaki Madness Business shall be managed by you, or if you are an entity, by one of your owners who is a natural person with at least a 25% ownership interest and voting power in the entity ("Managing Owner"). Under certain circumstances, we may allow you to appoint a designated manager ("Designated Manager") to supervise the day-to-day operations of the Teriyaki Madness Business. The Designated Manager must successfully complete our training program. The Designated Manager need not have an ownership interest in the franchisee entity. If you replace a Designated Manager for any reason, the new Designated Manager must satisfactorily complete our training program. If, at any time during the term of the Franchise Agreement, you replace your Managing Owner and/or Designated Manager, that replacement must attend and successfully complete the first available Initial Training Program. You will be charged a training fee for each and every replacement Managing Owner and/or Designated Manager and will be responsible for all costs for airfare, ground transportation, lodging, meals, and expenses.

Any Designated Manager and, if you are an entity, an officer that does not own equity in the franchisee entity must sign the Noncompetition, Nondisclosure and Nonsolicitation Agreement, the form of which is attached to this Franchise Disclosure Document in Exhibit H. All of your employees, independent contractors, agents or representatives that may have access to our confidential information

must sign a Confidentiality Agreement (unless they already signed a Noncompetition Agreement), the current form of which is attached to the Franchise Disclosure Document in Exhibit H. If you are an entity, each owner (i.e., each person holding an ownership interest in you) must sign a personal guaranty, the form of which is attached to the Franchise Agreement as Attachment D. We also require that the spouses of the franchise owners sign the personal guaranty.

**ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You are required to offer for sale only products and services that have been approved and specified by us in writing. You may not offer for sale any products or services not specifically approved by us in writing and you may not use your Teriyaki Madness Business premises for any other purpose than the operation of a Teriyaki Madness Business and the sale of products or services approved by us. You must offer any products and/or services that we designate as required products and/or required services in the Manual. There are no limits on our ability to make changes to the products or services we require you to sell.

You must offer and sell all services and products that we periodically require for Teriyaki Madness Franchises. You may not perform any services or offer or sell any products that we have not authorized. Our System Standards may regulate required and/or authorized services and products. We periodically may change required and/or authorized services and products. There are no limits on our right to do so.

You may not sell any items at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the items. You may sell your items and offer your services at any prices you determine and will in no way be bound by any price we recommend or suggest, but in determining your prices, you must consider the general image of the Teriyaki Madness Business and the System. If you offer any items at a price suggested by us, we do not guarantee that you will earn any level of revenues or profitability. Otherwise, except as provided in Item 12, we place no restrictions upon your ability to serve customers provided you do so from the Approved Location under our policies.

**ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
(a) Term of the franchise term	3.01	10 years.
(b) Renewal or extension of term	3.02	One ten (10) year renewal period if you meet certain conditions.

Provision	Section in Franchise Agreement	Summary
(c) Requirements for franchisee to renew	3.03	Written notice, full compliance, sign then-current form of franchise agreement, sign release, maintain possession of Teriyaki Madness Business location, complete refurbishing, and others. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory may change, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.
(d) Termination by franchisee	Not applicable	You may seek to terminate your agreement with us under any grounds available to you by law.
(e) Termination by franchisor without cause	Not applicable	
(f) Termination by franchisor with cause	16.01, 16.02, 16.03	We have the right to terminate your Franchise Agreement in certain circumstances.
(g) “Cause” defined – curable defaults	16.02, 16.03	Ten (10) days to pay amounts owed and obtain required insurance; 30 days for all other defaults.
(h) “Cause” defined – non-curable defaults	16.01	Material misrepresentation; failure to open Teriyaki Madness Business within 12 months; bankruptcy; assignment for benefit of creditors; abandonment; felony conviction; unauthorized transfer; repeated violations; and others.
(i) Franchisee’s obligations on termination / nonrenewable	17	Return Manual; stop using System and Marks; pay amounts owed; de-identify; and others.
(j) Assignment of contract by franchisor	15.01	No restriction on our right to assign.
(k) “ <u>Transfer</u> ” by franchisee – defined	15.02	Transfer of interest in the Franchise Agreement, Teriyaki Madness Business, assets or you.
(l) Franchisor approval of transfer by franchisee	15.02	We have the right to approve any proposed transfer.
(m) Conditions for franchisor approval of transfer	15.03	Written notice, transferee qualifies, you are not in default, payment of transfer fee, transferor signs general release, transferee signs new franchise agreement, refurbish Teriyaki Madness Business, transferee successfully completes training program and others.
(n) Franchisor’s right of first refusal to acquire franchisee’s business	15.04	We can match any written and verified offer.
(o) Franchisor’s option to purchase franchisee’s business	17.11	Upon expiration or termination, we can buy all or part of your assets.

Provision	Section in Franchise Agreement	Summary
(p) Death or disability of franchisee	15.05	Your personal representative must submit to us a proposal meeting the requirements of transfer within six (6) months of your death or mental incompetence.
(q) Non-competition covenants during the term of the franchise	5.21	Prohibitions on diverting business to competitors, involvement in any similar business, soliciting employees.
(r) Non-competition covenants after the franchise is terminated or expires	17.10	Prohibitions on diverting business to competitors, involvement in any competing business for two (2) years and within 25 miles of any Teriyaki Madness Business, soliciting employees.
(s) Modification of the agreement	19.02	We may modify the System and Manual -- no modification of agreements unless in writing and signed (with exceptions).
(t) Integration / merger clause	19.06	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	18.02	Except for certain claims, all disputes must be mediated and arbitrated.
(v) Choice of forum	18.06	City where our principal place of business is located -- currently Denver, Colorado (subject to state law).
(w) Choice of law	19.04	Colorado (subject to state law)

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, 2013 we had six (6) franchised Teriyaki Madness franchises and two (2) affiliate owned Teriyaki Madness locations ("Affiliate Locations"). All of these locations are located in Nevada. The information in the table below is a historical financial performance representation for the

four (4) Teriyaki Madness Businesses that have been in operation for at least one (1) year and that were larger than 1,300 square feet (which match the footprint required of new Restaurants). Two (2) Teriyaki Madness Businesses did not meet this requirement and therefore were not included in the table below.

We have provided the following information: the high and low annual Gross Revenues information for each year that the Teriyaki Madness Businesses were open; the average same store sales percentage increases for each year; the average unit volume of the group for each year; and the number and percentages of Teriyaki Madness Businesses that met or exceeded the average unit volume for each year. For 2013 and 2012, five (5) Teriyaki Madness Businesses were in operation for the entire year. For 2011, four (4) Teriyaki Madness Businesses were in operation for the entire year and for the years 2008 to 2010 only three (3) Teriyaki Madness Businesses were open for the entire year.

Year	High	Low	Average Teriyaki Madness Business Volume (“AUV”)	AUV Same Store Sales increases by %	Number of Franchisees at or above the AUV	Percentage of Franchisees at or above the AUV
2013	\$1,149,943	\$845,000	\$971,891	+13.6%	1	25%
2012	\$1,050,642	\$716,845	\$855,624	+23%	1	25%
2011	\$796,730*	\$512,931	\$694,582	+12.1	3	75%
2010	\$775,807	\$379,407	\$619,417	+0.1%	2	66.6%
2009	\$761,552	\$380,145	\$614,656	+14.6%	2	66.6%
2008	\$655,601	\$312,861	\$536,535	n/a	2	66.6%

*The Centennial location opened March 28, 2011 and therefore was not open a full year during 2011.

The financial performance representations figure does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Revenues or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Teriyaki Madness Business. Franchisees or former franchisees listed in this Franchise Disclosure Document may be one source of this information. Your individual results may differ. There is no assurance you will earn as much.

The information provided in the following charts consists of the actual performance of our Affiliate Locations for January 1, 2013 to December 31, 2013. The size, physical layout, and operations of the Affiliate Locations are generally similar to the Teriyaki Madness Businesses that our franchisees will own and operate. While the representations relate to the performance of the Affiliate Locations, franchised outlets will share some of the same characteristics, including, degree of competition and similar goods sold. The Affiliate Locations do not pay a royalty but do contribute Marketing Fund Contributions. We have included certain expenses for the Affiliate Locations. Franchise locations may or may not have similar expenses and they may have additional expenses to the ones listed below. Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

9845 S. Maryland Parkway, Ste. C, Las Vegas, Nevada 89183

January 1, 2013 through December 31, 2013

Total Income	\$1,001,172
Less: Cost of Goods Sold	(\$326,243)
Less: Wages, Salaries, Benefits	(\$275,201)
Gross Profit	\$399,728
Less: Total Operating Expenses	(\$156,150)
Operating Profit	<u>\$243,578</u>

Notes:

1. *Operating History.* The Maryland Teriyaki Madness Business opened for business in August 2003. It may take some time for a new Teriyaki Madness Business to establish itself in its marketplace. You should expect lower revenues during the early period of your operations.
2. *Cost of Goods Sold.* Cost of goods sold includes the cost of all food items and beverage items, and related supplies, such as napkins, cups, utensils, and take-away containers.
3. *Operating Expenses.* These expenses include many items such as rent, insurance, marketing, miscellaneous supplies, repairs, bank fees, and utilities.
4. *Wages, Salaries, Benefits.* These expenses for wages, salaries and benefits include actual labor cost of all personnel in the restaurants.
5. *Location.* The locations reflected in this table are located in Las Vegas, which typically has long, hot summers and mild winters. It is open seven (7) days a week for an approximate total of 80 hours per week. Revenues for Teriyaki Madness Businesses in other climates could be affected by the local weather. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

7481 West Lake Mead, Las Vegas NV 89128

January 1, 2013 through December 31, 2013

Total Income	\$789,738
Less: Cost of Goods Sold	(\$240,778)
Less: Wages, Salaries, Benefits	(\$219,809)
Gross Profit	\$329,151
Less: Total Operating Expenses	(\$134,912)
Operating Profit	<u>\$194,239</u>

Notes:

1. *Operating History.* The Lake Mead Teriyaki Madness Business opened for business in November 2010. It may take some time for a new Teriyaki Madness Business to establish itself in its marketplace. You should expect lower revenues during the early period of your operations.
2. *Cost of Goods Sold.* Cost of goods sold includes the cost of all food items and beverage items, and related supplies, such as napkins, cups, utensils, and take-away containers.
3. *Operating Expenses.* These expenses include many items such as rent, insurance, marketing, miscellaneous supplies, repairs, bank fees, and utilities.
4. *Wages, Salaries, Benefits.* These expenses for wages, salaries and benefits include actual labor cost of all personnel in the restaurants.
5. *Location.* The locations reflected in this table are located in Las Vegas, which typically has long, hot summers and mild winters. It is open 7 days a week for an approximate total of 80 hours per week. Revenues for Teriyaki Madness Businesses in other climates could be affected by the local weather. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some Teriyaki Madness Businesses have earned this amount. Your individual financial results are likely to differ. There is no assurance you'll earn as much. You should conduct an independent investigation of the costs and expenses you may incur in operating your Teriyaki Madness Business. Franchisees listed in this Franchise Disclosure Document may be one source of this information. Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, Teriyaki Madness Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any

other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rodney Arreola at 2696 S. Colorado Blvd., #110, Denver, Colorado 80222 and 1-888-978-3160, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1
Systemwide Outlet Summary
For Years 2011 to 2013

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	4	5	+1
	2012	5	5	0
	2013	5	6	+1
Company-Owned	2011	2	2	0
	2012	2	2	0
	2013	2	2	0
Total Outlets	2011	6	7	+1
	2012	7	7	0
	2013	7	8	+1

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2011 to 2013

State	Year	Number of Transfers
Nevada	2011	0
	2012	0
	2013	1

Table No. 3
Status of Franchised Outlets
For Years 2011 to 2013

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Nevada	2011	4	1	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	1	0	0	0	0	6
Total	2011	4	1	0	0	0	0	5
	2012	5	0	0	0	0	0	5

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2013	5	1	0	0	0	0	6

Table No. 4
Status of Company-Owned Outlets
For Years 2011 to 2013

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Nevada	2011	2	0	0	0	0	2
	2012	2	0	0	0	0	2
	2013	2	0	0	0	0	2
Total Outlets	2011	2	0	0	0	0	2
	2012	2	0	0	0	0	2
	2013	2	0	0	0	0	2

Table No. 5
Projected Openings as of December 31, 2013

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arkansas	1	1	0
California	8	8	0
Colorado	1	1	0
Florida	1	1	0
Nevada	2	2	0
Texas	1	1	0
Virginia	1	1	0
Total	15	15	0

A list of the names of all franchisees and the addresses and telephone numbers of their businesses will be provided in Exhibit F to this Franchise Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document will be listed on Exhibit F to this Franchise Disclosure Document when applicable. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

During the last three (3) fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Teriyaki Madness System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchise organizations.

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit B to this Franchise Disclosure Document are our audited financial statements as of December 31, 2013 and December 31, 2012. Our fiscal year-end is December 31. The franchisor has not been in business for three (3) years or more, and, therefore, cannot include the same financial statements as a franchisor that has been in business for three (3) or more years.

ITEM 22 CONTRACTS

The following contracts are included as exhibits to this Franchise Disclosure Document:

Exhibit C	Franchise Agreement
Exhibit G	State Addenda
Exhibit H	Contracts for use with the Teriyaki Madness Franchise

ITEM 23 RECEIPTS

The last page of this Franchise Disclosure Document, attached as Exhibit I, is a Receipt to be signed by you, dated and delivered to us at least 14 calendar days before signing the Franchise Agreement or making any form or amount of payment to us. A copy of the Receipt for your records is also included in Exhibit I.

EXHIBIT A

**LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

<p><u>CALIFORNIA</u> Department of Business Oversight 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><u>INDIANA</u> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><u>Agents for Service of Process</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020</p> <p><u>MICHIGAN</u> Michigan Department of Attorney General Consumer Protection Division 525 W Ottawa Street Lansing, MI 48913 (517) 373-7117</p> <p><u>MINNESOTA</u> Department of Commerce Commissioner of Commerce 85 Seventh Place East, #500 St. Paul, MN 55101-3165 (651) 539-1600</p> <p><u>NEW YORK</u> New York Attorney General Investor Protection & Securities Bureau Franchise Section 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8236</p> <p><u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p><u>RHODE ISLAND</u> Department of Franchise Regulation 1511 Pontiac Avenue John O. Pastore Complex Bldg. 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Securities 445 East Capitol Ave. Pierre, South Dakota 57501 (605) 773-4823</p> <p><u>VIRGINIA</u> State Corporation Commission, Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219</p> <p><u>Agent for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street 1st Floor Richmond, Virginia 23219</p> <p><u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 West Washington Avenue Madison, WI 53703 (608) 266-3364</p>
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EXHIBIT B

FINANCIAL STATEMENTS

TERIYAKI MADNESS FRANCHISING LLC

Greenwood Village, Colorado

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the year ended December 31, 2013 and for the period from inception, June 6, 2012, through December 31, 2012

TERIYAKI MADNESS FRANCHISING LLC

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Baker Tilly Virchow Krause, LLP
205 N Michigan Ave
Chicago, IL 60601-5927
tel 312 729 8000
fax 312 729 8199
bakertilly.com

INDEPENDENT AUDITORS' REPORT

Member and Board of Directors
Teriyaki Madness Franchising LLC
Greenwood Village, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Teriyaki Madness Franchising LLC, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, member's equity (deficit), and cash flows for the year ended December 31, 2013 and for the period from inception, June 6, 2012, through December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teriyaki Madness Franchising LLC as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the year ended December 31, 2013 and for the period from inception, June 6, 2012, through December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
February 27, 2014

TERIYAKI MADNESS FRANCHISING LLC

BALANCE SHEETS
As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 108,118	\$ 218
Escrow accounts	450,000	-
Accounts receivable	170,000	-
Deferred franchise commissions	347,800	-
Deferred interest expense	<u>9,588</u>	<u>-</u>
Total Current Assets	<u>1,085,506</u>	<u>218</u>
TOTAL ASSETS	<u>\$ 1,085,506</u>	<u>\$ 218</u>
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 17,880	\$ 1,770
Related party payables, net	37,350	24,175
Accrued franchise commissions	277,450	-
Accrued interest	10,329	-
Deferred revenues	<u>620,000</u>	<u>-</u>
Total Current Liabilities	<u>963,009</u>	<u>25,945</u>
LONG-TERM LIABILITIES		
Note payable - related party	<u>100,000</u>	<u>-</u>
Total Liabilities	<u>1,063,009</u>	<u>25,945</u>
MEMBER'S EQUITY (DEFICIT)		
Member's interest	5,000	5,000
Retained earnings (accumulated deficit)	<u>17,497</u>	<u>(30,727)</u>
Total Member's Equity (Deficit)	<u>22,497</u>	<u>(25,727)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 1,085,506</u>	<u>\$ 218</u>

See accompanying notes to financial statements.

TERIYAKI MADNESS FRANCHISING LLC

STATEMENTS OF OPERATIONS

For the year ended December 31, 2013 and for the period from inception,
June 6, 2012, through December 31, 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Franchise fee revenues	\$ 340,000	\$ -
COST OF REVENUES		
Franchise commissions	<u>151,800</u>	<u>-</u>
Gross Profit	188,200	-
GENERAL AND ADMINISTRATIVE EXPENSES	<u>139,235</u>	<u>30,727</u>
Operating Income (Loss)	<u>48,965</u>	<u>(30,727)</u>
OTHER EXPENSE		
Interest expense	<u>741</u>	<u>-</u>
Net Other Expense	<u>741</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 48,224</u>	<u>\$ (30,727)</u>

TERIYAKI MADNESS FRANCHISING LLC

STATEMENTS OF MEMBER'S EQUITY (DEFICIT)
For the year ended December 31, 2013 and for the period from inception,
June 6, 2012, through December 31, 2012

	<u>Member's Interest</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Member's Equity (Deficit)</u>
BALANCES, June 6, 2012	\$ -	\$ -	\$ -
Capital contribution	5,000	-	5,000
2012 net loss	<u>-</u>	<u>(30,727)</u>	<u>(30,727)</u>
BALANCES, December 31, 2012	5,000	(30,727)	(25,727)
2013 net income	<u>-</u>	<u>48,224</u>	<u>48,224</u>
BALANCES, December 31, 2013	<u>\$ 5,000</u>	<u>\$ 17,497</u>	<u>\$ 22,497</u>

TERIYAKI MADNESS FRANCHISING LLC

STATEMENTS OF CASH FLOWS

For the year ended December 31, 2013 and for the period from inception,
June 6, 2012, through December 31, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 48,224	\$ (30,727)
Changes in assets and liabilities		
Escrow accounts	(450,000)	-
Accounts receivable	(170,000)	-
Deferred franchise commissions	(347,800)	-
Deferred interest expense	(9,588)	-
Accounts payable	16,110	1,770
Related party payables	13,175	24,175
Accrued franchise commissions	277,450	-
Deferred revenues	620,000	-
Accrued interest	<u>10,329</u>	<u>-</u>
Net Cash Flows from (used by) Operating Activities	<u>7,900</u>	<u>(4,782)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution	-	5,000
Proceeds from note payable - related party	<u>100,000</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>100,000</u>	<u>5,000</u>
Net Change in Cash and Cash Equivalents	107,900	218
CASH AND CASH EQUIVALENTS - Beginning of Period	<u>218</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 108,118</u>	<u>\$ 218</u>

See accompanying notes to financial statements.

TERIYAKI MADNESS FRANCHISING LLC

NOTES TO FINANCIAL STATEMENTS

As of and for the year ended December 31, 2013 and for the period from inception,
June 6, 2012, through December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

Teriyaki Madness Franchising LLC (the "Company"), a single member limited liability company (LLC), is engaged in the business of offering franchises, which operate Teriyaki Madness restaurants. Teriyaki Madness LLC (the "Parent") is the sole member of the Company. Teriyaki Madness LLC was formed on June 1, 2012 and became the franchisor to the 7 operating franchises located in Nevada. The Company was formed on June 6, 2012 and had no additional franchise rights sold as of December 31, 2012.

The following table summarizes the franchise activity for Teriyaki Madness Franchising LLC as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Franchises at the beginning of the period	-	-
Franchises sold	12	-
Franchises retired	<u>-</u>	<u>-</u>
Franchises at the end of the period	<u>12</u>	<u>-</u>
Franchised outlets in operation at the end of the period	<u>-</u>	<u>-</u>

Development Stage Enterprise

The Company's activities during the period ended December 31, 2012 principally were registering for business in various states and raising capital. Consequently, as shown in the financial statements, the Company had realized no revenue and had a deficit accumulated during the development stage for the period from June 6, 2012 (inception) to December 31, 2012 of \$30,727. During the year ended December 31, 2013, the Company began normal operations with revenue and therefore is no longer considered to be in the development stage.

Cash and Cash Equivalents

The Company defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Escrow Accounts

Based on specific regulations in the state of California, the Company is required to maintain franchise fee payments within escrow accounts until the franchisee opens for business. The funds will then be released to the Company and the revenue can be recognized. The balance maintained in escrow accounts is \$450,000 and \$- as of December 31, 2013 and 2012, respectively. The Company considers the amounts to be fully collectible.

TERIYAKI MADNESS FRANCHISING LLC

NOTES TO FINANCIAL STATEMENTS

As of and for the year ended December 31, 2013 and for the period from inception, June 6, 2012, through December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Accounts Receivable

The Company grants credit in the normal course of business to franchisees in the United States. The Company performs a credit analysis and monitors the financial condition of its potential franchisees to reduce credit risk. Based on historical experience and management's analysis of individual accounts, an allowance for doubtful accounts was not deemed necessary as of December 31, 2013 or 2012. The Company does not charge interest on past due accounts receivable.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$37,822 and \$1,850 for the year ended December 31, 2013 and the period ended December 31, 2012, respectively.

Deferred Franchise Commissions

Commissions paid on franchise sales for which revenue has not been recognized are deferred until the related revenue is recognized.

Franchise Agreements

When an individual franchise is sold, the parent and its subsidiaries, including the Company, agree to provide certain services to the franchisee. Generally, these services may include assistance in site selection, training personnel, and design of a quality control program.

Revenue Recognition

Initial franchise fees are due upon the granting of the franchise and are deferred and recognized as revenue when all material services and conditions required to be performed by the Company have been substantially completed, which is generally considered to be when the new franchisee has attended training.

Income Taxes

The Company is treated as a limited liability company (LLC) for federal and state income tax purposes. As such, the Company's income, losses, and credits are included in the income tax returns of its member. The Company is subject to certain state income taxes.

The Company is subject to the accounting standard for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. When applicable, the Company has elected to record any potential penalties and interest related to uncertain tax positions as income tax expense on the Company's statements of operations. The Company did not have any uncertain tax positions as of December 31, 2013 or 2012.

TERIYAKI MADNESS FRANCHISING LLC

NOTES TO FINANCIAL STATEMENTS

As of and for the year ended December 31, 2013 and for the period from inception,
June 6, 2012, through December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Sales, Use and Excise Tax

The Company's policy is to exclude sales, use and excise taxes from revenues and cost of revenues.

Fair Value of Financial Instruments

Cash and cash equivalents are stated at cost, which approximates fair market value. The carrying value for the escrow accounts, accounts receivable, deferred franchise commissions, accounts payable, accrued franchise commissions and deferred revenues reasonably approximate fair market value due to the nature of the financial instrument and the short maturity of these items.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Related Party Transactions

The Company receives administrative support from the staff of Franchise Sherpas Fund II Inc., which is a non-controlling member of Teriyaki Madness LLC, as well as use of Franchise Sherpas Fund II Inc.'s office facilities without charge to the Company. Beginning in May 2013, the Company began utilizing office facilities that are leased by Global Street LLC, which shares common ownership with Franchise Sherpas Fund II Inc. The Company reimburses Global Street LLC for a portion of the monthly rent. The total rent expense for the year and period ended December 31, 2013 and 2012 was \$1,575 and \$-, respectively.

In December 2013, the Company entered into a \$100,000 promissory note with a majority shareholder of Franchise Sherpas Fund II Inc with a maturity date of April 2015. In exchange for the note, the Company received \$100,000 of cash. The note bears interest at 6% annum, compounded monthly, in addition to a one time payment of \$10,000 that is due on maturity. The remaining principal and any accrued but unpaid interest is also due on maturity.

Teriyaki Madness International LLC, an affiliate of the Company, transfers cash to the Company and makes payments on behalf of the Company as needed for operating expenses. Teriyaki Madness LLC, the sole member of the Company, transfers cash to the Company as needed for payment of operating expenses. The Company received \$29,804 and \$24,175 from the affiliate and sole member during the year ended December 31, 2013 and the period ended December 31, 2012, respectively. The Company has net payables outstanding to the affiliate and sole member in the amount of \$37,350 and \$24,175 as of December 31, 2013 and 2012, respectively.

TERIYAKI MADNESS FRANCHISING LLC

NOTES TO FINANCIAL STATEMENTS

As of and for the year ended December 31, 2013 and for the period from inception,
June 6, 2012, through December 31, 2012

NOTE 3 - Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Interest bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 as of December 31, 2013 and 2012 respectively. Additionally, all non-interest bearing accounts were fully insured in their entirety until December 31, 2012. Effective January 1, 2013, the FDIC limit returned to \$250,000 per non-interest bearing account. The Company had no deposits in excess of FDIC limits as of December 31, 2013 and 2012.

NOTE 4 - Subsequent Events

The Company has evaluated subsequent events through February 27, 2014 which is the date that the financial statements were approved and issued, for events requiring disclosure in the financial statements. Subsequent to December 31, 2013 but prior to February 27, 2014, the Company has entered into one franchise agreement for which the Company received total franchise fees of \$150,000.

The Company believes that no material events, with the exception of those noted above, have occurred through February 27, 2014 that would require disclosure.

EXHIBIT C
FRANCHISE AGREEMENT

TERIYAKI MADNESS®
Franchise Agreement



TERIYAKI MADNESS®
Franchise Agreement
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ATTACHMENTS:

- Attachment A – Approved Location and Protected Territory
- Attachment B – Initial Franchise Fee
- Attachment C- Ownership Interests In Franchise Owner
- Attachment D - Owner’s Guaranty and Assumption of Obligations

TERIYAKI MADNESS®
FRANCHISE AGREEMENT

This Franchise Agreement (“**Agreement**” or “**Franchise Agreement**”) is made by and between Teriyaki Madness Franchising LLC, a Colorado limited liability company headquartered at 2696 S. Colorado Blvd. #110, Denver, Colorado 80222 (“**we**” or “**us**”), and the franchisee identified on the signature page of this Agreement (“**you**”) as of the date specified as the “Effective Date” on the signature page. In consideration of the following mutual promises, the parties agree as follows:

1. RECITALS

1.01 System and Marks

We have the right to use and to license to our franchisees a proprietary and distinctive system (“**System**”) relating to the establishment and operation of Teriyaki Madness units which make and sell Japanese-style teriyaki dishes and other specialty food items, beverage items and other items. We also have the right to use and to license to our franchisees certain service marks, trademarks, trade names, trade dress, logos, slogans and commercial symbols used to identify the Units or particular items and services offered (collectively, the “**Marks**”).

1.02 Desire to Franchise

You desire, upon the terms and conditions set forth in this Agreement, to obtain a license to use the System and Marks in the establishment and operation of a Teriyaki Madness unit (the “**Unit**”) to engage in the business of making and selling Japanese-style teriyaki dishes and other specialty food items, beverage items and other items (the “**Franchised Business**”). We are willing, upon the terms and conditions set forth herein, to license you to establish and operate the Franchised Business using the Marks and the System in a Unit at an approved location. Unless the context indicates otherwise, capitalized terms have the meaning ascribed to them in this Agreement.

2. GRANT AND LIMITATIONS

2.01 Grant of Franchise

Subject to all of the terms and conditions in this Agreement, we grant to you, and you accept, the license (the “**Franchise**”) to use the System and the Marks in connection with the establishment and operation of a Franchised Business at a Unit situated at the specific location (“**Approved Location**”) set forth in Attachment A to this Agreement.

2.02 Limitations on Grant.

(a) System Standards. The Franchise granted by this Agreement is limited to the operation of a Unit in strict accordance with the provisions of this Agreement and the standards we specify in writing, as periodically amended, modified, supplemented or deleted, which we impose on our franchisees in connection with participation in the System, including all mandatory and suggested specifications, policies, rules, techniques and procedures we promulgate about System operation usage (collectively, the “System Standards”). You have no rights under this Agreement to use, and you will not use, the System, Marks or Unit premises in connection with any other business, activities, or unapproved items or services.

(b) Trade Name. The Franchise granted by this Agreement is limited to establishment and operation of the Franchised Business only under the trade name “Teriyaki Madness” or

other trade name that we expressly authorize or require in writing. You will not adopt alternative, additional or secondary trade names unless you have our prior express written consent.

(c) Location. The Franchise granted by this Agreement is limited to a single Unit at the Approved Location. The Unit must be located at the Approved Location. If a particular site has not been selected and approved at the time this Agreement is signed, Attachment A will describe the Approved Location in general terms. In that case, after we have approved a location for your Unit, we will unilaterally modify Attachment A and the specific address of that location will automatically become the Approved Location as if originally set forth in Attachment A instead of the general description. You have no rights under this Agreement to use, and you will not use, the System or Marks at any other location, without our prior express written consent. You will not relocate the Unit without our prior express written consent.

(d) No Sub-Franchising. You have no rights under this Agreement to grant, and you will not grant, any sub-franchise or sub-license of all or part of the System or Marks.

2.03 Non-Exclusive License

During the term of this Agreement, neither we nor any of our affiliates will establish or operate, or franchise any entity to establish or operate, a Unit using the Marks and System at any location within the market area described in Attachment A (“**Protected Territory**”). Otherwise, the Franchise is nonexclusive. Other than the limited rights expressly granted to you under this Agreement, we (on behalf of ourselves and our affiliates) reserve all rights to use the Marks and System, including the following rights, in any manner and on any terms and conditions we deem advisable, and without granting you any rights, accommodation or compensation:

(a) to own, acquire, establish and/or operate, and license others to establish and operate businesses using the Marks and System outside the Protected Territory (even if there may be some impact to your business within the Protected Territory);

(b) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location within or outside the Protected Territory (even if these businesses are in competition with you);

(c) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any proprietary items (such as bottled teriyaki sauces and salad dressing) which bear any proprietary marks, including the Marks, within or outside the Protected Territory;

(d) to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, or within any outlet mall or other regional mall, within or outside the Protected Territory; and

(e) to acquire, or be acquired by, any competing system, including a competing system that has one or more units within your Protected Territory.

2.04 Owner’s Guaranty and Assumption of Obligations

To induce us to enter into this Agreement with you if you are an entity, you must have each of your owners sign and deliver to us the Owner’s Guaranty and Assumption of Obligations in the form

attached to this Franchise Agreement as Attachment D.

3. TERM AND EXTENSION

3.01 Term

The term of this Agreement begins on the Effective Date and will continue for one period of 10 years, unless terminated sooner by either party. You have no rights under this Agreement to use, and you will not use, the System or Marks after expiration or termination of this Agreement. Some of your duties and obligations under this Agreement will survive after expiration or termination of this Agreement as provided herein.

3.02 Successor Franchise Rights

If you meet all of the conditions specified in Section 3.03, we will offer you up to 1 successor franchise agreement with a term of 10 years to become effective following the expiration of this Agreement.

3.03 Conditions to Successor Franchise

To qualify for an offer of a successor franchise agreement, you must timely satisfy all of the following conditions:

(a) At least 6 months (but no more than 9 months) before the end of the term of this Agreement, you must give us written notice of your request for an extension of franchise rights, and you must pay us a renewal fee equal to 10% of our then-current franchise fee.

(b) At least 2 months (but no more than 6 months) before the end of the term of this Agreement, you must upgrade your Unit to make it consistent with the then-current System Standards for new Units.

(c) At the time that you give notice of your request for an extension and at the end of the initial term, you must not be in default under this Agreement or any other agreement with us or any of our affiliates, and you must have substantially complied with all the provisions of this Agreement and of any other agreements with us or any affiliate during their respective terms.

(d) At least 1 month before the end of the term of this Agreement, you must sign the then-current version of our standard franchise agreement for similar units, to become effective upon the expiration of this Agreement. You acknowledge that the terms and conditions of that agreement may be materially different from this Agreement, and they might not be as favorable to you. However, you will not be required to pay the then-current initial franchise fee; you will not have another option to extend the Franchise; and the Protected Territory will be the same as under this Agreement.

(e) At the end of the term, you (and/or your Manager, if we require) must satisfy our then-current qualification and training requirements.

(f) At least 1 month before the end of the initial term, you (and your owners, if we require) must sign and deliver to us a general release, in a form we will provide, of all claims you or your owners may have against us and any of our affiliates (and our and their respective officers, directors, partners, owners, agents, and employees).

3.04 Interim Period

If you do not sign a new franchise agreement prior to the expiration of this Franchise Agreement and continue to accept the benefits of this Franchise Agreement after the expiration of this Franchise Agreement, then at our option, this Franchise Agreement may be treated either as: (i) expired as of the date of expiration with you then operating without a Franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (“**Interim Period**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Franchise Agreement shall be deemed to take effect upon termination of the Interim Period.

4. YOUR DEVELOPMENT OBLIGATIONS

4.01 Site Selection

You will be solely responsible for locating and obtaining a suitable site for your Unit, which we have the right to approve. Before entering into a lease agreement or other binding agreement to acquire the proposed site, you must: submit to us a written description of the proposed site for our approval; provide us with other information regarding the proposed site according to the System Standards or as we reasonably request; and verify to us in writing that the proposed site meets our site selection criteria. We will then approve or disapprove the proposed site. If we disapprove the proposed site, you must select an alternate site and repeat the site approval process until we have approved a proposed site for your Unit. You acknowledge and agree that our approval of a site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a Unit or for any other purpose. Our approval of the site indicates only that we believe that a site falls within the acceptable site selection criteria as of that time. If you and we are not able to reach agreement on an Approved Location within 6 months after the Effective Date, we have the option to terminate this Agreement without providing you a refund of any fees you paid to us.

4.02 Lease Provisions

After we have approved a proposed site, you must then lease or purchase the approved site. If you will lease the site, your lease must include certain provisions for our protection. You must provide us with a copy of your proposed lease agreement for our review and approval before you sign it. You must not sign the proposed lease agreement until after you have our express written approval. Any lease relating to the Unit’s premises must contain the following provisions in contractual language acceptable to us:

- (a) The use of the leased premises will be restricted solely to the operation of a Unit.
- (b) The landlord, upon termination or expiration of the lease, consents to the tenant’s removal (at the tenant’s expense) of the exterior and interior signs and trade fixtures, so long as the tenant makes repairs caused by the removal of these items.
- (c) The landlord will provide to us (at the same time they are sent to the tenant) a copy of all lease amendments and assignments, and a copy of all letters and notices sent to the tenant relating to the lease or the leased premises.
- (d) We will have the right to enter the leased premises to make any modifications or alterations, at our own cost, necessary (in our opinion) to protect the System and the Marks and to cure,

within the time periods provided by the lease, any default under the lease, all without being guilty of trespass or other tort.

(e) The tenant may assign the lease to us (or our designee) with the landlord's consent (which consent will not be unreasonably withheld) and without payment of any assignment fee or similar charge or increase in any rent. The tenant will remain solely responsible for all obligations, debts and payments under the lease accruing before the effective date of any assignment to us (or our designee).

(f) The landlord will not amend or otherwise modify the lease in any manner that would affect any of the foregoing requirements without our prior written consent (which will not be unreasonably withheld).

(g) The total possible term of the lease (including the initial term and all renewal terms that are at the tenant's option) must be for at least 5 years.

(h) Upon expiration or termination of this Agreement, we (or our designee) will have the right to an assignment of the lease with the landlord's consent (which consent will not be unreasonably withheld) and without payment of any assignment fee or similar charge or increase in any rent. The tenant will remain solely responsible for all obligations, debts and payments under the lease accruing before the effective date of any assignment to us (or our designee). We have included a lease addendum which incorporates these required terms in Exhibit I of the Franchise Disclosure Document.

4.03 Construction, Remodeling and Build-out

Promptly after obtaining possession of the approved site for the Unit, you will: (a) have prepared and submit to us for approval plans for the construction, build-out or remodeling of the site consistent with the System Standards and applicable law, if you are unable to use our standard plans; provided, that any altered plans must be submitted to us and receive our approval before such plans can be used. You acknowledge that our review of your amended plans is not meant to assess any compliance with applicable laws, regulations and/or building codes, all of which is your responsibility; (b) obtain all required permits, licenses, and zoning variances; (c) complete the construction, build-out, and/or remodeling of the Unit premises consistent with the approved plans, the System Standards, and applicable law; (d) purchase or lease and install all required equipment, furnishings, fixtures, signs and décor as required by this Agreement and the System Standards; (e) obtain all customary contractors sworn statement and waivers of liens; and (f) otherwise prepare the Unit for opening for business as required by this Agreement and the System Standards.

4.04 Furnishings, Fixtures, Equipment and Signs

You must purchase, lease or otherwise use in the establishment and operation of the Unit all of the furnishings, fixtures, equipment and signs that we have approved as meeting our specifications and standards for quality, design, appearance, function and performance, and only these items. You must purchase or lease approved brands, types or models of furnishings, fixtures, equipment, and signs only from suppliers designated or approved by us and according to System Standards. You agree to place or display at the Unit only the signs, logos and display materials that we have approved. After your Unit has been built out, equipped and decorated according to System Standards, you will not make any material alteration to the Unit's premises, furnishings, fixtures, equipment or signs without our prior express written approval.

4.05 Inventory and Supplies

You must purchase and stock in the Unit all of the required inventory and supply items, in an adequate mix and quantity of each, all according to the System Standards. Such inventory and items shall be purchased from the suppliers we designate or approve, which may include or be limited to us or our affiliates.

4.06 Commencement of Business

Unless we agree in writing to a later opening date, you must open the Unit and begin business within 12 months after the Effective Date of this Agreement. Before opening the Unit, you must comply with all of your applicable development and operating obligations under this Agreement, including: (a) obtain all required permits and licenses; (b) properly complete all construction, remodeling and build-out of the Unit; (c) properly complete installation of all furnishings, fixtures, equipment and signs; (d) properly display and stock all required inventory and supplies; (e) successfully complete the initial training programs; (f) provide to us proper evidence of required insurance coverage; and (g) provide to us any other information or documents relating to the Unit's readiness for opening or your compliance with applicable System Standards. You must obtain our written approval before opening the Unit, and you must schedule the opening on a mutually convenient date. If you do not open your Unit within twelve months after the execution of this Franchise Agreement, you will be required to pay an opening extension fee of \$250 per week until such time as the Unit is open or this Agreement is terminated.

4.07 Relocation

If your Unit's lease expires or terminates without your fault or if the site is condemned, destroyed or otherwise rendered unusable, you must seek our approval to relocate the Unit to a new location that meets our then-current site selection criteria, subject to the territorial rights of other Units operated by franchisees or our affiliates. You must pay to us our then-current relocation fee, and you must comply with all of the requirements of this Section 4 with regard to any relocation.

5. YOUR OPERATING OBLIGATIONS

5.01 Compliance with System Standards

You will maintain high standards of quality, appearance and operation for the Unit. For the purpose of enhancing the public image and reputation of the businesses operating under the System and for the purpose of increasing the demand for items and services associated with the Marks, you will comply in good faith with all System Standards, including those contained in the Manual. You will operate and maintain the Unit solely in the manner and pursuant to the standards prescribed herein, in the Manual and in other materials we provide to you.

5.02 Compliance with Sound Business Practices

You will at all times operate the Unit diligently and in a manner which is consistent with sound business practices. You will at all times maintain working capital and a net worth which is sufficient, in our opinion, to enable you to fulfill properly all of your responsibilities under this Agreement. You will pay all of your debts and obligations incurred in the operation of the Unit as these debts and obligations become due. You will, in all dealings with us and our affiliates, your suppliers and customers, and public officials, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You will refrain from any business practice which may harm our business, System or Marks, or other franchisees' businesses. You will cause your affiliates, employees, owners, representatives and agents to strictly comply with the provisions of this Agreement.

5.03 Lease Compliance

You will comply with all of the terms of your lease, sublease, and other agreements authorizing use of the Unit premises, and will refrain from any activity which may jeopardize your right to remain in possession of, or to renew the lease or sublease for, the Unit premises. You will not amend or otherwise modify your lease without our express written consent.

5.04 Compliance with Laws

You will obtain and maintain in force, as and when needed, all governmental permits, licenses and approvals required by applicable law to establish and operate the Unit at the Approved Location. You will pay when due (or properly and timely contest) all federal, state and local payroll, withholding, unemployment, permit, license, property, ad valorem, use, sales, gross receipts, income, property and other taxes, assessments, fees, charges, penalties and interest, which may be charged or levied against us as a result of your business operations, and will file when due all required governmental returns, notices and other filings. You will conduct your business operations under this Agreement in full compliance with all applicable laws, ordinances, regulations, rules, administrative orders, decrees and policies of any local, state, or federal government, governmental agency or department. You will notify us promptly if you obtain any information that any aspect of the System does not comply with any applicable law, rule or regulation.

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

5.05 Unit Image

You will at all times maintain your Unit according to the System Standards, including those standards prescribed in the Manual, such as standards and specifications relating to the safety, maintenance, cleanliness, sanitation, function and appearance of the Unit and your equipment and signs, as well as the requirement that the employees of the Unit will be required to wear uniforms and to maintain a standard of appearance while employed at the Unit.

5.06 Goodwill

You will use reasonable efforts to protect, maintain and promote the trade name "Teriyaki Madness" (or other trade name we approve) and our distinguishing characteristics, the other Marks and the System. You will not permit or allow your officers, directors, owners, Managers, employees, representatives or agents to engage in conduct which is unlawful or damaging to the goodwill or public image of the Marks or System. You will participate in all quality assurance, customer service and customer satisfaction programs we require in good faith. You will follow System Standards for identification of your operations and for you to avoid confusion on the part of customers, creditors, lenders, investors and the public as to the ownership and operation of the Franchised Business.

5.07 Quality and Customer Service Standards

All items and services you provide under this Franchise will be of high quality, and will conform to the quality and customer service standards we may establish from time to time. We may, in our sole

discretion, remedy any issues with customers of your Franchised Business, including full reimbursement of any fees paid to you. You must reimburse us for any such costs.

5.08 Maintenance of Unit

You will install and maintain at the Unit, at your expense, all furnishings, fixtures, equipment, and signs as required by the System Standards. You will not install or permit to be installed on or about the Unit premises any furnishings, fixtures, equipment, signs, décor, vending machines, video games, or the like that we have not previously approved. You will maintain the Unit premises, and all furnishings, fixtures, equipment and signs in a clean, attractive condition, and in good working order and repair. If we notify you of any deficiency as to the general state of repair or appearance of the Unit's premises, furnishings, fixtures, equipment, signs or décor, you must undertake the action we reasonably specify to correct the deficiency within the time period we specify.

5.09 Refurbishing the Unit

Within 6 months after our request, you will: (a) remodel, redecorate, and refurbish the Unit at your expense, to conform to the décor, color schemes, and presentation of trademarks and service marks consistent with our then-current image; and (b) upgrade, modify and/or replace furnishings, fixtures and equipment to conform to our then-current System Standards. You will not be required to make significant capital expenditures in this regard during the first 3 years of the term of this Agreement, but you may be required to purchase equipment necessary to offer and sell new items or services.

5.10 Approved Items and Services

You will offer all approved items and services pursuant to the System Standards at the Unit, and no other items or services. You will prepare and offer for sale all required menu items using the recipes, ingredients, serving sizes, decorations, nomenclature and presentation exactly in accordance with the System Standards. If you desire to offer any unapproved items or services, you must first obtain our prior express written consent. You will refrain from deviating from System Standards by the offer, sale or use of any non-conforming items or services, without our prior express written consent.

5.11 Purchasing

You will, at your expense, purchase or lease, maintain and upgrade any point-of-sale system, cash register, computer hardware and software, communication equipment, communication services, Internet services (including the requirement to maintain a high speed internet connection), dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment that we may specify for use in the Franchised Business, as prescribed in the Manual, and as modified periodically by us in our sole discretion. You will provide any assistance we require to connect your point-of-sale system or computer system with our computer system. We will have the right at any time to retrieve data and other information from your point-of-sale system or computer system as we, in our sole discretion, deem necessary or desirable. This may include posting financial information of each franchisee on an intranet website and using the financial information of your Franchised Business in our Franchise Disclosure Document. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system.

5.12 Computer and Communications System

You will, at your expense, purchase and maintain any point-of-sale system, cash register, computer hardware and software, communication equipment, communication services, Internet services (including the requirement to maintain a high speed internet connection), dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment that we may specify for use

in the Franchised Business. You will provide any assistance we require to connect your point-of-sale system or computer system with our computer system. We will have the right at any time to retrieve data and other information from your point-of-sale system or computer system as we, in our sole discretion, deem necessary or desirable. You shall ensure that we have access at all times to your point-of-sale system, at your cost. You will strictly comply with System Standards for all items associated with your point-of-sale system, computer system and communication equipment and services. You will keep the point-of-sale system, computer system and communication equipment in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to your point-of-sale system, computer hardware, software, communication equipment, telephone and power lines, and other related accessories or peripheral equipment, as we may specify periodically. We may require that you license from us proprietary software for use in the Franchised Business, and, if so, you will sign the software license agreement we specify, and you will comply with all of its terms and conditions. You will utilize the point-of-sale system, computer system and communication equipment and services in connection with the Franchised Business pursuant to the System Standards. For use of our online systems, e-mail, data sharing and other internet related functions a monthly Technology Fee will be collected within the first 7 days of each month. We reserve the right to increase this fee in the event we offer updated or additional software or technology.

5.13 Marketing

(a) Marketing Programs. You will participate in all advertising, public relations, promotion, market research, and other marketing activities we may implement for the System (“**Marketing Programs**”).

(b) Grand Opening Marketing. You must spend at least \$5,000 on local advertising, public relations, promotion, and other marketing activities in connection with your grand opening. Such amount shall be spent before your Unit opens and during its first 90 days of operation. Your grand opening marketing campaign must be approved by us before it can be conducted. You must submit to us proof of these expenditures within 30 days after your Unit first opens for business.

(c) Local Advertising Requirement. In order to provide your Unit with the best chance of success, you will be required to follow the marketing plan that we prescribe for your Franchised Business (“**Marketing Plan**”) and spend up to \$15,000 per year (“**Local Advertising Requirement**”) in accordance with the Marketing Plan. The Marketing Plan will include local advertising, public relations, promotional and other marketing programs for your Unit. If you fail to spend the Local Advertising Requirement in any given year, you will be required to pay the difference to the Marketing Fund. Your marketing materials must use the Marks correctly, comply with System Standards and applicable law, and be expressly approved by us in writing before use. If you use advertising that has not been approved by us, you will be required to pay us two hundred fifty dollars (\$250) per incident, which will be deposited into the Marketing Fund. Upon our request, you will immediately stop using any marketing materials or programs that we, in our sole opinion, deem to be outdated, false, misleading, illegal, in violation of this Agreement, inconsistent with the System Standards, harmful to the System or Marks, or potentially harmful to the goodwill, reputation or customer relations of us or our franchisees or affiliates. At our request, all marketing and promotional materials used by you shall include specific language, such as “Franchises Available” and our website address and telephone number.

(d) Cooperative Marketing. We may, in our discretion, form local or regional marketing cooperatives covering your Protected Territory and the territory of at least one other franchisee for the purpose of developing and implementing local or regional marketing programs, or we may approve the formation of such a marketing cooperative by our franchisees. If we require you to join a local or regional marketing cooperative (the “**Co-op**”), then you must: join the Co-op; participate with

other franchisees in the Co-op's marketing programs; and pay your share of the Co-op's marketing expense up to 2% of your Gross Revenues. Any payments you make for the Co-op's marketing will be applied toward your required minimum local marketing expenditures, but will not affect your obligation to pay marketing fees under this Agreement. If the amount you contribute to a Co-op is less than the amount you are required to expend for local marketing, then you shall nevertheless spend the difference locally. The Co-op's marketing expenses will be allocated among its members based on the number of participating franchisees or on some other reasonable basis as may be determined by the Franchisee Advisory Council ("FAC") (if established) or us. We or our designee will be responsible for administering the Co-op; however, we may delegate this authority to the FAC or some other committee of franchisees. The Co-op will operate under written governing documents prepared by us or our designee, which will be made available to you upon reasonable request. An accounting of the operation of the Co-op will be prepared annually by the Co-op, at the Co-op's expense, and made available to Co-op members upon request. We have the right, in our sole discretion, to modify, merge or dissolve any Co-op upon written notice to its members; however, a Co-op will not be dissolved until all of the money in the Co-op has been spent for marketing purposes.

(e) Press Releases. You will not issue any press release without our prior express written approval.

(f) Contributions and Donations. You will not make any contributions or donations of items, services or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization) in the name of the Franchised Business or otherwise associate with any Mark, without our prior express written consent.

5.14 Telephone

You will obtain a telephone number for exclusive use in connection with the Franchised Business, and this telephone number will be deemed to be our property.

5.15 Directory Listings

You will obtain and maintain at your expense white pages and yellow pages listings for the Unit, as required by System Standards, and in the form provided by or expressly approved by us, in the principal telephone directory serving your Approved Location. If other Teriyaki Madness[®] franchisees are served by the same directory, we may require a group listing of all franchised businesses in the area, and, in that case, the costs of the listing will be reasonably allocated among these franchised businesses. You will timely pay your share of these costs.

5.16 Internet Listing

You will not, directly or indirectly, create or maintain an Internet web page, website address or Internet directory listing relating in any way to your Unit, or which uses any Marks. You are prohibited from conducting any aspect of the Franchised Business through the Internet (except e-mail communications). You are strictly prohibited from promoting your Unit and using the Marks in any manner on social and/or networking websites, including, but not limited to, Facebook, LinkedIn, MySpace and Twitter, without our prior written consent.

5.17 Hours of Operation

You will keep the Unit open and in normal operation for the minimum hours and/or days as required by the System Standards, to the extent consistent with local law and your lease.

5.18 Conferences

You or your owner or Manager will attend each conference and pay the applicable conference fee, if and when we sponsor a conference. Mandatory training for franchisees or their Managers may be held at a conference. The conference fee will be the same for all of our franchisees, but may be based on the number of Units each franchisee has or the number of attendees each franchisee sends to the conference. You will receive reasonable notice of each conference. You will be responsible for all travel, transportation, lodging, meals, and incidental expenses and compensation of the people you send to any conference.

5.19 Notification of Legal Proceedings

You will notify us in writing within 5 business days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, of which you become aware and which may adversely affect the operation or financial condition of the Unit.

5.20 Customer List

You will protect the privacy of your customers by keeping their personal information confidential. You will not disclose customer information to anyone other than your employees and us without our prior written consent.

5.21 Non-Competition

You (and, if you are an entity, your owners, officers and directors) and your Managers will not engage in, assist, acquire, advise, consult with, be employed by, own, or become associated in any way with any business whose methods of operation, trade dress or business concept is the same as or similar to that of the System or the Marks, or which offers Japanese-style teriyaki food items, other than the Franchised Business, without our prior express written consent. You will not solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisees to leave their employment. You will not divert or attempt to divert any business or customer of us or any of our affiliates or franchisees to any competitor.

5.22 Uniforms

You will require your Managers and other employees to wear uniforms as required by our System Standards.

5.23 Confidentiality and Non-Competition Agreements

Your Managers must sign confidentiality and non-competition agreements stating that they will maintain the confidentiality of information they receive in connection with their employment and not compete with any of our franchisees following the end of their employment with you. We may require that these contracts be in a form satisfactory to us, including specific identification of us as a third-party beneficiary of the contracts, with the independent right to enforce them. We may require your other employees to sign similar agreements. Our form of Confidentiality and Non-Competition Agreement is attached to the Franchise Disclosure Document Exhibit H.

5.24 Staffing

You must hire and supervise efficient, competent, and courteous persons as your employees for the operation of your Franchised Business. You must require all your employees to work in clean uniforms approved by us, but furnished at your cost or the employees' cost as you may determine. You

understand and acknowledge it is your responsibility to hire and supervise a satisfactory number of employees in order to efficiently operate the Unit and meet your obligations under this Franchise Agreement. You alone are responsible for all employment decisions and functions of your Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether you have received advice from us on these subjects or not. We will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and you agree to indemnify us for any such liabilities we incur.

6. UNIT MANAGEMENT

6.01 Management

At all times during the term of this Agreement, you will designate a manager who meets our educational, managerial and business experience standards, and who will devote full time, energy, attention and best efforts to the management and operation of the Unit (“**Manager**”). If you are an individual, you may serve as the Manager. If you are an entity, an owner, officer or other qualified employee may serve as the Manager. You will designate to us in writing the identity of your initial Manager as soon as possible after the Effective Date of this Agreement. You will designate to us in writing the identity of each successor Manager immediately after the prior Manager ceases to serve as Manager.

6.02 Manager Training

You and your initial Manager must, before the opening of the Unit, attend and complete to our satisfaction the initial training programs required for Managers. You must adequately train any successor Manager you later employ. We will notify you if we determine that the training you provided is inadequate. In that case, your successor Manager must satisfactorily complete the initial training program we require promptly after we notify you. We will provide instructors, facilities and training materials for the training of you and your initial Manager (a maximum of 2 trainees and provided that all of your trainees attend the same initial training programs). All other expenses incurred in connect with attendance of training, including the cost of travel, transportation, meals, lodging and any wages will be your responsibility. You will pay to us the then-current tuition (or then-current per diem fee) and expenses we incur for the initial training we may require for any successor Manager you later employ, including the reasonable travel, transportation, meals and lodging expenses we incur if we elect to provide this training at your Unit. If any Manager fails to successfully complete the initial training program to our satisfaction, we may require your Manager to attend additional training programs (at your cost) or we may require you to appoint a new Manager and to send that new Manager to the initial training program (at your cost). If, after this corrective action, your Manager fails to successfully complete the initial training program to our satisfaction, we may terminate this Agreement.

6.03 Other Training

You and your Manager must attend any additional or refresher training programs that we designate as mandatory for franchisees and managers, respectively, unless your absence is excused by us. You will be responsible for all travel, transportation, lodging, meals and incidental expenses and compensation of the people you send for additional or refresher training programs, and you will pay us the cost of providing training materials (if any), and any tuition we may impose under Section 7.09. All training materials are confidential, and will remain our property.

6.04 Employee Training

You will maintain competent and conscientious personnel to operate the Unit in accordance with this Agreement and the Manual. You will train or cause the training of all of your personnel as and when required by prudent business practices, System Standards, or this Agreement.

7. ASSISTANCE BY US

7.01 Unit Location

We will provide you with our standard site selection criteria and standard Unit layout plans and specifications. We will also provide you with the assistance and consultation we deem advisable regarding site selection and/or the layout of the Unit at the Approved Location. You acknowledge that we will have no obligation to select or acquire a site on your behalf. We disclaim all liability for the consequences of approving a particular site. Our site selection assistance does not constitute any warranty or guaranty that the Franchised Business will be profitable or otherwise successful at the Approved Location.

7.02 Lease Review

We will review the proposed lease for the Unit site after you submit the proposed lease to us. If the proposed lease complies with the requirements in Section 4.02 of this Agreement and is otherwise acceptable to us, we will approve it. We will promptly advise you of our decision regarding the proposed lease. The final decision whether to acquire a particular approved site or whether to sign a particular approved lease rests solely with you. You are solely responsible for negotiating the legal and business terms of your lease.

7.03 Unit Construction, Remodeling and Build-Out

We will provide you with the consultation we deem advisable regarding constructing, remodeling or build-out of the Unit.

7.04 Loan of Manual

Within 15 days after we sign this Agreement, we will loan to you for the term of this Agreement a copy of our current confidential operations manual, and we will later provide you with all periodic modifications thereto and any other manual we may develop specifying the System Standards (collectively, the “**Manual**”). If the copy of the Manual loaned to you is lost, stolen or destroyed before you return it to us, you must pay us our then current replacement fee. We reserve the right to provide the Manual electronically, such as by CD-ROM, intranet or password-protected website.

7.05 Furnishings, Fixture, Equipment and Signs

We will provide you with standard lists and/or specifications for approved furnishings, fixtures, equipment and signs. We will provide you with standard lists of any authorized suppliers of any of these items. We will provide you with the assistance and consultation we deem advisable regarding required furnishings, fixtures, equipment and signs.

7.06 Inventory and Supplies

We will provide you with standard lists and/or specifications for approved inventory and supplies. We will provide you with standard lists of any authorized suppliers of any of these items. We will provide you with the assistance and consultation we deem advisable regarding required inventory and supplies.

7.07 Purchasing Assistance

Although you are responsible for purchasing or leasing items and services for use in connection with the Franchised Business, we and/or our affiliates may offer optional assistance to you with purchasing or leasing items or services. We may require minimum standards or specifications for items and services, specify approved items and services, and restrict the suppliers authorized to sell or provide certain items and services in order to control quality, provide for consistent service or obtain volume discounts. We will provide you with System Standards for items and services, our list of approved items and services, and our list of approved suppliers. You acknowledge that we and/or our affiliates may be the sole approved suppliers for certain approved items and services, and that we and our affiliates may derive revenues as a result of your purchase of approved items and services.

7.08 Initial Training

We will provide initial training to you and your initial Manager on mutually-convenient dates. All initial training we provide will be offered, in our sole discretion, at a Unit operated by a franchisee or an affiliate, at our training facility, or at some other location in the United States we select, and will be subject to the provisions of Section 6.02. If you would like additional people to attend the initial training programs and we have additional capacity, you will be charged an additional fee per person per day. You will also need to pay for the cost of travel, room and board, and other personal expenses for each person attending.

7.09 Other Training

We may in the future offer or require additional or refresher training for you or your Manager. Additional and refresher training will be held at one or more locations in the United States we select, and may be held in conjunction with a franchisee conference. We may charge you for the cost of providing you the training materials (if any), and a tuition for any additional or refresher training program if training occurs outside of our corporate headquarters plus expenses. All additional and refresher training we provide will be subject to the provisions of Section 6.03.

7.10 Pre-Opening and Opening Assistance

We will provide you with pre-opening assistance and consultation as we deem advisable. We will provide you with on-site assistance for up to 7 days at your Unit in connection with your opening, subject to scheduling, (up to 4 days before your soft opening and up to 3 days within 2 weeks after your grand opening). We will provide templates for certain promotional and advertising materials and consultation in connection with the grand opening marketing for the Unit, which promotion and marketing will be conducted at your expense.

7.11 Suggested Retail Prices

We will provide you with product information and suggested retail prices for approved items or services; however, you are not bound by our recommended prices. In determining prices, you must consider the general image of the Unit and the System. If you choose to offer any items at any price we recommend, you understand and acknowledge that we do not represent, warranty or guarantee that you will earn any level of sales or profitability. We reserve the right to establish maximum retail prices for use with multi-area advertisement programs and special price programs.

7.12 Continuing Consultations

We will assist you to understand your obligations under the System Standards and this Agreement, provide you with other continuing consultation, and may provide you with new proprietary methods and procedures relating to approved items or services, or to operation of the Unit, all on the terms as we deem appropriate. To the extent possible, this consultation will be provided during

inspections and audits, through the System Standards, at training sessions (if any), and during franchisee conferences (if any). If you request additional operating assistance or services, we may require that you pay our then-current per diem fee and the expenses we incur in providing additional assistance to you.

7.13 Conferences

We may sponsor periodic conferences for our franchisees, at which seminars, workshops and other training may be conducted. We may require you or your Manager to attend each conference and we may charge you for these programs. We may charge you, in the same manner as the Royalty Fee, a fee to cover our expenses. Franchisee shall pay Franchisor, in the same manner that Franchisee pays Royalties, a convention fee for each year that an annual convention is held (“**Convention Fee**”) for purposes of defraying Franchisee’s cost of attending such annual conferences regardless of whether or not Franchisee attends the annual convention. If Franchisee fails to attend an annual conference for any reason, Franchisor shall be entitled to use the Convention Fee paid by Franchisee for any purpose in Franchisor’s sole discretion. Once paid, the Convention Fee is non-refundable for any reason.

7.14 Marketing Programs

We will implement one or more Marketing Programs, and we (or our designee or affiliate) will administer the Marketing Programs. We will determine in our sole discretion: the nature and type of program; the nature and type of media placement; the allocation (if any) among national, regional and local markets; the nature and type of advertising copy and other marketing materials; and all other aspects of the Marketing Programs. We do not promise that you will benefit directly or proportionately from any Marketing Programs. On occasion, we may make available to you, local advertising materials and programs, at your cost. We will use the marketing fees we collect from franchisees to pay for the Marketing Programs and to reimburse our reasonable direct and indirect costs, overhead and other expenses (and those of our designee or affiliates) of providing services and materials relating to the Marketing Programs. We and our affiliates are not obligated to contribute money to the Marketing Programs or otherwise supplement the marketing fees; however, Units owned and operated by us or our affiliates may voluntarily contribute to the Marketing Programs on the same basis as our franchisees. We have the right to terminate any Marketing Program, at our discretion. However, any termination of all Marketing Programs will not be effective until all marketing fees we have collected for the Marketing Program have been expended. If we terminate any Marketing Program, we may reinstate such Marketing Program at any time and such reinstated Marketing Program shall be administered as described herein.

7.15 Marketing Fund

We have established an advertising and marketing fund for Teriyaki Madness Franchises (“**Marketing Fund**”). You must contribute to the Marketing Fund 2% of your Gross Revenues. Your Marketing Fund contribution will be due at the same time and in the same manner as the Royalty Fee. Teriyaki Madness Franchises owned by us or our affiliates are not obligated to contribute to the Marketing Fund but may do so on a voluntary basis. The Marketing Fund may allocate resources to advertise locally, regionally, and/or nationally, in printed materials, on radio, on television, and/or on the Internet, in our sole discretion. We may at any time defer or reduce a Franchisee’s Marketing Fund contributions and, upon thirty (30) days’ prior written notice to you, reduce or suspend Marketing Fund contributions and operations for one or more periods of any length and terminate and/or reinstate the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unused contributions to contributing Franchisee’s, and to us or our affiliates, in proportion to respective contributions during the preceding twenty-four (24) month period.

7.16 Internet Site

We or an affiliate will sponsor and maintain the official Teriyaki Madness® website on the Internet. So long as you are not in default under this Agreement, we will cause your Unit to be listed on this official website and/or provide you with a web page specific to your Unit on this website.

7.17 Additional Items, Services and Suppliers

If you desire to offer additional items or services that we have not approved, or desire to purchase approved items and services from any supplier who we have not approved, we will consider any written request by you for approval of additional items, services or suppliers (although we are not obligated to approve any). We will notify you of our approval or disapproval of any new item, service or supplier requested by you within a reasonable time (usually within 90 days) after we have received all of the relevant information we requested. We may withhold approval of any item, service or supplier, as we determine in our discretion. We can revoke approval of an approved supplier at any time in our sole discretion, and we will notify you of any revocation of supplier approval. If we inspect or evaluate a new product, service or proposed supplier nominated by you, we may charge you our costs of inspection and evaluation.

7.18 Intranet System

We or our affiliate may establish an intranet system to assist you with your Franchised Business. If an intranet system like this is established, we or our affiliate will administer and maintain it, and we will provide you and/or your Manager with access to this system. Subject to the System Standards, we will continue to allow you and/or your Manager to access our intranet system during the term of this Agreement, so long as you are not in default under this Agreement. We may require you to use the intranet system for communications, reports, and other functions, and you will comply with our requirements.

8. PAYMENTS AND REPORTS

8.01 Initial Franchise Fee

When you sign this Franchise Agreement, you will pay us the initial franchise fee (“**Initial Franchise Fee**”) stated on Attachment B by means of cashier’s check, money order or wire transfer. You may, at the time you sign the Franchise Agreement, purchase the rights to open either (1) a single Franchise, (2) up to three Franchises (a “**Multi-3 Franchise**”) or (3) the rights to operate up to five Franchises (a “**Multi-5 Franchise**”). If you purchase either a Multi-3 Franchise or a Multi-5 Franchise, you will sign the “Multi-Franchise Addendum” the form of which is attached to this Franchise Disclosure Document in Exhibit H. To open additional Franchises under a Multi-3 Franchise or Multi-5 Franchise, you will be required to sign the then-current Teriyaki Madness franchise agreement, but you will not be required to pay an Initial Franchise Fee (all other fees will apply). The Initial Franchise Fee is in consideration of the administrative and other expenses we incurred in entering into this Franchise Agreement, and for our lost or deferred opportunity to enter into a similar arrangement with others. The Initial Franchise Fee is non-refundable, and is fully earned when we sign this Franchise Agreement, even if you do not open additional Franchises.

8.02 Location Assistance Fee

In addition to the Initial Franchise Fee paid to us, you must pay our affiliate, Teriyaki Madness, Inc., a “**Location Assistance Fee**” of \$12,500 for the first Teriyaki Madness Franchise that you purchase and \$10,000 for each additional Teriyaki Madness Franchise that you purchase. This fee offsets our costs in supporting your efforts to find and develop a permanent site. You will pay the Location Assistance Fee at the same time as the Initial Franchise Fee. The Location Assistance Fee is non-refundable, and is fully earned when we sign this Agreement.

8.03 Royalty Fee

During the term of this Agreement, and for as long as you are using the System or Marks, you will pay us a continuing Royalty Fee equal to 6% of all revenues you receive from the sale of any items and services, and all other income of every kind and nature related to the Franchised Business or Unit operations, whether for cash or credit, and regardless of collection in the case of credit, but not including: (a) any sales taxes or other taxes you collect for transmittal to the appropriate taxing authority; or (b) any bona fide refunds you make to customers (collectively, “**Gross Revenues**”).

8.04 Marketing Fee

During the term of this Agreement, you will also pay us a continuing Marketing Fee equal to 1% of your Gross Revenues.

8.05 Place and Method of Payment

You will pay us, without billing or demand, all Royalty Fees and Marketing Fees required by this Agreement by Tuesday of each week for the preceding business week (Monday through Sunday). All fees and other payments due to us under this Agreement will be made to us at our headquarters in Denver, Colorado or as we otherwise specify in writing. We have the right to require you to transmit fees and other payments to us by means of electronic fund transfers, sweep accounts, Internet payment methods, or other methods in accordance with procedures that we may establish in the Manual or otherwise specify in writing. If we require special means of payment, you will establish any required accounts and sign all documents reasonably required, and will otherwise cooperate with us, to effectuate these means (See Exhibit H of the Franchise Disclosure Document). If any payment is made to us by credit card for any fee required, we may charge a service charge of 3% of the total charge. We have the right to periodically specify (in the Manual or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card and payment by check.

8.06 Late Fee and NSF Fee

If we do not timely receive any fee or any other amount due to us under this Agreement on or before the applicable due date, you will pay us a late fee equal to one hundred dollars (\$100), plus the lesser of the daily equivalent of 15% per year simple interest or the highest amount allowed under law, on any overdue amount for each day any amount is past due, accruing until the past-due amount is paid in full. This provision does not permit or excuse late payments. If any check, electronic payment or other payment due under this Agreement is not honored for any reason, you will pay us an insufficient funds fee of one hundred dollars (\$100) to help offset bank charges and administrative expenses.

8.07 Taxes

If any federal, state, or local tax (other than an income tax) is imposed upon any fees you paid us under this Agreement, then you agree to compensate us in the manner we prescribe so that the net amount or net rate we receive is no less than as established by this Agreement.

8.08 Allocation of Payments

Unless we otherwise agree in writing, all payments you make to us under this Agreement will be applied in the order we may decide in our sole discretion. We will not be bound by any instructions for allocation you specify.

8.09 Right of Offset

We will have the right, at any time before or after termination of this Agreement, without notice to you, to offset any amounts or liabilities that you may owe to us against any amounts or liabilities that we may owe you under this Agreement or any other agreement, loan, transaction or relationship between the parties.

8.10 Books and Records

You will maintain complete and accurate accounting books and records relating to the Franchised Business in accordance with generally-accepted accounting principles and standards, subject to this Agreement and other reasonable accounting standards we may specify periodically.

8.11 Reports

You will prepare written periodic reports, in the forms required by the System Standards, containing the information we require about your operations during each reporting period. You will submit all required weekly reports by Tuesday each week for the preceding business week (Monday through Sunday). You will submit all required monthly reports to us within 15 days after the month to which they relate, and all other reports within the time period required by the System Standards. If you do not submit the monthly reports to us within five days of the request, you will be required to pay a late fee of one hundred dollars (\$100) per occurrence and one hundred dollars (\$100) per week until you submit the required report. These fees will be deposited into the Marketing Fund. You will prepare and submit other reports and information about your operations as we may reasonably request in writing or as required by the System Standards. We may require, at our option, that certain reports you are required to submit be certified as accurate and complete by you, your owners or your chief financial officer, and that certain reports be submitted using the formats and communication media that we specify. If your records and procedures are insufficient to permit a proper determination of Gross Revenues, we shall have the right to deliver to you an estimate, made by us based on historical figures, of Gross Revenues for the period under consideration and you shall immediately pay to us any amount shown thereby to be owing on account of the Royalty Fee and other sums due on account of any understatement. Any such estimate shall be final and binding upon you. Any report of our auditor rendered from time to time pursuant to this Section 8.09, shall be final and binding upon all of the parties hereto.

8.12 Financial Statements

You will deliver to us, no later than 60 days from the end of each of your fiscal quarters, a profit and loss statement covering the Franchised Business for the relevant quarter and a balance sheet of the Franchised Business as of the end of that quarter, all of which you must certify as complete and accurate. You must prepare all financial statements in any format we may require. In addition, you must, within 30 days after we request, deliver to us a financial statement, certified as accurate and complete, in a form which is satisfactory to us and which fairly represents your total assets and liabilities. You shall also submit any current financial statements and other reports as we may reasonably request to evaluate or compile research and performance data on any operational aspect of the Franchised Business. We have the right to use such financial statements in our Franchise Disclosure Document to make financial performance representations and to share these reports on a system-wide intranet or other similar means.

8.13 Tax Returns

Promptly upon our request, you will furnish us with a copy of each of your reports and returns of sales, use and gross receipt taxes and complete copies of any state or federal income tax returns covering the operation of the Franchised Business.

8.14 Ownership Information

Promptly upon our request, you will furnish to us a list of all holders of legal and beneficial interests in your business entity, together with description and percentage of ownership amount, addresses and telephone numbers, certified in writing as being accurate and complete. If any of your general partners, officers, directors or limited liability company managers cease to serve in that capacity, or if any individual is elected or appointed as a new general partner, officer, director or limited liability company manager, you will notify us within 10 days after the change. Any of your new owners must sign an Owners Agreement with us.

8.15 Record Retention

You will retain copies of all reports, and originals or copies of all other information, books, records, and other materials relating to operation of the Franchised Business for a period of 5 years following their respective dates, or any longer period required by applicable law.

9. SYSTEM STANDARDS AND MANUAL

9.01 System Standards

The System includes, without limitation: (a) our trade secrets and other intellectual property, including Confidential Information (as defined in Section 11.01), the Manual and know-how; (b) marketing, advertising, publicity, public relations and other promotional materials and programs; (c) System Standards; (d) training programs and materials; and (e) service quality and customer satisfaction standards and programs. You acknowledge and agree that every detail of the System is important to us and all of our franchisees in order to develop and maintain high and uniform operating standards, to increase the demand for the items and services marketed by all franchisees, and to protect our reputation and goodwill. You will maintain the high System Standards with respect to your Unit premises, facilities, furnishings, fixtures, equipment, signs, services, items, and operations. You will strictly comply with all of the mandatory System Standards in the Manual or that we otherwise provide to you in writing.

9.02 Modification of the Manual

We may, in our sole discretion, change, delete from or add to the System, including any of the System Standards, by providing you with written notice thereof, or by modification of the Manual; however, no modification will alter your fundamental rights or status under this Agreement. You will implement all mandatory modifications promptly after written notice from us. If there is a dispute as to the contents or meaning of any part of the Manual, the version we maintain at our principal office will be controlling. The Manual is confidential and will remain our property.

9.03 Ownership of the System

We own all rights, title and interest in and to the System. You will not acquire any proprietary interest in the System. Your right to use the System is a non-exclusive license, derived solely under this Agreement. Unauthorized use of the System by you will constitute a material breach of this Agreement.

9.04 System Improvements

During the term of this Franchise Agreement and any Interim Period, any improvements or additions to the System, patents, Copyrighted Materials, recipes, website or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business or any advertising and promotional ideas or inventions related to the Unit (collectively, the “**Improvements**”) that you conceive or develop shall become our property. You agree to assign and do hereby assign to us, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any such

Improvement. You shall fully disclose the Improvements to us, without disclosure of the Improvements to others, and shall obtain our written approval prior to using such Improvements. Any such Improvement may be used by us and all other Teriyaki Madness franchisees without any obligation to you for royalties or other fees. We may, at our discretion, apply for and own copyrights, patents, trade names, trademarks and service marks relating to any such Improvement and you shall cooperate with us in securing such rights. We may also consider such Improvements as our property and trade secrets. In return, we shall authorize you to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by you or any other person or entity retained or employed by you are our property, and we shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meaning of the United States Copyright Act and, to the extent the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to us, you irrevocably assign and agree to assign to us, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Copyrighted Materials, which you and the author of such Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, you agree to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure our right in the Improvements as required in this Section.

9.05 Variations

You acknowledge that it may not be possible or practical for us to require complete and detailed uniformity under the various types of conditions different franchisees may face, and under changing customer needs and market conditions. Accordingly, we reserve the right to vary standards for any franchisee based upon the particular situation involved, local conditions, existing business practices, or any other factor that we consider important to the successful operation of the particular franchisee's business. You will have no rights or claims against us for any variation from standard specifications and practices granted to any other franchisee, and you are not entitled to the same or similar variation.

10. INTELLECTUAL PROPERTY

10.01 Ownership of the Marks

You acknowledge that we or our affiliates own all rights, title and interest in and to the Marks. You will not acquire any proprietary interest in the Marks, and you will not challenge ownership of the Marks or our right to use the Marks. Except as expressly provided in this Agreement, you will not acquire any rights to the Marks. Your right to use the Marks is merely a non-exclusive license, derived solely under this Agreement.

10.02 Registration

We or our affiliates have taken and will take all steps reasonably necessary, in our and their sole opinion, to preserve and protect ownership of, and the validity of, the Marks. You will not apply for governmental registration of the Marks, or contest the registration status of the Marks. You will display the Marks, and give notice of trademark registration and claims in the following manner: "Teriyaki Madness[®]" (or as otherwise required in the Manual). You will cooperate fully and in good faith with us and our affiliates for the purpose of maintaining registrations and prosecuting applications for the Marks, and otherwise securing and preserving their rights in and to the Marks.

10.03 Use of the Marks

You will not use the Marks unless you have our prior express written consent. Before each intended use of any material of any nature which bears any of the Marks, you will submit to us samples of

the materials. We will review samples of all marketing materials and other materials bearing our Marks you submit to us for approval, and we will notify you of our decision. You will use the Marks only as expressly authorized by this Agreement, the Manual or as we otherwise provide in writing. Unauthorized use of the Marks by you will constitute a breach of this Agreement, and an infringement of our rights in and to the Marks. You will take all steps necessary or appropriate to preserve the goodwill and prestige of the Marks. You will use the Marks only in connection with the Franchised Business. You will not use any Mark in your corporate name or legal name, but you may use a Mark in an assumed business or trade name if you first obtain our prior express written consent. You will not use any Mark with any prefix, suffix or other modifying trademarks, logos, words, terms, designs or symbols or in any modified form. You will not use any Mark in connection with any unauthorized item or service, or in any manner not expressly authorized under this Agreement.

You must indicate to the public in any contract, any advertisement and with a conspicuous sign in your Unit, as required in this Franchise Agreement and specified in the Manual that you are an independent operator of the Franchised Business and you shall use only the appropriate and authorized Marks as indicated by us. You agree to prominently display the Marks in connection with the Franchised Business and in the manner prescribed by us from time to time in the Manual or otherwise; provided that, prior to using the Marks on any signs, goods or materials for any reason whatsoever, you shall obtain the written approval of us for such usage. You agree to give such notices, at the Unit or otherwise, as may be required by us for the purpose of indicating that you are a licensed user of the Marks. In your use of the Marks, you shall include such notices as may be required by us for purposes of preserving our interests in the Marks, including trademark and copyright notices. You must modify or discontinue the use of a Mark at your cost, if we modify or discontinue it.

10.04 Copyrighted Materials

You acknowledge and agree that:

(a) All right, title and interest in and to all materials, including but not limited to, all artwork and designs, created by us, and used with the Marks or in association with the Franchised Business (“Copyrighted Materials”) is our property.

(b) You shall not dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Copyrighted Materials or our ownership of the Copyrighted Materials, nor counsel, procure, or assist anyone else to do the same, nor will you take any action inconsistent with our ownership of the Copyrighted Materials, nor will you represent that you has any right, title, or interest in the Copyrighted Materials other than those expressly granted by this Franchise Agreement.

(c) We may, in our sole and absolute discretion, apply to register or register any copyrights or patents with respect to the services and products associated with the System and the Copyrighted Materials. Our failure to obtain or maintain in effect any such application or registration is not a breach of this Franchise Agreement. You shall not, before or after termination or expiration of the Franchise Agreement, register or apply to register any Copyrighted Materials, anywhere in the world.

(d) Upon our request, you shall cooperate fully, both before and after termination or expiration of this Franchise Agreement and at our expense, in confirming, perfecting, preserving, and enforcing our rights in the Copyrighted Materials, including but not limited to, executing and delivering us such documents as we reasonably request for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the services and products associated with the System. You hereby irrevocably appoint us as your attorney-in-fact for the purpose of executing such documents.

(e) We make no representation or warranty, express or implied, as to the use, exclusive

ownership, validity or enforceability of the Copyrighted Materials.

10.05 Benefits of Usage

All usage of the Marks and any goodwill associated with the Marks will exclusively benefit us and our affiliates. All present and future service marks, trademarks, copyrights, service mark registration and trademark registration used or to be used as part of the System, and the associated goodwill, will be the property of us or our affiliates, and will inure solely to our and their benefit. Upon the expiration or termination of this Agreement for any reason, no monetary amount will be assigned as attributable to any goodwill associated with your use of the Marks. We are not obligated to protect any rights that you have to use the Marks or Copyrighted Materials or to protect you against claims of infringement or unfair competition. You are given the right to protect yourself, at your sole cost, from any of these claims if we elect not to prosecute the claim of infringement or unfair competition.

10.06 Infringement and Litigation

You will promptly notify us in writing of (a) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), Confidential Information (as defined in Section 11.01) or other System intellectual property, and (b) any threatened or pending litigation related to the Marks or System against (or naming as a party) you or us, of which you become aware. We or our affiliates will handle disputes with third parties concerning use of all or any part of the Marks or System in any manner we or they deem appropriate, in our or their sole discretion. You will cooperate fully and in good faith with our or their efforts to resolve these disputes. We or our affiliates may bring suit in your name or join you as a party to the relevant proceedings. We or our affiliates may resolve any dispute by obtaining a license of the property for you at no expense to you, or by requiring that you discontinue using the infringing property or modify use to avoid infringing the rights of others. We need not initiate suit against imitators or infringers who do not, in our sole opinion, have a material adverse impact on the Franchised Business, and we need not initiate any other suit or proceeding to enforce or protect the Marks or System in a matter that we do not believe, in our sole opinion, to be material. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we determine in our sole discretion that you have used the Marks in accordance with this Agreement, we will bear the cost of your defense, including the cost of any judgment or settlement. If we determine in our sole discretion that you have not used the Marks in accordance with this Agreement, you must bear the cost of your defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Marks, you will sign all documents and do all acts as may be necessary in our opinion to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that any litigation results from your use of the Marks in a manner inconsistent with the terms of this Agreement, we will reimburse you for your out-of-pocket litigation costs in cooperating with us in the litigation. We are not obligated to protect any rights that you have to use the Marks or Copyrighted Materials or to protect you against claims of infringement or unfair competition. You are given the right to protect yourself, at your sole cost, from any of these claims if we elect not to prosecute the claim of infringement or unfair competition.

10.07 Substitution of Marks

We reserve the right to substitute different proprietary marks for use in identifying the System, the businesses operating under the System, and/or the items or services offered, if the Marks no longer can be used, or if we, in our discretion, determine that substitution of different proprietary marks will be beneficial to the System. In these circumstances, the use of the substituted proprietary marks will be governed by the terms of this Agreement, and we will not compensate you for the costs of any substitution. You will promptly implement any substitution, at your own expense.

10.08 Photo/Video Release

You acknowledge and authorize us to use your likeness in a photograph or video in any and all of our publications, including printed and digital publications and on websites. You agree and understand that any photograph or video using your likeness will become our property and will not be returned. You agree and irrevocably authorize us to edit, alter, copy, exhibit, publish or distribute any photograph or video of you for any lawful purpose. You agree and waive any rights to royalties or any other compensation related to our use of any photograph or video of you. You agree to hold harmless and forever discharge us from all claims, demands, and causes of action which you may have in connection with this authorization. For purposes of this Section, you shall refer to your owners if you are a legal entity.

11. CONFIDENTIAL INFORMATION

11.01 Confidential Information

We possess certain non-public trade secrets, proprietary information, technical data, or know how which relate to our business, System, services or items, or to a Franchised Business, including the Manual, System Standards, quality-control systems, training materials, and information regarding salary, research, recipes, proprietary items and services, developments, inventions, processes, techniques, designs, marketing, finances, and operations (collectively, “**Confidential Information**”) that we will provide to you. You will also obtain other Confidential Information during the term of this Agreement. You acknowledge that your entire knowledge of the operation of a Japanese-style teriyaki restaurant, including the method of establishing this type of unit, preparing Japanese-style teriyaki and related items, and marketing this type of unit, and the related specifications, standards, and procedures involved in the operation of a Unit are derived solely from Confidential Information we disclosed (or will disclose) to you.

11.02 Protection of Confidential Information

You will use the Confidential Information only in the operation of the Franchised Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Agreement. You will take all appropriate actions to preserve the confidentiality of all Confidential Information, including keeping the Manual in a locked location. Access to Confidential Information must be limited to only your employees who need the Confidential Information to perform their jobs and who are subject to your general policy on maintaining confidentiality as a condition of employment or who have first signed our Confidentiality and Non-Competition Agreement. You will not copy or permit copying of Confidential Information. Your obligations under this section begin when you sign this Agreement and continue for trade secrets as long as they remain secret, and, for other Confidential Information, for as long as we continue to use the information in confidence (even if edited or revised) plus 3 years. We will respond promptly and in good faith to any inquiry by you about continued protection of any Confidential Information.

11.03 Disclosure of Confidential Information

Notwithstanding anything to the contrary in this Section 11, you may disclose Confidential Information if you are required by law to disclose it, provided that you give us at least 10 days’ notice, if feasible, of your intent to disclose. You may also disclose Confidential Information to your attorneys, accountants, financial and investment advisors, bankers or lending institutions, and other advisors and consultants of a similar nature, provided that any disclosure is only to the extent necessary for your advisors to perform their services for you, and provided that these persons have the obligation to, or otherwise agree, to keep the Confidential Information confidential. At our request, you will require that your officers and other employees sign covenants to maintain the confidentiality of any Confidential

Information, and these covenants will be in a form acceptable to us and will identify us as a third-party beneficiary with the independent right to enforce them.

12. INSPECTIONS AND AUDITS

12.01 Inspections and Audits

You hereby grant to us and our employees, representatives and agents the right to enter the Unit during regular business hours. You will permit our employees, representatives and agents access to your offices, Unit premises, storage areas, and other places of business, to perform inspections of your operations (including Unit premises, furnishings, fixtures, equipment, signs, inventory and supplies), files, documents, records, items and Mark usage, and to audit your financial and operating books and records (including tax returns) relating to the Franchised Business, with or without prior notice of the inspection or audit. The inspections and audits will occur during normal business hours, although we may observe your operations and accounting activity at any time. You, and your owners, officers, Managers, employees, agents and representatives will cooperate with our inspectors and auditors in the performance of their duties. You will permit our inspectors and auditors to, among other things: take photographs, movies, videotapes or sound recordings; interview your Managers, employees, agents, and representatives; interview your customers; make copies of your books, records and other documents relating to the Franchised Business; and take samples of food, beverages, ingredients, documents, inventory, supplies, items and other materials from your Unit premises, storage areas, and other facilities used in connection with the Franchised Business.

12.02 Unapproved Items and Services

You acknowledge that the offer or sale of any unapproved items or services at the Unit constitutes a material breach of this Agreement and good cause for termination of this Agreement. You authorize us to cure any default under this Section 12.02 on your behalf by removing and disposing of any unapproved items and unapproved equipment and other materials from the Unit. Any dispute between you and us as to whether any item, service or equipment is approved will be governed by the official lists we maintain at our principal place of business. You hereby grant us all of your right, title and interests in and to any unapproved items and equipment at the Unit, and waive any claims you may have against us arising from the removal and disposal of any unapproved items and unapproved equipment and other materials. You acknowledge that we have the right to physically remove any unapproved items and equipment from the Unit, and to dispose of them in any way we desire, without any compensation to you.

12.03 Other Corrective Action

If we notify you of any deficiencies in the operation of the Unit pursuant to this Agreement which are detected during an inspection or which otherwise become known to us, you will take the steps that we may require to correct all deficiencies within the time period we specify.

12.04 Payments

You will pay us any underpayment of, and we will pay to you or credit your account for any overpayment of, royalty fees discovered by an audit.

12.05 Audit and Inspection Costs

You will pay us for the reasonable travel, lodging and meal expenses, and other audit and inspection costs we incur if you or your owners, officers, Managers, employees, agents or representatives fail to fully cooperate with our auditors or inspectors, or if the audit reveals that you paid us less than 98% of the correct amount of fees for any week. You shall also pay any understated amount owed to us with

applicable late fees and interest of the lesser of 1.5% per month or the highest commercial contract interest rate allowed by law on understatement. We may publish or disclose the results of our inspections and audits. Our rights under this Section 12.05 survive for 2 years after expiration or termination of this Agreement, or any Transfer.

13. RELATIONSHIP OF THE PARTIES

13.01 Independence

You are an independent contractor. You are not our legal representative or agent, and you have no power to obligate us for any purpose whatsoever. We and you have a business relationship based entirely on and circumscribed by this Agreement. No partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement. You will exercise full and complete control over, and have full responsibility for, all of your contracts, daily operations, labor relations, employment practices and policies, including the recruitment, selection, hiring, disciplining, firing, compensation, work rules, and schedules of your employees. At all times, including in connection with all uses of any of the Marks, in connection with the operation of the Franchised Business, and in connection with all dealings with customers, suppliers, public officials, the general public, and others, you will conspicuously indicate your status as an independent contractor, including in all contracts, advertising, publicity, promotional and other marketing materials, and on any signage and uniforms, and in the manner specified in the Manual or as we otherwise may require. You will not make any express or implied agreements, guarantees or representations, or incur any debt in our name or on our behalf. You will not represent that the relationship between you and us is anything other than a franchise relationship. We will not be obligated by or have any liability under any agreements or representations made by you, and we will not be obligated for any damages to any person or property directly or indirectly arising out of your operation of the Franchised Business or the Unit.

13.02 Joint Status

If you comprise two or more persons or entities (notwithstanding any agreement, arrangement or understanding between or among these persons or entities), the rights, privileges and benefits of this Agreement may only be exercised and enjoyed jointly. The liabilities and responsibilities under this Agreement will be the joint and several obligations of all these persons or entities.

14. INSURANCE AND INDEMNIFICATION

14.01 Insurance Coverage

Before your Unit first opens for business, you will obtain insurance in the types and amounts specified herein. Your insurance policies must designate us, our directors, officers, employees, agents and other designees as additional named insureds, and your policies must provide that the insurer will not cancel or materially alter the policies without giving us at least 30 days' prior written notice. You will maintain all required insurance in force during the term of this Agreement, and you will obtain and maintain any additional or substituted insurance coverage, limits and amounts as we may periodically require. All insurance coverage will be underwritten by a company acceptable to us, with a Best's Rating of no less than "A+." If you fail to purchase required insurance conforming to our standards, we may obtain insurance for you, and you will pay us the cost of insurance plus a 20% administrative surcharge. Your compliance with these insurance provisions does not relieve you of any liability under any indemnity provisions of this Agreement.

We currently require you to maintain the following insurance coverage: (1) commercial general liability insurance with limits of at least \$2 million per occurrence, at least \$4 million aggregate, and at

least \$2 million per person, with \$5,000 per person medical benefits, and a maximum deductible of \$2,500; (2) all risks coverage insurance on all furniture, fixtures, equipment, inventory, supplies and other property used in the operation of the Unit (including flood and/or earthquake coverage where there are known risks) for full replacement value; and (3) workers compensation insurance consistent with applicable law. Our insurance requirements are subject to change during the term of this Agreement, and you agree to comply with each such change.

14.02 Proof of Insurance

Before your Unit first opens for business, you will provide us with a copy of each certificate of all required insurance policies. You will promptly provide us with copies of each certificate for all renewal or replacement insurance policies. Within 10 days after we request, you will provide us with a complete copy of any of your insurance policies we request.

14.03 Your Indemnification of Us

Independent of your obligation to procure and maintain insurance, you will indemnify, defend and hold us and our affiliates, the respective officers, directors, partners, shareholders, employees, agents and contractors of these entities, and the successors, assigns, personal representatives, heirs and legatees of all of these persons or entities (collectively, the “**Indemnitees**”) harmless, to the fullest extent permitted by law, from and against all expenses, losses, payments or obligations to make payments either (a) to or for third party claimants by any and all Indemnitees, including refunds, or (b) incurred by any and all Indemnitees to investigate, take action, respond to or defend a matter, including investigation and trial charges, costs and expenses, fees, fees paid to professionals, attorney fees, experts’ fees, court costs, settlement amounts, judgments and costs of collection (collectively, “**Losses and Expenses**”), incurred by any Indemnitee for any investigation, claim, action, suit, demand, administrative or alternative dispute resolution proceeding, actually or allegedly, directly or indirectly, relating to, arising out of, or resulting from or in connection with: any transaction, occurrence or service involving the Franchised Business, the Unit or this Agreement; your marketing, selling, or providing of items and services; and any breach or violation of any agreement (including this Agreement), or any law, regulation or ruling by, or any act, error or omission (active or passive) of, you, any party associated or affiliated with you or any of the owners, officers, directors, Managers, employees, and agents of you or your affiliates, including when the active or passive negligence of any Indemnitee is alleged or proven.

14.04 Your Indemnification Duties

You will respond promptly to any matter described in Section 14.03, and defend the Indemnitee. You will reimburse the Indemnitee for all costs of defending the matter, including attorney fees, incurred by the Indemnitee if you or your insurer does not assume defense of the Indemnitee promptly when requested. We have the right to approve any resolution or course of action in a matter that could directly or indirectly have any adverse effect on us, the Marks or the System, or could serve as a precedent for other matters.

14.05 Our Indemnification of You

We will indemnify, defend and hold you harmless from and against all investigation and trial charges, costs and expenses, attorney fees, experts’ fees, court costs, settlement amounts, judgments and costs of collection incurred by you in any action or claim, actually or allegedly, arising out of or resulting from or in connection with the gross negligence or intentional misconduct of us or any of our employees while acting within the course and scope of their employment.

15. TRANSFERS

15.01 Transfer by Us

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of “Teriyaki Madness Franchising LLC” as Franchisor. Nothing contained in this Agreement shall require us to remain in the restaurant business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

15.02 Transfer by You

You acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted these rights in reliance on your business experience, skill, financial resources and personal character (and that of your owners, officers, directors, Managers and guarantors, if any). Accordingly, neither you, nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you will sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Agreement, or in you, or in all or substantially all of the assets of the Franchised Business (collectively, a “**Transfer**”), unless we consent and all of the requirements of Section 15.03 and Section 15.04 are satisfied. Any transaction requiring our consent under this Section 15.02 for which our express written consent is not first obtained will be null and void, and shall be a material default of this Agreement. In that event: we may terminate this Agreement under Section 16.01; you will remain responsible for performing the post-termination obligations in Section 17; and the purported transferee may not operate the Franchised Business under the Marks or the System.

15.03 Transfer Conditions

We may, to the extent permitted by applicable law, condition and withhold our consent to a Transfer, when required under Section 15.02 until the transferee and you meet certain conditions. If a Transfer is to occur: (a) the proposed transferee must apply for a Teriyaki Madness franchise and must meet all of our then-current standards and requirements for becoming a Teriyaki Madness[®] franchisee, in our sole discretion; (b) you or the proposed transferee must provide to us in writing the circumstances of the proposed Transfer; (c) the proposed transferee must provide to us the same supporting documents as a new franchise applicant; (d) you or the proposed transferee must pay us a transfer fee of 50% of our then-current initial franchise fee, including a nonrefundable \$1,000 deposit that is due upon the request for approval of a Transfer (e) the proposed transferee must sign the form of franchise agreement we then offer to prospective franchisees, which agreement will provide for a new initial term of 5 years, and the transferee’s owners will sign the form of owners agreement we then require of franchisees’ owners; (f) the proposed transferee and its manager must complete to our satisfaction the initial training then required for new franchisees and their managers; (g) you or the proposed transferee must refurbish the Unit to

conform to our then-current standards and specifications; (h) we must receive general releases from you and each of your owners, and payment of all amounts then owed to us and our affiliates by you and your owners and affiliates, and the transferee and its owners and affiliates, under this Agreement or otherwise; (i) you must not be in default under this Agreement or any other agreement with us or any of our affiliates; (j) you must give us at least 30 days' prior written notice of any proposed Transfer; and (k) you or the transferee must provide us with any additional information that we may reasonably request. We may withhold consent to the proposed transfer until all of these conditions are completely satisfied.

15.04 Right of First Refusal

Any individual or entity holding any direct or indirect interest in this Agreement or in a substantial portion of the assets of the Unit or in you (if you are an entity) and who desires to accept any bona fide offer from a third party to purchase the relevant interest or assets must notify us in writing of each offer, and must provide the information and documentation relating to the offer as we may require. We have the right and option, exercisable within 30 days after receipt of this written notification, to send written notice to the seller that we or our designee intend to purchase the seller's interest on the same terms and conditions offered by the third party. If we or our designee elect to purchase the seller's interest, closing of the purchase will occur within 60 days from the date of notice to the seller of the election to purchase by us or our designee. If we decline to purchase the seller's interest, the seller will have 90 days from the date it gives written notice to us of its purchase offer to sell its interest on the same terms and conditions and to the same transferee as described to us in the written notice. Any material change thereafter in the terms of the offer from a third party will constitute a new offer which will be subject to our right of first refusal under this Agreement. Our failure to exercise the option afforded by this Section 15.04 will not constitute a waiver of any other provision of this Agreement, including all of the other requirements of Section 15.03 with respect to the proposed Transfer. If the consideration, terms or conditions offered by a third party are of the type that we or our designee may not reasonably be able to furnish the same consideration, terms or conditions, then we or our designee may purchase the relevant interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration terms or conditions offered by the third party, then each party will select an independent appraiser. The two appraisers will then have up to 15 business days to agree on a reasonable equivalent in cash. If they cannot agree during that period, then the reasonable equivalent in cash will be the average of the two appraisals.

15.05 Death, Divorce or Incapacity

Upon the death, divorce or incapacity of you (if you are an individual) or in your majority owner of you (if you are an entity), we will have the right to take over your lease and to purchase some or all of the assets of the Franchised Business under Section 17.11. If we exercise this right, you and your majority owner (in the event of divorce), or the executor, administrator, personal representative, trustee or heirs of such person (in the event of death or incapacity) must fully cooperate with us in an orderly transfer and also pay us a Management Fee of five hundred dollars (\$500) per day plus expenses for as long as we continue to manage the franchise. If we do not elect to exercise this right, you, your majority owner, or the executor, administrator, personal representative, trustee or heirs of such person must transfer the relevant interest to a third party approved by us as soon as practically possible, and in no event more than within 6 months of such after the relevant death, divorce or incapacity. This transfer, including any transfer by devise or inheritance, will be subject to the same conditions as other Transfers under this Agreement. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable or unwilling to meet the conditions in Section 15.03, the executor, administrator, trustee or personal representative of the deceased person will have a reasonable time (but no longer than 6 months) to dispose of the interest in the Franchised Business, which will be subject to all the terms and conditions for Transfers contained in this Agreement. If the interest is not

disposed of within 6 months following the relevant death or incapacity, we may terminate this Agreement under Section 16.01.

15.06 No Waiver

Our consent to a Transfer hereunder will not constitute a waiver of any claims we may have against you or the transferring party or our right to demand exact compliance with any provision of this Agreement.

16. DEFAULT AND TERMINATION

16.01 Termination by Us without Right to Cure

You will be deemed to be in material incurable default under this Franchise Agreement, and we may, at our option, suspend performance of certain or all of our services to you during the time period you are under default of this Franchise Agreement, or terminate this Franchise Agreement for good cause effective immediately upon delivery of notice of termination to you, for any of the following grounds: (a) you (or any of your owners) are judged a bankrupt, become insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due, a petition under any bankruptcy law is filed against you, or a receiver or other custodian is appointed for a substantial part of the assets of the Unit; (b) you or any of your owners are convicted of a felony or other crime which substantially impairs the goodwill associated with the Marks; (c) you or your owners made any material misrepresentation or omission in the application for the Franchise; (d) you make an unauthorized Transfer; (e) the interest of a deceased, divorced or incapacitated person is not timely Transferred in accordance with the terms of this Agreement; (f) you intentionally understate the Unit's revenues in any report or financial statement; (g) you commit any 2 or more defaults under this Agreement within any 12-month period, regardless of whether any default is cured; (h) you fail to operate or keep the Franchised Business open for more than 5 consecutive business days without our express written approval; (i) you default under any loan, lending agreement, mortgage, deed of trust or lease with any party covering the Unit's premises, and the other party treats the relevant act or omission as a default, and you fail to timely cure the default; (j) you fail to begin operation of the Unit within 12 months from the Effective Date of this Agreement or your Manager fails to complete our training program to our satisfaction, after giving you the opportunity to designate a successor Manager; (k) you sell, offer for sale, or give away at the Unit any items or services which have not been previously approved by us in writing, or which have been subsequently disapproved, and you fail to cease these sales or gifts within 24 hours after receipt of notice by us; (l) you suffer termination of any other agreement with us or any of our affiliates; or (m) you fail to comply with all applicable laws and ordinances relating to the Franchised Business, including Anti-Terrorism Laws, or if your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation.

16.02 Termination by Us with 10-Day Cure Period

If you fail or refuse to timely pay any amounts owed to us or any of our affiliates, or if you fail to obtain or maintain insurance as required by this Agreement, we may, at our option, terminate this Agreement by giving you 10 days' written notice of default. If you do not cure the default within this 10-day period, we may terminate this Agreement for good cause effective upon delivery of notice of termination to you.

16.03 Other Termination by Us

Except as provided in Sections 16.01 and 16.02, if you are in any other default under the terms of this Agreement, we, at our option, may terminate this Agreement by giving you 30 days' written notice of

default. If you do not cure any the default within this 30-day period, we may terminate this Agreement for good cause effective upon delivery of notice of termination to you.

16.04 Additional Remedies

We may deny you the benefits of the System for any default under this Agreement and discontinue System benefits to you for the duration of the default, including, but not limited to, suspension of your access to any intranet we may develop and/or suspension of any listing or web page for your Unit on our website. We may institute proceedings to collect amounts due under this Agreement without first issuing a default or termination notice. Our consent or approval as may be required under this Agreement or the System Standards may be withheld while you are in default under this Agreement or may be conditioned on the cure of all of your defaults. Our termination of this Agreement pursuant to this Section 16 will be in addition to all other remedies, in law or in equity, available to us. Additionally, you must reimburse us for us for any legal or accounting fees that we incur as a result of any breach or termination of the Agreement or that we incur in enforcing the Agreement.

16.05 Governing State Law

If a longer notice or cure period or a different good cause standard is prescribed by applicable law, this law will apply to any termination of this Agreement.

17. POST TERMINATION RIGHTS AND OBLIGATIONS

17.01 Cease Use of System and Marks

Upon the expiration or termination of this Agreement by any means or for any reason, you will immediately cease to be a franchisee of ours and you will cease to operate the Unit under the System or Marks. You will also immediately cease to use, in any manner whatsoever, any methods, procedures, or techniques associated with the System and cease to use the Marks. Unless otherwise approved in writing by us, you will return to us all copies of materials bearing the Marks. You will not, directly or indirectly, represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold yourself out as a present or former franchisee of ours.

17.02 Payment of Amounts Owed

Upon the expiration or termination of this Agreement by any means or for any reason, you will immediately pay all sums you owe us and our affiliates. Upon termination for any default by you, the sums you owe will include actual and consequential damages, costs, and expenses we incurred as a result of your default.

17.03 Return Manual and Other Materials

Upon the expiration or termination of this Agreement by any means or for any reason, you will immediately return to us the Manual, any training materials, other proprietary information, all trade secrets and confidential materials owned or licensed by us, and all copies thereof. If you fail to return the Manual to us within 5 days after any expiration or termination of this Agreement, you must pay the manual replacement fee specified in Section 7.04.

17.04 Change of Identification

Upon the expiration or termination of this Agreement by any means or for any reason, you will, upon our request, immediately remove or obliterate the Marks from all marketing materials, supplies, signage and other items bearing any Marks. You will follow the other steps we may require in the Manuals or otherwise in writing for changing the identification of your premises and/or operations. You

will promptly paint over or remove the distinctive System trade dress, color schemes, signage and other physical features. You will not use any reproduction, counterfeit copy, or colorable imitation of the Marks either in connection with any business or the promotion thereof, which is likely to cause confusion, mistake, or deception or which is likely to dilute our exclusive rights in and to the Marks, and you will not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition. You will make modifications or alterations to the Unit premises immediately upon expiration or termination of this Agreement as may be necessary to prevent any association between us or the System and any business later operated by you or others, and will make specific additional changes thereto as we may reasonably request for that purpose. If you fail or refuse to comply with the requirements of this Section 17.04, we will have the right to enter upon the Unit premises, without liability for trespass or any other tort, to make or cause to be made any changes as may be required at your expense, which expense you agree to pay us upon demand. We will exercise reasonable care in making these changes, but we will have no obligation or liability to restore your premises to its condition before making these changes. We will have the right to remove or obliterate the Mark-bearing portion of your supplies and equipment, and you will promptly pay or reimburse us for our costs of doing so.

17.05 Transfer of Identifiers

You acknowledge that all telephone numbers, facsimile numbers, social media websites, Internet addresses and e-mail addresses (collectively “**Identifiers**”) used in the operation of your Franchised Business constitute our assets, and upon termination or expiration of this Franchise Agreement, you will take such action within five days to cancel or assign to us or our designee as determined by us, all of your right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies of the termination or expiration of your right to use any Identifiers, and any regular, classified or other telephone directory listing associated with the Identifiers and to authorize a transfer of the same to, or at our direction. You agree to take all action required cancel all assumed name or equivalent registrations related to your use of the Marks. You acknowledge that, we have the sole rights to, and interest in, all Identifiers used by you to promote your Franchised Business and/or associated with the Marks. You hereby irrevocably appoint us, with full power of substitution, as your true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. You further appoint us to direct the telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party to transfer such Identifiers to us or our designee. The telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party may accept such direction by us pursuant to this Agreement as conclusive evidence of our rights to the Identifiers and our authority to direct their transfer.

17.06 Cancel Assumed Name

You will take whatever action is necessary to cancel any assumed name or equivalent registration which contains the Marks, and you will furnish us with evidence satisfactory to us of compliance with this obligation within 10 days after termination or expiration of this Agreement.

17.07 Customer Lists

Upon the expiration or termination of this Agreement by any means or for any reason, you must immediately provide to us all customer lists and contact information in your possession or control.

17.08 Assignment of Lease

If we request, you will assign to us your lease for the Approved Location.

17.09 Non-Solicitation and Non-Competition

You will not, directly or indirectly, for a period of 2 years after the expiration or termination of this Agreement or any Transfer:

(a) engage in or invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, associated with, or in any manner connected with, lend your name or any similar name to, or render services or advice to any business that offers or sells Japanese-style teriyaki food items within a 25-mile radius of your Unit's location; or

(b) engage in or invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, associated with, or in any manner connected with, lend your name or any similar name to, or render services or advice to any business that offers or sells Japanese-style teriyaki food items within a 25-mile radius of any Unit owned or operated by us or any of our affiliates or franchisees; or

(c) solicit or attempt to solicit any customer of the Unit or any customer of ours or any of our affiliates or franchisees; or

(d) solicit, employ, or otherwise engage as an employee, independent contractor, or otherwise, any person who is or was an employee of ours or any of our affiliates or franchisees or in any manner induce or attempt to induce any employee of ours or any of our affiliates or franchisees to terminate his or her employment; or

(e) interfere with the Unit's and/or our relationship with any person, including any person who at any time during the term of this Agreement was an employee, contractor, supplier, or customer.

The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 17.09 is held unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant imposing the maximum duty permitted by law that is subsumed within the terms of the covenant, as if the resulting covenant were separately stated in and made a part of this Section 17.09. You further agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to the enforcement by us of the covenants in this Section 17.09. You understand and acknowledge that we will have the right, in our sole discretion, to unilaterally reduce the scope of any covenant set forth in this Section 17.09 or any portion hereof, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree that you will comply immediately with any covenant as so modified.

17.10 Other Post-Termination Obligations

Upon the expiration or termination of this Agreement by any means or for any reason, you will immediately and strictly comply with all other provisions of this Agreement pertaining to post-termination obligations.

17.11 Right to Purchase

Upon the expiration or termination of this Agreement by any means or for any reason, we will have the right, but not the obligation, to purchase some or all of the assets of the Franchised Business, including any furnishings, fixtures, equipment, signs, items, inventory, supplies and marketing materials, as well as all items bearing any Mark, at the lesser of your cost or fair market value. Before exercising any rights under this Section 17.11, we will have the right to enter the Unit during reasonable hours to inspect the assets. If we elect to exercise our purchase rights, we will give you written notice of intent to do so within 30 days after termination or expiration of this Agreement. If the parties cannot agree on fair market value within 15 days after we provide notice of intent to purchase, then each party will select an independent appraiser. The 2 appraisers will then have up to 15 business days to agree on a fair market value for the relevant assets. If they cannot agree during that period, then the final fair market value will be determined by averaging the amounts determined by the 2 appraisers. If we elect to exercise our purchase rights, closing will take place within 45 days after we provide notice of intent to purchase, to the extent reasonably possible. We will have the right to offset all amounts you owe to us or our affiliates against any payment due to you under this Section 17.11. This provision will also apply in the event of death, divorce or incapacity under Section 15.05.

17.12 Survival of Certain Provisions

Certain rights and obligations in Sections 8, 11, 12, 14, 17, 18, and 19 survive termination or expiration of this Agreement (regardless of whether termination is wrongful) or a Transfer by you. You will continue to comply with your obligations under these sections following termination or expiration of this Agreement or a Transfer until the obligations, by their nature or by the relevant express provisions, expire.

17.13 Liquidated Damages

Upon termination of this Agreement by us for cause, you agree to pay to us within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fees you paid during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

18. DISPUTE RESOLUTION

18.01 Informal Dispute Resolution

Before initiating any arbitration or litigation proceeding for any dispute arising under or relating to this Agreement, the party intending to initiate the proceeding will notify the other party in writing of the existence and nature of the dispute. Within 15 business days after the other party's receipt of the notice, one of our officers or managers will meet with you or one of your owners, officers or Managers at our principal place of business, or other mutually agreeable location, to negotiate in good faith in an effort to resolve the dispute amicably. If this informal attempt to resolve the dispute is unsuccessful, either party may initiate arbitration as described in Section 18.02.

18.02 Mediation

Except as otherwise provided in this Franchise Agreement, any claim or controversy arising out of or related to this Franchise Agreement, or the making, performance, breach, interpretation, or termination thereof, except for any actions brought regarding: (i) the Marks; (ii) issues concerning the alleged violations of federal or state antitrust laws; (iii) securing injunctive relief or specific performance; or (iv) the right to indemnification or the manner in which it is exercised, shall first be subject to non-binding mediation in the city and state of our principal business address, which is currently in Denver, Colorado. Mediation shall not defer or suspend exercising our exercise of any termination right under Section 16.

Non-binding mediation hereunder shall be concluded within sixty (60) days of the issuance of the request, or such longer period as may be agreed upon by the parties in writing (“Mediation Termination Date”). All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. The parties shall bear their own costs of mediation, and shall share equally in the cost of the mediator or mediation service.

No arbitration or litigation may be commenced on any claim subject to mediation under this Section prior to the Mediation Termination Date, as defined hereafter, whether or not the mediation has been commenced. Mediation under this Section is not intended to alter or suspend the rights or obligations of the parties under this Franchise Agreement or to determine the validity or effect of any provision of this Franchise Agreement, but should furnish the parties an opportunity to resolve disputes amicably, expeditiously and in a cost-effective manner on mutually acceptable terms.

The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation. The request shall specify with reasonable particularity the matters for which non-binding mediation is sought. Non-binding mediation hereunder shall be conducted by a mediator or mediation program designated by us in writing. We shall make the designation within a reasonable time after issuance of the request.

18.03 Binding Arbitration

Without limiting our rights and remedies under Section 16, the parties hereto acknowledge and agree that any dispute or controversy arising out of or relating to this Franchise Agreement not settled by informal negotiations or mediation will, at the request of either party, be settled by final and binding arbitration conducted in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association or its successor organization (the “AAA”) and otherwise as set forth below on an individual basis (not a class action):

(a) Notice of Arbitration. Either party may initiate the arbitration proceeding by making a written demand to the other party, and both parties will then be obligated to engage in arbitration. The demand for arbitration must be served on the other party within the period provided by the applicable statute of limitations, and must contain a statement setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. A demand for arbitration will not operate to stay,

postpone or rescind the effectiveness of any termination of this Franchise Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator or by an appropriate court, if necessary.

(b) Selection of Arbitrator. Arbitration will be conducted before a single arbitrator who is familiar with legal disputes of the type at issue and who has at least 10 years' experience as a lawyer or in the franchise business. The parties will mutually agree on the selection of the arbitrator; however, if the parties have not agreed on the selection of an arbitrator within 30 days after the arbitration demand, either party may request the AAA or successor organization, to appoint a qualified arbitrator.

(c) Preliminary Conference. Within ten (10) days after appointment of the arbitrator, the parties will meet with the arbitrator, in person or by telephone, for a preliminary conference. At the preliminary conference, the parties will establish the extent of and schedule for discovery, including the production of relevant documents, identification of witnesses, depositions, and the stipulation of uncontested facts. At this preliminary conference, the date for the hearing will be set which will not, unless both parties agree, be more than 60 days after the date of the preliminary conference. At the preliminary conference, the arbitrator will set forth the procedures to be followed at the hearing.

(d) Discovery. Should a dispute arise over the extent of or propriety of any discovery request, the arbitrator will make a final determination after hearing each party's position. All discovery must be completed within 45 days after the preliminary conference, unless otherwise agreed by the parties.

(e) Statement of Case. At least (5) days before the scheduled hearing, each party must deliver to the arbitrator and to the other party a written summary of its position on the issues in dispute.

(f) Hearing. Unless otherwise mutually agreed by the parties, all arbitration proceedings will be held in the city in which we then have our principal place of business.

(g) Arbitrator's Decision. The arbitrator will issue a written decision within ten (10) days after conclusion of the hearing, explaining the basis for the decision. Judgment upon the decision rendered by the arbitrator may be entered in any court having jurisdiction. This decision will be binding upon both parties. The arbitrator will have authority to assess actual damages sustained by reason of any breach or wrongful termination of this Franchise Agreement, but will not have any authority to amend or modify the terms of this Franchise Agreement or to assess punitive damages or treble damages.

(h) Time Schedule. The parties will use due diligence to meet the foregoing time schedule, and the arbitrator will have the right to impose appropriate sanctions against any party who fails to comply with the agreed-upon time schedule. The arbitrator will use his best efforts to comply with the foregoing time schedule, but may unilaterally modify it if, in his opinion, modification is necessary for a proper and just resolution of the dispute. The parties may jointly modify the agreed-upon time schedule, subject to the arbitrator's approval.

(i) Arbitration Expenses. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including arbitrator's fees and expenses, and attorney fees and expenses) incurred in connection with the dispute.

(j) Confidentiality. The entire arbitration proceedings and related documents are confidential. Except as necessary to enforce the decision of the arbitrator hereunder, all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the arbitration by any of the parties, their agents, employees or representatives and by the arbitrator, are confidential. These matters will not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration.

18.04 Provisional Remedies

Despite the provisions of Sections 18.01, 18.02 or 18.03, each party will have the right to seek from an appropriate court any provisional remedies, including declaratory relief, specific enforcement, temporary restraining orders or preliminary injunctions, before, during or after informal dispute resolution or arbitration. Neither party is required to await the outcome of any informal dispute resolution or arbitration before seeking provisional remedies. The seeking of provisional remedies will not be deemed to be a waiver of either party's right to compel informal dispute resolution or arbitration. You acknowledge that any failure to fully and strictly comply with Section 17 will result in irreparable injury to us for which there is no adequate remedy at law, and you agree that, in the event of any noncompliance with any of Section 17, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. An action seeking provisional remedies will be brought in any state or federal court within the jurisdiction in which we then have our principal place of business, or in any other state court or federal district court with proper jurisdiction. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Section 18.04, and the parties waive any objections that they would otherwise have in this regard.

18.05 Costs of Enforcement

If we secure any provisional remedy pursuant to Section 18.03 of this Agreement, or if any provision of this Agreement is otherwise enforced at any time by us, or if any amounts due from you to us are collected by or through an attorney at law or collection agency, you will be liable to us for all costs and expenses of enforcement and collection including, but not limited to, court costs and reasonable attorney fees and expenses incurred by us (including the fair market value of any time expended by in-house legal counsel).

18.06 Jurisdiction

The parties hereto agree that it is in their best interest to resolve disputes between them in an orderly fashion and in a consistent manner. Therefore, the parties consent to the exclusive jurisdiction of the United States District Court for the District of Colorado –the District Court of Colorado, Arapahoe County or the federal or state court for the jurisdiction in which we then have our principal place of business for any litigation relating to this Agreement or the operation of the Franchised Business hereunder; provided that we have the option to bring suit against any you in any state or federal court within the jurisdiction where your Unit is or was located or where any of your owners lives. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties specifically waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto. **THE PARTIES WAIVE ANY RIGHT TO JURY TRIAL THAT THEY MAY HAVE IN ANY ACTION ARISING OUT OF OR UNDER THIS**

AGREEMENT. IT IS THE INTENT OF THE PARTIES THAT ANY LITIGATION BETWEEN THEM WILL BE OF INDIVIDUAL CLAIMS, AND THAT THE CLAIMS SUBJECT TO LITIGATION WILL NOT BE LITIGATED AS A CLASS ACTION.

Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or arbitration proceeding brought or instituted with respect to any dispute arising from or related to this Franchise Agreement or with respect to any breach of the terms of this Franchise Agreement must be brought or instituted within a period of two (2) years from the date of discovery of the conduct or event that forms the basis of the legal action or proceeding.

19. GENERAL PROVISIONS

19.01 Partial Invalidity

If all or any part of a provision of this Agreement violates applicable law, the affected provision or part will not be given effect. If all or any part of a provision of this Agreement is declared invalid or unenforceable, for any reason, or is not given effect by reason of the prior sentence, the remainder of the Agreement will not be affected, and the parties will modify the invalid or unenforceable provision to the extent required to be valid and enforceable. However, if in our judgment this result substantially impairs the value of this Agreement to us, then we may at any time terminate this Agreement by written notice to you, without penalty or compensation owed by either party.

19.02 Waivers, Modifications, Approvals and Delegations

Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us therefor, and we may withhold, condition or withdraw our consent in our sole discretion. No failure of ours to exercise any power reserved to us by this Agreement and no custom or practice of the parties at variance with the terms hereof will constitute a waiver of our right to demand exact compliance with any of the terms herein. A waiver or approval by us of any particular default by you or any other franchisee or acceptance by us of any payments due hereunder will not be considered a waiver or approval by us of any preceding or subsequent breach by you of any term, covenant, or condition of this Agreement. We will not be deemed to have waived any of our rights under this Agreement, nor will you be deemed to have been excused from performance of any of your obligations pursuant to this Agreement, unless the waiver or excuse is written and signed by an authorized representative of us and you. To be effective, any modifications, waivers, approvals and consents of, or under, this Agreement by us must be designated as such, in writing, and signed by our authorized representative. Notwithstanding anything to the contrary herein, you acknowledge and agree that Sections 2.02(c) and 17.09 of this Agreement permit us to unilaterally modify this Agreement.

You agree we have the right to delegate to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted (1) the performance of any portion or all of our obligations under this Franchise Agreement, and (2) any right that we have under this Franchise Agreement. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Franchise Agreement.

19.03 Notices

Any notice, reports, and other information and documents permitted or required to be delivered under Agreement will be in writing, and will be delivered to us at 2696 S. Colorado Blvd. #110, Denver, Colorado 80222, or to you at the address of the Approved Location or the address listed on the signature page hereof. Either party may modify its address periodically by written notice to the other party.

Notices will be effective if in writing and delivered to the appropriate party by: delivery service, with proof of delivery; or by first class, prepaid certified or registered mail, return receipt requested. Notices will be deemed given on the date delivered or on the date of the first attempted delivery, if delivery is refused or unclaimed.

19.04 Governing Law

This Agreement takes effect upon its acceptance by us in the State of Colorado, and will be governed by and interpreted in accordance with Colorado law applicable to contracts made and to be wholly performed therein without regard to its conflicts of law rules; provided, however, that this provision is not intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Colorado to which it would not otherwise be subject.

19.05 Counterparts

This Agreement may be signed in any number of counterparts, each of which when signed and delivered will be deemed an original, but all counterparts together will constitute one and the same instrument.

19.06 Construction

No provision of this Agreement will be interpreted in favor of or against either party merely because of that party's role in the preparation of this Agreement, or because of the nature or type of this Agreement. The headings and captions contained herein are for the purpose of convenience and reference only, and are not to be construed as part of this Agreement. All terms and words used herein will be construed to include the number and gender as the context of this Agreement may require. The parties agree that each section of this Agreement will be construed independently of any other section or provision of this Agreement. All references in this Agreement to Sections or Attachments refer to the relevant sections and attachments, respectively, of this Agreement. This Agreement, together with the exhibits and any addenda attached, is the entire agreement, and supersedes all prior representations, agreements and understandings (oral or written) of the parties; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Franchise Disclosure Document that was furnished to you by us. Except for the Indemnitees, or as otherwise expressly provided in this Agreement, there are no third party beneficiaries hereunder. No agreement between us and any third party else is for your benefit. Except as expressly provided in this Agreement, this Agreement is binding on and will inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns. Time is of the essence.

19.07 Force Majeure

Notwithstanding anything contained in this Agreement to the contrary, neither party will be in default hereunder by reason of its delay in performance of, or failure to perform, any of its obligations hereunder, if this delay or failure is caused by strikes or other labor disturbance; acts of God, or the public enemy, riots or other civil disturbances, fire, or flood; interference by civil or military authorities; compliance with governmental laws, rules, or regulations which were not in effect and could not be reasonably anticipated as of the date of this Agreement; delays in transportation, failure of delivery by suppliers, or inability to secure necessary governmental priorities for materials; or, any other fault beyond its control or without its fault or negligence. In this case, the time required for performance of the relevant obligation will be the duration of the unavoidable delay. "Force majeure" shall specifically exclude your lack of available financing.

19.08 State Addendum

The laws of certain states may supersede some of the provisions of this Agreement, and certain states require us to supplement or modify the provisions of this Agreement. If applicable, these supplements and modifications are contained in the addendum to the Franchise Disclosure Document as Exhibit G. When you sign this Agreement, you will also properly sign the addenda, if applicable. The multi-state addendum will be construed and applied as narrowly as possible, consistent with applicable state law, in order to avoid potential conflicts between state laws.

19.09 Operation in the Event of Absence or Disability; Step-In Rights

(a) In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Franchised Business, operate the Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Franchised Business franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

(b) If we determine in our sole judgment that the operation of your business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize us to operate your business for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your business; or we determine that operational problems require that we operate your business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the business as a going concern.

(c) We shall keep in a separate account all monies generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorney fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

20. SECURITY INTEREST

20.01 Collateral

You grant to us a security interest (“**Security Interest**”) in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Franchised Business, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchised Business. All items in which a security interest is granted are referred to as the “**Collateral**.”

20.02 Indebtedness Secured

The Security Interest is to secure payment of the following (the “**Indebtedness**”):

- (a) All amounts due under this Agreement or otherwise by you;
- (b) All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;
- (c) All expenses, including reasonable attorney fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and
- (d) All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments.

Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Franchised Business, including, but not limited to, a real property mortgage and equipment leases.

20.03 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

20.04 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

20.05 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of Colorado (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

20.06 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined

in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

21. ACKNOWLEDGMENTS

21.01 Accurate Information

You represent that all information set forth in any and all applications, financial statements and submissions to us is true, complete and accurate in all respects. You acknowledge that we are relying upon the truthfulness, completeness and accuracy of this information in our decision to enter into this Agreement with you.

Your initials: _____

21.02 Proper Disclosure

You acknowledge that we or our agent have provided you with our current Franchise Disclosure Document not later than the earlier of the first personal meeting held to discuss the sale of the Franchise, or 14 calendar days before you sign this Agreement, or 14 calendar days before you make any payment of any consideration in connection with this transaction.

Your initials: _____

21.03 Consultation and Understanding

You represent and acknowledge that: (a) you have read and understood this Agreement and our Franchise Disclosure Document; (b) we have fully and adequately explained the provisions of each to your satisfaction; (c) we have advised you to consult with your own attorneys, accountants, or other advisers about the potential benefits and risks of entering into this Agreement; (d) you have had ample opportunity to consult with advisors of your own choosing; and (e) our attorneys have not advised or represented you with respect to this Agreement or the relationship created hereby.

Your initials: _____

21.04 Independent Investigation of Risks

You represent that you have conducted an independent investigation of the business contemplated by this Agreement, and you acknowledge that, like any other business, an investment in the Franchised Business involves unavoidable business risks. You acknowledge that the success of the Franchised Business is primarily dependent upon the business abilities and efforts of you and your Manager and employees.

Your initials: _____

21.05 No Warranty or Guarantee

You acknowledge that you have not received or relied upon any warranty or guarantee, express or implied, as to the potential revenues, income, profits, volume or success of the business venture contemplated by this Agreement. You acknowledge that you have read this Agreement and our Franchise Disclosure Document, and that you have no knowledge of any representation by us or any of our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or contrary to the terms hereof. We expressly disclaim the making of any warranty, guarantee or representations of this type.

Your initials: _____

21.06 Reasonable Covenants

The covenants not to compete in this agreement are fair and reasonable, and will not impose any undue hardship on you or your owners, since you and your owners have other considerable skills, experience and education which afford you and your owners the opportunity to derive income from other endeavors.

Your initials: _____

21.07 No Other Agreements

You acknowledge that this Agreement, the documents referred to herein, the attachments hereto, and other agreements signed concurrently with this Agreement, if any, constitute the entire, full and complete Agreement between us and you concerning the subject matter hereof. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter, and any oral or written representations which are inconsistent with the terms of this Agreement or our Franchise Disclosure Document.

Your initials: _____

21.08 No Business Opportunity Representations

You acknowledge that neither we nor any of our officers, directors, shareholders, employees or agents have made any representation that: (a) we may purchase any or all products made, produced, fabricated or modified by you; (b) we guarantee that you will derive income from the Franchised Business which will exceed the initial franchise fee; (c) we guarantee that we will refund all or part of the initial franchise fee if you are not satisfied with the Franchise; or (d) we will provide a sales program or marketing program which will enable you to derive income from the Franchised Business which exceeds the initial franchise fee.

Your initials: _____

21.09 No Reliance on Our Staff Participation

You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employees come and go. You acknowledge that you did not sign this Franchise Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form and/or assign this Franchise Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Franchise Agreement, we no longer will have any performance or other obligations under this Franchise Agreement.

Your initials: _____

IN WITNESS WHEREOF, the parties hereto have duly signed this Agreement as of the Effective Date.

FRANCHISEE:

Entity name (if any): _____

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

Franchisee's Address for Notices:

Date Signed: _____

FRANCHISOR:

Teriyaki Madness Franchising LLC

By: _____

Name: _____

Title: _____

Effective Date: _____

ATTACHMENT A TO THE FRANCHISE AGREEMENT

APPROVED LOCATION AND PROTECTED TERRITORY

1. If a particular site for the Unit has been selected and approved at the time of the signing this Agreement, it shall be entered on Attachment A-1 as the Approved Location and the Approved Location shall have the Protected Territory listed in Attachment A-1. If a particular site has not been selected and approved at the time of the signing this Agreement, Section 3 of this Attachment will describe the location in general terms below in the “**General Description.**” The General Description does not confer any territory rights to you and is only used for a reference. We may sell other franchised locations in the area in the General Description.

2. After we have approved a location for your Unit, we shall complete the Approved Location and the Protected Territory in Attachment A-1. As the Protected Territory is dependent on the location of the Unit, we will present you with the Protected Territory upon the identification of the site for the Unit. If you do not wish to accept the Protected Territory, you may choose another site location and we will present you with another Protected Territory based on the site selected.

3. General Description of Area For Approved Location:
(if the Approved Location is not specified above as of the signing of the Agreement)

FRANCHISEE:

Entity name (if any): _____

By: _____

Print Name: _____

Title: _____

FRANCHISOR:

Teriyaki Madness Franchising LLC

By: _____

Print Name: _____

Title: _____

ATTACHMENT A-1 TO THE FRANCHISE AGREEMENT

You have received approval for site location for the Unit that satisfies the demographics and location requirements minimally necessary a Unit and that meets our minimum current standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color and décor of a Unit. You and we have mutually agreed upon a Protected Territory based on the site for the Unit which is indicated below. You acknowledge that the Protected Territory is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document.

Approved Location for Unit:

The Approved Location for your Unit as provided in Section 2.02(c) of the Agreement is:

Protected Territory:

The Protected Territory as provided in Section 2.03 of the Agreement is:

FRANCHISEE:

Entity name (if any):

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISOR:

Teriyaki Madness Franchising LLC

By: _____

Print Name: _____

Title: _____

Date: _____

ATTACHMENT B TO THE FRANCHISE AGREEMENT

1. Initial Franchise Fee. The Initial Franchise Fee set forth in Paragraph 8.01 of the Franchise Agreement is: (a) \$40,000 or (b)___ Franchisee has purchased a Multi-3 Franchise or Multi-5 Franchise, and Franchisee has signed Multi-Franchise Addendum to Franchise Agreement.

FRANCHISEE:

Entity name (if any): _____

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISOR:

TERIYAKI MADNESS FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

ATTACHMENT C TO THE FRANCHISE AGREEMENT

Franchisee: _____

**Form of Ownership
(Check One)**

___ **Individual** ___ **Partnership** ___ **Corporation** ___ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners

Name	Address	Percentage Owned

Identification of Managing Owner. Your Managing Owner as of the Effective Date is _____. You may not change the Managing Owner without prior written approval.

Identification of Designated Manager. Your Designated Manager, if applicable, as of the Effective Date is _____. You may not change the Designated Manager without prior written approval.

ATTACHMENT D TO THE FRANCHISE AGREEMENT

OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS

As an inducement to Teriyaki Madness Franchising, LLC ("**Franchisor**") to execute the Franchise Agreement ("**Agreement**") between _____ ("**Franchisee**") and Franchisor, dated _____, 201__, the undersigned, together with all persons and entities who may become guarantors (collectively the "**Guarantors**"), jointly and severally, unconditionally guarantee that Franchisee will fully, promptly and faithfully perform and discharge all of its obligations, covenants, duties and conditions under the Agreement, and under any and all instruments, documents or other evidence of indebtedness, amending or issued in connection with or pursuant to the Agreement and all related obligations (collectively the "**Obligations**"). The Guarantors and each of them hereby promise to pay on demand any and all indebtedness of Franchisee and perform each Obligation required of Franchisee.

The Guarantors jointly and severally hereby indemnify and hold Franchisor harmless from and against any and all damage it may suffer as a result of: (1) any breach of any representations or warranties made by Franchisee pursuant to the Obligations, and (2) any failure to perform or any event of default by Franchisee with respect to any of its obligations, covenants, duties and conditions pursuant to the Obligations.

The obligations of Guarantors hereunder are independent of the obligations of Franchisee under the Obligations. A separate action or actions may be brought and prosecuted directly against any one or more of the Guarantors, whether or not an action is brought first or at all against Franchisee or any other Guarantor, and whether or not Franchisee or any other Guarantor is joined in any such action or actions, and with or without any exercise of any other remedy Franchisor may have pursuant to the Obligations.

Guarantors each authorize Franchisor, without notice or demand and without affecting any Guarantor's liability hereunder, from time to time to: (1) renew, compromise, settle, adjust, extend, accelerate or otherwise change the time for payment of or otherwise alter the terms of the Agreement, the obligations or the indebtedness of Franchisee pursuant to the Obligations; (2) take and hold security for the performance of this Guaranty or the Obligations guaranteed, and exchange, enforce, waive and release any security held; (3) apply any security and direct the order or manner of sale thereof as Franchisor in its discretion may determine; (4) release or substitute one or more of the Guarantors; and (5) assign this Guaranty in whole or in part.

Guarantors each waive any right to require Franchisor to: proceed against Franchisee or any other Guarantors; proceed against, protect, preserve or exhaust any security from Franchisee; or pursue any other remedy in the power of Franchisor. Guarantors each waive any and all rights accorded to them under the suretyship provisions of applicable state law, and waive all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor and notices of acceptance of this Guaranty and of the existence, creation, modification of terms, or incurring of new or additional indebtedness of Franchisee to Franchisor.

Guarantors each agree to pay all reasonable attorney fees and other costs and expenses which may be incurred by Franchisor in connection with the enforcement of the Obligations or this Guaranty.

The provisions of the Agreement providing that Colorado law shall govern, and requiring arbitration and litigation in Denver County, Colorado, shall also apply to this Guaranty and each Guarantor.

GUARANTOR:

GUARANTOR'S SPOUSE:
The undersigned spouse of Guarantor hereby consents to, and agrees to be bound by, the foregoing Guaranty.

(Signature)

(Spouse's Signature)

(Print Name)

(Print Name)

(Date)

(Date)

EXHIBIT D

FRANCHISE DISCLOSURE QUESTIONNAIRE

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Teriyaki Madness Franchising, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of one or more Teriyaki Madness Franchises. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer(s) in the chart at the end of this Questionnaire.

1. Yes__ No__ Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?

2. Yes__ No__ Have you received and personally reviewed the Franchise Disclosure Document we provided?

3. Yes__ No__ Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

4. Yes__ No__ Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?

5. Yes__ No__ Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?

6. Yes__ No__ Have you discussed the benefits and risks of developing and operating a Teriyaki Madness Franchise with an existing Teriyaki Madness Franchise franchisee?

7. Yes__ No__ Do you understand the risks of developing and operating a Teriyaki Madness Franchise?

8. Yes__ No__ Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?

9. Yes__ No__ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Colorado, if not resolved informally or by mediation?

10. Yes__ No__ Do you understand that you must satisfactorily complete the initial training course before we will allow your Teriyaki Madness Business to open or

consent to a transfer?

11. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Teriyaki Madness Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Teriyaki Madness Franchise will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes__ No__ Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the Teriyaki Madness Franchise business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?
15. Yes__ No__ Do you understand that we are relying on your answers to this Questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

(Signatures on following page)

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Questionnaire Number	Explanation of Negative Response

EXHIBIT E

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EXHIBIT F

LIST OF CURRENT AND CERTAIN FORMER FRANCHISEES

Franchisees

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	E-mail
Gomez III	Arnaldo	G&S Madness LLC	43 S. Stephanie St., Ste. 133	Henderson	NV	89012	(702) 604-8757	arnaldogomez_iii@ hotmail.com
Clarino	Dean	Skillzmadd Inc.	725 W. Craig Road, Ste 132	Las Vegas	NV	89032	(702) 341-8623	skillzmadd@ yahoo.com
Robert	Masiello	Nevada Madness LLC	8520 W. Warm Springs Rd, 102	Las Vegas	NV	89148	(702) 612-5538	Rmasi67@ yahoo.com
Thomas	Randy	Nevada Madness LLC	8520 W. Warm Springs Rd, 102	Las Vegas	NV	89148	(702) 505-6544	rst7@ cox.net

Former Franchisees

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	E-mail
Angelo	Chris	Circle Five LLC	10155 Tait	Las Vegas	NV	89178	(702) 630-2316	chris@ propulsion-lv.com

EXHIBIT G

STATE ADDENDA

The following modifications are made to the Teriyaki Madness Franchising, LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to Franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20__ (“**Franchise Agreement**”).

The following states laws may supersede provisions of the Franchise Agreement, including the areas of termination and renewal of your Franchise: ARKANSAS (Stat. Section 70-807), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e *et seq.*), DELAWARE (Code, Tit. 6, Ch. 25, Sections 2551-2556), HAWAII (Rev. Stat. Section 482E-1), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. Sections 23-2-2.7 and 23-2-2.5), IOWA (Code Sections 523H.1-523H.17), MARYLAND (MD. CODE ANN., BUS. REG. §§14-201 TO 14-233 (2004 Repl. Vol.)), MICHIGAN (Stat. Section 19.854(27)), MINNESOTA (Stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (Stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY (Stat. Section 56:10-1), SOUTH DAKOTA (Codified Laws Section 37-5B), VIRGINIA (§§ 13.1-557 through 13.1-574 of the Code of Virginia), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Section 135.03).

Depending on state law, the provisions of this State-Specific Addendum (“**State Addendum**”) may apply to modify the FDD that was given to you, as well as the Franchise Agreement, and any applicable Addenda, Exhibits, Appendices, or mutually-agreed modifications thereto. Specifically, this State Addendum will apply to your Franchise Agreement only if the jurisdictional requirements of a listed state’s laws are met independently and without reference to this Addendum, to the Franchise Agreement, or to the FDD. For purposes of the State Addendum, the “**Franchisor’s Choice of Law State**” is Colorado and “**Supplemental Agreements**” means Franchise Disclosure Questionnaire. If any inconsistency arises between the Franchise Agreement, FDD, or Supplemental Agreements and this State Addendum, the terms of this State Addendum shall control. Nothing in this State Addendum, the FDD, Franchise Agreement, or Supplemental Agreements should be interpreted or construed as providing an independent basis for Franchisee’s assertion that any particular state law or provision applies to the FDD, Franchise Agreement, or Supplemental Agreements that would not otherwise apply due to the jurisdictional requirements of such state law or provision.

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you a FDD approved by the Department of Corporations before we ask you to consider a material modification of your Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the State of Colorado, the Franchisor’s Choice of Law State, with the costs being borne by the prevailing party.

The Franchise Agreement and Supplemental Agreements require the application of the Franchisor’s Choice of Law State. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the

Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, a covenant not to compete provision which extends beyond the termination of the franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, provisions requiring binding arbitration. The arbitration will occur at Franchisor's Choice of Law State. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Supplemental Agreements restricting venue to a form outside the State of California.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The General Release Agreement contained in the Supplemental Agreements is hereby modified as follows:

With respect to those claims being released pursuant to this Release, Franchisee, for itself and themselves, and on behalf of each of the constituents identified in this Release, acknowledge that it is releasing unknown claims and waives all rights it has or may have under California Civil Code Section 1542 or any other statute or common law principle of similar effect. Franchisee acknowledges that this general release extends to claims which Franchisee does not know or suspect to exist in favor of Franchisee at the time of executing this Release, which if known by Franchisee, may have materially affected its or their decision to enter into this Release. It is understood by Franchisee that the facts in respect of which this Release is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. Franchisee, therefore, expressly assumes the risk of the facts turning out to be so different and agrees that this Release shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

Franchisee, for itself and themselves, and on behalf of its constituents, acknowledge that it is familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of this website may be directed to the California Department of Business Oversight at “www.dbo.ca.gov.”

The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed and mediator’s fees.

HAWAII

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:
2. This proposed registration is or will shortly be on file in the following states:
3. States which have refused, by order or otherwise, to register these franchises are:
None
4. States which have revoked or suspended the right to offer the franchises are:
None
5. States in which the proposed registration of these franchises has been withdrawn are:
None

ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act”.

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

INDIANA

Item 13 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two (2) years within the Protected Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in the Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor's Choice of Law State law, if such provisions are in conflict with Indiana law.

The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

2. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
3. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
4. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

MARYLAND

Item 17 of the FDD and sections of the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, will not apply to liability under the Maryland Franchise Registration and Disclosure Law.

Representations in the Franchise Agreement and Supplemental Agreements are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement and Supplemental Agreements are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise. Item 17 of the FDD is hereby amended to the extent required under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 *et seq.*).

Amendment to Questionnaire

Exhibit D of the Franchise Disclosure Document (Franchise Disclosure Questionnaire) is hereby amended to state that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of

liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years; and (ii) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least six (6) months' advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
 - (ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
525 W. Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J. prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

NEW YORK

The following is added to the Risk Factors on the cover page:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE CONTAINED IN THIS PROSPECTUS.

Item 3 of the FDD is modified to read as follows:

Neither the Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under Franchisor's principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations, pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise System or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten (10) year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: a violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4 of the FDD is modified to read as follows:

Other than as described in Item 4 of the FDD, neither the Franchisor, its affiliate, its predecessor, officers or general partner during the ten (10) year period immediately before the date of the FDD: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after the officer or general partner of the Franchisor held this position in the company or partnership.

The following sentence is added to the end of the first paragraph of Item 5 of the FDD:

We may use the proceeds from your payment of the Initial Franchise Fee to defray our costs and expenses for providing training and assistance to you; for commission payments to brokers involved in the sale of a franchise to you; for general working capital purposes; and for other expenses.

The first paragraph of Item 17 of the FDD is revised to read as follows:

You may terminate the Franchise Agreement on any grounds available by law.

Item 17.d. of the FDD is revised to read as follows:

You may terminate the Franchise Agreement on any grounds available by law.

Item 17.j. of the FDD is revised to read as follows:

However, no assignment will be made except to an assignee who, in good faith and judgment of the Franchisor, is willing and financially able to assume the 'Franchisor's obligations under the Franchise Agreement.

Item 17.w. of the FDD is revised to read as follows:

The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the state of New York.

FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE FRANCHISE DISCLOSURE DOCUMENT ANY MATERIAL FACT, NOR DOES THE FRANCHISE DISCLOSURE DOCUMENT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 7 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

OHIO

The following language will be added to the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials _____ Date _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller's receipt of your

cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Teriyaki Madness Franchising, LLC, 2696 S. Colorado Blvd., #110, Denver, Colorado 80222, not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

SOUTH DAKOTA

Intentionally left blank.

VIRGINIA

Item 17(h). The following is added to Item 17(h):

"Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the franchise, that provision may not be enforceable."

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Teriyaki Madness Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act: It is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

Transfer fees are collectable to the extent that they reflect the 'Franchisor's reasonable estimated or actual costs in effecting a transfer. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Disclosure Document.

- | | |
|-------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> New York |
| <input type="checkbox"/> Hawaii | <input type="checkbox"/> North Dakota |
| <input type="checkbox"/> Illinois | <input type="checkbox"/> Ohio |
| <input type="checkbox"/> Indiana | <input type="checkbox"/> Rhode Island |
| <input type="checkbox"/> Maryland | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Michigan | <input type="checkbox"/> Virginia |
| <input type="checkbox"/> Minnesota | <input type="checkbox"/> Washington |
| | <input type="checkbox"/> Wisconsin |

Dated: _____, 20__

FRANCHISOR:

TERIYAKI MADNESS FRANCHISING, LLC

By: _____

Title: _____

FRANCHISEE'S OWNERS:

By: _____

Title: _____

EXHIBIT H

CONTRACTS FOR USE WITH THE TERIYAKI MADNESS FRANCHISE

The following contracts contained in Exhibit H are contracts that franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of a Teriyaki Madness Business. The following are the forms of contracts that franchisor uses as of the Issuance Date of the Franchise Disclosure Document. They are subject to change at any time.

EXHIBIT H-1

SAMPLE TERIYAKI MADNESS FRANCHISE GENERAL RELEASE AGREEMENT

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "Release") is made as of _____, 20__ by _____, a(n) _____ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Teriyaki Madness Franchising, LLC, a Colorado limited liability company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisee was granted the right to own and operate a Teriyaki Madness Business;

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee (**enter into a successor franchise agreement**), and Franchisor has consented to such transfer (**agreed to enter into a successor franchise agreement**); and

WHEREAS, as a condition to Franchisor's consent to the transfer (**Franchisee's ability to enter into a successor franchise agreement**), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor's consent to the transfer (**Franchisor entering into a successor franchise agreement**), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "**Released Parties**"), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business or their reputation.

4. Miscellaneous. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

a. This Release shall be construed and governed by the laws of the State of Colorado.

b. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

c. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorney fees.

d. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

e. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

f. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

g. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

(Signatures on following page)

IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By: _____

Title: _____

FRANCHISEE'S OWNERS:

By: _____

Title: _____

EXHIBIT H-2

SAMPLE TERIYAKI MADNESS FRANCHISE NONDISCLOSURE, NONSOLICITATION AND NONCOMPETITION AGREEMENT

This Nondisclosure, Nonsolicitation and Noncompetition Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Teriyaki Madness Franchising, LLC, a Colorado limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that derives at least fifty percent (50%) of its revenues from making and selling Japanese-style teriyaki dishes or similar food items. A Competitive Business does not include a Teriyaki Madness Franchise business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Teriyaki Madness Franchise business, whether now in existence or created in the future.

“*Franchisee*” means the Teriyaki Madness Franchise franchisee for whom you are an officer, director, employee or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Teriyaki Madness Franchise business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Teriyaki Madness Franchise business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Teriyaki Madness Franchise business, including “Teriyaki Madness Franchise,” and any other trademarks, service marks or trade names that we designate for use by a Teriyaki Madness Franchise. The term “Marks” also includes any distinctive trade dress used to identify a Teriyaki Madness Franchise business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the two (2) year period after you cease to be a manager of Franchisee’s Teriyaki Madness Franchise business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the one (1) year period after you cease to be a manager or officer of Franchisee’s Teriyaki Madness Franchise business.

“*Restricted Territory*” means the geographic area within: (i) a 25 minimum mile radius from Franchisee’s Teriyaki Madness Franchise business (and including the premises of the restaurant); and (ii) a 25 minimum mile radius from all other Teriyaki Madness Franchise businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 25 mile radius from Franchisee’s Teriyaki Madness Franchise business (and including the premises of the restaurant).

“*System*” means our system for the establishment, development, operation and management of a Teriyaki Madness Franchise business, including Know-how, proprietary programs and products, confidential operations Manuals and operating System.

2. Background. You are an officer, director, or manager of Franchisee. As a result of this relationship, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our Franchisees and that you could seriously jeopardize our entire franchise System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Teriyaki Madness Franchise business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee’s Teriyaki Madness Franchise business. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are a manager of Franchisee’s Teriyaki Madness Franchise business by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this

Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

8. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Teriyaki Madness Franchise businesses for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. Miscellaneous.

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of Colorado and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(d) You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date _____

Signature

Typed or Printed Name

EXHIBIT H-3

TERIYAKI MADNESS FRANCHISE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Teriyaki Madness Franchising, LLC, a Colorado limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Teriyaki Madness Franchise Business*” means a business that makes and sells Japanese-style teriyaki dishes and other related services and products using our Intellectual Property.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Franchisees to use, sell or display in connection with the marketing and/or operation of a Teriyaki Madness Franchise Business, whether now in existence or created in the future.

“*Franchisee*” means the Teriyaki Madness Franchise franchisee for whom you are an officer, director, employee or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Teriyaki Madness Franchise Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Teriyaki Madness Franchise Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Teriyaki Madness Franchise Business, including “Teriyaki Madness Franchise” and any other trademarks, service marks or trade names that we designate for use by a Teriyaki Madness Franchise Business. The term “Marks” also includes any distinctive trade dress used to identify a Teriyaki Madness Franchise Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation and management of a Teriyaki Madness Franchise Business, including Know-how, proprietary programs and products, confidential operations manuals and operating System.

2. Background. You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our Franchisees and that you could seriously jeopardize our entire franchise System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Know-How and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Teriyaki Madness Franchise Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose

other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

5. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Teriyaki Madness Franchise Businesses for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. Miscellaneous.

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of Colorado and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

(Signatures on following page)

EXECUTED on the date stated below.

Date _____

Signature

Typed or Printed Name

EXHIBIT H-4

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes Teriyaki Madness Franchising, LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee, as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____
Name: _____
Its: _____
Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT H-5

APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment (“**Agreement**”) is entered into this ____ day of _____, 20____, between Teriyaki Madness Franchising, LLC (“**Franchisor**”), _____ (“**Franchisee**”) and _____ (“**New Franchisee**”).

RECITALS

WHEREAS, Franchisor and Franchisee entered into that certain franchise agreement dated _____, 20____ (“**Franchise Agreement**”) in which Franchisor granted Franchisee the right to operate a Teriyaki Madness franchise business located at _____ (“**Franchised Business**”); and

WHEREAS, Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements herein contained, the parties hereto hereby covenant, promise and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Franchisee acknowledges and agrees to pay Franchisor the transfer fee in the amount of \$_____, as required under Section 15.03 of the Franchise Agreement, (“**Franchisor’s Assignment Fee**”).

2. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement and waives any obligation for Franchisee to enter into a subordination agreement pursuant to the Franchise Agreement.

3. Termination of Rights to the Franchised Business. The parties acknowledge and agree that all of Franchisee’s rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration or transfer of the Franchise Agreement.

4. New Franchise Agreement. New Franchisee shall execute Franchisor’s current form of franchise agreement and attachments for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), which is attached to this Agreement as Exhibit A, and any other required contracts for the operation of a Teriyaki Madness Franchised Business as stated in Franchisor’s Franchise Disclosure Document.

5. Franchisee’s Contact Information. Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three (3) year period following the execution of this Agreement.

6. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business (“**Transaction**”) occurred solely between Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor’s involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee’s signing of a new franchise agreement for the Franchised Business. New Franchisee agrees that any claims, disputes or issues relating to New Franchisee’s acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee and shall not involve Franchisor.

7. Representation. Franchisee warrants and represents that it has not heretofore assigned, conveyed or disposed of any interest in the Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor’s Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

8. Notices. Any notices given under this Agreement shall be in writing and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

9. Further Actions. Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.

10. Affiliates. When used in this Agreement, the term “**Affiliates**” has the meaning as given in Rule 144 under the Securities Act of 1933.

11. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado.

(Signatures on following page)

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

TERIYAKI MADNESS FRANCHISING, LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

NEW FRANCHISEE:

By: _____

Title: _____

EXHIBIT H-6

MULTI-UNIT ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM (the “Addendum”) is entered into and made effective as of the date set forth on the signature page hereof, by and between Teriyaki Madness Franchising, LLC (“Franchisor”) and the franchisee named on the signature page of this Addendum (“Franchisee”). This Addendum relates to that certain Teriyaki Madness franchise agreement dated _____, 20__ (“Franchise Agreement”), and supplements the terms of the Franchise Agreement in relation to the opening of additional Teriyaki Madness franchises. All capitalized terms not otherwise defined in this Addendum shall have the meaning set forth in the Franchise Agreement. To the extent this Addendum conflicts with the terms of the Franchise Agreement, the terms of this Addendum shall control.

1. **Initial Franchise Fee.** Franchisee has paid the initial franchise fee listed in Section 2 of this Addendum. The initial franchise fee is fully earned immediately upon receipt and non-refundable, regardless of whether Franchisee opens any additional Teriyaki Madness franchises

2. **Type of Franchise.** Franchisee has purchased the franchise listed in the chart below which allows Franchisee to open a certain number of additional Teriyaki Madness franchises at a later date (“Additional Franchises”) without paying an initial franchise fee.

Type of Franchise	
Multi 3 Franchise (up to 3 Teriyaki Madness franchises)	
Initial Franchise Fee Paid: \$99,000	_____
Multi 5 Franchise (up to 5 Teriyaki Madness franchises)	
Initial Franchise Fee Paid: \$150,000	_____

3. **Franchise Agreements.** Franchisee shall exercise the rights under this Addendum only by entering into a separate franchise agreement with Franchisor for each Additional Franchise. Franchisee shall sign the current form of Teriyaki Madness franchise agreement then being used by Franchisor for a Teriyaki Madness franchise for each Additional Franchise. Franchisee acknowledges that the then-current form of franchise agreement may differ from this Franchise Agreement, except that each shall have the same royalty rate as in this Franchise Agreement and Franchisee will not be required to pay an initial franchise fee.

4. **Limited Rights.** This Addendum does not grant Franchisee the right to franchise, license, subfranchise, or sublicense others to operate Franchised Businesses. Only Franchisee (and/or Franchisee affiliated entities Franchisor approves) may develop, open, and operate Additional Franchises pursuant to this Addendum. This Addendum only grants Franchisee the right to enter into franchise agreements to open Additional Franchises subject to the terms of the franchise agreement for such Additional Franchises. Franchisee is not granted any territorial rights or other rights except those granted under franchise agreements for the Additional Franchises. Except for the initial franchise fee, Franchisee shall be liable for all costs and expenses incurred in opening the Additional Franchises.

5. **Term.** This Addendum and Franchisee’s right to open Additional Franchises shall terminate as of the date of termination or expiration of the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement on the day and year first written above.

FRANCHISOR:

TERIYAKI MADNESS FRANCHISING, LLC
A Colorado limited liability company

By: _____
Name: _____
Title: _____

FRANCHISEE:

a(n) _____

By: _____
Name: _____
Title: _____

EXHIBIT H-7

LEASE ADDENDUM

This Addendum to Lease, dated _____, 20____, is entered into by and between _____ (“**Lessor**”), and _____ (“**Lessee**”).

A. The parties hereto have entered into a certain Lease Agreement, dated _____, 20____, and pertaining to the premises located at _____ (“**Lease**”).

B. Lessor acknowledges that Lessee intends to operate a Teriyaki Madness franchise from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Teriyaki Madness Franchising, LLC (“**Franchisor**”) under the name Teriyaki Madness or other name designated by Franchisor (herein referred to as “**Teriyaki Madness Business**” or “**Franchise Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, or affiliate (including another franchisee) at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as Attachment 1. However, no assignment shall be effective until the time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its parent unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its parent, subsidiary or affiliate. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Lessor’s consent in accordance with Section 3(a).

2. Default and Notice.

a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee’s interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee’s cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Teriyaki Madness Franchising, LLC
2696 S. Colorado Blvd., #110
Denver, CO 80222

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

c) Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

3. Termination or Expiration.

a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease.

b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Teriyaki Madness Franchise Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Teriyaki Madness marks and system, and to distinguish the Premises from a Teriyaki Madness Franchise Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all of the assets being purchased by Franchisor.

4. Consideration; No Liability.

a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by Attachment 1.

b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

5. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

6. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

7. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

LESSOR:

By: _____

Title: _____

LESSEE:

By: _____

Title: _____

EXHIBIT H-7
ATTACHMENT 1 TO LEASE ADDENDUM
COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the ____ day of _____, 20__ (“**Effective Date**”), the undersigned, _____ (“**Assignor**”) hereby assigns, transfers and sets over unto Teriyaki Madness Franchising, LLC (“**Assignee**”) all of Assignor’s right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (“**Lease**”) with respect to the premises located at _____
_____. This **Collateral Assignment of Lease** (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a Teriyaki Madness franchise between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and in the event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

(Signatures on following page)

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

By: _____

Title: _____

ASSIGNEE:

TERIYAKI MADNESS FRANCHISING, LLC

By: _____

Title: _____

EXHIBIT H-8

FRANCHISEE ON-SITE TRAINING AGREEMENT

Dates of Training: _____

Franchisee: _____

Franchisor Representative: _____

Franchisee agrees that all requirements for training are complete:

- _____ Proper supplies ordered
- _____ Store properly stocked
- _____ All licenses and certificates obtained
- _____ Employees notified of training dates and times (all staff that is available **MUST** be present during designated training times)

I, _____, the franchise operator, understand there may be additional costs incurred to me if the support team has to extend their stay as a result of my unpreparedness. All costs associated with the extended stay (hotel, meals, airfare costs, car rental) will be billed directly to me upon the support team's return after completing the on-site training.

It will be at the support manager's discretion, upon arrival, if it is feasible to perform a complete and valuable training session.

I have read, acknowledge and agree to this document.

Please print name: _____ Date: _____

Signature: _____

EXHIBIT I

RECEIPT

RECEIPT

(Franchisee’s Copy)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Teriyaki Madness Franchising, LLC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Under Iowa, New York, or Rhode Island law, if applicable, Teriyaki Madness Franchising, LLC must provide this Franchise Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires Teriyaki Madness Franchising, LLC to give you this Franchise Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Teriyaki Madness Franchising, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is:
Rodney Arreola at 2696 S. Colorado Blvd., #110, Denver, Colorado 80222 and 1-888-978-3160

Issuance Date: April 1, 2014

I have received a Franchise Disclosure Document dated April 1, 2014 that included the following Exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D Franchise Disclosure Questionnaire
- Exhibit E Operations Manual Table of Contents
- Exhibit F List of Current and Certain Former Franchisees
- Exhibit G State Addenda
- Exhibit H Contracts for use with the Teriyaki Madness Franchise
- Exhibit I Receipt

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

