FRANCHISE DISCLOSURE DOCUMENT
MIO SUSHI INTERNATIONAL, INC.
Sung In Kim, President / 2250 NW 22nd Ave., Suite 406, Portland, Oregon 97210
(503) 219-9762 / sonny@miocentral.com / www.miosushi.com

We authorize our franchisees to offer to the public and sell at retail fresh sushi and Asian fusion food items. You may purchase the right to establish a Mio Sushi franchise at a selected location to use our trademarks, trade names, programs and systems, under the name "Mio Sushi®."

The total investment necessary to begin operation of a Mio Sushi franchise is from approximately **$373,000** to **$696,000.** This includes an Initial Franchise Fee of $40,000 (or $20,000 for additional franchises), which must be paid to us.

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 to, the franchisor or an affiliate in connection with the proposed 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 Byung (Bryan) Min, bmin@miofranchising.com, Mio Sushi International, Inc., 2250 NW 22nd Ave., Suite 406, Portland, Oregon 97210, (503) 219-9762.

The terms of your contract will govern your franchise relationship. Don't rely on the 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, D.C. 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: ~~**January 9, 2018**~~**January 18, 2019**

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. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE STATE ADMINISTRATORS LISTED ON THE COVER PAGE.

Call the state franchise administrator listed in Exhibit C to this disclosure document 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 PERMITS THE FRANCHISEE TO SUE ONLY IN THE STATE AND FEDERAL COURTS IN PORTLAND, OREGON. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST MORE TO SUE WITH US IN OREGON THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT OREGON LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT OREGON LAW APPLIES, YOUR STATE LAW MAY SUPERSEDE THIS PROVISION AND IT MAY NOT BE ENFORCEABLE IN YOUR STATE. SEE SPECIAL STATE DISCLOSURES IN THE STATE ADDENDA TO THE FRANCHISE AGREEMENT AND DISCLOSURE DOCUMENT.

3. THE FRANCHISOR HAS LIMITED FINANCIAL RESOURCES, WHICH MIGHT NOT BE ADEQUATE TO FUND THE FRANCHISOR’S PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OPERATING EXPENSES.

~~4. CONTINUATION OF THE FRANCHISE IS DEPENDENT UPON MAINTAINING A MINIMUM REVENUE LEVEL PER MONTH.~~

~~5. THE FRANCHISOR HAS ELECTED THE REASONABLE BUSINESS JUDGMENT STANDARD IN ITS RELATIONSHIPS WITH FRANCHISEES. THIS MEANS THE FRANCHISOR IS NOT REQUIRED TO CONSIDER YOUR PARTICULAR ECONOMIC OR OTHER BUSINESS INTERESTS WHEN EXERCISING ITS JUDGMENT.~~

4~~6~~. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM $373,000 to $696,000 FOR EACH SEPARATE FRANCHISE YOU PURCHASE UNDER THE MULTIPLE FRANCHISE PURCHASE ADDENDUM OR OTHERWISE. THIS AMOUNT

EXCEEDS FRANCHISOR'S STOCKHOLDERS EQUITY AS OF SEPTEMBER 30, 2018~~7~~, WHICH WAS $175,299~~198,596~~.

5~~7~~. YOU MUST ATTAIN A MINIMUM AVERAGE SALES LEVEL, IN THE FRANCHISE TERRITORY, OF AT LEAST $35,000 EACH MONTH AVERAGED OVER EACH CONSECUTIVE SIX CALENDAR MONTH PERIOD. THIS IS NOT INTENDED TO BE A FINANCIAL PERFORMANCE REPRESENTATION. THE MONTHLY MINIMUM SALES LEVEL WILL START ON THE FIRST ANNIVERSARY OF YOUR FRANCHISE OPERATION. IF YOU FAIL TO ATTAIN THE MINIMUM AVERAGE SALES LEVEL, THEN WE HAVE THE RIGHT TO TERMINATE YOUR FRANCHISE AGREEMENT.

6~~8~~. THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.

State Effective Dates: See the following page

This Franchise Disclosure Document is effective as of:

1. Federal Trade Commission (and All States not Requiring Registration): ~~January 9, 2018~~January 18, 2019

2. States Requiring Registration	Approval Date (not approved if blank):
California	~~*Offered by separate disclosure document*~~
Florida	
Hawaii	
Illinois	
Indiana	
Kentucky	
Maryland	
Michigan	
Minnesota	
Nebraska	
New York	
North Dakota	
Rhode Island	
South Dakota	
Texas	May 4, 2015
Utah	
Virginia	
Washington	~~February 5, 2018~~
Wisconsin	

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Item 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We are **MIO SUSHI INTERNATIONAL, INC.** We are an Oregon Corporation formed on February 6, 2008. Our principal business address is 2250 NW 22nd Ave., Suite 406, Portland, Oregon 97210. We do business under the name "**MIO SUSHI**." We do not intend to do business under any other names. Mio Sushi International, Inc. is called "us" or "we" in this Franchise Disclosure Document. The prospective purchaser of our franchise is called "you," whether an individual, corporation or other legal entity.

Our registered agents for service of process are set forth in Exhibit C to this disclosure document.

We do not have a parent company.

Our Predecessor

Since 1994, our predecessor, **Joonsung, Inc**., an Oregon corporation, has owned shares in corporations that have operated Mio Sushi restaurants of the type being franchised. (See Item 20 for a list these corporations and the addresses of their operations). Joonsung, Inc. has never been a franchisor. Our predecessor's principal business address is 2271 NW Johnson St., Portland, Oregon 97210.

Our Affiliate

Our affiliate, **Joonsung Trading, Inc.**, an Oregon corporation, is an approved supplier of products for our franchisees. (See Item 8 for additional information). Joonsung Trading, Inc. has never been a franchisor. The principal business address for our affiliate is 1703 NW 16th Ave., Portland, Oregon 97209.

The Franchise We Offer

We franchise our franchisees at specified locations to offer, produce, merchandise, distribute and promote the sale of fresh sushi and Japanese food items under the name "Mio Sushi." During parts of 2015 and 2016, we also offered and sold a "Mio Ro" franchise concept, which involved a smaller leased space, simplified menu, and unique operations procedures. We sold a total of two Mio Ro franchises. ~~While the two Mio Ro franchises are still in operation, we no longer offer Mio Ro franchises.~~

We have offered franchises since our inception. We are not involved in any other business activities. We intend to produce and sell innovative advertising and sales promotion materials. We attempt to negotiate group discount rates for the benefit of our franchisees for wholesale supplies, merchandise, and services.

Market and Competition

The market for sushi and Japanese food items is developing in the United States of America. The principal sources of direct competition for Mio Sushi restaurants are sushi bars and restaurants, Asian restaurants and food outlets, and supermarkets and food stores that sell sit-down and takeout sushi service. Other franchises and fast food outlets also will be sources of indirect competition. Mio Sushi products are sold primarily to persons seeking fresh, high quality sushi at reasonable prices and Japanese dishes served in a casual dining atmosphere. Currently, the market for sushi and related Japanese food items is somewhat regional. For example, sushi may be more popular in the west and east coasts of the United States than in the central United

States. There is likely a greater market for sushi and related Japanese food items in urban areas as opposed to rural areas.

Laws and Regulations

There are no legal regulations that relate specifically to our industry apart from those that apply to all food related and restaurant businesses and those that relate to care and handling of fresh sea food. These include all of the laws, codes and regulations (referred to below generally as "laws") normally applicable to retail businesses. These include: federal, state, and in most instances, city, county, parish, borough, municipality or other local laws. Following are examples:

1. State regulations may govern the temperatures at which you store and serve food.
2. Many local or state jurisdictions require food service permits for those preparing and serving food to the public. You and your employees may be required to pass a test or other certification process to obtain such a permit. There may also be local ordinances and regulations governing food storage, preparation and serving.
3. Your store may be subject to local food and health permits and inspection laws. Health laws are intended in part to reduce food borne illnesses and may cover such issues as: requiring employees to take a test and obtain a license as a food service worker, having accessible sinks, bathrooms for certain size establishments, inspections for cleanliness and compliance, equipment cleaning, storage and packaging, size of facilities, allowed foods, refrigeration, etc.
4. Examples of federal laws are tax, wage and hour, occupational health and safety, equal employment opportunity, hazardous materials, communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act.
5. State laws may cover the same topics as federal laws. Examples of state laws include tax, environmental, occupational health and safety, fire, health, and building and construction laws.
6. Local laws may cover the same topics as federal and state laws. Examples of local laws include tax, health and sanitation, building codes, fire codes, and waste disposal.

Wage and Hour Laws. You must pay special attention to federal and state wage and hour laws with respect to your employees. Specifically, depending upon your management structure, your head sushi chef (and certain other employees) may not meet the exemptions from overtime pay requirements or other wage and hour requirements per state and federal law. Therefore, you would need to comply with all such laws, and pay your employees properly.

Your Employees. We will not directly control (hire, fire, schedule, supervise, direct, or discipline) your employees.

Your Responsibility to Comply. The foregoing are examples of some, but not all of the laws that may be applicable to the franchised business. The Franchise Agreement places the responsibility for complying with all applicable laws and regulations upon you. You should research these requirements before you invest.

You should investigate these and other laws applicable to your business with your own independent legal counsel before you sign the Franchise Agreement and before you open for business. We recommend you retain the services of a qualified labor relations/human resources consultant of your own choosing. We recommend you retain independent third-party providers of your own choosing for payroll and accounting services.

Miscellaneous

This Disclosure Document contains a summary of some material provisions of the Franchise Agreement. However, the franchise agreement itself expresses and governs the actual legal relationship between us and you. We are willing to negotiate the terms of these agreements with our shareholders and management employees, existing franchise owners, multiple franchise purchasers and their immediate family members.

The Franchise Agreement does not make you our agent, legal representative, joint venturer, partner, employee, or servant for any purpose. You will be an independent contractor and will not be authorized to make any contract, agreement, warranty or representation or to create any obligation, express or implied, for us.

Item 2
BUSINESS EXPERIENCE

SUNG IN KIM – Owner and President

Sung In Kim has been a shareholder and our President since our inception in 2008. He has served as President of our predecessor, Joonsung, Inc., in Portland, Oregon since 1994. Mr. Kim or his entities are owners of certain Mio Sushi franchises as disclosed in Item 20, below.

JOON KIM – Owner and Board Member

Joon Kim has been a shareholder and a member of our Board of Directors since our inception in 2008. She served as our Vice President from February 2008 to February 2010. She has served as Secretary and Treasurer of our predecessor, Joonsung, Inc., in Portland, Oregon since 1995. Ms. Kim or her entities are owners of certain Mio Sushi franchises as disclosed in Item 20, below. Sung In Kim and Joon Kim are spouses.

CHUNG NAMGUNG – Chief Operating Officer

Chung Namgung has served as our Chief Operating Officer since June 2016. He served as Chief Operating Officer for Westak in Forest Grove, Oregon from 1981 to 2016.

BYUNG (BRYAN) MIN – Franchise Coach

Byung (Bryan) Min has served as our Franchise Coach in Portland, Oregon since 2017. He was Director of Service Delivery for NorthWest Group, Inc. in Portland, Oregon during 2016. From 2012 to 2016, he served as a Manager for Mio Sushi International, Inc. in Portland, Oregon.

Item 3
LITIGATION

U.S. Department of Labor Consent Judgment, Case No. 3:17-cv-01067-SB

Parties: R. ALEXANDER ACOSTA, SECRETARY OF LABOR, UNITED STATES DEPARTMENT OF LABOR ("Plaintiff") v. SUNG IN KIM, JOON SOOK KIM,., JOONSUNG, INC., d/b/a Mio Sushi, JOONSUNG TRADING, INC., S & J SUSHI CORPORATION, d/b/a Mio Sushi, VANCOUVER SUSHI, LLC, d/b/a Mio Sushi, WESTLAKE SUSHI, LLC, d/b/a Mio Sushi, GREEN LAKE SUSHI, LLC, d/b/a Mio Sushi CAMAS SUSHI, LLC, d/b/a Mio Sushi BEAVERTON SUSHI, INC., d/b/a Mio Sushi, PORTLAND

SUSHI, INC., d/b/a Mio Sushi, SUNNYSIDE SUSHI, LLC, d/b/a Mio Sushi and KORAM VENTURE, INC., d/b/a Mio Sushi ("Defendants"). The Defendants consisted of our Predecessor (Joonsung, Inc.), our affiliate (Joonsung Trading, Inc.), our President (Sung in Kim), a member of our board of directors (Joon Sook Kim), and various franchisee entities.

The Plaintiff and Defendants entered into a Consent Judgment that was filed with the U.S. District Court for the District of Oregon on July 12, 2017. The Consent Judgement settled the complaint (Case No. 3:17-cv-01067-SB) ("Complaint") filed by the Plaintiff on July 10, 2017 alleging that Defendants violated provisions of the Fair Labor Standards Act ("FLSA") by: (1) Failing to aggregate employees' hours worked at different Mio Sushi restaurants in the same workweek for purposes of computing overtime pay due, and (2) Improperly classifying employees as exempt from the FLSA's overtime requirements.

Per the Consent Judgment, the Defendants are permanently enjoined and restrained from violating specified provisions of the FLSA. The Defendants agreed to pay $29,451.43 of overtime pay found to be due under the FLSA to 35 employees as a result of their employment during the period of March 31, 2013 to April 15, 2017. In addition, the Defendants agreed to pay $29,451.43 as liquidated damages found to be due under the FLSA. The Defendants apportioned these liabilities among themselves based upon the relative number of hours each such employee worked for each applicable Defendant.

As set forth in the Consent Judgment, Defendants neither admit nor deny the allegations in the Complaint, and the signing of the Consent Judgment is not an admission by Defendants that they are an *enterprise* as that term is defined under the FLSA.

<u>Washington Consent Order, Order Number S-11-0858-CO01</u>

On March 13, 2012, the Securities Division of the Department of Financial Institutions ("Securities Division") and Mio Sushi International, Inc., Sung In Kim (our President) and James Han (our former Vice President) ("we/us" in this Item 3) entered into a Consent Order to settle matters related to the Franchise Investment Protection Act of Washington, RCW 19.100. In the Consent Order, we neither admit nor deny Findings of Fact and Conclusions of Law stated in the order. The key Findings of Fact included the following: From 2010 to 2011, we offered and/or sold to three Korean citizens the opportunity to immigrate to the United States and to operate Mio Sushi franchise locations in Washington State. Mio Sushi International, Inc. was not at that time registered to offer or sell franchises in the state of Washington. The Conclusions of Law included the following: The offer and/or sale of the Mio Sushi restaurant opportunities described above constituted the offer and/or sale of a franchise as defined in the Franchise Investment Protection Act of Washington. The offer and/or sale of the franchises were in violation of Franchise Investment Protection Act of Washington because no registration for such offer and/or sale was on file with the Washington Securities Administrator. We agreed in the Consent Order to cease and desist from offering and selling franchises without prior registration in violation of the Franchise Investment Protection Act of Washington. We further agreed to pay the Securities division the costs and other expenses incurred in the investigation of the matter in the amount of $4,400.

Except for the two items disclosed above, no litigation is required to be disclosed in this Item.

Item 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5
INITIAL FEES

The Initial Franchise Fee is **$40,000** and is paid upon signing the Franchise Agreement. We reduce the Initial Franchise Fee to **$20,000** if: (1) you are an existing Mio Sushi franchisee in good standing and are purchasing an additional franchise or (2) you are an existing Mio Sushi employee purchasing a franchise (but only if you meet our then-current qualifications for *high performing* employees).

If you are purchasing multiple franchises simultaneously, then you will execute multiple Franchise Agreements at the same time. You will pay 100% of the Initial Franchise Fee for the first franchise and 50% of the Initial Franchise Fees for each additional franchise at the time you sign such Franchise Agreements. You will pay the 50% unpaid balance of the Initial Franchise Fees for the additional franchises before the opening of each relevant Franchise Premises.

If you do not successfully complete the mandatory training program to our satisfaction, or if your designated manager(s) (as applicable) do not attend and complete the training, then we may terminate the Franchise Agreement. Upon termination for this reason, we will refund to you 75% of the Initial Franchise Fee.

You must secure a satisfactory location for the franchise (the "Franchise Premises"), complete all mandatory training to our satisfaction, and open the franchise within **one year** of the date of the Franchise Agreement. This time requirements may be extended for multiple franchise purchases. If you fail to open the franchise on time, then we may elect to terminate the Agreement by refunding 25% of the Initial Franchise Fee actually collected by us.

We may offer franchises without any initial franchise fees to our shareholders and corporate officers and to other individuals identified in Item 2, above.

The Initial Franchise Fee is not refundable in whole or in part under any circumstances other than those listed above.

Item 6
OTHER FEES

Type of Fee[1]	Amount	Date Due[2]	Remarks
Royalty Fee	**6%** of Your Weekly Gross Revenue[4]	Each week for the prior week	
Advertising Fee[3]	**1%** of Your Weekly Gross Revenue[4]	Each week for the prior week	
Local Advertising Contribution	**1%** of Your Monthly Gross Revenue	You must spend this money each month on local advertising and promotion	These expenditures will be made directly by you, subject to our approval. It may be used in regional cooperative advertising efforts.

Type of Fee[1]	Amount	Date Due[2]	Remarks
Additional Training	Then-current rates, currently **$500** per trainer per day if you request training, or **$750** per trainer per day if we require training. You must also reimburse us for our reasonable out of pocket costs (travel, accommodations, etc.) for any training at your site.	Before opening or after you open your franchise for business.	See Note 5.
Transfer	The then-current Transfer Fee (currently **$5,000**)	Before transfer	Paid when you "transfer" all or a portion of your franchise as described in the Franchise Agreement. The Transfer Fee will be according to our then current Transfer Fee schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer.
Renewal	None		
Late Charges	1.5% per month	While amounts owed remain unpaid	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law.
Late Payment Penalty	5% of amount due	As incurred	You will not be compelled to pay late payment penalty in an amount greater than the maximum allowed by applicable law.
Cure Fee[6]	$1,500 for each breach of the Franchise Agreement	As Billed	If you breach any provision of the Franchise Agreement (regardless of whether or not it is a curable or non-curable breach under the

Type of Fee[1]	Amount	Date Due[2]	Remarks
			Franchise Agreement) and we give you notice and opportunity to cure the breach, then in addition to curing the breach, you must pay us a Cure Fee. This fee helps to defray our administrative and corporate costs related to the breach and remedy. Your payment of cure fees does not affect our other legal remedies related to your breach, including the right to terminate this Agreement if termination is permissible based on the terms of this Agreement.
Audit[7]	Our reasonable costs for the audit if you understate revenue by more than **2%** or fail to deliver to us required reports on time	Immediately upon demand	See notes below.

Explanatory Notes:

1. General. All fees are imposed by and payable to us. All fees are non-refundable and uniformly imposed.

2. Electronic Funds Transfers. You must participate in the electronic funds transfer program under which we automatically deduct the amounts you owe us from your account. We will deduct these amounts weekly as provided in our Operations Manuals. Our "Authorization for Electronic Funds Transfer" is Exhibit H.

3. Advertising Fee. Advertising Fee payments are in addition to and exclusive of any sums that you may decide or be required to spend on local advertising and promotion. We have sole discretion over the creative ideas, materials, endorsements, media, placement, and allocation of monies related to use of the Advertising Fee.

The Advertising Fee is used to maintain, administer, direct, prepare, and review national, regional, and local advertising materials and programs and to cover our related overhead as we in our sole discretion deem necessary. We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of our franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We are not obligated to expend all or any part of the Advertising Fee during any specific time.

Cooperative Advertising and Promotion. Subject to our prior written approval, if at any meeting of the franchisees in an advertising region, **66%** of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **2%** of that franchisee's Gross Revenue. Your contributions to a Regional Advertising Fund will be credited towards your Local Advertising Contribution.

4. Financial Position and Gross Revenue to Be Reported. On or before the Monday of each week, you will deliver to us an itemized report of your Gross Revenue for the preceding week. The report must be in the form we designate, which currently includes a weekly Point of Sale report. All Royalty Fee and Advertising Fee payments based upon the Gross Revenue for the preceding week must be submitted with the report. We may require you to prove that you have paid the required local advertising expenditures. "Revenue" means all receipts generated by the franchise from any source including sales, exchanges, repairs, services, labor, service charges, etc. Credit sales shall be calculated as of the date of sale without deduction for uncollected credit accounts. "Revenue" shall not include bona fide credits for returns of merchandise, promotional discounts, or the amounts collected and paid to appropriate governmental authorities under the provisions of any Sales Tax, Retailer's Occupation, or similar Act. The proceeds from any business interruption insurance or eminent domain recovery you receive is included in "Revenue." "Gross Weekly Revenue" means your total Revenue for each week.

5. Additional Training. You must give us not less than **35** days' prior written notice of your desire to receive additional training. The duration of training is negotiable depending upon your needs. All expenses of this training will be borne by you, including but not limited to your or our travel, lodging, meals, and compensation, and our training fee. You will not receive any compensation for services rendered by the trainee during this or any other training.

We may deem it appropriate or necessary to provide additional training and supervision to you and your managers at your franchise location. All expenses of this training will be borne by you, including but not limited to your or our travel, lodging, meals, and compensation, and our training fee.

We may designate qualified franchisees or master franchisees to conduct some or all of your training.

6. Cure Fees. As of the date of this disclosure document, we have imposed the cure fee in one instance (and returned the fee after mutually resolving the dispute). However, we reserve the right to impose cure fees without refund in the future.

7. Audits. To verify your compliance with the Franchise Agreement, including your required payments of the Royalty Fee, Advertising Fee, Advertising Fund Contributions and other required payments, you must periodically submit to us your sales reports, quarterly and annual financial statements, and tax returns. We may audit your books, business records, sales reports, financial statements, and tax returns at any time. The audits will be conducted at our expense, unless you understate by more than two percent the Gross Revenue for any reported period or periods. Your failure to report Gross Revenue for any period will be deemed a willful understatement by more than two percent. In the event of a willful understatement, you must reimburse us for audit costs including the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

EXPENDITURE	**AMOUNT**	**PAYMENT METHOD**	**WHEN DUE**	**TO WHOM**
Initial Franchise Fee[1]	$40,000	Upon Signing the Franchise Agreement	Upon Execution of the Franchise Agreement and Upon Commencement of Initial Training	Us
Lease, Real Estate Broker and Utilities Deposits and Payments[2]	$10,000 to $18,000	As Incurred	As Incurred	Landlord, Real Estate Broker Fee's, Utility Companies and Suppliers
Leasehold Improvements, Construction, Cabinets, Décor, Equipment, Furniture, Fixtures and Supplies[5]	$200,000 to $450,000	As Incurred Before Opening	As Incurred	Landlord, Independent Contractors, Us and/or Suppliers
Computer and Point of Sale Systems	$16,000 to $20,000	As Incurred Before Opening	As Incurred	Suppliers
Signs	$15,000 to $22,000	As Incurred Before Opening	As Incurred	Suppliers
Franchise Premises Rent[2]	$6,000 to $8,000 per month ($18,000 to $24,000 for first 3 months)	As Incurred	As Incurred	Landlord
Inventory and Small Wares[3]	$18,000 to $24,000	As Incurred Before Opening	As Incurred	Us or Suppliers
Initial Advertising	$10,000 to	As Incurred	As Incurred	Us or as We

EXPENDITURE	**AMOUNT**	**PAYMENT METHOD**	**WHEN DUE**	**TO WHOM**
Fees and expenses	$12,000	Before and within 90 days after Opening		Direct
Travel and Living Expenses While Training	$3,000 to $10,000	As Incurred	During Training	Airlines, Hotels, Restaurants, etc.
Insurance	$2,000 to $4,000	As Incurred	Before Opening	Insurers
Miscellaneous Opening Costs	$1,000 to $2,000	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds – 3 to 6 Months[4]	$40,000 to $70,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL[6]	**$373,000 to $696,000**			

NOTES TO TABLE:

1. We describe the Initial Franchise Fee in Item 5.

2. You are solely responsible for obtaining and paying for a location for the franchise. We recommend hiring a Real Estate Broker to represent you in leasing a space. The cost of purchasing or leasing premises for the franchise varies with the location and size of the premises. The recommended minimum size of a franchise premises is 1,500 to 3,000 square feet.

3. Inventory and small wares are~~is~~ required as outlined in the Operations Manuals.

4. A minimum of $40,000 to $70,000 working capital is strongly recommended. You should plan on other sources of income to cover your living expenses during training and the start-up phase of franchise operations.

5. The high-low range for these expenses depends upon many factors, including whether or not the existing space is already built-out for a restaurant and whether or not the landlord will contribute toward tenant improvements for the leased space.

6. You should expect to incur these expenses for each separate franchise you purchase under the Multiple Franchise Purchase Addendum or otherwise.

You are required to have access to the internet, facsimile machine, telephone, and reliable transportation.

You will have the other usual expenses involved in establishing a business. These expenses vary greatly. They include, but are not limited to, attorney fees, license fees, deposits, sales tax bonds (where required), pre-opening advertising and recruiting expenses, employee wages, utility costs, and supply expenses.

You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of a Mio Sushi franchise. You must obtain all permits, certificates or licenses necessary for the full and proper conduct of the franchise.

Except as provided in Section 5 above, any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

We do not finance any of these initial expenses. The availability and terms of financing will depend on various factors including the availability of financing generally, your credit worthiness, security available to You, lending institution policies concerning the type of business to be operated by you, and other comparable elements.

We require no other payments.

This table estimates your initial startup expenses. These figures represent our estimates based upon our experience and the experience of other Mio Sushi franchisees. We do not guarantee that you will not have additional and different expenses than those we have identified in this table. Your actual costs will depend upon many factors, including, how well you follow our directions and suggestions, your business skill and experience, local economic conditions, the local market for your products, the location and condition of your leased premises, the prevailing wage rates, competition, and your sales levels during the initial period.

You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

It is essential to the proper marketing of Mio Sushi restaurants and sushi products and to the preservation and promotion of our reputation and acceptance by the public that uniform standards of quality, taste, and food appearance are maintained; that uniform quantities, volumes, and types of food are offered; and that dishes, cartons and other items displaying our commercial symbols are of uniform size, quality, texture, absorbency, strength, finish, and appearance. Therefore, you will at all times dispense, serve, sell or offer for sale to the public only articles, foods and other products and services that meet the reasonable specifications and standards we, from time to time, designate in writing. You may only purchase these items and services from suppliers that we designate or approve, all of which are subject to change by us.

<u>Designated Suppliers</u>

We may designate a single supplier (including us and/or our affiliates) or exclusive suppliers for any products or services and may approve a supplier only as to certain products or services. Our affiliate, Joonsung Trading, Inc., is currently the only approved supplier of all food and beverage products except for alcoholic beverages and certain fruits and vegetables (for which you must still use suppliers approved by us in advance). Certain Mio Sushi branded items that you must use in your franchised operation must be purchased from us, our affiliate and/or designated suppliers. You must purchase and use the point of sale system hardware and software that we require from one or more suppliers we designate (see Item 11 for more information). Sung In

Kim and Joon Kim, our executive officers, own interests in Joonsung Trading, Inc. There are no other approved suppliers in which any of our officers owns an interest.

Our Standards and Specifications

We will lend to you copies of the Mio Sushi Operations Manuals at the mandatory training course described in Section 11, below. From time to time we may amend the Operations Manual, including changes that may affect minimum requirements for your franchise operations. You will strictly follow the requirements of the Operations Manuals as we amend it from time to time. You will carry out immediately all changes at your cost, unless we otherwise specify. We reasonably may designate your business format and sales and distribution guidelines, as specified from time to time in the Operations Manual. The Operations Manuals are confidential and our exclusive property.

The Operations Manuals contain proprietary recipes, menu requirements, specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, art work, distribution techniques, advertising layouts, sushi and related product specifications, operation requirements, public relations guidelines and other rules that we may prescribe from time to time.

All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will upon request provide them to approved suppliers and suppliers seeking approval. We will use our best judgment to set and modify specifications to maintain the integrity and quality of the Mio Sushi franchise system.

Approval of Alternative Suppliers

Subject to the foregoing, with advance written notice, you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, durability, value, cleanliness, texture, composition, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control requirements and standards, for a reasonable license fee, to produce and deliver Mio Sushi products to you but to no other person. Our confidential recipes, requirements, designs, systems and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We will not unreasonably withhold approval of a supplier you propose (unless we have previously designated a single supplier or exclusive suppliers for certain products or services). We will endeavor in good faith to notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval.

From time to time we or our agents may re-analyze suppliers we have approved. For a supplier you propose and we approve, you will cooperate with us in any re-analysis of such supplier, including by promptly providing any pertinent information we request. We may also inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we find from any re-analysis or inspection (or re-inspection) that a manufacturer, supplier or distributor fails to meet our specifications and standards as we determine at our discretion, we will give written notice to you describing this failure and revocation of our approval. We may, but are not required to, give you and the manufacturer, supplier or distributor 30 days to correct the failure or deficiency by giving you written notice of the same.

Revenue and Supplier Rebates

We or companies affiliated with us may derive revenue from providing Mio Sushi products to you. We and our affiliates may also receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers.

In our fiscal year ending September 30, 2018~~7~~, we received revenues in the approximate amount of $0 from the sale of products or services to our franchisees and rebates from approved suppliers, which was 0% of our total revenues.

We or our affiliate may receive rebates from our supplier of Pepsi products. These rebates are based on the volume of products purchased (up front bonus plus $0.50 to $1.00 per gallon).

In our fiscal year ending September 30, 2018~~7~~, our affiliate, Joonsung Trading, Inc., received revenues in the approximate amount of $~~3,234,300~~2,419,770 from the sale of products or services to our franchisees, which was approximately ~~98~~87.5% of our affiliate's total revenues of $~~3,273,600~~2,763,628.

We estimate that purchases from us will be 0% percent of the total purchases you make to establish and 0% percent of the total purchases you make to operate your franchise. We estimate that purchases from our affiliate will be from **35** to **45%** percent of the total purchases you make to establish and from **30** to **40%** percent of the total purchases you make to operate your franchise.

Miscellaneous

There are no other obligations for you to purchase or lease according to specifications or from approved suppliers. Except as explained above, we have no required specifications, designated suppliers, or approved suppliers for goods, services, or real estate related to your franchise business. Except as explained above, we will not derive revenue from your purchases or leases.

You may not sell or dispense any products, food or non-food services or activities other than those specifically recognized and approved by us as part of the Mio Sushi franchise system without our prior written approval. You may not offer distilled spirits, but may offer beer and wine, for sale or consumption. You may not install or use any vending machines, juke boxes, games, or musical devices in your franchise without our prior written approval.

We intend to negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees. We have not yet entered into any formal purchasing or distribution cooperatives related to our franchise system, but we reserve the right to do so. In the future, we hope to create and augment the effectiveness of cooperatives for the purchase of materials and the provision of advertising, for the benefit of the franchise system.

Item 9
FRANCHISEE'S OBLIGATIONS

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 disclosure document.

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 1.1, 1.2, 1.3, 1.5 & 4.3; Franchise Premises Lease Agreement Rider (Franchise Agreement Exhibit 2)	Items 6 & 12
b. Pre-opening purchase/leases	Sections 1.1, 1.3, 2.3(o), 4.1, 4.3, 5.1 & 8.2	Items 7 & 8
c. Site development and other pre-opening requirements	Sections 1.4, 2.10, 3.1, 4.1, 4.2 & 5.1	Items 7, 8 & 12
d. Initial and ongoing training	Sections 3.1 & 3.2	Items 6 & 11
e. Opening	Sections 2.3(o), 4.1 & 4.2	Item 11
f. Fees	Sections 2, 3.2 & 7.1	Items 5, 6 & 17
g. Compliance with standards and policies/operating manual	Sections 5.1, 5.2, 5.3 & 5.5	Items 11 & 17
h. Trademarks and proprietary information	Recitals & Sections 1.1, 5.1, 5.3, 5.4, 5.5, 5.7, 6.5, & 9.2; Abandonment of Name form (FDD Exhibit F)	Items 13, 14 & 17
i. Restrictions on products/services offered	Sections 1.6, 1.7, 1.9, 5.1, 5.2 & 5.10	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	Sections 5.1, 5.2.A & 5.10	Item 11
k. Territorial development and sales quotas	Section 1.1, 1.6 & 1.7 (Sales Quotas Not Applicable)	Items 7 & 12
l. Ongoing product/service purchases	Sections 2.10, 5.1, 5.2.A, E, F & H, 5.9, 5.10 & 8.2	Items 7 & 8
m. Maintenance, appearance, and remodeling requirements	Sections 1.4, 5.1, 5.2.A, B & H, 6.1.A & 6.5.F	Items 7, 11 & 17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
n. Insurance	Section 8.2	Item 7
o. Advertising	Sections 1.6, 2.3 & 5.1	Items 9 & 11
p. Indemnification	Sections 6.7, 7.1.E & 8.1	Item 6
q. Owner's participation/management/staffing	Sections 2.10, 3.1, 3.2, 4.1, 5.10.I, 6.8, 9.12 & 9.13	Items 11, 15 & 17
r. Records and reports	Sections 2.8 & 5.2.C.5	Items 6, 11 & 17
s. Inspections and audits	Sections 2.9 & 5.2.C	Items 6, 11 & 17
t. Transfer	Section 7	Item 17
u. Renewal	Section 6.1	Item 17
v. Post-termination obligations	Sections 5.7, 5.8, 6.5, 6.8, 9.6 & 9.9	Item 17
w. Non-competition covenants	Sections 5.8, 6.5 & 6.8	Item 17
x. Dispute resolution	Sections 9.8 & 9.12	Item 17

Item 10
FINANCING

Neither we nor our affiliates provide direct or indirect financing to you; assist in providing financing for you; or guarantee any of your notes or financial obligations.

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

Except as listed below, Mio Sushi International, Inc. is not required to provide you with any assistance.

Before you open your franchise, we will:

1. Designate your Franchise Territory in the Franchise Agreement before the Franchise Agreement is executed. (Franchise Agreement, Section 1.1) The exact determination of the Franchise Territory will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies. Among the factors we consider to determine the feasibility of possible franchise territories are population demographics and other businesses in the area pursuant to census and chamber of commerce information.
2. Approve or disapprove of proposed sites for the Franchise Premises and the lease for the Franchise Premises, if any. Before the Franchise Agreement is signed, the specific address for the Franchise Premises, or the area within which it may be located, will be described in the Franchise Agreement. The exact determination of the Franchise Premises will depend upon your approval and our market analysis, market penetration plans and franchise placement

strategies and prior franchise commitments (as applicable). You must obtain our prior written approval for the site of the Franchise Premises and your lease related to it. When the exact location for the franchise is decided, the Franchise Agreement will be updated to identify the Franchise Premises. (Franchise Agreement, Sections 1.1 and 1.3 and Exhibit 1).

3. If requested, we may choose to provide reasonable advice and input related to your selection of a site for the Franchise Premises. You will pay for all our reasonable expenses related to any such requested services, including our travel and lodging expenses. Our rendering such services is based upon our availability. (Franchise Agreement, Section 1.3).
4. Provide initial orientation and training to you and your designated manager(s). (Franchise Agreement, Section 3.1).
5. Loan you a copy of the confidential Operations Manual. (Franchise Agreement, Section 5.1).
6. Give you a list of approved or designated suppliers and/or specifications for equipment, signs, fixtures, inventory, and supplies. (Franchise Agreement, Section 5.1). Franchisor does not deliver or install these items.

Operations Manual

The Operations Manuals are confidential and remain our property. It contains mandatory proprietary recipes, specifications, standards and procedures as well as certain recommendations. We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the franchise agreement. The revisions may include advancements and developments in proprietary recipes, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise. The Table of Contents of the current versions of the Operations Manuals are attached as Exhibit D. The current version of the franchise operations manual consists of approximately 328 pages.

Training

We will provide a mandatory initial training program for you and your operations manager(s) (as applicable). Others are not permitted or required to attend without our approval in our discretion. The initial training program will last approximately **10** days (depending on your experience and background). We appoint one or more principle training instructors for your franchise from the individuals listed in Item 2 of this disclosure document. Our training instructors use the Operations Manuals for instructional material. The experience of our principle training instructors is outlined in Item 2. In addition, we may use, as instructors, experienced franchise representatives and our staff. Such staff typically will have at least five years of experience in the subject being taught. We schedule the initial training program as needed. The current agenda for this training includes:

Mio Sushi
INITIAL TRAINING PROGRAM

Subject	**Hours of Classroom Training**	**Hours of On the Job Training**	**Location**
Overview of Training program and Orientation	0.5 Hours		Mio Sushi headquarters in Portland, Oregon or another location we designate.
Introduction to inventory controls (ordering, receiving, storing, FIFO, drink ordering)	1.5 Hours		

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Location, Build-out and Equipment	4 Hours	4 Hours	
Proprietary Recipes and Food Preparation	16 Hours	40 Hours	
Operating Standards	4 Hours	4 Hours	
Marketing Programs	4 Hours	4 Hours	

The training program consists of the described training materials, selling aids, and professional consultation. Training will cover proprietary recipes, product preparation and presentation, customer relations, general business operations, retail sales practices, franchise systems management, bookkeeping and financial management, inventory control and purchasing, security practices, equipment operations, increasing sales at your location and assisting in creating relationships with your customers. The training program is included in the Initial Franchise Fee. Accommodations, travel, room, board, and wage expenses during this period are borne by you. The training program must be completed by all franchisees unless, at our reasonable discretion, based upon a franchisee's experience, it is deemed unnecessary.

You must request to schedule a training session at least 35 days before the session is to start. The training session must be completed no later than 2 weeks before the scheduled date of the opening of the franchise.

You must complete the initial mandatory training program to our satisfaction or we may terminate the Franchise Agreement upon refunding the Initial Franchise Fee. Your designated full-time operations manager(s) must also attend and complete the training. You are encouraged to attend the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you fail to complete the mandatory training to our satisfaction or your operations manager(s) fail to attend and complete the training.

If the franchise is managed by any persons other than you, you must notify us of the identity of the managers. Each manager you hire must successfully complete the mandatory training program within one month after being hired, at your expense.

Although not required by agreement, we may, at our discretion or upon your request, provide other supervision, assistance, and services before the opening of your business; such as literature, advertising materials, displays, flyers, additional training assistance and a selection of inventory and supplies.

<u>During the operation of your franchise business, we will</u>:

1. At your option and upon not less than 35 days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. This training is subject to our availability. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then-current rates. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. (Franchise Agreement, Section 3.2).

2. We may provide refresher training programs or seminars and may require that you attend and complete them to our satisfaction. We may also require your operations manager(s) to attend and complete such training. These programs and seminars will be held at locations we designate and will be provided without charge to you. These programs and seminars may be held be on the internet or intranet. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars (if applicable). We will not require you to participate in more than 40 hours of such trainings during any calendar year. (Franchise Agreement, Section 3.2).
3. Administer our advertising program and formulate and conduct national and regional promotion programs. (Franchise Agreement, Section 2.3).
4. In our discretion, we may inspect the Franchise and conduct activities to ensure compliance with the terms of the Franchise Agreement and Operations Manual to assure consistent quality and service throughout our franchise system. (Franchise Agreement, Sections 2.9 and 5).
5. In our discretion, we may inspect the facilities of your manufacturers, suppliers and distributors and notify you and the manufacturers, suppliers, and distributors in writing of any failure to meet our specifications and standards. (Franchise Agreement, Section 5).
6. We may send you promotional materials and bulletins on developments, new sales and marketing techniques, and products. (Franchise Agreement, Sections 2.3 and 3.2).
7. We may provide other supervision, assistance or services although we are not bound by the Franchise Agreement or any related agreement to do so. These may include, among other things, advertising materials, literature, additional assistance in training, promotional materials, bulletins on new products or services, and new sales and marketing developments and techniques.

Advertising in General

We may promote our franchises through television, radio, print, sporting and cultural events and direct mail media. This is done locally and regionally. We use both our in-house advertising department and regional advertising agencies. We provide to you advertising materials and point of sales aids for you to use in your local advertising and promotional efforts. We will use Your Advertising Fee to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system.

You must advertise the Franchise in a dignified manner to enhance our franchise system's reputation for quality and integrity. Any time and from time to time, we may require you to submit to us advertising copy and promotional materials you use in your local advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with our franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the system, we will promptly notify you. You will immediately cease using any such material.

You must submit to us or our designated advertising agency, for prior approval, all promotional materials and advertising to be used by you, including, but not limited to, newspaper, radio, and television advertising; specialty and novelty items; signs; boxes; bags; and wrapping papers. If written or oral disapproval of your advertising and promotional material is not received by you within 10 days from the date we receive the material, the materials will be deemed approved. The submission of advertising to us for approval will not affect your right to set the prices at which you sell products.

We may create an advertising advisory board made up of Mio Sushi franchisees. These franchisees will make recommendations on your behalf as to types of advertising, promotion and public relations. We will use these and other recommendations which we feel are appropriate when drafting an advertising budget and program each year.

Advertising Fund

We will administer the funds we receive for Advertising Fees and direct all regional and national advertising programs with sole discretion over the creative ideas, materials, endorsements, placement, and allocation of overhead expenses. We may use the Advertising Fee to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we, in our sole discretion, deem proper. We may use in-house advertising departments and may use regional or national advertising agencies.

We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We shall not be obligated to expend all or any part of the Fees we receive during any specific period. (Franchise Agreement, Section 2.3).

Our company or affiliate-owned operations offering products and services similar to our franchisees make advertising fee contributions to the advertising fund in the same manner as our independent franchisees.

Any Advertising Fees not used in the fiscal year in which they were contributed will be applied and used for advertising and marketing expenses in the following year.

Summary of Advertising Fee Contributions and Expenses for Fiscal Year Ending September 30, 2018~~7~~

Expenses:	Corporate overhead	$563	2.37%
	Production of commercials and market research	$8,400	35.38%
	Market level advertising	$14,780.38	62.25%
Total expenses:		**$23,743.38**	**100%**
Advertising fund contributions:		$7,600.14	32.00% (of total)
Excess of expenses over contributions:		$16,142.94	68.00% (of total)

The Advertising Fees are administered by us. The Advertising Fees are not audited. You may obtain an accounting of the Advertising Fees and expenditures upon written request to us.

While advertising materials may note that franchises are available from us, no advertising fees or assessments we collect from our franchisees are used for advertising that is principally a solicitation for the sale of franchises.

Regional Advertising Fund

At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise unit, and each unit we own and operate, will be entitled to one vote at these meetings. For the purpose of this subsection, each unit we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, **66%** of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **2%** of that franchisee's Gross Revenue. (Franchise Agreement, Section 2.3(g)). This will be credited towards your Local Advertising Contribution described in Item 6, above.

We will administer each Regional Advertising Fund in the same manner and upon the same terms and conditions as the Advertising Fee outlined in this Item 11, or we may decide to have each Regional Advertising Fund administered by representatives elected by each region, at a meeting we call for this purpose. (Franchise Agreement, Section 2.3). There are no other written governing documents that govern any cooperative advertising program. Your contributions must be paid to the cooperative administrator we designate, when and in the same manner as the Royalty Fee and Advertising Fee payments are paid to us. No Regional Advertising Fund will be audited. You may obtain an accounting of the Advertising Fees and expenditures upon written request to us or the designated cooperative administrator.

Electronic Cash Register/Point of Sale System

Before you open the franchise for business, you must purchase the required computer hardware, software, internet connections and service, required dedicated telephone and power lines and other computer-related accessories and equipment (the "POS System") from manufacturers and/or suppliers we exclusively designate. (Franchise Agreement, Section 5.9). The estimated cost range for the POS System is $16,000 to $20,000. You must obtain high-speed internet and communications access for your POS System. You must also maintain a functioning e-mail address for your business.

The POS System includes: cash registers, a point of sale server, receipt printers and a PC-compatible back office computer and the required software provided by manufacturers and/or suppliers we exclusively designate. The system will store information concerning your sales, inventory, accounting and other operations.

You must provide all assistance we require to bring your POS System online with our headquarters computer at the earliest possible time and to maintain this connection as we require. We may retrieve from your POS System all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information.

You must maintain your POS System and keep it in good repair. There is no contractual limit on our ability to require you to upgrade the system, add components to the system and replace components of the system. You will be responsible to maintain the system using servicing and technical support sources we approve. Currently, technical support for the POS System is provided by its manufacturer(s). The costs to update, upgrade, repair, and maintain your POS System will depend upon several factors, including your repair history, costs of computer maintenance services in your local area, and technological advances. Currently, we estimate that such costs will be approximately $550 to $3,000 per year.

Time to Open

The typical length of time between the signing of the franchise agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is about **180** days. You are expected to complete the mandatory training and commence your franchise business operations within **one year** after you sign the franchise agreement. Factors that may affect this time are finding and negotiating for the Franchise Premises, arranging for the training session, remodeling and equipping the Franchise Premises, obtaining initial inventory, financing and business permit requirements, and your personal operational needs. Any failure caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond Your reasonable control will be excused for a time that is reasonable under the circumstances.

If the commencement of operation obligation is not fulfilled, we may terminate the franchise agreement by refunding not less than 25% of the Initial Franchise Fee actually collected by us. (Franchise Agreement, Section 4.1). If you fail to successfully complete initial training, then we may terminate the franchise agreement by refunding 75% of the Initial Franchise Fee if you purchased a standard franchise. (Franchise Agreement, Section 3.1).

Item 12
TERRITORY

Franchise Territory

So long as the Franchise Agreement is in force, and you are not in default in any material provision, we will not establish or allow others to establish a Mio Sushi restaurant within **1** driving mile (**1/4** mile for high population density, high business density, urban and downtown locations) of your franchise premises (the "Franchise Territory").

Your Franchise Territory will be identified in your franchise agreement using current zip code, political or geographical boundaries. The exact conformation of the franchise territory will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies and prior franchise commitments. We will use reliable governmental, chamber of commerce and business statistical information to determine both the population and boundaries for your Franchise Territory.

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. However, as stated above, we will not place or authorize anyone else to place a Mio Sushi restaurant within your Franchise Territory as long as the Franchise Agreement is in force and you are not in default of any material provision.

We may place Mio Sushi establishments in airport and mall food courts, stadiums, and similar limited access environments in your Franchise Territory and regardless of the location of other Mio Sushi operations.

Alternative Distribution Channels

You may not use alternative distribution channels to make sales outside or inside your Franchise Territory except as otherwise allowed by us in the Operations Manual. The internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual. You may not independently market using any digital, electronic or computerized form or any form of media now or in the future developed (e.g. materials to be made available through the internet, inactive electronic transmissions, etc.). For the purposes of this Franchise Disclosure Document, "Internet" means any of one or more local or global interactive communications media, that is flow available, or that may become available, and includes Web sites and domain names. Unless the context otherwise indicates, Internet includes methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.

We reserve the right to use the Service Marks and our products at any location, including within your Franchise Territory, in other product distribution methods; including internet, grocery store, wholesale outlet and home delivery. We will have no obligation to compensate you for any such sales made within your Franchise Territory.

We and our affiliates reserve the right to use alternative distribution channels to make sales within your Franchise Territory of products or services under trademarks or service marks different from the ones you will use under the Franchise Agreement, but we and our affiliates have not yet made any sales of this type. We will have no obligation to compensate you for any such sales made within your Franchise Territory.

Only we may place national or regional advertising.

Additional Locations

You may not establish or operate any other Mio Sushi establishment without executing a separate Franchise Agreement for that facility. You may operate the Mio Sushi restaurant only at the location specified in Section 1.1 of the Franchise Agreement.

Relocating

You may not relocate without our prior written approval. You may decide to relocate the Franchise Premises for the following reasons:

- The lease for the site of the Franchise Premises expires or terminates and cannot be renewed during the term of this Agreement;
- The site is destroyed, condemned or otherwise rendered unusable;
- In your and our judgment there is a change in character of the location of the Franchise Premises sufficiently detrimental to your business potential to warrant its relocation; or
- You reasonably decide to relocate the Franchise Premises for cause.

If so, you may relocate the Franchise Premises to another site within the Franchise Territory, if:

- You are not in breach of the Franchise Agreement;
- Your lease was not ended by the lessor because of your breach of the lease agreement;
- You evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;
- You develop, construct, remodel, furnish, decorate and equip, at your sole expense, the new location according to our then-current specifications and standards;
- You pay all reasonable out-of-pocket expenses we incur because of the relocation; and
- You satisfy our then-current franchise placement and demographics criteria, as expressed in the Operations Manual.

Franchise Premises

A typical franchise location consists of a lease retail space with from 1,500 to 3,000 square feet of space. It is identified in Section 1.1 of the Franchise Agreement. Before the Franchise Agreement is signed, the specific address for the Franchise Premises, or the area within which it may be located, will be described in the Franchise Agreement. The exact determination of the Franchise Premises will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies and prior franchise commitments. You must obtain our prior written approval for the site of the Franchise Premises and your lease related to it. When the exact location for the franchise is decided, the Franchise Agreement will be updated to identify the Franchise Premises.

We will help analyze your market area, help determine site feasibility, and assist in the selection of the franchise location, subject to your approval. While we agree to use our experience and expertise to assist in the selection of locations, we do not guarantee success for the location selected by you or accept any responsibility for any consequences of your choice of the franchise site.

Among the factors we consider to determine the feasibility of possible franchise sites are population demographics, traffic, parking, and other businesses in the area.

Marketing and Providing Services

You may not do business, operate or place advertisements using our trade names or trademarks outside your Franchise Premises, except with our prior written permission or following the local advertising requirements and restrictions expressed in the Operations Manual. This means that your individual advertising may be placed only within your franchise location. All issues related to local customers who deal with several Mio Sushi franchisees and local opportunities that could involve more than one franchise will be addressed and resolved by the Mio Sushi franchisees in the involved local area, subject to our right to give reasonable direction and oversight.

Other Rights We Reserve

We retain all rights not specifically granted to you in the Franchise Agreement. We may establish company-owned or franchised operations using our method of operation, trade names or trademarks that will compete with you (except as provided in this disclosure document and the Franchise Agreement). We have not established and do not presently intend to establish other franchises or company-owned outlets selling similar products or services under a different method of operation, trade name or trademark (other than franchises previously established under the Mio Ro marks and concepts). However, we reserve the right to do so in the future.

You do not receive the right to acquire additional franchises or to grant subfranchises.

Minimum Sales Requirement

Continuation of your franchise is dependent upon you attaining minimum average Revenue, in the Franchise Territory, of at least **$35,000** each month averaged over each consecutive six calendar month period (the "Minimum Sales Requirement"). This is not intended to be a financial performance representation. The monthly minimum sales level will start on the first anniversary of your franchise operation. If, after having received notice in writing from us that you have failed to meet the Minimum Sales Requirement, you continue for a period longer than **90** days to fail to meet the minimum average Revenue, we may:

A. Elect to treat the failure as grounds for immediate termination of the Franchise Agreement;

B. Restore operations in all or part of the Franchise Territory as we deem necessary; and/or

C. Grant a franchise to carry on the franchise in all or part of the Franchise Territory to a person or corporation other than you.

If we elect to carry on operations ourselves or grant a new franchise to all or part of the Franchise Territory, we will serve notice on you, and immediately from the date indicated in our notice you will cease to have the right to carry on the franchise within the area designated in the notice. The notice will constitute an agreed upon variation to the Franchise Agreement.

Item 13
TRADEMARKS

We give you the right to operate your franchise under the name "Mio Sushi".

Registrations of Our Service Marks

We registered the following marks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

DESCRIPTION OF MARK	REGISTRATION DATE	REGISTRATION NUMBER
Mio Sushi word mark	January 25, 2011	3910471
Mio Sushi word plus design mark:	March 19, 2013	4304925

We have filed all required affidavits in respect to the above-described registrations. We have not yet filed renewals for such registrations because they are not yet due for renewal. We plan to submit renewals as they come due.

Our Common Law Rights to the Service Marks

In addition to the foregoing, we use certain names, marks, logos, slogans, designs, and trade dress that are protected under common law. These include, without limitation, the following logo:

Your Use of the Service Marks

We will allow you to use all other trade names, trademarks, service marks, and logos we now own or may in the future develop for the Mio Sushi franchise system. We refer to all of these commercial symbols as the "Service Marks." The Service Marks are our sole and exclusive property. You must follow our rules when you use the Service Marks. You may not use the Service Marks in any manner we have not authorized in writing. You cannot use our Service Marks as part of the name of your business entity or with modifying words, designs or symbols except as we authorize in writing. You may not use our Service Marks in connection with the sale of any unauthorized product or service.

Any goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law.

You may not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases.

Modifying the Service Marks

At any time we may change or modify any part of the Service Marks from time to time at our sole discretion. You will accept, use, and protect, for the purposes of the franchise, all changes and modifications as if they were a part of the Service Marks at the time the franchise agreement is executed. You will bear all costs and expenses that may be reasonably necessary as a result of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

Legal Actions Involving the Service Marks

While we will make reasonable efforts to protect your rights to use the Service Marks, we will have sole discretion to take or not to take action, as we deem appropriate. We have the right to control any administrative proceedings or litigation involving a Service Marks. You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks, or any marks identical to or confusingly similar to the Service Marks, including any claims of infringement or unfair competition. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks or the Method of Operation, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Service Marks or if the proceeding is resolved unfavorably to you.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board or the trademark administrator of any state or any court.

On October 30, 2015 we filed a lawsuit in the United States District Court Southern District of New York against JCMD Corp. dba Mio Sushi and Grill, a New York corporation (case number 2:15-cv-06256-JFB-AKT). Our complaint made the following allegations against defendant: federal trademark infringement; federal false designation of origin and unfair competition; violation of the Anticybersquatting Consumer Protection Act; violation of New York General Business Law Article 22-A Sec. 349; and violation of New York General Business Law Article 24 Sec. 360-L. These claims were based on defendant's use of marks identical or similar to ours at a sushi restaurant in East Northport, NY. The parties settled the dispute and the Court issued a Final Judgment on Consent restraining and enjoining the defendant and related parties from using our Service Marks or confusingly similar marks in the future and requiring defendant to pay $20,000 to us.

There are no pending interference, opposition or cancellation proceeding or any pending material litigation involving the Service Marks in any state.

There are no agreements currently in effect that limit our rights to use or license the use of the Service Marks listed in this section in a manner material to the franchise. We know of no infringing uses that could materially affect your use of the Service Marks.

Item 14
PATENTS, COPYRIGHT & PROPRIETARY INFORMATION

We intend to affix a statutory notice of copyright to Our Operations Manual, to most of our advertising products, and to our Mio Sushi products, and to all modifications and additions to them. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights to the copyrighted material. You are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement.

The Operations Manuals are described in Item 11. Although we have not filed applications for copyright registration, all copyrighted materials are our property. Item 11 describes limits on use of the copyrighted materials by you and your employees. You must contact us immediately if you learn of any unauthorized use of our proprietary information. You must also agree to not contest our rights to and interest in our copyrights and other proprietary information.

We have no patents or pending patent applications that are material to your franchise.

Item 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We recommend that you, or one of your owners if you are a corporation or partnership, participate fully in the actual day to day operation of the franchise business. Any managers you employ to help you to operate the franchise must complete the mandatory training program described in Item 11. The manager and all of your owners must agree to be bound by the confidentiality and non-compete provisions of the franchise agreement.

Each of your owners must directly sign the Franchise Agreement or otherwise assume and agree to discharge all of your obligations under the Franchise Agreement. Your owners' spouses are not required to sign a personal guaranty.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you use, offer and sell only those Mio Sushi food products, goods and services that we approve in writing. You must offer all Mio Sushi food products, goods and services that we designate as required by our franchisees. We reserve the right, without limitation, to modify, delete, and add to the authorized products, goods and services.

Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP

Provision	**Section in Franchise Agreement**	**Summary**
a. Length of the Franchise Term	Section 1.1	Equal to the initial term of your Franchise Premises lease (from **5** to **10** years).
b. Renewal or Extension of Term	Section 6.1	If you are not in breach, you may renew the franchise for successive single periods that match each singe renewal term of your lease of the Franchise Premises with a maximum term of **10** years for each renewal period.
c. Requirements for Renewal	Section 6.1	You must: a. Give notice at least three months, but not more than one year, before expiration of the initial term. b. Faithfully perform under the initial agreement. c. Refurbish, remodel, or replace the Franchise Premises and replace obsolete equipment. d. Sign general release. e. Sign a new franchise agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract. f. Go through retraining.
d. Termination by You	Section 6.2	Upon 30 days' notice only for material breach by us. Post-termination covenants still apply.
e. Termination by Us Without Cause	None	

Provision	Section in Franchise Agreement	Summary
f. Termination by Us With Cause	Section 6.3	We can terminate only if You default.
g. "Cause" Defined – Curable Defaults	Section 6.3(A)	You have **30** days to cure any default not listed in Section 6.3 (B).
h. "Cause" Defined – Noncurable Defaults	Section 6.3 (B)	Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, nonpayment of fees, repeated under reporting of sales, disclosure of information.
i. Your Duties and Obligations on Termination or Nonrenewal	Section 6.5	De-identification; return of manuals; release of phone numbers and listings; de-identification of premises; payment of sums owed; confidentiality; and non-competition. At our option, assign your lease and sell all franchise related equipment, furnishings, and inventory to us, at the fair market value for equipment and furnishings and at your invoice cost for products inventory less a 10 percent restocking charge. We will not be liable for any payment to you for intangibles, including, without limitation, goodwill.
j. Assignment of Contract By Us	Section 7.1	There are no restrictions on our right to transfer.
k. "Transfer" by You - Definition	Section 7.1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the franchise agreement, substantial assets of the franchise, or ownership or

Provision	**Section in Franchise Agreement**	**Summary**
		control of you.
l. Our Approval of Your Transfer	Section 7.1	We have the right to approve all transfers.
m. Conditions for Our Approval of Transfer	Section 7.1	The transferee must qualify as a franchisee; must assume your obligations; must successfully complete the mandatory training; and must sign a new franchise agreement on our then current terms. You may not be in default, and you must release us. You or the transferee must pay our then-current transfer fee. It is currently **$5,000**.
n. Our Right of First Refusal to Acquire Your Business	Section 7.4	If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, **30**-day notice and right to decide.
o. Our Option to Purchase Your Business	Section 7.3	You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We will elect to exercise our option to purchase within **30** business days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party. You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled “Sale or Assignment” and “First Right of Refusal.”
p. Your Death or Disability	Section 7.2	Within **180** days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the

Provision	**Section in Franchise Agreement**	**Summary**
		franchise, or transfer franchise interest.
q. Non-Competition Covenants During the Term of the Franchise	Sections 5.7 & 5.8	You may not disclose confidential information or compete.
r. Non-Competition Covenants After the Franchise is Terminated or Expires	Sections 5.7, 5.8 & 6.8	No competition is allowed for **720** days within the Franchise Territory; within a **100**-mile radius of the Franchise Territory; within a **100**-mile radius of any location where we operate or have granted the franchise to operate a Mio Sushi business; and within the United States of America. However, if a judge or arbitrator determines that the geographic scope of this covenant is not legally enforceable, then the geographic scope is reduced to a 50-mile radius rather than a 100-mile radius.
s. Modification of the Agreement	Sections 5.5 and 9.7	We may modify the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement of the parties.
t. Integration/Merger Clause	Section 9.7	Only the terms of the franchise agreement and operations manuals are binding (subject to state law). Any other promises may not be enforceable.
u. Dispute Resolution by Arbitration or Mediation	Section 9.8	No dispute is required to be arbitrated, **5** hours of mediation is required at joint expense.
v. Choice of Forum	Section 9.8	Mediation, arbitration or litigation must be in **Portland, Oregon**.
w. Choice of Law	Section 9.8	**Oregon** law applies except to the extent governed by the United States Trademark Act and except in those states whose

Provision	Section in Franchise Agreement	Summary
		franchise laws require exclusive application.

See the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

Item 18
PUBLIC FIGURES

No public figure is involved in our franchise program.

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 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.

Historical Financial Performance Representation

The following representations are historical financial performance representations for all of our Mio Sushi franchisees in operation as of December 31, 2017~~6~~, including those in which one or more of our owners or officers owns a minority or majority interest. As of December 31, 2017~~6~~, none of the outlets in our franchise system are "company-owned" outlets for purposes of this Item because we, our affiliates, and our owners/officers do not manage any of the operations. This financial performance representation does not include information for Mio Ro franchises because we no longer offer such franchises.

The following table provides annual Revenue (defined below) for each Mio Sushi location for calendar years ~~2013,~~ 2015~~4~~, 2016~~5~~ and 2017~~6~~ and cost of goods sold (COGS) for calendar years 2015, ~~and~~ 2016 and 2017. For purposes of this Item 19, "COGS" is calculated as follows: beginning inventory plus the cost of goods purchased or manufactured (which equals the cost of goods available) minus ending inventory. For purposes of this Item 19, "Revenue" includes all receipts generated by the franchise from any source, but it excludes credits for returns of merchandise, promotional discounts, sales taxes and similar taxes.

	2015		2016	
Location	**Revenue**	**COGS**	**Revenue**	**COGS**
1	$694,404	$217,450	$667,153	$202,853
2	$746,229	$239,279	$615,678	$204,472
3	$862,846	$261,701	$868,618	$272,909
4	$1,013,797	$303,345	$1,019,982	$302,383
5	$842,254	$292,800	$874,466	$288,382
6	$444,745	$137,726	$407,726	$136,782

	2015		2016	
7	$538,431	$173,077	$495,436	$160,882
8	$625,767	$188,723	$618,540	$189,976
9	$473,388	$162,139	$615,858	$173,592
10	$724,434	$210,305	$700,037	$223,877
11	$1,103,948	$265,394	$1,030,501	$274,431
12	$631,976	$259,804	$575,996	$204,476
13	$448,821	$156,746	$428,887	$132,434
14	$781,261	$204,321	$783,027	$232,745
15	$534,012	$ 143,676	$492,629	$126,710
16	NA	NA	$643,179	$184,471
Average	**$694,754.20**	**$214,432**	**$677,357**	**$206,961**
# and % Above the Average	7 of 15 (47%)	7 of 15 (47%)	6 of 16 (38%)	6 of 16 (38%)
Median	**$649,404**	**$210,305**	**$630,858**	**$203,663**

	2017	
Location	**Revenue**	**COGS**
1	$669,628	$191,515
2	553,406	179,738
3	908,517	276,607
4	1,015,300	285,469
5	916,449	264,790
6	504,686	162,692
7	610,413	180,479
8	688,648	191,675
9	762,313	238,587
10	874,101	257,673
11	589,719	163,617
12	824,376	225,641
13	799,557	221,514
Average	**$743,130**	**$218,207**
#and % above the Average	7of 13 (54%)	7 of 13 (54%)
Median	**$725,481**	**$208,658**

Material Bases for the Representation

1. As of December 31, 2017~~6~~, there were 13~~6~~ total Mio Sushi franchises in operation, all of which reported sufficient information to be included in this disclosure. The source of data presented in this financial performance representation is information reported to us by our franchisees.

2. These financial performance representations reflect cost of goods sold (COGS), but do not include any other expenses.

3. Characteristics of the included operations that may differ materially from your Franchise include: (1) your previous business and management experience; (2) competition in your area (although most or all current franchisees are in market areas with high competition); and (3) length of time that the included operations have operated as compared to your Franchise (given that the included outlets have been in operation since at least December 31, 2017~~6~~).

4. Some ~~franchise operations~~outlets have sold this~~e~~ amount~~s disclosed in the above table~~. Your individual results may differ. There is no assurance you'll sell as much.

5. Written substantiation for this financial performance representation is available to you upon reasonable written request.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable, and consult with professional advisors before signing the Franchise Agreement.

Item 20
LIST OF FRANCHISE OUTLETS

Table No. 1
SYSTEMWIDE OUTLET SUMMARY*
FOR YEARS ENDING SEPTEMBER 30, 2016~~5~~, 2017~~6~~ AND 2018~~7~~

Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net Change**
Franchised	2016	9	11	+2
	2017	11	11	0
	2018	11	9	-2
Company-Owned**	2016	7	5	-2
	2017	5	5	0
	2018	5	4	-1
Total Outlets	**2016**	**16**	**16**	**0**
	2017	**16**	**16**	**0**
	2018	**16**	**13**	**-3**

* This table does not include Mio Ro franchises because we no longer offer such franchises and they are not substantially similar to the franchise we currently offer. The notes to the audited financial statements (see Item 21) include Mio Ro franchises in the franchise count, so such figures may differ from the tables in this Item 20.
** These are *affiliate*-owned outlets because they have in common with us one or more owners or officers. Specifically, these outlets are minority or majority owned by one or more of our officers disclosed in Item 2 of this disclosure document. These affiliate-owned outlets are under Franchise Agreements with us.

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS ENDING SEPTEMBER 30, 2016~~5~~, 2017~~6~~ AND 2018~~7~~

State	Year	Number of Transfers*
Oregon	2016	1
	2017	0
	2018	1**
All Others	2016	0
	2017	0
	2018	0
Total	**2016**	**1**
	2017	**0**
	2018	**1**

* Only transfers of the entire interest in a franchise are listed here. Transfers of a partial ownership interest are not listed.
** This transfer relates to an "affiliate-owned" operation.

Table No. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS ENDING SEPTEMBER 30, 2016~~5~~, 2017~~6~~ AND 2018~~7~~*

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Oregon	2016	5	2**	0	0	0	0	7
	2017	7	0	0	0	0	0	7
	2018	7	0	2	0	0	0	5
Washington	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
Total	**2016**	**9**	**2**	**0**	**0**	**0**	**0**	**11**
	2017	**11**	**0**	**0**	**0**	**0**	**0**	**11**
	2018	**11**	**0**	**2**	**0**	**0**	**0**	**9**

* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.
** In Oregon, two affiliate-owned outlets transferred ownership such that they became independent franchisee-owned outlets during fiscal year 2016.

Table No. 4
STATUS OF AFFILIATE-OWNED OUTLETS
FOR YEARS ENDING SEPTEMBER 30, 2016~~5~~, 2017~~6~~ AND 2018~~7~~

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Oregon	2016	6	0	0	0	2*	4
	2017	4	0	0	0	0	4
	2018	4	0	0	0	0	4
Washington	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	1	0	0
Total	**2016**	**7**	**0**	**0**	**0**	**2**	**5**
	2017	**5**	**0**	**0**	**0**	**0**	**5**
	2018	**5**	**0**	**0**	**1**	**0**	**4**

* In Oregon, two affiliate-owned outlets transferred ownership such that they became independent franchisee-owned outlets during fiscal year 2016.

Table No. 5
PROJECTED OPENINGS AS OF SEPTEMBER 30, 2018~~7~~

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
Oregon	0	~~1~~0	0
Washington	0	~~2~~0	0
Total	**0**	**~~3~~0**	**0**

The following is a list of the names of all current Mio Sushi franchises and the addresses and telephone numbers of their outlets as of the issuance date of this disclosure document:

Mio Sushi – 185th Avenue

Sungdo, Inc.
Franchisee Contact: Daniel Kim
~~Sungdo, Inc.~~
1255 NW 185th Avenue
Aloha, OR 97006
Phone: 503-617-9432
Fax: 503-617-9442

Mio Sushi - Beaverton

Beaverton Sushi, Inc.
Franchisee Contacts: Kyung Jin Park and Sung Hyun Woo
12600 SW Crescent Way
Beaverton, OR 97005
Phone: 503-469-0881
Fax: 503-469-0882

Mio Sushi – Eugene

Eugene Sushi, Inc.
Franchisee Contact: John S. Kim and Ryan Sugai
~~Eugene Sushi, Inc.~~
132 Oakway Center Rd
Eugene, OR 97401
Phone: ~~(~~541~~)~~-505-9192
Fax: ~~(~~541~~)~~-505-3980

Mio Sushi – Pearl

Elim Sushi Inc.
Franchisee Contact: Jang Choon Lee and Jang Se Kim
1317 NW Hoyt St.
Portland, OR 97209
Phone: 503-224-7905
Fax: 503-224-7906

Mio Sushi – Sellwood

Sellwood Sushi, Inc.
Franchisee Contact: Dong Han
~~Sellwood Sushi, Inc.~~
1710 SE Takoma Street
Portland, OR 97202
Phone: ~~(~~503-~~)~~ 445-0411
Fax: ~~(~~503-~~)~~ 445-0415

Mio Sushi – Camas

Camas Sushi, LLC
Franchisee Contact: Hyun Jun Noh and Jin Hyuk Lee
~~Camas Sushi, LLC~~1735 SE 192nd Ave#104
Camas, WA 98607
Phone: 360-817-1642
Fax: 360-817-1643

Mio Sushi – Tacoma

Tacoma PR Sushi LLC
Franchisee Contact: Sung Hyun Woo and Sung Won Kim
~~Tacoma PR Sushi LLC~~
5051 Main Street
Tacoma, WA 98407
Phone: 253-301-4512
Fax: 253-301-4591

Mio Sushi – Vancouver

Vancouver Sushi, LLC
Franchisee Contact: Sung Hawn Lee
~~Vancouver Sushi, LLC~~
13317 NE 12th Ave, Suite 101
Vancouver, WA 98685
Phone: ~~(~~360~~)~~-597-3613
Fax: ~~(~~360~~)~~-597-3678

Mio Sushi – Westlake

Westlake Sushi, LLC
Franchisee Contact: Hun “Hunter” Jung
~~Westlake Sushi, LLC~~122 Westlake Ave N
Seattle, WA 98109
Phone: ~~(~~206-~~)~~971-0069
Fax: ~~(~~206~~)~~-971-0070

The following is a list of affiliate-owned franchises in which one or more of our officers owns a minority or majority interest as of the issuance date of this disclosure document:

Mio Sushi – Old Mill (Bend)

Bend Sushi, LLC
Franchisee Contact: Sung Hyun Woo
~~Bend Sushi, LLC~~
375 SW Powerhouse Dr. #A125
Bend, OR 97702
Phone: ~~(~~541-~~)~~241-1008
Fax: ~~(~~541~~)~~-241-1009

Mio Sushi – NW 23rd

Uptown Sushi, LLC
Franchisee Contact: Sung In Kim and Chun Heung “Jane” Kim
~~Joonsung, Inc.~~ 2271 NW Johnson Street
Portland, OR 97210
Phone: 503-221-1469
Fax: 503-827-4932

Mio Sushi – Hawthorne

Hawthorne Sushi Inc.
Franchisee Contact~~s~~: ~~Yoon Cho and Eunsook Kim~~ Kelly H. Shin
~~Koram Ventures, Inc.~~3962E SE Hawthorne
Portland, OR 97214
Phone: 503-230-6981
Fax: 503-230-6998

Mio Sushi – Killingsworth

Portland Sushi Inc.
Franchisee Contact: Chun Heung "Jane" Kim
~~Portland Sushi Inc.~~
2735 N Killingsworth Street
Portland, OR 97217
Phone: 503-286-5123
Fax: 503-286-5124

~~Mio Sushi – Green Lake~~
~~Contact: Sung In Kim~~
~~Greenlake Sushi LLC~~
~~7900 Green Lake Drive North~~
~~Seattle, WA 98103~~
~~Phone: (206) 526-7900~~

The following is a list of the name, city and state, and the current telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during our most recently completed fiscal year or has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Entity Name	**Individual Owner(s)**	**City, State**	**Phone**
Sunnyside Sushi, LLC ~~(December 2017)~~	Taewon Ahn	Clackamas, Oregon	503-869-4146
	Eunsook Kim		503-713-3465
	Yongdae Kwon		503-505-2612
	Myungsuk Lee		503-915-9948
JH Hollywood Sushi Inc. ~~(December 2017)~~	Sang Neon Kim	Portland, Oregon	971-331-2536
Greenlake Sushi LLC (closure of affiliate-owned location)	Contact: Sung In Kim (Franchisor's President)	Seattle, WA	(503) 219-9762 (Franchisor's main number)
Koram Ventures, Inc.	Contacts: Yoon Cho	Portland, OR	Yoon Cho: (503) 957-

Entity Name	Individual Owner(s)	City, State	Phone
(affiliate-owned location – transfer of ownership to Hawthorne Sushi Inc.)	and Eunsook Kim		2060 Eunsook Kim: (503) 713-3465
Joonsung, Inc. (affiliate-owned location – transfer of ownership to Uptown Sushi, LLC) *(December 2018)*	Contact: Sung In Kim (Franchisor's President)	Portland, OR	(503) 219-9762 (Franchisor's main number)

During the last three fiscal years, we have not signed confidentiality clauses with any of our current or former franchisees, which restrict such franchisees from communicating with prospective franchisees concerning their experience in the franchise system. However, we sign agreements with current and former franchisees that include confidentiality clauses that protect our intellectual property and our proprietary information. The confidentiality clauses in these agreements may also relate to specific negotiated franchise agreement terms and conditions.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the franchise system.

No independent franchisee organizations have asked to be included in this disclosure document.

Item 21
FINANCIAL STATEMENTS

Attached ~~as~~ in Exhibit A are our audited financial statements as of September 30, 2016~~5~~, 2017~~6~~ and 2018~~7~~. Our fiscal year end is September 30.

Also attached in Exhibit A are our unaudited financial statements as of December 31, 2018. THE ATTACHED UNAUDITED FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES. SINCE THEY HAVE NOT BEEN AUDITED, THEY DO NOT REFLECT THE CORRECTIONS OR ADJUSTMENTS AN AUDIT MIGHT REQUIRE.

Item 22
CONTRACTS

The following agreements are exhibits:

1. Franchise Agreement (Exhibit B)
    a. State Law Addendum (Exhibit G)
    b. Franchise Premises Lease Agreement Rider (Exhibit 2 to Franchise Agreement)
    c. Personal Guaranty Agreement (Exhibit 3 to Franchise Agreement)
    d. Multiple Franchise Purchase Addendum (Exhibit 4 to Franchise Agreement)

2. Conditional Assignment (Exhibit E)

3. Abandonment, Relinquishment, & Termination of Assumed Business Name (Exhibit F)

4. Authorization for Electronic Funds Transfer (Exhibit H)

5. Franchisee Closing Questionnaire (Exhibit I)

6. Form of General Release (Exhibit J)

Item 23
RECEIPT

Attached to this Franchise Disclosure Document are duplicate Acknowledgments of Receipt. They evidence your receipt of this Franchise Disclosure Document – sign each copy; one is to be retained by you, the other by us.

Exhibit A
MIO SUSHI INTERNATIONAL, INC.
Franchise Disclosure Document

UNAUDITED AND AUDITED FINANCIAL STATEMENTS

Mio Sushi International, Inc.
Balance Sheet
As of December 31, 2018

	Dec 31, 18
ASSETS	
Current Assets	
Checking/Savings	
1000 · Wells Fargo Commercial Checking	52,033.29
1010 · Marketing Checking 6154	17,800.18
Total Checking/Savings	69,833.47
Accounts Receivable	
1200 · Accounts Receivable	1,657.25
Total Accounts Receivable	1,657.25
Other Current Assets	
1210 · Franchise Fee Receivable	32,500.00
1230 · Suspense	39,849.00
1250 · Loan Receivable-Han	82,579.50
1260 · Notes Receivable-Song/see notes	0.00
1290 · Security Deposit	2,000.00
1280 · Royalties Receivable	0.00
12000 · Undeposited Funds	595.00
Total Other Current Assets	157,523.50
Total Current Assets	229,014.22
Fixed Assets	
1720 · Leasehold Improvement	515.00
1730 · Equipment	10,749.89
1740 · Furniture & Fixtures	6,300.38
1770 · Machinery & Equipment	999.99
1780 · Vehicles	
1786 · Lexus-ES300H 2013	0.00
1789 · Lexus ES300H (2019)	48,535.00
Total 1780 · Vehicles	48,535.00
1810 · Accumulated Amortization	-1,704.00
1880 · Accumulated Depreciation	-44,317.25
Total Fixed Assets	21,079.01
TOTAL ASSETS	**250,093.23**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2100 · Accounts Payable	28,008.57
Total Accounts Payable	28,008.57
Credit Cards	
2150 · US Bank-VISA KoreanAir	1,055.00
Total Credit Cards	1,055.00
Other Current Liabilities	
2009 · Accrued Distributions	10,400.00
2180 · Advertising Fund 1%	24,702.65

Mio Sushi International, Inc.
Balance Sheet
As of December 31, 2018

	Dec 31, 18
2200 · Payroll Tax Liability	
2210 · 941 Federal Payable	2,268.77
2230 · Oregon Withholding Payable	539.37
2250 · FUTA Liability (940)	108.55
2260 · SUTA (Oregon State Unemp) Payab	322.68
2270 · Tri-Met Payable	384.89
2275 · Oregon State Transit Tax	51.08
2280 · Workers Benefit Fund (WBF)EE/ER	60.16
Total 2200 · Payroll Tax Liability	3,735.50
2205 · Payroll Clearing	-1,274.43
Total Other Current Liabilities	37,563.72
Total Current Liabilities	66,627.29
Long Term Liabilities	
2530 · Lexus ES 300 Finance Contract	
2531 · Lexus ES 300 - current portion	234.00
2530 · Lexus ES 300 Finance Contract - Other	-234.00
Total 2530 · Lexus ES 300 Finance Contract	0.00
2540 · Hyundai Finance (Sonata)	-303.62
2550 · Lexus 2019 Installment Contract	38,724.11
Total Long Term Liabilities	38,420.49
Total Liabilities	105,047.78
Equity	
2710 · Common Stock	66,500.00
2720 · Distributions	-60,000.00
2750 · Retained Earnings	146,836.21
Net Income	-8,290.76
Total Equity	145,045.45
TOTAL LIABILITIES & EQUITY	250,093.23

Mio Sushi International, Inc.
Profit & Loss
October through December 2018

		Oct - Dec 18
Ordinary Income/Expense		
Income		
4100 · FEES INCOME		
4105 · Royalties Fees		109,689.12
Total 4100 · FEES INCOME		109,689.12
Total Income		109,689.12
Gross Profit		109,689.12
Expense		
6000 · COST OF LABOR		
6001 · Gross Wages/Salaries		50,723.39
6002 · Payroll Taxes		
6003 · Social Security-Employer paid	3,166.49	
6004 · Medicare-Employer paid	740.54	
6005 · Oregon Unemployment Tax	321.99	
6006 · Tri-Met District Excise Tax	384.89	
6007 · Federal Unemployment Tax (FUTA)	101.10	
6008 · Workers Benefit Fund Tax	30.08	
Total 6002 · Payroll Taxes		4,745.09
Total 6000 · COST OF LABOR		55,468.48
GENERAL & ADMINISTRATIVE		
6020 · Automotive		
6021 · Auto Licenses/Registration	831.36	
6022 · Auto Repairs & Maintenance	143.50	
6023 · Auto Insurance-Commercial	492.80	
6025 · Gas/Fuel expense	787.21	
6029 · Mileage reimb to employees	6,941.93	
Total 6020 · Automotive		9,196.80
6030 · Bank Service Charges		214.11
6035 · Contribution & Donations		
6035 · Contribution & Donations - Other	250.00	
Total 6035 · Contribution & Donations		250.00
6040 · Dues & Subscriptions		100.00
6045 · Finance Charges		43.20
6054 · Employee Discount on GC		84.00
6080 · Meals and Entertainment		4,825.47
6085 · Parking		15.00
6095 · Supplies		174.51
6100 · Taxes		
6105 · WA StateB&O tax on Royalties	554.51	
Total 6100 · Taxes		554.51
6110 · Travel & Entertainment		
6112 · Client Gifts-Mio Gift Certs	820.00	
6114 · Gifts	1,370.57	
6115 · Lodging	699.67	
6117 · Tolls	6.00	
6118 · Travel Meals	52.20	
6110 · Travel & Entertainment - Other	180.00	
Total 6110 · Travel & Entertainment		3,128.44
Total GENERAL & ADMINISTRATIVE		18,586.04

Mio Sushi International, Inc.
Profit & Loss
October through December 2018

	Oct - Dec 18
OPERATING EXPENSES	
6120 · Advertising	
6122 · Ad/Promo Materials	1,239.34
6126 · Franchisee Incentives	1,040.10
6128 · Marketing Services	2,663.73
Total 6120 · Advertising	4,943.17
6130 · Computer Software & Pheripheral	211.95
6140 · Insurance	
6143 · Umbrella Commercial Insurance	447.09
Total 6140 · Insurance	447.09
6150 · Legal & Professional Fees	
6151 · Accounting - Payroll & Tax prep	1,170.00
6152 · Accounting QB Consulting	717.00
6153 · CPA/Audit Accounting	8,000.00
6155 · Legal Fees	4,500.00
6156 · Management Fees	15,000.00
6158 · Trademark Filing	325.00
Total 6150 · Legal & Professional Fees	29,712.00
6200 · Office Supplies & Postage	
6200 · Office Supplies & Postage - Other	237.70
Total 6200 · Office Supplies & Postage	237.70
6220 · Printing and Reproduction	1,258.47
6230 · Rent or Lease	6,714.75
6250 · Telephone/Mobile/Web/Email	
6251 · Verizon	
6251 · Verizon - Other	1,093.26
Total 6251 · Verizon	1,093.26
6250 · Telephone/Mobile/Web/Email - Other	1,199.61
Total 6250 · Telephone/Mobile/Web/Email	2,292.87
Total OPERATING EXPENSES	45,818.00
*to be determined	489.89
Total Expense	120,362.41
Net Ordinary Income	-10,673.29
Other Income/Expense	
Other Income	
8400 · Other Income	
8418 · Franchise Serv-Menu Production	1,190.00
8410 · Dividend-Workers Comp	109.00
8435 · Late Charge/Penalty Income	-39.00
Total 8400 · Other Income	1,260.00
Other Ordinary Income	1,200.00
Total Other Income	2,460.00

Mio Sushi International, Inc.
Profit & Loss
October through December 2018

	Oct - Dec 18
Other Expense	
8000 · Other Expenses	
8105 · Interest Expenses	0.27
8110 · Parking & Moving Violation	75.00
8160 · Penalties & Settlements	2.20
Total 8000 · Other Expenses	77.47
Total Other Expense	77.47
Net Other Income	2,382.53
Net Income	**-8,290.76**

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Financial Statements

Years Ended
September 30, 2018
and 2017

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Independent Auditors' Report

To the Stockholders and Board of Directors of
Mio Sushi International, Inc.

We have audited the accompanying balance sheets of Mio Sushi International, Inc. as of September 30, 2018 and 2017, and the related statements of income, stockholders' equity, and cash flows for the years then ended, 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 audit 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 auditors consider 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 Mio Sushi International, Inc. as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Delap LLP

January 4, 2019

Mio Sushi International, Inc.

Balance Sheets

September 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 123,795	$ 122,126
Prepaid expenses	2,238	2,149
Royalty fees receivable	13,004	11,048
Other receivable	2,100	-
Total current assets	141,137	135,323
Property and equipment - net	5,961	31,736
Note receivable from stockholder	82,580	92,580
Franchise fee receivable - net	20,000	32,500
Other asset	2,000	2,000
Total Assets	$ 251,678	$ 294,139
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 6,648	$ 26,557
Accrued expenses	29,731	24,994
Accrued distributions to stockholders	40,000	20,000
Current portion of notes payable	-	9,945
Total current liabilities	76,379	81,496
Notes payable	-	14,047
Total liabilities	76,379	95,543
Stockholders' equity		
Common stock	66,500	66,500
Retained earnings	108,799	132,096
Total stockholders' equity	175,299	198,596
Total Liabilities and Stockholders' Equity	$ 251,678	$ 294,139

The accompanying notes are an integral part of the financial statements.

Mio Sushi International, Inc.

Statements of Income

Years Ended September 30, 2018 and 2017

	2018	2017
Revenues		
Royalty revenue	$ 542,544	$ 596,954
Transfer fees	5,000	-
Total revenues	547,544	596,954
Selling, general, and administrative expenses	403,950	508,430
Income From Operations	143,594	88,524
Other expenses		
Other - net	(1,725)	(9,325)
Interest expense	(326)	(1,229)
Total other expenses	(2,051)	(10,554)
Income Before Income Taxes	141,543	77,970
Income tax benefit (expense)	(4,840)	1,318
Net Income	$ 136,703	$ 79,288

The accompanying notes are an integral part of the financial statements.

Mio Sushi International, Inc.

Statements of Stockholders' Equity

Years Ended September 30, 2018 and 2017

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Stockholders' Equity
Balances - September 30, 2016	200	$ 66,500	$ 122,808	$ 189,308
Net income	-	-	79,288	79,288
Distributions to stockholders	-	-	(70,000)	(70,000)
Balances - September 30, 2017	200	66,500	132,096	198,596
Net income	-	-	136,703	136,703
Distributions to stockholders	-	-	(160,000)	(160,000)
Balances - September 30, 2018	200	$ 66,500	$ 108,799	$ 175,299

The accompanying notes are an integral part of the financial statements.

Mio Sushi International, Inc.

Statements of Cash Flows

Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Net income	$ 136,703	$ 79,288
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	13,292	16,072
Loss on sale of equipment	3,951	-
Provision for doubtful accounts	12,500	-
Changes in operating assets and liabilities		
Prepaid expenses	(89)	74
Royalty fees receivable	(1,956)	176
Other receivable	(2,100)	-
Accounts payable	(19,909)	5,569
Accrued expenses	4,737	4,739
Accrued distributions to stockholders	20,000	10,400
Net cash provided by operating activities	167,129	116,318
Cash Flows From Investing Activities		
Receipts on note receivable from stockholder	10,000	-
Purchase of property and equipment	(577)	(4,375)
Proceeds from sale of equipment	9,109	-
Net cash provided (used) by investing activities	18,532	(4,375)
Cash Flows From Financing Activities		
Payments on notes payable	(23,992)	(9,441)
Distributions to stockholders	(160,000)	(70,000)
Net cash used by financing activities	(183,992)	(79,441)
Net Increase in Cash and Cash Equivalents	1,669	32,502
Cash and cash equivalents - beginning of year	122,126	89,624
Cash and Cash Equivalents - End of Year	$ 123,795	$ 122,126
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 326	$ 1,229
Cash paid (refunded) during the year for income taxes	$ 4,987	$ (1,419)

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Nature of operations

Mio Sushi International, Inc. (the Company) was formed on February 6, 2008 in the State of Oregon. The Company operates as a franchisor for sushi restaurant franchises sold to independent franchisee owners throughout Oregon and Washington. Restaurants operate under the Mio Sushi brand and the Mio Ro brand, which was no longer offered effective December 2016. The Mio Sushi brand requires initial franchise fees of $40,000, whereas the Mio Ro brand required initial franchise fees of $25,000. As a franchisor, the Company has agreed to provide its franchisees with name recognition, marketing, training, menu development, and restaurant design. In addition, the Company provides franchisees with a protected operating territory and assistance with selecting a suitable location and negotiating the related lease. The Company also assists franchisees in recruiting and training personnel. The Company's revenues are derived primarily from royalty payments from the franchisees and franchise fees for the start-up of new restaurants.

The Company has one class of no-par value common stock. As of September 30, 2018 and 2017, 1,000,000 shares were authorized, and 200 shares were issued and outstanding.

Basis of preparation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (GAAP) applied on a basis consistent with that of the preceding year.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash and cash equivalents

The Company considers all money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivables

Receivables are non-interest bearing and consist of royalty fees, franchise fees, and other amounts due from franchisees. An allowance for doubtful accounts is estimated by management based on the aging of the Company's receivables, historical experience, current and future short-term business conditions, and judgment. The Company writes off receivables against the allowance when management determines that a balance is uncollectible and no longer actively pursues collection of the receivable. As of September 30, 2018, the allowance for doubtful accounts was $12,500. An allowance was not deemed necessary by management as of September 30, 2017.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation, computed using the straight-line method based on estimated useful lives of three to eight years. Expenditures for repairs and maintenance are charged to expense as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the accounts, and any gain or loss is reported in the accompanying statements of income.

Income taxes

The Company has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code. Under these provisions, the Company is not subject to federal or state corporate income taxes on its taxable income. Instead, the stockholders are individually responsible for federal and state income taxes based upon the Company's taxable income. Income tax expense (benefit) in the accompanying statements of income represent taxes paid to (refunded from) local city and county tax jurisdictions.

Accordingly, the Company had no unrecognized income tax benefits, nor any interest or penalties associated with unrecognized income tax benefits, accrued or expensed as of and for the years ended September 30, 2018 and 2017.

The Company files federal income tax returns in the U.S. and state and local income tax returns in Oregon and local tax jurisdictions.

Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. ASU 2014-09 requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 provides a single principles-based, five-step model to be applied to all contracts with customers. The five steps are to (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when each performance obligation is satisfied. The provisions of ASU 2014-09 may be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the update recognized at the date of the initial application along with additional disclosures. ASU 2014-09 will be effective for the Company beginning in fiscal year 2020. Management is currently evaluating the effect that ASU 2014-09 will have on the Company's future financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities in the balance sheet and disclosure of key information about leasing arrangements. The principal change required by ASU 2016-02 relates to lessee accounting and is that for operating leases, a lessee is required to (1) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the balance sheet, (2) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis, and (3) classify all cash payments within operating activities in the statement of cash flows. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. ASU 2016-02 also changes disclosure requirements related to leasing activities and requires certain qualitative disclosures along with specific quantitative disclosures. ASU 2016-02 will be effective for the Company beginning in fiscal year 2021. Management is currently evaluating the effect that ASU 2016-02 will have on the Company's future financial statements.

Franchise fees

Franchise fees from an individual franchise sale are recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. Such services include site selection, training, menu development, and assistance with restaurant management during the first month of business. Fees received in advance of the completion of such services or satisfaction of such conditions are deferred.

During the years ended September 30, 2018 and 2017, there were no new franchise agreements entered into by the Company. The Company had four franchise agreements terminated during the year ended September 30, 2018. No franchise agreements were terminated during the year ended September 30, 2017. The Company had 14 and 18 franchised restaurants in operation as of September 30, 2018 and 2017, respectively.

Royalty revenue

The Company receives royalty and advertising revenue from its franchisees, generally at a rate of 5-6% of the weekly gross sales of each individual restaurant. Royalty and advertising revenues commence on the day the franchise opens to the general public. In July 2016, the Company agreed to a one-year royalty relief with two franchisees. Effective July 2017, one of these royalty relief agreements was extended to July 2018; and, effective April 2017, the other royalty relief agreement was amended to extend royalty relief until certain sales volumes by this franchisee are achieved.

Advertising costs

The Company incurs non-direct response advertising costs which are expensed as incurred. Advertising expenses were approximately $22,800 and $20,300 for the years ended September 30, 2018 and 2017, respectively.

Accrued distributions to stockholders

Accrued distributions to stockholders represent Company earnings that have been allocated to the stockholders and will be distributed after year-end.

Subsequent events

Management has evaluated for potential recognition or disclosure in the financial statements, subsequent events that have occurred through January 4, 2019, which is the date that the financial statements were available to be issued.

2. Property and Equipment

Property and equipment as of September 30 consists of the following:

	2018	2017
Leasehold improvements	$ 515	$ 515
Office equipment	18,050	17,473
Vehicles	47,348	66,458
Total	65,913	84,446
Less accumulated depreciation	(59,952)	(52,710)
Property and equipment - net	$ 5,961	$ 31,736

3. Operating Leases

In March 2013, the Company entered into a lease agreement for equipment which required monthly payments of approximately $500 through March 2018. In April 2018, the Company extended this lease agreement until terminating it on September 30, 2018.

Effective in July 2016, the Company entered into a lease agreement for office space which requires monthly payments of approximately $2,300 to $2,400 through June 2021.

As of September 30, 2018, future minimum lease payments required under operating lease agreements with noncancelable lease terms are approximately $27,800 in 2019, $28,300 in 2020, and $21,500 in 2021.

Rent expense under operating leases was approximately $32,400 and $30,600 for the years ended September 30, 2018 and 2017, respectively.

4. Related Party Transactions

As of September 30, 2018 and 2017, the Company had a note receivable from a stockholder in the amount of $82,580 and $92,580, respectively. The note receivable from stockholder is unsecured, has no stated interest rate, and has no required repayment schedule.

The majority stockholders of the Company owned two franchised restaurants and partially owned four franchised restaurants as of September 30, 2018 and 2017. An officer of the Company partially owned one franchised restaurant as of September 30, 2018 and 2017. Royalty revenue received from franchisees wholly-owned or partially-owned by certain stockholders or an officer of the Company was approximately $171,800 and $189,600 for the years ended September 30, 2018 and 2017, respectively.

The majority stockholder owns a management company to which the Company pays monthly management fees. In October 2016, the monthly management fee was waived through September 2017 and resumed October 2017 at the monthly rate of $5,000. Total payments to the management company were $60,000 during the year ended September 30, 2018. There were no payments to the management company during the year ended September 30, 2017.

During the years ended September 30, 2018 and 2017, the Company reimbursed an entity owned by certain stockholders of the Company approximately $13,100 and $23,600, respectively, for expenses that the entity paid on the Company's behalf.

5. Concentration Risk

Financial instruments which potentially subject the Company to concentrations of credit risk primarily consist of cash and cash equivalents and receivables. The Company maintains its cash and cash equivalents in bank accounts which have not exceeded federally insured limits. The Company has not experienced any losses on these accounts. Franchisees represented 100% of receivables and revenue as of and for the years ended September 30, 2018 and 2017. Actual write-offs – though generally not significant – have been within management's expectations.

6. Legal Matters

The Company, from time to time, may be involved in certain legal matters arising in the ordinary course of business. Management does not believe that the outcome of these matters will have a significant effect on the Company’s future financial position or results of operations.

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Financial Statements

Years Ended
September 30, 2017
and 2016

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Independent Auditors' Report

To the Stockholders and Board of Directors of
Mio Sushi International, Inc.

We have audited the accompanying balance sheets of Mio Sushi International, Inc. (the Company) as of September 30, 2017 and 2016, and the related statements of income, stockholders' equity, and cash flows for the years then ended, 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 audit 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 auditors consider 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 the Company as of September 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Delap LLP

December 15, 2017

Mio Sushi International, Inc.

Balance Sheets

September 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 122,126	$ 89,624
Prepaid expenses	2,149	2,223
Royalty fees receivable	11,048	11,224
Franchise and transfer fee receivables	-	32,500
Total current assets	135,323	135,571
Property and equipment - net	31,736	43,433
Note receivable from stockholder	92,580	92,580
Franchise fee receivable	32,500	-
Other assets	2,000	2,000
Total Assets	$ 294,139	$ 273,584
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 26,557	$ 20,988
Accrued expenses	24,994	20,255
Accrued distributions	20,000	9,600
Current portion of notes payable	9,945	9,711
Total current liabilities	81,496	60,554
Notes payable	14,047	23,722
Total liabilities	95,543	84,276
Stockholders' equity		
Common stock	66,500	66,500
Retained earnings	132,096	122,808
Total stockholders' equity	198,596	189,308
Total Liabilities and Stockholders' Equity	$ 294,139	$ 273,584

The accompanying notes are an integral part of the financial statements.

Mio Sushi International, Inc.

Statements of Income

Years Ended September 30, 2017 and 2016

	2017	2016
Revenues		
Royalty revenue	$ 596,954	$ 624,214
Franchise fees	-	42,000
Transfer fees	-	10,000
Total revenues	596,954	676,214
Selling, general, and administrative expenses	508,430	605,725
Income From Operations	88,524	70,489
Other income (expense)		
Other - net	(9,325)	30,692
Interest expense	(1,229)	(886)
Total other income (expense) - net	(10,554)	29,806
Income Before Income Taxes	77,970	100,295
Income tax benefit (expense)	1,318	(6,140)
Net Income	$ 79,288	$ 94,155

The accompanying notes are an integral part of the financial statements.

Mio Sushi International, Inc.

Statements of Stockholders' Equity

Years Ended September 30, 2017 and 2016

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Stockholders' Equity
Balances - September 30, 2015	200	$ 66,500	$ 91,653	$ 158,153
Net income	-	-	94,155	94,155
Distributions to stockholders	-	-	(63,000)	(63,000)
Balances - September 30, 2016	200	66,500	122,808	189,308
Net income	-	-	79,288	79,288
Distributions to stockholders	-	-	(70,000)	(70,000)
Balances - September 30, 2017	200	$ 66,500	$ 132,096	$ 198,596

The accompanying notes are an integral part of the financial statements.

Mio Sushi International, Inc.

Statements of Cash Flows

Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Net income	$ 79,288	$ 94,155
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	16,072	13,128
Gain on disposal of equipment	-	(10,600)
Changes in operating assets and liabilities		
Prepaid expenses	74	(2,223)
Royalty fees receivable	176	4,359
Franchise and transfer fee receivables	-	30,500
Other assets	-	(2,000)
Accounts payable	5,569	(5,086)
Accrued expenses	4,739	13,546
Accrued distributions	10,400	9,600
Net cash provided by operating activities	116,318	145,379
Cash Flows From Investing Activities		
Note receivable from stockholder	-	10,000
Purchase of property and equipment	(4,375)	(24,751)
Proceeds from sale of equipment	-	7,500
Net cash used by investing activities	(4,375)	(7,251)
Cash Flows From Financing Activities		
Proceeds from notes payable	-	21,074
Payments on notes payable	(9,441)	(12,943)
Distributions to stockholders	(70,000)	(59,900)
Net cash used by financing activities	(79,441)	(51,769)
Net Increase in Cash and Cash Equivalents	32,502	86,359
Cash and cash equivalents - beginning of year	89,624	3,265
Cash and Cash Equivalents - End of Year	$ 122,126	$ 89,624
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,229	$ 886
Cash paid (refunded) during the year for income taxes	$ (1,419)	$ 5,910
Supplemental Disclosure of Non-Cash Investing Activities		
Property and equipment distributed to stockholder	$ -	$ 3,100

The accompanying notes are an integral part of the financial statements.

Mio Sushi International, Inc.

Notes to Financial Statements

Years Ended September 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Nature of operations

Mio Sushi International, Inc. (the Company) was formed on February 6, 2008 in the state of Oregon. The Company operates as a franchisor for sushi restaurant franchises sold to independent franchisee owners throughout Oregon and Washington. Restaurants operate under the Mio Sushi brand and the Mio Ro brand, which is no longer offered effective December 2016. The Mio Sushi brand requires initial franchise fees of $40,000, whereas the Mio Ro brand required initial franchise fees of $25,000. As a franchisor, the Company has agreed to provide its franchisees with name recognition, marketing, training, menu development, and restaurant design. In addition, the Company provides franchisees with a protected operating territory and assistance with selecting a suitable location and negotiating the related lease. The Company also assists franchisees in recruiting and training personnel. The Company's revenues are derived primarily from royalty payments from the franchisees and franchise fees for the start-up of new restaurants.

The Company has one class of no-par value common stock. As of September 30, 2017 and 2016, 1,000,000 shares were authorized and 200 shares were issued and outstanding.

Basis of preparation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (GAAP) applied on a basis consistent with that of the preceding year.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash and cash equivalents

The Company considers all money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivables

Receivables are non-interest bearing and consist of royalty fees, franchise fees, and other amounts due from franchisees. An allowance for doubtful accounts is estimated by management based on the aging of the Company's receivables, historical experience, current and future short-term business conditions, and judgment. The Company writes off receivables against the allowance when management determines that a balance is uncollectible and no longer actively pursues collection of the receivable. As of September 30, 2017, and 2016, an allowance for doubtful accounts was not deemed necessary by management.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation, computed using the straight-line method based on estimated useful lives of three to eight years. Expenditures for repairs and maintenance are charged to expense as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the accounts, and any gain or loss is reported in the accompanying statements of income.

Income taxes

The Company has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code (the IRC). Under these provisions, the Company is not subject to federal or state corporate income taxes on its taxable income. Instead, the stockholders are individually responsible for federal and state income taxes based upon the Company's taxable income. Income tax expense on the accompanying statements of income represent taxes paid to local city and county tax jurisdictions.

Accordingly, the Company had no unrecognized income tax benefits, nor any interest or penalties associated with unrecognized income tax benefits, accrued or expensed as of and for the years ended September 30, 2017 and 2016.

The Company files federal income tax returns in the U.S. and state and local income tax returns in Oregon and local tax jurisdictions.

Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

ASU 2014-09 requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 provides a single principles-based, five-step model to be applied to all contracts with customers. The five steps are to (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when each performance obligation is satisfied. The provisions of ASU 2014-09 may be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the update recognized at the date of the initial application along with additional disclosures. ASU 2014-09 is currently scheduled to be effective for the Company beginning in 2019. Management is currently evaluating the effect that ASU 2014-09 will have on the Company's future financial statements.

Franchise fees

Franchise fees from an individual franchise sale are recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. Such services include site selection, training, menu development, and assistance with restaurant management during the first month of business. Fees received in advance of the completion of such services or satisfaction of such conditions are deferred.

During the years ended September 30, 2017 and 2016, there were no new franchise agreements entered into by the Company. No franchise agreements were terminated during the years ended September 30, 2017 and 2016. The Company had eighteen franchised restaurants in operation as of September 30, 2017 and 2016.

Royalty revenue

The Company receives royalty and advertising revenue from its franchisees, generally at a rate of 5-6% of the weekly gross sales of each individual restaurant. Royalty and advertising revenues commence on the day the franchise opens to the general public. In July 2016, the Company agreed to a one-year royalty relief with two franchisees. Effective July 2017, one agreement was extended to July 2018. Effective April 2017, the other agreement was amended to extend royalty relief until certain sales volumes were achieved.

Advertising costs

The Company incurs non-direct response advertising costs which are expensed as incurred. Advertising expenses were approximately $20,257 and $12,230 for the years ended September 30, 2017 and 2016, respectively.

Accrued distributions

Accrued distributions represent Company earnings that have been allocated to the stockholders and will be distributed after year-end.

Subsequent events

Management has evaluated for potential recognition or disclosure in the financial statements, subsequent events that have occurred through December 15, 2017, which is the date that the financial statements were available to be issued.

2. Property and Equipment

Property and equipment as of September 30 consists of the following:

	2017	2016
Leasehold improvements	$ 515	$ 515
Office equipment	17,473	13,098
Vehicles	66,458	66,458
Total	84,446	80,071
Less accumulated depreciation	(52,710)	(36,638)
Property and equipment - net	$ 31,736	$ 43,433

3. Notes Payable

In July 2016, the Company entered into a note payable for the purchase of a vehicle, which is secured by the vehicle. Monthly installments of $304 related to this note payable include interest of 0%, and the note payable matures in July 2020. In July 2013, the Company entered into a note payable for the purchase of a vehicle, which is secured by the vehicle. Monthly installments of $560 related to this note payable include interest of 3.79%, and the note payable matures in November 2019.

Future maturities of the notes payable as of September 30, 2017 are as follows:

2018	9,945
2019	10,188
2020	3,859
Total	$ 23,992

4. Operating Leases

In March 2013, the Company entered into a lease agreement for equipment which requires monthly payments of approximately $460 through March 2018.

In July 2016, the Company entered into a lease agreement for office space which requires monthly payments between $2,223 and $2,393 through June 2021.

As of September 30, 2017, future minimum lease payments required under operating lease agreements with noncancelable lease terms are approximately $32,800 in 2018, $30,500 in 2019, $28,300 in 2020 and $21,500 in 2021.

Rent expense under operating leases was approximately $30,600 and $37,400 for the years ended September 30, 2017 and 2016, respectively.

5. Related Party Transactions

As of September 30, 2017, and 2016, the Company has a note receivable from a stockholder in the amount of $92,580. The note receivable from stockholder is unsecured, has no stated interest rate, and is not expected to be repaid during the year ending September 30, 2018.

The majority stockholders of the Company owned two franchised restaurants and partially owned four franchised restaurants as of September 30, 2017 and September 30, 2016. An officer of the Company partially owned one franchised restaurant as of September 30, 2017 and 2016. Royalty revenue received from franchisees wholly-owned or partially-owned by certain stockholders of the Company was approximately $189,600 and $261,500 for the years ended September 30, 2017 and 2016, respectively.

The majority stockholder owns a management company to which the Company pays monthly management fees. In January 2016 the monthly management fee decreased from $5,000 to $4,000. In October 2016, the monthly management fee was waived through September 2017. Total payments to the management company were $51,000 for the year ended September 30, 2016. There were no payments for the year ended September 30, 2017. Monthly management fees of $5,000 resumed in October 2017.

During the years ended September 30, 2017 and 2016, the Company reimbursed an entity owned by certain stockholders of the Company approximately $23,600 and $12,400, respectively, for expenses that the entity paid on the Company's behalf.

6. Concentration Risk

Financial instruments which potentially subject the Company to concentrations of credit risk primarily consist of cash and cash equivalents and franchise receivables. The Company maintains its cash and cash equivalents in bank accounts which have not exceeded federally insured limits. The Company has not experienced any losses on these accounts. Franchisees represented 100% of receivables and revenue as of and for the years ended September 30, 2017 and 2016, and the Company has not experienced any significant write-offs related to such accounts.

7. Legal Matters

The Company, from time to time, may be involved in certain legal matters arising in the ordinary course of business. Management does not believe that the outcome of these matters will have a significant effect on the Company’s financial position or results of operations.

(EXHIBIT B)

FRANCHISE AGREEMENT

Mio Sushi International, Inc.

2250 NW 22nd Ave., Suite 406
Portland, Oregon 97210
www.miosushi.com

(503) 219-9762

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F R A N C H I S E   A G R E M E N T

THIS AGREEMENT has been entered this ___ day of _____________, 20___. It is by and between **Mio Sushi International, Inc.**, an Oregon corporation, ("we, us") and ___________________________and _________________and ____________________ (jointly and severally "you").

For purposes of this Agreement "you" may include an individual, corporation, partnership, limited liability company or other legal entity. "You" includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks (including menu item names), service marks, logos, commercial symbols, and styles. These include, but are not limited to "Mio Sushi®" (the "Service Marks"). We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that offer world class fresh sushi and Asian fusion food items to the public under the Service Marks (the "Method of Operation").

You desire us to train you and to authorize you to operate a high-caliber franchise to offer and sell high-quality sushi and oriental specialty food items and related products to the public and to use our Method of Operation and Service Marks. We are willing to grant you such a franchise on the terms and conditions set forth in this Agreement.

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at the earlier of (1) the first personal meeting with us (in New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in Michigan, New York, Rhode Island, and Wisconsin). In addition, you acknowledge either:

- receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
- if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

You realize that entering into this Agreement will obligate you to operate your franchised business in strict accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manuals that we will loan to you. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If you operate your Mio Sushi Franchise below the standards we require, customers who patronize that Mio Sushi franchise location will be less likely to patronize other Mio Sushi store locations. This would damage the business of others. It will be difficult for us to obtain new franchisees if a prospective purchaser observes that you do not maintain the required standards.

We expressly disclaim the making of and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Franchise Disclosure Document. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us or our parents or our affiliates, or are or their officers, directors, shareholders, employees or agents (collectively "***Our Related Parties***") that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any Mio Sushi operation that is inconsistent with disclosures in our Franchise Disclosure Document. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1 GRANT OF FRANCHISE AND FRANCHISE TERRITORY

1.1 **Grant of Franchise and Franchise Territory**. We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, for [__] years from the date of this Agreement (the "Franchise"). The term is based upon and will match the initial term of your lease for the Mio Sushi Franchise Premises, but at least **5** years and not more than **10** years.

This grant solely is for the operation by you of one Mio Sushi franchise at the location identified in the attached Exhibit 1. Except as otherwise provided in this Agreement, during the term of this Agreement, we agree not to establish, or to grant anyone else the franchise rights to establish, any business using the Service Marks or the Method of Operation within **one** driving mile from your Franchise Premises (**1/4** driving mile for high population density, high business density, urban and downtown locations) (the "Franchise Territory"). Without your prior written consent, however, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

The Franchise Territory and your franchise site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

In addition, you may offer catering and delivery service within the Franchise Territory. At any time during the term of this Agreement, we may consider whether you are providing adequate delivery and catering services to the entire Franchise Territory. If we preliminarily determine that you are not providing adequate service, we will give you written notice of the areas within the Franchise Territory that are not receiving adequate service. You may, within 90 days, submit a written explanation to us that identifies the geographic boundaries of the area to which you contend that you are providing adequate service. If you fail to timely submit a written explanation, our preliminary determination will become immediately effective. We will consider any written explanation timely submitted by you but we will in our sole discretion make the final determination of the area to which you are providing adequate service. We will give you written notice of our final determination within 90 days after receipt of your written explanation, at which point it will be effective. The Franchise Territory may be re-defined by us to include only the areas to which we finally determine you are providing adequate service. As long as you are providing adequate service throughout the Franchise Territory, we will not provide delivery or catering service, and will not allow any other licensee or franchisee to provide delivery or catering service to any point within the Franchise Territory. You may not deliver products produced at the Franchise Premises or using the Service Marks except within the Franchise Territory.

We will analyze your market area to help determine site feasibility and to help in selection of the franchise location. In analyzing a proposed site, we examine its general location, distance from warehouse, traffic patterns, parking, size, physical characteristics, proximity to competing businesses, lease terms, sign visibility, neighborhood economic profile, population density and accessibility. The exact determination of the location for the franchise premises will depend upon our approval and your and our market analysis, market penetration plans and franchise placement strategies and existing franchise commitments. You must obtain our prior written approval for the site of the franchise premises and your lease related to it. Our response to your request for approval of a site will be given within 30 days after we receive your written request.

If you and we cannot agree on a site for your franchise premises, we may terminate the Franchise Agreement by refunding to you 25% of the Initial Franchise Fee and any amounts paid for purchases of products and supplies (you must return the products and supplies to us or the supplier).

Some Mio Sushi franchises may be placed at a location where another, separate business is operated under another business name, such as a convenience store or existing food service business. If the Franchise Premises is at that type of location, it will be deemed “co-branded” for the purposes of this Agreement. If the Franchise Premises is located in a co-branded location, the exact basis and calculation of gross revenue will follow the requirements and procedures we outline in the Operations Manual. If the Franchise Premises is in a co-branded location, you will obtain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all businesses operated at and all business done through the co-branded location, although Revenue will be limited to Mio Sushi related receipts. If the Franchise Premises is located in a co-branded location, we may enter upon the Franchise Premises at reasonable times to interview co-branded partners and to inspect and copy any books, records and documents related to the co-branded location in order to verify your compliance with the terms of the Franchise Agreement. The Operations Manuals may contain additional information about co-branded locations.

We may place Mio Sushi establishments in airport and mall food courts, stadiums, and similar limited access environments in the Territory and regardless of the location of other Mio Sushi operations. We may place sushi products and other present or future Mio Sushi products for sale in grocery stores and food markets at any location, whether or not within the Franchise Territory or within close proximity to a Mio Sushi franchise. We will use some of the revenue we receive from these products to promote sales for all Mio Sushi franchise operations. The promotion amount may be contributed as we deem appropriate to Regional Advertising Funds defined and described in Section 2, below.

You may not establish or operate any other **Mio Sushi** establishment without executing a separate Franchise Agreement for that facility.

1.2 **One Location for Franchise Premises**. You will operate the Franchise at only one location within the Franchise Territory. All land, buildings, and improvements at the location, including parking, are called the "Franchise Premises." Relocation of the Franchise Premises will require our prior written approval and fulfillment of other conditions described in Section 1.5, below.

1.3 **Assistance in Site Location**. You are responsible for finding the location of the Franchise Premises within the Franchise Territory. If you request assistance in selecting a site for the Franchise Premises, we will provide reasonable assistance in finding a location acceptable to you. We do not guarantee success for any location you select. We will not be liable for any consequences of your choice of any franchise site. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

You acknowledge and agree that any location we select or approve, and any lease we approve will be with the understanding that it meets our minimum acceptable criteria. The criteria are not a representation or guarantee that the location will be successful or that the terms of the lease are reasonable. You acknowledge that you are responsible for reviewing and determining the appropriateness and desirability of the lease. We will have no liability with respect to the selection or approval of a location or any lease for the Premises, nor liability with respect to any site recommendations we make.

You will pay all out-of-pocket expenses for travel, meals, and lodging we incur to help you locate sites and to negotiate a lease for you (as applicable). We are not required to provide such services. You will bear all other site selection and negotiation expenses.

Before you enter a lease or purchase agreement for the Franchise Premises, you will submit the lease or purchase documents to us for approval. Lease documents must include the Franchise Premises Lease Agreement Rider attached in Exhibit 2 or otherwise include an assignment of the lease in a form we approve, pursuant to which we may assume the lease as provided in Section 4, below.

If you request, we in our sole discretion may find and develop premises to lease to you for your Franchise. If you lease premises from us, the lease may provide for reasonable compensation and profit to us for our primary liability and responsibility under the lease.

1.4 **Franchise Premises Development**. You will be responsible to construct, remodel, furnish, decorate and equip the Franchise Premises.

A. We will provide our standard construction plans and a schedule of interior finishes and equipment packages for the Franchise Premises. Final construction and site plans must be prepared by an architect we approve. All costs for site-specific plans will be your responsibility. Site plans, and any modifications to them, as well as all contracts that you enter into with contractors or architects, must be approved in writing by us prior to construction. All approvals will be solely within our discretion to ensure that contract payment terms and other terms are reasonable and to maintain a uniform image and decor, consistent with Mio Sushi franchise system concepts.

B. Any construction and remodeling must be done by licensed and bonded contractors in a sound and workmanlike manner in compliance with applicable codes and regulations.

C. You will comply with the standards and specifications we establish for architectural design, shop layout, equipment, furnishings and fixtures, among other things. Modifications or variations require our prior written consent.

D. You will comply within a time we deem reasonable with any requirement we impose to modify the restaurant layout, furnishings, fixtures, equipment, decorations, and decor.

E. All equipment will conform to our equipment specifications as adopted from time to time. If we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

1.5 **Relocation of the Franchise Premises**. You will not relocate the Franchise Premises without our prior written approval. Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchise Premises. You may decide to relocate the Franchise Premises for the following reasons: the lease for the site of the Franchise Premises expires or terminates and cannot be renewed during the term of this Agreement; the site is destroyed, condemned or otherwise rendered unusable; in your and our judgment there is a change in character of the location of the Franchise Premises sufficiently detrimental to your business potential to warrant its relocation; or you reasonably decide to relocate the Franchise Premises for cause.

If so, you may relocate the Franchise Premises to another site within the Franchise Territory, if:

A. You are not in breach of this Agreement;
B. Your lease was not ended by the lessor because of your breach of the lease agreement;
C. You evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;
D. You develop, construct, remodel, furnish, decorate and equip, at your sole expense, the new location according to our then current specifications and standards;
E. You pay all reasonable out-of-pocket expenses we incur because of the relocation. The term "Franchise Premises" will include the relocated business site; and
F. You satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

1.6 **You Will Not Advertise Outside Territory**. Except with our prior written permission, you will not place under any circumstances advertisements using the Service Marks in or originating from any area other than the Franchise Territory.

Except as authorized in Section 2.3 of this Agreement, only we may place national or regional advertising.

1.7 **Rights We Reserve**. We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

A. to use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement. We expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis for use in preparing products that will not carry a Mio Sushi brand.

B. to operate and grant to others the right to operate Mio Sushi businesses outside the Franchise Territory on such terms and conditions as we deem appropriate.

C. to sell products or services anywhere, including within the Franchise Territory, through channels of distribution other than the Mio Sushi retail business currently reserved to you in the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual.

D. to establish, operate, own or franchise any business, including competitive businesses, outside of the Franchise Territory.

1.8 **Maximum Pricing**. We will be permitted, to the extent permitted by relevant law, to establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell. Except as so specified by us or as otherwise required in this Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale.

1.9 **Gift Certificates**. You will only use gift certificates in compliance with formats and quantities we approve in advance.

1.10 **Minimum Sales Requirement**. Continuation of your Franchise is dependent upon you attaining minimum average Revenue of at least $35,000 each month averaged over each consecutive six calendar-month period (the "Minimum Sales Requirement"). This requirement will start on the first anniversary of your Franchise operation. If, after having received notice in writing from us that you have failed to meet the Minimum Sales Requirement, you continue for a period longer than 90 days to fail to meet the minimum average Revenue, we may:

A. Elect to treat the failure as grounds for immediate termination of this Agreement;

B. Restore operations in all or part of the Franchise Territory as we deem necessary; and/or

C. Grant a franchise to carry on the franchise in all or part of the Franchise Territory to a person or corporation other than you.

If we elect to carry on operations ourselves or grant a new franchise to all or part of the Franchise Territory, we will serve notice on you and immediately from the date indicated in our notice, you will cease to have the right to carry on the Franchise within the area designated in the notice. The notice will constitute an agreed upon variation to this Agreement.

2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

2.1 **Initial Franchise Fee**. The Initial Franchise Fee is **$40,000.** *[**$20,000** if you are an existing Mio Sushi franchisee in good standing purchasing an additional franchise or a Mio Sushi employee that meets our qualifications for high performing franchisees.]* Contemporaneously with the execution of this Agreement, you have paid to us the entire Initial Franchise Fee. The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

Except as provided in Sections 3.1 and 4.1 below, none of the Initial Franchise Fee is refundable.

2.2 **Weekly Royalty Fee**. You will pay to us a Royalty Fee equal to **6%** of the total Gross Revenue derived from the Franchise. This fee is due weekly in the manner specified below or as otherwise prescribed from time to time in the Operations Manuals described in Section 5, below.

This payment is required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet.

2.3 **Weekly Advertising Fee**. You will pay to us an Advertising Fee equal to **1%** of the total Gross Revenue derived from the Franchise. This fee is due weekly in the manner specified below or as otherwise prescribed from time to time in the Operations Manuals described in Section 5, below.

This payment is required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet.

We may use all contributions and any earnings from the Advertising Fee we receive from you in local, regional, national, Internet, or international advertising for:

- maintaining, administering, researching, directing and preparing advertising and promotional activities (including, among other things, the costs of preparing and conducting television, radio, magazine and newspaper advertising campaigns, public relations programs and press releases);
- direct mail and outdoor billboard advertising;
- marketing research and development;
- marketing surveys and public relations activities;
- development and maintenance of any Internet or e-commerce programs;
- marketing materials;
- decor and promotional materials;
- artwork;
- advertising services;
- training related to marketing, customer service and sales augmentation;
- franchisee seminars and conventions;
- production and distribution of periodic newsletters to provide you with industry news, suggestions, and advice on franchise operations; and
- our reasonable salaries, accounting, collection, legal and other costs related to all of the above.

Our internal artwork, advertising, promotion and newsletter production costs and associated administrative costs are paid from the Advertising Fees. These will be calculated at our cost as established from time to time.

We will use your Advertising Fee to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system. We will place your Advertising Fee along with similar fees we receive from our other franchisees into an advertising fund (the "Fund"). You recognize the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Mio Sushi system and the Method of Operation.

The Fund will be administered by us. We will direct all regional and national advertising programs. We will have sole discretion over the creative concepts, materials, endorsements, placement, and allocation of moneys from the Fund. The Fund will be used to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we will in our sole discretion deem proper. It also will be used to cover our costs of collecting and administrating the advertising fees we collect from our franchisees, including incurred legal fees. The Fund will be used to pay for joint marketing programs, including programs with our suppliers, sister corporations and co-branding partners. We are under no obligation to administer the Fund to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We will not be obligated to expend all or any part of the Fund during any specific period of time. Upon your written request, we will provide to you the most recent annual accounting of the Fund.

The Fund may be used for marketing, advertising, public relations, production and media expenses related to promotion of the Service Marks, our franchise system and our products and services. The Fund may also be used for operational, administrative, office, rent, automobile, and collection expenses. We will not use any part of the Fund for franchise sales, but may include references to the availability of franchises in materials produced and placed in media by the Fund.

We may create an advertising advisory board made up of Mio Sushi franchisees. These franchisees will make recommendations on your behalf as to types of advertising, promotion and public relations. We will use these and other recommendations which we feel are appropriate when drafting a budget and program each year for the Fund.

We anticipate that all contributions and earnings of the Fund will be expended for the advertising and promotional purposes during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the Fund at the end of such taxable year, all expenditures in the following taxable year(s) will come first from earnings and contributions from the prior year and next out of earnings in the current year.

A. We Will Administratively Segregate Advertising Contributions. The Fund will be administered as follows:

1. We will administratively segregate all advertising payments paid to us by our franchisees. All payments to the Fund will be deposited in our general operating account; will be commingled with our general operating funds; and will be deemed to be our asset, subject however to our obligation to expend it in accordance with the terms of this Agreement.
2. We will provide our annual financial statements of the Fund upon your request. Our books and records relating to the Fund will be available for your inspection during our normal business hours, upon reasonable notice.
3. If the Fund has excess money, we may borrow from the Fund and will pay interest to the fund equal to the rate at which we may borrow on our line of credit or, if none exists, at the prime rate. If the Fund borrows money from us, it will be charged and will pay interest to us on the same basis.
4. Although we intend the Fund to be of perpetual duration, we maintain the right to terminate the Fund. The Fund will not be terminated, however, until all monies in the Fund have been expended.
5. An accounting of Fund contribution and expenditures will be prepared annually and will be made available to you upon request. Such accounting may include an audit of the contributions to and expenditures of the Fund prepared by an independent certified public accountant selected by us, at the Fund's expense.

B. You are Not a Third-Party Beneficiary of the Advertising Fund. We will have the sole right to enforce the obligations of you and all our other franchisees, who contribute to the Fund. Neither you nor any other of our franchisees who are obligated to contribute to the Fund will be deemed a third-party beneficiary with respect to the Fund or have any right to enforce any obligation to contribute to the Fund.

C. Permitted Uses of Advertising Fund. We will make disbursements from the Fund for the purpose of national, regional or local advertising, public relations, marketing, market research and promotional campaigns designed to promote and enhance the value of the Service Marks and general public recognition and acceptance of the Service Marks. The Fund may also be used to support the administration and operation of the Fund, including operational, administrative, office, rent, automobile, and collection expenses. We will be entitled to reimbursement from the Fund for our actual administrative expenses incurred in connection with the administration of the Fund including actual costs and expenses incurred in connection with the programs paid for by the Fund.

D. Restrictions Upon Use of Advertising Fund Proceeds. We may not expend any portion of the Fund to defray our general operating expenses, salaries, administrative costs, or overhead except as directly relating to the administration or operation of the Fund.

E. Discretion in Use of Advertising Fund. In our sole subjective discretion exercised in good faith, we will determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to the advertising, public relations, marketing, market research and promotional campaigns. In our sole discretion, we will have the right to expend the Fund in any geographic area that we, in good faith, deem appropriate, regardless of the geographic distribution of our franchises. We may use portions of the Fund as we deem appropriate as a contribution to joint or collective advertising campaigns of our direct or indirect affiliate corporations or subsidiaries, of the suppliers of franchise equipment, inventory and supplies.

F. We May Return Funds to You or Use Funds for Regional Co-op Programs. We will have the right to expend all, or any portion of, the Fund for the following purposes:

1. for regional or local co-op advertising or promotional programs provided, however, that such programs will be available to all similarly situated franchisees; and,

2. if in our sole judgment, you or any other franchisee is located in a geographic territory not adequately serviced by our national or regional advertising programs, we may rebate all or a portion of the Fund Payment paid by that franchisee for use by that franchisee for local advertising. Expenditures by that franchisee will be in addition to the local advertising requirements set forth in this Agreement.

G. Establishment of Advertising Programs. At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise unit, and each unit we own and operate, will be entitled to one vote at these meetings. For the purpose of this subsection, each unit we own will be deemed to be a franchise.

Subject to our prior written approval, if at any meeting of the franchisees in an advertising region, **66%** of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **2%** of that franchisee's Gross Revenue.

We will administer each Regional Advertising Fund in the same manner and upon the same terms and conditions as the Advertising Fund established above, or we may decide to have each Regional Advertising Fund administered by representatives elected by each region, at a meeting we call for this purpose.

You agree to participate in and contribute your share to the cooperative advertising and promotional programs in your advertising coverage area. We will have the right to approve or disapprove the content of all advertising. Your contributions to cooperative advertising promotional programs may be taken as a credit toward the monthly local advertising and promotional expenditure required in this Agreement. “Advertising coverage area” will be defined as the area covered by the particular advertising medium (television, radio, or other medium) as recognized in the industry. In the event of a disagreement, our determination of the coverage area will be final.

H. We May Advertise "Suggested Retail Prices". In national or regional advertising programs, we may include "suggested retail prices" for the goods or services sold by you and our other franchisees. we will include within all our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested retail prices may not be adhered to by all our franchisees. We may compel you to charge "suggested retail prices" to the extent permitted by state and federal laws and regulations.

I. Discount Programs. From time to time we may develop and market special discount or free coupon programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or coupon program. Within **5** days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We will establish the discount or coupon programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon established pursuant to any program.

We may develop and market special promotional items which will be made available to you at our cost plus a reasonable mark up. You will maintain a representative inventory of such promotional items to meet public demand. You will have the right to purchase alternative promotional items provided that alternative goods conform to our specifications and quality standards. You must fully and accurately participate in, honor, accept and redeem all promotional and marketing materials that we authorize.

J. Your Obligation to Advertise Locally. In addition to your obligation to pay to us the Advertising Fee, each month you will expend in your local market at least **1%** of your Gross Revenue to advertise and promote the Franchise (the “Local Advertising Contribution”). You will report the nature, extent and amount of these local expenditures, in the form and at the times we require in the Operations Manual.

K. You Are to Advertise in Yellow Pages. You will advertise the Franchise, in the yellow page telephone directories that service the area immediately surrounding the Franchise. This advertisement will be in the form and have the content specified from time to time in the Operations Manual.

When more than one Mio Sushi facility serves a metropolitan area, classified advertisements will list all Mio Sushi units operating within the distribution area of the classified directory, and you will contribute your equal share in the cost of the advertisement. The expenditures for this advertising generally will be in addition to the minimum monthly local advertising requirements of this Agreement. From time to time, in our sole discretion, the Fund may be used for some or all of such advertising.

L. You Are to Use Local Advertising Materials We Supply. From time to time, we may supply to you an Advertising component to the Operations Manuals that will contain samples of local advertisements we approve. You will use only the advertising materials contained in the Operations Manuals, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Operations Manuals.

M. Approval of Your Local Advertising. You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, specialty and novelty items, signs, boxes, napkins, bags and wrapping papers before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it. Your failure to conform to our provisions and requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement.

N. Online Advertising. You specifically acknowledge and agree that any web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.) We will list your location's address and phone number on our web site. In connection to any online presence related to your Franchise, you agree to the following:

1. We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. All Internet marketing must be coordinated through us and approved by us.

2. If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us.

3. Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.

4. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are required to have high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

5. Your use of online social media to promote your Franchise must be in strict compliance with our standards as outlined in our Operations Manual. We reserve the right to require you to get our prior approval of any online social media (including with respect to proposed venues and content).

N. Local Advertising Materials Used at Your Discretion. You will advertise your franchise in a dignified manner to enhance our franchise system's reputation for quality and integrity. At any time and from time to time, we may require you to submit to us advertising copy, promotional materials, public relations programs and press releases you use in your local advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with our franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the franchise system, we will promptly notify you. You will immediately cease using any such material.

O. Your Grand Opening. You will conduct a grand opening advertising program in accordance with the provisions of the Operations Manual.

2.4 **Cure Fee**. You agree that it is in the best interests of the Mio Sushi franchise system that all Mio Sushi franchisees comply with the standards and specifications outlined in the Operations Manuals. Accordingly, if you breach any provision of the Franchise Agreement (whether it be curable or non-curable); breach any of the terms, conditions, or policies outlined in the Operations Manuals; otherwise fail to comply with our standards and specifications; or use unauthorized products, suppliers, or vendors; in addition to all other rights or remedies we may have under this Agreement and applicable law, we will have the right to charge to you a Cure Fee. The amount of the Cure Fee will be **$1,500** for each breach of this Agreement (or any related agreement). Payment of any Cure Fee will be due immediately upon your receipt of notice from us that we are charging you this fee. This fee helps to defray our administrative and corporate costs related to the breach and remedy. Your payment of cure fees does not affect our legal remedies, including the right to terminate this Agreement if termination is permissible based on the terms of this Agreement.

2.5 **"Revenue" Defined**. "Revenue" means all receipts generated by the Franchise from any source, including, but not limited to, sales, rentals, vending, delivery, catering, barter, exchanges, services, labor, service charges, service contracts, etc., and excludes discounts, refunds and sales taxes. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Revenue." "Gross Revenue" means the total Revenue for any calendar week. If the Franchise Premises is located in the premises of a convenience store or other co-branded location, the exact basis and calculation of Gross Revenue will follow the requirements and procedures we outline in the Operations Manuals to take into consideration the needs and requirements of the co-branded location although Revenue will be limited to Mio Sushi related receipts. The exact basis and calculation of gross receipts will follow the requirements and procedures outlined in the Operations Manuals to take into consideration the needs and requirements of the co-branded location. You will obtain and keep, or make arrangements for us to have access to a complete and accurate set of books and records of the operation of all businesses operating at and all business done through the co-branded location although gross receipts will be limited to Mio Sushi related sales.

2.6 **You Will Pay Taxes and Indebtedness**. You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you at the Franchise Premises, you will pay these taxes. You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement.

You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the Method of Operation. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease.

2.7 **Royalty Fees, Advertising Fees, Local Advertising Contributions, and Other Sums to Be Paid Promptly**. You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due. The late charge will equal **1.5%** per month. In addition, late payments will be subject to a late payment penalty of **5%** of the amount due. These late charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws.

Our acceptance of late charges will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

2.8 **Records**. You will keep a complete and accurate set of books and records of the operation of the Franchise, produce monthly financial statements in accordance with generally accepted accounting principles and practices for each calendar month and furnish copies of these statements to us within **30** days after the end of each quarter.

You will furnish to us as outlined in the Operations Manual, each week, an itemized report of the Gross Revenue for the prior week. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time. All Royalty and Advertising Fees due based upon the Gross Revenue for the preceding week will accompany the report. If the Franchise Premises is in a co-branded location, you will obtain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all businesses operated at and all business done through the co-branded location, although Revenue will be limited to Mio Sushi related receipts.

Within 10 days of our written request, you must furnish to us copies of any and all health inspection reports or similar reports provided by any local health department or similar body regarding your franchised business. We may amend or augment these requirements in our Operations Manual.

Within 10 days of our written request, you must furnish to us copies of any other reports, records and information related to your franchised business as we deem necessary or advisable in our discretion. This may include, but is not limited to, copies or summaries of customer complaints. We may amend or augment these requirements in our Operations Manual.

You will keep records of all business done and Revenue received through the Franchise. These records will include, but are not limited to, order sheets, cash register tapes, sales and rental agreement forms, daily sales summaries, tax returns, financial statements, and invoices. You will date, file in consecutive order, retain for a period of **5** years, and make available to us for inspection and audit all of your records.

Our right to inspect will include the right to examine your books, tax returns and records of other businesses owned, in whole or in part, or operated by you to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require.

You will submit to us a list of all shareholders, members, partners or other owners of the franchise business and the respective interests held by each as of the end of each fiscal year. Provided, however, if your shares are publicly traded, the list of shareholders required will include only those owning **5%** or more of the shares outstanding. The required report will be submitted to us within **90** days after the end of your fiscal year.

2.9 **Audits**. To verify your compliance with this Agreement, including your required payments of the Royalty Fee, Advertising Fee, Advertising Fund Contributions and other required payments, we may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than **2%** or unless you fail to deliver any required report of Gross Revenue or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees, Advertising Fees, Local Advertising Contributions and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law. Our right to audit will include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part, to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid.

2.10 **You are to Pay all Franchise Costs; Investigate Applicable Laws**. All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them.

2.11 **Attendance at Conventions**. We may hold conventions for the franchisees that make up our franchise system. These conventions may be held at a different location each time. They include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals and entertainment.

2.12 **Application of Payments**. We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from monthly fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied.

3 TRAINING

3.1 **Mandatory Training**. We will provide a mandatory training course for you at a location we will designate. If you designate one or more operations managers, then your manager(s) must also complete the mandatory training. This training course will cover all aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. You must ask us to schedule the initial training session at least **35** days before the session is to start. The training session must be completed no later than 2 weeks before the scheduled date of the opening of the franchise. We are only required to provide this training for your first franchise.

You must complete this mandatory training program to our exclusive satisfaction, and your designated operations manager(s) must attend and complete this mandatory training, or we may terminate this Agreement. Upon termination for this reason, we will refund to you 75% of the Initial Franchise Fee if this Agreement is for a standard franchise.

You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you fail to satisfactorily complete the mandatory training course.

You will pay the transportation, board and lodging expenses you and your manager(s) (as applicable) incur related to this training. The training course will be approximately **10** days long depending on your experience and background. Training and training materials may be delivered in the formats or media we choose. This may include course books or training exercises on paper, video, CD-ROM or other electronic format, via web cast or an intranet. You will participate in and pay for the training, including costs of computer equipment and Internet services needed to participate.

If the Franchise is managed by any persons other than you, you will notify us of these managers. Each manager you hire must complete the mandatory training program within **one** month after being hired. You will bear all costs of the training, including a reasonable training fee at our then current rates. Each of your employees will complete a training program as prescribed in the Operations Manual. All training programs for your employees will be conducted under the direction of you or your designated manager who has completed the mandatory training course.

Individuals:

If you will be operating your franchised business as an individual, you must devote your full time and best efforts to the day to day operation of your franchised business with no operational or management commitments in other businesses except other franchises offered by us. You may, however, continue to operate such other businesses, (if any), in which you are engaged as of the date of this Agreement that are family owned. If you continue to operate other businesses, you must employ separate personnel for the businesses, market services under one or more trading designations separate from the Service Marks, maintain separate offices and customer reception space and have the personnel related to such other businesses wear apparel that does not feature any of the Service Marks.

Partnerships:

If you will be operating your franchised business as a partnership, one or more partners must participate in the actual day to day operation of your franchised business or you must have in your employ a manager who runs your day to day operations. The partner or partners who are in charge of running your franchised business or your manager must have completed our training course.

Corporations, Limited Liability Companies:

If you will be operating your franchised business as a corporation, limited liability company, or other legal entity, you must have in your employ a general manager. This general manager can be you, any member of your board, an officer of your corporation or member of your limited liability company. The general manager who is in charge of running your franchised business must have completed our training course.

Managers/Training:

No matter what form of business you decide to use, the person assigned to running the day to day operations of the business must have completed our training course. Anyone in your employ who is a manager or crew leader of your franchise operations must also have completed our required training course.

3.2 **Supplemental Training You Request**. At your option and upon not less than **35** days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations (subject to availability of our training personnel). All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then-current rates.

The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all of your training.

3.3 **Additional Training We Offer or Require**. We may provide refresher training programs or seminars and may require that you attend and complete them to our satisfaction. We may also require your operations managers to attend and complete refresher training programs or seminars. These programs and seminars will be held at locations we designate. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. We may charge a reasonable training or seminar fee at our discretion. Each year, you and/or the designated managers of your Franchise will be required to attend up to **40** hours of programs and seminars, depending upon program and seminar availability.

In addition, we may deem it appropriate or necessary to provide additional training and supervision to you and your managers at your franchise location. If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Operations Manuals in the future. All expenses of this training will be borne by you, including but not limited to your or our travel, lodging, meals, and compensation, and our other reasonable costs and expenses including a reasonable training fee at our then-current rates.

4 COMMENCEMENT OF OPERATIONS

4.1 **Time to Complete Training and Commence Operation**. Within **one** year after execution of this Agreement, you must: (1) complete to our exclusive satisfaction the mandatory training defined above, (2) ensure that your designated operations manager(s) attend and complete the mandatory training, (3) find a site location that is acceptable to you and approved by us, and (4) commence full and continuous operation of the Franchise. Prior to commencing operation, you will procure all necessary licenses, permits and improvements and purchase initial inventory. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

If this training, site location and commencement of operation obligation is not fulfilled by the above-referenced deadline, then we may terminate this Agreement by refunding 25% of the Initial Franchise Fee actually collected by us.

4.2 **You Are to Obtain Permits and Licenses**. Prior to commencing business operations, you will obtain all local permits and licenses necessary to operate the Franchise.

4.3 **Lease Assumption and Real Property Security Assignments**. Unless otherwise agreed in writing, any lease you enter into will provide that you may assign that lease to us without penalty or charge. The lease will further provide that upon termination or expiration of this Agreement, we will have an option, exercisable within **30** days after termination or expiration, to be substituted for you in all respects under the lease and to sublease the premises to another franchisee. You will deliver to us a true copy of the lease and any additions or amendments to it promptly after they are executed.

If you own the premises used for the operation of the Franchise, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval. Upon termination or expiration of this Agreement, you will give us a reasonable and good faith opportunity to lease the premises and to continue business operations there. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined in Portland, Oregon by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option we may enter into the lease at the price and upon the terms determined by the appraisers.

Any lease or sublease of the Franchise Premises will contain substantially the following provisions (see the Franchise Premises Lease Rider attached in Exhibit 2):

A. Anything contained in this lease to the contrary notwithstanding, lessor agrees that without lessor's consent, this lease and your right, title and interest, may be assigned by you to us, without cost or penalty.

B. You agree that lessor may, upon our written request disclose to us, all reports, information or data in lessor's possession respecting sales made in, upon or from the leased premises and your business operations.

C. Lessor will give written notice to us (concurrently with the giving of notice to you) of any breach by you under the lease. We will have the right (but not obligation), in our sole discretion, to cure any breach at your expense within **15** business days after the expiration of the period in which you had to cure the default. Notice will be sent to the address we may, from time to time, specify in writing to lessor.

D. A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement.

E. Evidence of your right to display the Service Marks in accordance with the specifications required by the Operations Manual, subject only to the provisions of applicable law.

F. The premises will be used for the operation of a Mio Sushi facility.

G. You will not extend, renew or cancel the lease without our prior written consent, which consent will not be unreasonably withheld.

H. An express right of de-identification in the following form:

Upon termination or non-renewal of this Lease, Tenant may de-identify the leased premises. If Tenant fails to do so, Mio Sushi International, Inc. is given the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Mio Sushi International, Inc. ; and any other steps necessary (in the sole discretion of Mio Sushi International, Inc.) to effectively distinguish the formerly leased premises from Mio Sushi International, Inc. 's proprietary design(s).

If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

5 FRANCHISE STANDARDS OF OPERATION

5.1 **Operations Manual, Minimum Inventory, Supplies, Decor, Plans and Specifications, and Public Relations**. Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments we will make for the benefit of our franchise system as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you copies of the Mio Sushi Operations Manuals once you have paid to us the Initial Franchise Fee, in full. The Operations Manuals describe the Method of Operation, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, inventory requirements and control techniques, plans and specifications, fixture and decor requirements, co-branding requirements, opening public relations and other rules that we may prescribe from time to time and identify as part of the Operations Manual. Among other things, the Operations Manuals may contain information, requirements and standards related to:

- Proprietary recipes
- Planning and consulting
- Site selection assistance
- Permitting and zoning assistance
- Facility design assistance
- Tenant build-out assistance
- Furnishing and fixture design and standards
- Equipment standards and assistance
- Proprietary and other computer programs for point of sale, marketing, accounting, scheduling and reporting
- Inventory management assistance and training
- Written operations standards and assistance
- Initial and ongoing operational training
- Marketing and advertising
- Standards, ongoing training and ongoing support
- Insurance guidance and standards

The Operations Manuals include materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. They include amendments, supplements, and new documents made and identified by us as part of the Operations Manuals. The Operations Manuals may be delivered to you by hard paper copy, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

The Operations Manuals are and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manuals for any reason. Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manuals or as making the Operations Manuals part of this Agreement. The Operations Manual, in part, may consist of confidential:

- manual or manuals, and

- any Intranet or password protected portion of an Internet site, and

- any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Operations Manual, and

- any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

We develop minimum requirements for product preparation, merchandise, inventory, supplies, stationery, business forms, advertising, decor, plans and specifications, materials, fixtures, and signs, among other things. These requirements are outlined in the Operations Manuals. You will purchase all initial inventory items and additional items specified from time to time in the Operations Manuals. We may amend the Operations

Manuals, including changes which may affect minimum requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manuals as we amend them from time to time. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods, from time to time, as specified in the Operations Manuals.

You must purchase items that bear the Service Marks from us or suppliers we approve from time to time. Proprietary items and supplies may be private labeled by us.

We retain the right to make a reasonable profit on any items, supplies and materials you buy from us. We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you.

We may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts. We will accumulate them, annually account to the Mio Sushi franchise system for them and either add them to the Fund, use them for programs that benefit all franchisees such as conventions, use them to provide supplemental training and promotional services to Mio Sushi franchisees, or return them at reasonable times to all Mio Sushi franchisees pro rata, based upon the volume of related business.

There are no required quotas as to quantity of purchases you must make from us or from approved vendors. You must have enough food products, inventory and supplies on hand to meet customer demand. When you purchase equipment, inventory, and supply items from us at our then current prices, payment must be made when you place your order. The items we offer may include among other things equipment, merchandise, and supplies that bear the Service Marks. You may offer these Service Mark bearing items only through the Franchise to retail customers.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manuals or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES**.

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You will purchase all products, supplies and materials required for the operation of the Franchise from manufacturers, suppliers or distributors approved by us. All specifications that we require of you and lists of approved suppliers will be included in the Operations Manuals. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manuals. You must sell or offer to sell all approved items (including but not limited to menu items) and services. You must refrain from deviating from our standards and specifications. You may not sell or offer for sale any menu items or other items or services not approved by us in writing or permitted per our Operations Manuals. You must strictly adhere to our proprietary recipes as may be amended from time to time in our Operations Manuals. You must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

We may designate a single supplier (including us and/or our affiliates) or exclusive suppliers for any products or services and may approve a supplier only as to certain products or services.

Subject to the foregoing, with advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose (unless we have previously designated a single supplier or exclusive suppliers for certain products or services). We will endeavor in good faith to notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval.

From time to time we or our agents may re-analyze suppliers we have approved. For a supplier you propose and we approve, you will cooperate with us in any re-analysis of such supplier, including by promptly providing any pertinent information we request. We may also inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we find from any re-analysis or inspection (or re-inspection) that a manufacturer, supplier or distributor fails to meet our specifications and standards as we determine at our discretion, we will give written notice to you describing this failure and revocation of our approval. We may, but are not required to, give you and the manufacturer, supplier or distributor 30 days to correct the failure or deficiency by giving you written notice of the same.

One of the benefits accruing to you and all our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay to make prompt payment in accordance with the terms of the invoices and statements for payments due on your purchases of fixtures, signs, equipment, food and non-food products, beverages, supplies and other inventory items, or your misdirection of supplies or other abuse of our approved suppliers, distributors and manufacturers, will result in a loss of credit standing and goodwill and benefits otherwise available to us and our other franchisees. You expressly agree to promptly pay all such invoices and statements in accordance with their terms.

5.2 **Standards to Be Maintained**. You will follow the Method of Operation and maintain standards of product preparation, merchandising, and service that we prescribe.

A. You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. The Franchise Premises will be used only as a **Mio Sushi** Franchise. You will only use signs, fixtures, equipment, materials, products, inventory, decor, plans, and services that conform to our specifications to conduct the franchise.

B. You will maintain signs approved by us on the Franchise Premises. These signs must comply with local sign ordinances, regulations and laws. The signs will describe the premises only as a franchise operating pursuant to this Agreement.

C. We may enter upon the Franchise Premises at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may:

1. Inspect the Franchise Premises;

2. Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;

3. Select items, ingredients, products and other materials, services, equipment, operations and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards;

4. Interview your personnel, customers, vendors and co-branded partners; and

5. Inspect and copy any books, records and documents related to the operation of the franchise, the co-branded location and any other franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors and co-branded partners in reference to these inspections, observations and interviews.

D. You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities on the Franchise Premises and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and will operate the Franchised Business in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, dispensing of food products, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes.

E. You will not install or use any vending machines, juke boxes, games or musical devices on the Franchise Premises without our prior written approval.

F. You will not sell or dispense any menu items, products or services or activities other than those we specifically recognize and approve in writing. You may not offer any type of catering or delivery service, unless we give express prior written permission and unless you obtain proper insurance, including that for motor vehicles. Any unapproved catering delivery service Franchisee offers will be a violation of this Agreement and grounds for immediate termination of this Agreement. You will not offer distilled spirits for sale or consumption on the Franchise Premises. You may sell beer and wine under appropriate governmental licenses.

G. We may employ professional shopping services to monitor your compliance with this Agreement.

H. You, at your expense, will maintain the interior and exterior of the Franchise Premises and equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our request, you will make necessary repairs to the Franchise Premises in order to maintain uniform appearance and to protect the reputation of the Service Marks. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion. You will not make any change in the layout and decor of the Franchise Premises without our prior written approval.

If you do not maintain the Franchise Premises as required, after notice to you, we at our option, may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for interruption of your business during the course of making the maintenance and repairs.

I. You will keep your franchise open for business every day of the year, except holidays we designate, during the hours specified or approved in writing by us or required by the lease of the premises on which the Franchise is operated. We may change these requirements from time to time as designated in the Operations Manual.

J. At all times you will insure that your copies of the Operations Manuals and any other manuals given to you are kept current and up to date with the amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.

5.3 **Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property**. You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manuals and only for purposes of the franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks or any marks identical to or confusingly similar to the Service Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Service Marks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks or the Method of Operation, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Service Marks or if the proceeding is resolved unfavorably to you. Instead, at any time, you will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations TM or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that involve or pertain to the Service Marks.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manuals and the Method of Operation.

We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Service Marks.

We and you will use reasonable best efforts to continuously improve the products, processes and services used in the Method of Operation and to develop new products, processes and services for use as part of the Method of Operation. All the improvements, inventions and developments you make, develop or create for use in the Method of Operation will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

5.4 **<u>You Will Not Use Names or Marks in Combination</u>**. Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any similar mark or colorable imitation of them, combined with any other words or phrases. This includes, but is not limited to, the mark "Mio Sushi" and all menu item names currently in existence or developed in the future by us for use in the franchise system. You and your owners, directors, officers, LLC managers, representatives and agents (collectively "***Your Related Parties***") will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

5.5 **<u>Service Marks, Operations Manual, and Method of Operation May Be Changed</u>**. You acknowledge that the Service Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

We may change or modify any part of the Service Marks, Operations Manual, or Method of Operation from time to time at our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

Complete and detailed uniformity of the Service Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manuals and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant to you a like or similar variation.

5.6 **<u>Governmental Classification and Liquor Licenses</u>**. You will operate and maintain the Franchise so as to obtain the highest classification possible from the governmental authorities that inspect businesses similar to your franchise business in your area. If you are not able to obtain such classification or if you fail to operate in accordance with the standards of quality, maintenance, repair and sanitation required for the highest rating, then within **30** days after you first receive notice of your failure to obtain the highest classification you will comply with all requirements to receive the highest rating. You will maintain the highest rating thereafter. You will reimburse us for all costs of providing our personnel, including costs of transportation, meals, lodging, salary, wages or other compensation, plus the cost of fringe benefits (which will be deemed to be **15%** of the salary and wages).

You will obtain licenses from the appropriate state and local agencies to sell beer and wine at the Franchise Premises. You will not sell or trade in any other alcoholic beverage. All of the rights, privileges, responsibilities and duties attendant to any license issued by appropriate alcoholic beverage control agencies will belong to and be your sole responsibility.

5.7 **<u>You Will Not Communicate Confidential Information</u>**. You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer lists, manuals, marketing and sales techniques and strategies, and the Method of Operation. Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of the Mio Sushi system. During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an internet electronic bulletin board, divulge or use in any other manner, either for your benefit or the benefit or any other person, persons, partnerships, associations, companies or corporations any confidential or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your franchised business.

The Method of Operation includes valuable proprietary and confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our confidential information.

The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, give a substantial competitive advantage which we presently enjoy. Any and all information, knowledge and know how, not generally known about the Method of Operation and our products, services, standards, specifications, systems, procedures and techniques, including information, manuals, contracts, customer data, supplier data, financial data, price lists, methods, techniques, processes, compilations, formulas, programs or patterns related to the operation of a Mio Sushi franchise and its products and services and any other information or material that we may designate as confidential, will be deemed confidential for purposes of this Agreement. This will not apply to information which you can demonstrate came to your attention prior to disclosure by us, or which is or has become a part of the public domain through publication or communication by others. Our confidential information is licensed, not sold, to you. The Operations Manuals may contain guidelines to protect confidential information and trade secrets, including limited access to the information on a need to know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption. You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information.

If you are an entity, then each of your owners must either sign this Agreement directly or sign the personal guaranty attached to this Agreement as Exhibit 3, which obligates the guarantors to be personally bound by all obligations of this Agreement, including its confidentiality and non-competition covenants.

You will require that all of your officers, directors, LLC managers, trustees, beneficiaries, independent contractors, trained employees, and persons occupying similar positions (who may obtain or who are likely to obtain knowledge concerning our Confidential Information and who do not directly sign this Agreement) execute a confidentiality agreement (and a non-compete agreement to the extent permitted by applicable law) with you. In our discretion, we must be described as a third-party beneficiary on such agreements so that we may enforce such agreements. It is solely your responsibility to ensure that such agreements comply with legal requirements in your jurisdiction.

You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements. You will be responsible to enforce these covenants and agreements by your employees. These covenants are for the benefit of us and the Mio Sushi franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense.

You will assure that you, Your Related Parties, your employees and consultants, and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information.

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, members and stockholders (as applicable) will possess knowledge of business and operating methods and confidential information, disclosure of which would prejudice our interests and our other franchisees.

If you engage in any sushi related food service business within **2** years of the expiration, termination or transfer of this Agreement, you will prove to us that you have not used our confidential information in that business. This **2**-year period is not intended to limit the duration of your obligation to preserve the confidentiality of the information and to not use the information after expiration, termination or transfer of this Agreement.

We may disclose financial performance information regarding your Franchise operations in our franchise disclosure documents and elsewhere, and you hereby consent to the disclosure of such information. You agree to provide such information to us promptly upon request.

5.8 **Conflicting or Competing Interests**. You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your franchise. You will not engage in any activity or business enterprise that conflicts with these obligations.

In express consideration for and during the term of this Agreement, neither you nor Your Related Parties nor your employees, consultants, or distributors, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manuals or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) engaged or to be engaged in the sale or rental at wholesale or retail or on the Internet of sushi products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. We may waive this covenant only in writing. You agree to promptly and fully disclose to our President any business opportunity coming to your attention, or conceived or developed in whole or in part by you, which relates to our business.

You will assure that you and Your Related Parties and employees, during the term of this Agreement and for a period of **2** years after expiration or termination of this Agreement do not:

A. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment;

B. employ or seek to employ any person we employ or any other person who is at that time operating or employed by or at any of our franchises or otherwise directly or indirectly induce these persons to leave their employment; nor

C. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Service Marks and Method of Operation

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded. Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than **5%** of the outstanding securities of the corporation.

You will obtain written covenants from Your Related Parties and your employees, consultants, and distributors in a form satisfactory to us that these persons will comply with the provisions of this Section to the extent permitted by applicable law.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

5.9 **Computer Systems**. You will install and use cash registers and accounting, and inventory control computer systems approved or designated by us. You will purchase or lease, at your expense, point of sale system hardware and software from a source or sources we specify. You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, other computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, web site vendors, video conferencing and cash registers) that are totally compatible with and strictly conform to all requirements, standards, and specifications we may set from time to time, including coordination with consolidated systems used at co-branded locations. All of these computer systems are collectively referred to as the "Computer Systems" in this Agreement. You must have these Computer Systems in operation at the Franchise Premises prior to opening for business. You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

We may retrieve from your Computer Systems all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access such information. Section 8.1 of this Agreement describes your indemnification obligations in this regard.

You are required to have high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news and through which we may have access to your computer systems and records.

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-Problems. It is solely your responsibility to maintain in place virus protection and security for all of your Computer Systems, data, and overall network access. It is solely your responsibility to maintain adequate backup systems.

5.10 **Terms of Product Sales**.

A. To receive products, you must deliver to us a purchase order that specifies the products. All orders you submit are subject to acceptance at our corporate headquarters in Portland, Oregon. We reserve the right to reject any order that is not credit approved or does not conform to the provisions of this Agreement. All orders accepted for delivery will be governed exclusively by the terms and conditions of this Agreement. Unless we agree in writing, no additional or different terms and conditions appearing on the face or reverse side of any order you issue will become part of that order. Our acknowledgment of your purchase order will not be acceptance of any additional or different terms and conditions.

B. Shipments are subject to availability. Upon notice to you, we may schedule and reschedule any order, at our discretion. We may decline any order for credit reasons or because the order specifies an unreasonably large quantity or makes an unreasonable shipment request.

C. We will use commercially reasonable efforts to meet any scheduled shipment date. However, we will not be liable for delays in meeting a scheduled shipment date for any reason. If products are scarce, we will allocate them equitably, at our discretion, among our customers.

D. Unless otherwise agreed, the products will be shipped only to your approved facility and only after receipt of an order from you.

E. We may refuse to ship or delay the shipment of any products on order if you become delinquent in payment of your obligations, exceed established credit lines, fail to meet our other credit or financial requirements or fail to provide financial information when we request. No cancellation, refusal or delay will terminate this Agreement.

F. All products will be delivered to you F.O.B. origin upon transfer to a common carrier (unless otherwise indicated). You will pay all transportation, insurance, rigging and drayage charges.

G. On delivery of products to carrier, title (or with respect to licensed programs licensed, not sold, title only to the media on which the licensed program is delivered) will pass to you and you will assume responsibility for promptly advising the carrier and insurer of the loss, for filing a claim and for recovery of any sums owed by them to you. Upon request, we will cooperate with you to establish a claim.

H. You grant to us a security interest in the products and proceeds as security for your obligations under this Agreement. Upon request, you will execute and file all instruments or documents necessary to perfect any security interest. You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose.

I. You will maintain sufficient inventories of products and employ sufficient help to operate your business at a level of capacity and market penetration commensurate with the reasonable demands of the marketplace.

J. You will represent fairly all products you purchase from us.

K. You will comply with all of the obligations and requirements imposed upon you by the manufacturers or distributors of the products.

L. You will use commercially reasonable efforts and good faith to promote, demonstrate and sell the products and services.

M. You will provide to us forecasts of your projected purchases of products.

N. You acknowledge that we are not the manufacturer of any of the products. The products are subject to the manufacturer's standard warranty. We disclaim all warranties, including the implied warranties of merchantability and fitness for a particular purpose. No representation, affirmation of fact, or statement regarding capacity or suitability, which is not in this Agreement, will be a warranty by us for any purpose.

O. We will not be liable for any loss or damage claimed to have resulted from the use, operation or performance of the products, whatever the form of action. Our maximum liability to you, whether based upon contract, warranty, tort or otherwise, will not exceed the actual amount you pay to us for the specific product that causes the damages. These limitations of liability will not apply to claims for personal injury caused by our negligence. We will not be liable to you for special, indirect, incidental or consequential damages or from any damages resulting from loss of use, data or profits.

6 RENEWAL AND TERMINATION

6.1 Renewal of Franchise.

A. If you are not in breach, you may renew the Franchise for successive single periods that match each singe renewal term of your lease of the Franchise Premises with a minimum term of five years and a maximum term of 10 years for each renewal period. Each successive single renewal will be under the terms of our then-current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document will mean the form then currently provided to prospective franchisees, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours. You will exercise your renewal option by giving written notice to us. The notice must be given at least three months, but no earlier than one year, before the end of the franchise term established by this Agreement.

There is no fee for renewal of the Franchise. The renewed Franchise Agreement will be evidenced by you signing the Franchise Agreement forms we then are using (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Advertising Fees, Local Advertising Contributions and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the Renewal Franchise Agreement forms within **30** days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Premises must remain located in the geographical territory designated in this Agreement. The Franchise Territory may be modified and its geographic area may be reduced or expanded to meet our then current franchise market penetration and demographic standards and co-branding requirements.

You will reimburse us for our reasonable out-of-pocket costs concerning the renewal.

You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the then current Operations Manuals and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing, remodeling and replacement. You must make all capital expenditures reasonably required to renovate and modernize the Franchise Premises and its signs and equipment to reflect the design and decor image of Mio Sushi franchises we then are requiring of new or renewing Mio Sushi franchises. These expenditures will be in the amount necessary to make the Franchise Premises modern and fresh and to resolve wear and tear. If renovation and modernization of the Franchise Premises is not feasible, you may relocate to a new site, subject to our prior written approval. Our approval will not be unreasonably withheld, provided that the relocation does not infringe on any other Mio Sushi location.

You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

Before renewal, you will attend and successfully complete any retraining program we prescribe in writing. Your designated operations manager(s) must also attend and complete any such retraining. This will be done at your expense, including travel, meals, lodging, and our then-current training fee.

B. We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration.

C. Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon **30** days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

6.2 **Termination by You**. You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within **30** days after receipt of written notice specifying the breach. Termination will be effective **10** days after you deliver to us written notice of termination for our failure to cure within the allowed period.

6.3 **Termination by Us**.

A. The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense. If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

If any payments to us, our affiliates or approved vendors are late by more than 15 business days, we may order all product deliveries withheld from you until the payments are received.

You agree that it will be a *default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination* of this Agreement and any other franchise and related agreements between the parties if you (or your owners, officers, or key employees) breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within **30** days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

B. You agree that it will be a default constituting a *substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause* for us to immediately terminate this Agreement and any other franchise and related agreements between the parties without other cause, and without giving you an opportunity to cure, if you (or your owners, officers, or key employees):

1. Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchised business or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you:

    (i) timely undertake to reaffirm the obligations under this Agreement;
    (ii) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and
    (iii) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code;

    provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchised business, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

2. Fail to operate the Franchise continuously and actively for **5** consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise location.

3. Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received the most recent of two or more **30**-day or **5**-day Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above [or this Subsection (B)], whether or not you had corrected your earlier failures to comply after we delivered notice to you.

4. On more than two occasions fail to report weekly or monthly Revenue on time, understate monthly Revenue by more than **2%,** or distort other material information.

.5. Allow the Franchise or Franchise Premises to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against you to remain unsatisfied for **30** days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within **5** days of the levy.

6. Are convicted of a felony, or are convicted of any criminal misconduct relevant to the operation of the Franchise.

7. Within a period of **10** days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.

8. Fail to pay any Franchise, Royalty, or Advertising fees or other amounts owed pursuant to this Agreement within **5** days after receipt of written notice that the fees or amounts are overdue.

9. Operate the Franchise in a manner that creates an imminent danger to public health or safety.

10. Do not keep confidential information related to the Franchise confidential except to employees or persons authorized to know.

11. Fail to obtain agreements from your employees to keep confidential information confidential.

12. Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

6.4 **Time Frames Subject to Applicable Laws**. The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

6.5 **<u>You Will Discontinue Use of Service Marks, Operations Manual, and Method of Operation on Termination of Agreement</u>**. Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

A. Immediately cease using the Service Marks or any similar names or marks (including but not limited to the mark "Mio Sushi" and all of our menu item names); the Operations Manuals; and the Method of Operation. This includes, but is not limited to, removing the Service Marks from all internet marketing, including social media marketing, related to the Franchise Premises.

B. Immediately cease using any and all of our recipes (as described in our Operations Manuals) or any confusingly or deceptively similar recipes. You may not use any recipes contained in our Operations Manuals, even recipes that may be deemed generic in nature. In addition, you must immediately cease using or offering Mio Sushi's bottled sauces and Mio Sushi's recipes for any sauces.

C. Immediately cease using the point of sale system software, which has been customized for the Mio Sushi franchise system;

D. Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

E. Authorize telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, addresses, domain names, locators, directories and listings to us or our designee. Notify them of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to effect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

F. Make reasonable modifications to the interior and exterior of any retained premises to reduce your identification as a part of our franchise system. These modifications will include but will not be limited to reasonable alterations to eliminate any possibility of confusion between the Franchise Premises and any other Mio Sushi location.

G. Pay to us within **seven** days all Royalty Fees, Advertising Fees, and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorneys' fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

H. Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination covenant not to compete set forth below. You will immediately return to us all of our confidential information you have received, including any items that embody the confidential information. You acknowledge that you have no continuing ownership interest in the confidential information.

I. At our option, do some or all of the following:

1. Remove all Franchise-related equipment, furnishings, and inventory from the Franchise Premises;

2. Sell the equipment, furnishings, and inventory to us, at fair market value for equipment and furnishings and at your invoice cost for inventory less a **10%** restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;

3. Assign to us the lease for the Franchise Premises and ownership and control of any web site you own or control;

4. Sell to us your interest in the Franchise, the Franchise Premises and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within **5** business days after termination of this Agreement. If not, a fair value and fair terms will be determined in Portland, Oregon by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers.

6.6 **We May Assign Territory Upon Termination**. Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate Mio Sushi businesses within the Franchise Territory.

6.7 **You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement**. This covenant will apply for **720** days after termination, expiration or transfer of this Agreement. In express consideration for this Agreement, you will assure that you and Your Related Parties and your employees (to the extent permitted by applicable law), and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manuals or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of sushi food products or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within the Franchise

Territory, within a **100**-mile radius of the Franchise Territory, within a **100**-mile radius of any location where we operate or have granted the franchise to operate a Mio Sushi business, and within the United States of America. However, if a judge or arbitrator determines that the geographic scope of this covenant is not legally enforceable, then the geographic scope is modified as follows: This covenant applies within the Franchise Territory, within a 50-mile radius of the Franchise Territory, within a 50-mile radius of any location where we operate or have granted the franchise to operate a Mio Sushi business, and within the United States of America.

You acknowledge and confirm that the time, content and geographical restrictions contained in this Section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by us. You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors. Your knowledge of the Method of Operation would cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

7 **TRANSFER**

7.1 **Sale or Assignment**.

A. Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of: this Agreement, the Franchise Premises, substantial assets of the Franchise business, or any ownership or control of you (including any ownership interest in your business entity, even if only a minority interest) or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted “transfer” without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any transfer before the date the Franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee or any new owner of any interest in your business entity (collectively “transferee”), we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee’s operational and business plans that the transferee’s business operations might not be beneficial on a cash flow or financial basis. We may require a review of the transferee’s operational and business plans demonstrating that the transferee’s business operations will work on a cash flow or financial basis in light of the operational history of the Franchise. We will require a review of the transferee’s history and background, including criminal background check, business history and any other factors we deem pertinent. The required transfer procedures and policies to effect the transfer are contained in the Operations Manual.

We need not consent to any transfer to a competitor of ours.

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination. Before the effective date of a transfer we approve:

1. The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.

2. You will pay all ascertained or liquidated debts concerning the Franchise.

3. You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.

4. The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.

5. You or the transferee will pay a Transfer Fee according to our then current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer. The Transfer Fee will not be less than **$5,000**.

6. You will pay us a **10%** commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.

7. The transferee will execute all documents we then require of new franchisees. This includes a new franchise agreement in the form we then are using. The new franchise agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect.

8. The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.

9. You and Your Related Parties will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release us from any claims you may have against us.

10. If the Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement.

11. If the lease or sublease for the Franchise Premise requires, the lessor or sublessor must have consented to the assignment or sublease of the

Franchise Premises to the transferee. All fixtures and equipment at the Franchise Premises must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place.

12. You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

B. With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable in all respects under this Agreement. (You and all other owners will personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives, will act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.)

C. Despite any provision in this Agreement to the contrary, before the effective date of a transfer we approve that involves selling only a minority interest in your business entity, then the transfer conditions outlined in Section 7.1(A) still apply. Except, rather than signing a new franchise agreement, the minority interest holder(s) will sign a personal guaranty or addendum to franchise agreement in a form we designate by which the minority interest holder(s) will become parties to this Franchise Agreement or personally guaranty performance of all obligations of this Agreement.

You will be in breach of this Agreement if you at any time dispose of any ownership interest in your business entity without our prior written approval and your compliance with the pre-conditions to transfer as outlined in this Agreement. From time to time, at our request, you will provide to us a current list of all of Your Related Parties and employees, with a summary of their respective interests in you.

D. We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Service Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring. As for any or all of these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer you products, whether or not bearing our Service Marks.

E. You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review prior to their use. No offering by you will imply (by use of the Service Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will pay to us the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give us at least **60** days written notice before the effective date of any offering or other transaction covered by this subsection.

F. You may not grant a sub-franchise or transfer less than all of your rights under this Agreement.

G. Our consent to a proposed transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.

H. You will comply with and help us to comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

7.2 **Your Death or Disability**.

A. The following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning **50%** or more of you if you are a limited liability company or corporation or other entity. Within **180** days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:

1. Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment," above (except that no transfer fee will be required). Or,

2. Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the 180 days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the **180** days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.

3. If a suitable transferee purchaser is not found within **180** days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not, a fair value and fair terms will be determined in Portland, Oregon by three appraisers.

Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers may include in their decision a factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option, we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers. Terms of payment will be **10%** of the purchase price payable upon contract signing, the balance payable in **60** equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at time of each monthly principal payment.

B. If the provisions of Section 7.2.A, above, have not been fulfilled within the time provided, at our option, all franchise and license rights granted to you under this Agreement will immediately terminate and revert to us.

C. Upon your death or permanent disability (or of the managing shareholder, managing owner, or managing partner), the executor, administrator, conservator, or other personal representative of the deceased or permanently disabled person, or the remaining owners, must appoint a competent manager within a reasonable time, not to exceed 30 days after the date of death or permanent disability. The appointment of this manager is subject to satisfactory completion of our required training program(s). While your Franchise is not being managed by such a manager, we may, but are not required to, immediately appoint an interim manager to maintain the operations of the Franchise for and on your behalf until an approved assignee is able to assume the management and operation of the Franchise. Our appointment of an interim manager of the Franchise does not relieve you of your obligations, and we are not liable for any debts, losses, costs, or expenses incurred in the operations of the Franchise or to any of your creditors for any products, materials, supplies, or services purchased by the Franchise while it is managed by a franchisor-appointed interim manager. We may charge a reasonable fee for management services and may cease to provide management services at any time. You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these rights.

7.3 **First Right of Purchase**. You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We will elect to exercise our option to purchase within **30** business days after our receipt of your written notification and due diligence information. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third-party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled “First Right of Refusal”. You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled “Sale or Assignment.” If you do not complete a transaction with a third party within six months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

We may elect to purchase all of the franchise business regardless of your intent to sell, assign or transfer a lesser interest. We can pay the purchase price in cash up front or 120 equal monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is in our sole discretion.

7.4 **First Right of Refusal**. If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within **6** days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We may exercise this right to purchase within **30** days after receipt of notice from you and due diligence information. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid for the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not exercise our right to purchase within the **30** days, you may make the proposed transfer to a third party. The transfer will not be at a lower price nor on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment," above. If the Franchise is not transferred by you within **6** months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party.

8 INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY

8.1 **Indemnity**. You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages ("Claims") arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless shall be determined, based upon the adjudicated and assigned respective degree of fault. In the event of a settlement prior to adjudication, you and we will agree to degrees of fault. You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless shall be determined, based upon the agreed degree of fault. All provisions of this Section will be subject to these contribution and allocation of indemnification provisions.

You will indemnify us for any Claims that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Premises.

This indemnification will include use, condition, or construction, equipping, decorating, maintenance or operation of the Franchise Premises, including the sale of any food products, service or merchandise sold from the Franchise Premises. Any loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchise Premises, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity.

You are responsible for all risk of loss, theft, damage or destruction of your Computer Systems (hardware, software, or otherwise) from any cause whatsoever. Notwithstanding our right to access and retrieve information from your Computer Systems, you will indemnify and hold us harmless from all Claims arising out of or related to the Computer Systems.

You will defend us at your own expense in any legal or administrative proceeding subject to this Subsection. The defense will be conducted by attorneys we approve. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that Our Related Parties will be also and equally indemnified, defended or named.

8.2 **Insurance**. Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability, food borne illness and products liability insurance. This insurance will be in an amount sufficient to replace the Franchise Premises and your personal property upon loss or damage. This insurance will be written by a financially responsible insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

A. Comprehensive general liability insurance, including food borne illness and products liability, completed operations, Dram Shop or host liquor liability (if alcoholic beverages are served), property damage, contractual liability, independent contractors liability, owned and non-owned and hired automobile coverage, and personal injury coverage with a combined single limit of at least **$2,000,000** including umbrella coverage.

B. Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.

C. Business interruption and lost profit insurance.

D. Employer Practice liability insurance.

E. If you elect to offer catering or delivery services and are approved by us, automobile liability insurance, including owned, non-owned, leased and hired vehicle coverage, with a combined single limit of at least $1,000,000 for death, personal injury and property damage.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of the Franchise. Your policies of insurance, other than for casualty to the Franchise Premises, will contain a separate endorsement naming us as an additional named insured. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to cancellation except upon **20** days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and Our Related Parties; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each the policy will be treated as though a separate insurance policy had been issued to each named insured.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

You will promptly report all claims or potential claims against you, the Business or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

We may, at our sole discretion, upon not less than 90 days prior written notice to you, secure a policy of insurance which will provide defined insurance coverage to all or any part of the Mio Sushi system. This policy may replace or supplement the insurance coverage you are required to maintain. You will pay the relevant insurance premium to us or the designated insurance provider, as we direct.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement.

8.3 **Condemnation**. You will give us notice of any proposed taking through the exercise of the power of eminent domain. Notice will be given within **10** days of your first knowledge of the proposed taking. If the Franchise Premises or a substantial part of it is to be taken, the Franchise Premises may be relocated within the Franchise Territory or elsewhere with our prior written approval. The relocated premises may not infringe on the protected rights of any other franchise pursuant to our specifications and contractual obligations. Relocation must be completed and franchise business operations recommenced within a reasonable time after the closing of the initial Franchise Premises (but in any event, within **one** year after closing of the Franchise Premises). The new franchise location will become the Franchise Premises franchised under this Agreement. If a condemnation takes place and a new franchise location does not open, for whatever reason, then this Agreement will terminate upon **30** days written notice from us to you.

8.4 **Casualty**. If the Franchise Premises is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires the closing of the Franchise, you will:

A. continue to pay Royalty and Advertising Fees based upon the monthly average paid for the preceding **12-month** period or based upon the proceeds of any Business Interruption recovery you receive, whichever is greater,

B. immediately notify us,

C. repair or rebuild the Franchise Premises following our specifications, and

D. re-open the Franchise for continuous business operations when practicable (but in any event, within **one** year after closing of the Franchise Premises). You will give us not less than **30** days advance notice of the date of reopening.

If the Franchise Premises does not re-open within **one** year, this Agreement will terminate upon **30** days written notice from us to you.

8.5 **Proceeds From Insurance or Recovery**. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in Revenue.

9 NOTICE AND MISCELLANEOUS

9.1 **Notices**. All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. Notices will be delivered to you at the Franchise Premises, to us at our headquarters in Portland, Oregon or to other locations specified in writing.

Notices may be delivered and receipted to you personally at any location.

Notices sent by certified or registered mail will be deemed to have been delivered and received **3** business days following the date of mailing. Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received one business day after placement requesting delivery on the most expedited basis available.

9.2 **Business Name**. You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks and the name *Mio Sushi*.

9.3 **We and You Are Not Joint Venturers, Partners, or Agents**.

A. Independent Relationship. You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

B. Display. In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads, business forms, business cards, email signatures and similar mediums that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Franchise Premises and on any delivery vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

C. Your Employees.

1. You will control your own employees and contractors. We shall not have the power to hire, fire, direct, supervise, or discipline your employees.
2. You are responsible for setting work schedules for your employees.
3. You will maintain employee records to show clearly that you and your employees are not our employees.
4. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits.
5. You must pay special attention to federal and state wage and hour laws with respect to your employees. Specifically, depending upon your management structure, your head sushi chef (and certain other employees) may not meet the exemptions from overtime pay requirements or other wage and hour requirements per state and federal law. Therefore, you must comply with all such laws and pay your employees properly. You must indemnify and hold us legally harmless from any of your violations of such laws. You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement.
6. You must place a prominent, boldface statement at the top of your employee applications that the applicant is applying to work for you, not for us.
7. You must display your entire business entity's name, not just the licensed brand, on your payroll checks.
8. We do not post job openings at your franchise (or at any other franchise location) on our website or otherwise. We do not coordinate the sharing of employees among franchisees.

D. Joint and Several. The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

9.4 **Waiver**. A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of **10** days prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

By written notice, we unilaterally may waive any obligation of you, your owners, or the Guarantors.

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement.

9.5 **Time Is of the Essence**. Time and strict performance are of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

9.6 **Documents**. You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. These documents will include a Relinquishment of Assumed Business Name form which must be executed by you contemporaneously with the execution of this Agreement.

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements. The non-breaching party may enforce or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement.

If you are a partnership, all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or members and all officers will personally guarantee your faithful performance.

To the extent permitted by applicable law, you will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with us; will not attempt to divert customers to competing businesses; will not induce the employees of us or of our franchisees to leave their employment; and will keep, preserve, and protect confidential information as required by this Agreement.

9.7 **Construction**.

A. Entire Agreement. This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Despite the foregoing, nothing in this Agreement or any related agreement is intended to disclaim the representations made in our Franchise Disclosure Document. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing.

No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third-party beneficiary of that provision.

B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

C. Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement. If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

1. The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.
2. The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

D. Severability. If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

E. Implied Covenants. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If applicable law implies such a covenant, the parties acknowledge and agree that:

1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;

2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Mio Sushi businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee;

3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is not exercised in bad faith toward you; and

4. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.

F. Joint and Several. If, at any time during the term of this Agreement, you consist of two or more persons (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person.

9.8 **Enforcement**. From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties.

A. Mediation. If a dispute arises between the parties, before taking any other legal action, the parties agree to participate in at least **5** hours of mediation in accordance with the Mediation Procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

B. Injunctive Relief and Specific Performance. Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

C. Governing Law and Venue. You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these franchise agreements are uniformly interpreted. This Agreement is accepted by us in the State of Oregon and will be governed by the substantive laws of Oregon without regard to Oregon choice of law provisions. Provided, however, that any law of the State of Oregon that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Oregon laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of any Oregon franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise or business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Oregon or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth. Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement will be mediated, arbitrated, tried, heard, and decided in Portland, Oregon, which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of, and best meets the interest of, all of the members of the Mio Sushi franchise system.

D. Remedies. You recognize the unique value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of

Operation or the Service Marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by laws.

No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If either event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or 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 subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any of covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of the confidentiality or non-competition covenants of this Agreement will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

E. Attorneys' Fees. The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees and previously incurred mediator fees. These will be set by the arbitration, proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding.

9.9 **Other Agreements**. If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

9.10 **Agreement Binding on Successors and Assigns**. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

9.11 **Execution in Counterparts and Our Acceptance**. This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within **60** days, this Agreement will no longer be binding upon you. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original. Delivery of executed signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

9.12 **Approval by Shareholders, Members or Partners**. If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

9.13 **Representations and Acknowledgements**. You make the following representations and acknowledgements:

A. **Receipt of Disclosure Documents**. You acknowledge that you have received our Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in California, Maryland, Michigan, New York, Oregon, Rhode Island, Washington and Wisconsin). In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

2. if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

B. **You Have Read and Understand this Agreement**. You acknowledge that you have had ample to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own.

C. **Varying Forms of Agreement**. You are aware that some present and future Mio Sushi franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

D. **Speculative Success**. The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

E. **Independent Investigation, No Projections or Representations**. You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. Your success will be dependent upon your ability as an independent businessperson. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize. Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of Our Related Parties, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

F. **No Review of Business Plans, Loan Applications**. Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third-party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

G. **Your Location and Market Area**. You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and regulations applicable thereto (or will do so if you have not yet found a Franchise Premises). You agree and represent that that market area is reasonable, the Franchise Premises will be suitable for the operation of a Mio Sushi franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a Mio Sushi franchise.

H. **Health and Full-Time Participation**. You acknowledge that a Mio Sushi business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business. You represent that you or your majority owner are in good health and able to devote your full time and best efforts in the day to day operations of your franchised business or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of your franchised business.

I. **Terrorism, Convictions, Immigration Status**. Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates:

1. supports terrorism,
2. provides money or financial services to terrorists,
3. receives money or financial services from terrorists or institutions that support terrorists
4. is engaged in terrorism, or
5. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.

J. **We May Investigate**. We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

K. **NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES**. WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PARTY HAS GUARANTEED YOUR SUCCESS IN THE BUSINESS CONTEMPLATED BY THIS AGREEMENT.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE.]

Signature Page for Franchise Agreement

IN WITNESS, the parties have executed this Agreement on the day and year first above written.

("we/us"): **Mio Sushi International, Inc.**	(jointly and severally "you"):________________________
By: ________________________	By: ___________________________________ __________________, an individual
Title: _______________________	By: _________________________________
	Title: ________________________________

IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER ENTITY: THIS AGREEMENT MUST BE SIGNED BY A COMPANY OFFICER, DIRECTOR OR OWNER AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY. ADDITIONALLY, THE AGREEMENT MUST BE SIGNED BY ALL OFFICERS AND OWNERS OF THE COMPANY AS INDIVIDUALS.

The undersigned officer ______________________________ being the _________________ of _________________, pursuant to authority granted to him at a duly called meeting of such company on the __ day of _______, 20_, executes this instrument, by signing the name of the company, as an officer.

("we/us"): **Mio Sushi International, Inc.**

By: _______________________

Title: ______________________

("you"): ______________________________________

By: ____________________________

Title: ____________________________

By: ____________________________

Title: ____________________________

SIGNATURES OF INDIVIDUALS:

____________________ _________________

____________________ _________________

____________________ _________________

IF YOU ARE A PARTNERSHIP: THIS AGREEMENT MUST BE SIGNED BY ALL GENERAL PARTNERS. THE AGREEMENT MUST ADDITIONALLY BE SIGNED BY ALL GENERAL PARTNERS, AS INDIVIDUALS.

The undersigned partner, ________________________, being a General Partner authorized to execute this Agreement on behalf of the partnership, executes this instrument by signing the name of the partnership by himself, as general partner of the partnership.

("we/us"): **Mio Sushi International, Inc.**	("you"):_______________________________________
By: ________________________	By: _____________________________
Title: _______________________	Title: _____________________________
	By: _____________________________
	Title: _____________________________

SIGNATURES OF INDIVIDUALS

____________________	__________________
____________________	__________________
____________________	__________________

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

FRANCHISE PREMISES AND FRANCHISE TERRITOROY

Franchise Premises. The Franchise Premises for your Mio Sushi franchise, as referred to in Section 1.1 of this Agreement, is the property commonly known as or described as:

____

____

Search Area. If either the Franchise Premises or the Franchise Territory has not been determined when this Agreement is executed, you are responsible for selecting the site for your Franchise Premises within the following Search Area: ____. We do not grant territorial protections or exclusivity in the Search Area. We do grant certain territorial protections in the Franchise Territory as described in the Franchise Agreement.

[Franchise Territory. The Franchise Territory described in Section 1.1 of this Agreement is one driving mile [¼ driving mile] from your Franchise Premises because your Franchise Premises is not in [is in] a high population density, high business density, urban and/or downtown location.

Except as specifically outlined or forbidden in the relevant franchise agreements, there are no understandings oral or written concerning the future placement of stores by any party and concerning any territory protections granted to you.

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

FRANCHISE PREMISES LEASE AGREEMENT RIDER

THIS RIDER has been entered this ___ day of ________, 20____. It is by and between ________________, ("Landlord") and ________________________ (jointly and severally "Tenant").

RECITALS

On or about _______________, 20__, Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a Mio Sushi franchise at the following location: _____________________________ (the "Franchise Premises").

On or about _______________, 20__, Tenant and Mio Sushi International, Inc. (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a Mio Sushi franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. **Use of Franchise Premises**. Landlord acknowledges and agrees that the Franchise Premises may be used only for the operation of a Mio Sushi facility. Landlord permits Tenant to use and display the following service marks, trademarks, and commercial logos: **MIO SUSHI**, ___________ and ____________and all other marks that Franchisor develops for a Mio Sushi facility in the future.

2. **Landlord Reports and Disclosures to Franchisor**. Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.

3. **Assignment to Franchisor**. Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.

4. **Tenant's Default; Notice to Franchisor**. Landlord will give written notice to Franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within **15** business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

MIO SUSHI INTERNATIONAL, INC.
2250 NW 22nd Ave., Suite 406
Portland, Oregon 97210

5. **Franchise Premises De-identification**. Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the cooler scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

6. **Renewal, Extension, or Cancellation of the Lease Agreement**. Landlord will not extend, renew, or cancel the Lease Agreement without Franchisor's prior written consent, which consent will not be unreasonably withheld.

7. **Third Party Beneficiary**. Tenant and Landlord acknowledge and agree that Franchisor is a third-party beneficiary of this Lease Agreement Rider, and Franchisor is entitled to all rights and remedies conferred upon Franchisor under this Lease Agreement Rider (which Franchisor may enforce directly against Tenant or Landlord, with or without the consent or joinder of Tenant). Notwithstanding anything contained in this Lease Agreement Rider, Franchisor will have no liability under the Lease or this Lease Agreement Rider unless Franchisor expressly enters into a written agreement with Landlord.

8. **Signatures**.

IN WITNESS, the parties have executed this Lease Agreement Rider on the day and year first above written.

("Landlord"): ____________________

By: ____________________________
Title: ____________________________

("Tenant"): ____________________

By: ____________________________
Title: ____________________________

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY AGREEMENT

THIS PERSONAL GUARANTY AGREEMENT (this "***Guaranty***") is given this ______ day of ____________________, 20___, by ____ ____ ____, jointly and severally (collectively, the "***Guarantors***").

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (including its exhibits) of even date (the "***Agreement***") by MIO SUSHI INTERNATIONAL, INC., an Oregon corporation (the "***Franchisor***"), with ___________________________________ a ________________ corporation/limited liability company (the "***Franchisee***"), each of the undersigned personally and unconditionally (a) guarantees to the Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that the Franchisee will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and its exhibits, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including but not limited to the provisions related to confidentiality and non-disclosure of confidential information, non-competition, monetary obligations, dispute resolution, and indemnification.

Each of the undersigned waives: (1) acceptance and notice of acceptance by the Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right the undersigned may otherwise have to require that an action be brought against the Franchisee or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) the direct and immediate liability of the undersigned under this guaranty is joint and several; (2) the undersigned will render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (3) the liability of each of the undersigned is not contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person (including others of the undersigned); and (4) the liability of each of the undersigned will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which the Franchisor may grant to the Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned Guarantors further consents and agrees that:

(a) Each Guarantor's liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, the Franchisee and the other owners of the Franchisee.

(b) Each Guarantor will render any payment or performance required under the Franchise Agreement upon demand if the Franchisee fails or refuses punctually to do so.

(c) This Guarantee will continue unchanged by the occurrence of any bankruptcy with respect to the Franchisee or any assignee or successor of the Franchisee or by any abandonment of the Franchise Agreement by a trustee of the Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this Guarantee nor any remedy for the enforcement of this Guarantee will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of the Franchisee or its estate in bankruptcy or of any remedy for the enforcement of this Guarantee, resulting from the operation of any present or future provision of the U.S. Bankruptcy Code or other statute, or from the decision of any court or agency.

(d) The Franchisor may proceed against one or more Guarantors and the Franchisee jointly and severally, or the Franchisor may, at its option, proceed against one or more Guarantors, without having commenced any action, or having obtained any judgment, against the Franchisee. Each Guarantor waives the defense of the statute of limitations in any action under this Guarantee or for the collection of any indebtedness or the performance of any obligation guaranteed by this Guarantee.

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of amounts due pursuant to this Guarantee or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S):	PERCENTAGE OWNERSHIP IN FRANCHISEE:
Signed: ______________________________ Print Name: ___________________________	______%
Signed: ______________________________ Print Name: ___________________________	______%
Signed: ______________________________ Print Name: ___________________________	______%

<u>**EXHIBIT 4 TO THE FRANCHISE AGREEMENT**</u>

MULTIPLE FRANCHISE PURCHASE ADDENDUM

This Multiple Franchise Purchase Addendum ("***Addendum***") is entered into as of _________________, 20___, between MIO SUSHI INTERNATIONAL, INC., an Oregon corporation ("***we/us***"), and ________________________________ and ____________________________ ("***you***").

1. **Simultaneous Multiple Franchise Purchase**. The parties have contemporaneously executed ***[#]*** Franchise Agreements, including this Agreement, as part of a multiple franchise purchase.

2. **Development Area**. If the Franchise Premises has not been determined when this Agreement is executed, you are responsible for selecting the site for your Franchise Premises within the following "Development Area":

____

____

____

____

Despite any provision in the Franchise Agreement or its Exhibits to the contrary, upon the opening of your last Franchise, or upon the deadline for opening your last Franchise, under your Development Schedule (below), your rights with respect to the Development Area will automatically terminate. Thereafter, we and our affiliates will have the right operate or grant to others the right to operate Mio Sushi restaurants within the Development Area. However, your Protected Territory (as defined in the Franchise Agreement) for each operating Franchise will remain in force.

3. **Franchise Premises and Franchise Territory**. The Franchise Territory for each franchise will be designated by us before you open each relevant Franchise Premises. The Franchise Territory and your Franchise Premises must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

4. **No Other Understandings**. Except as specifically outlined or forbidden in the relevant Franchise Agreement, there are no understandings oral or written concerning the future placement of restaurants by any party and concerning any territory protections granted to you.

5. **Franchise Opening Schedule**. You will commence in good faith to perform your obligations under the relevant franchise agreements and commence full and continuous operation of the relevant Franchise within the following time periods after execution of this Agreement:

> You commit to the timely opening of Mio Sushi Franchises in the Development Area in compliance with the following Development Schedule:

END OF DEVELOPMENT PERIOD	NEW RESTAURANTS TO BE OPENED DURING DEVELOPMENT PERIOD	CUMULATIVE NUMBER OF RESTAURANTS TO BE OPENED AND CONTINUOUSLY OPERATED
First Franchise: Within 12 Months of Franchise Agreement Effective Date	1	1
Second Franchise: Earlier of 12 Months After Opening First Franchise or 12 Months After Deadline for Opening First Franchise	1	2
Third Franchise: Earlier of 12 Months After Opening Second Franchise or 12 Months After Deadline for Opening Second Franchise	1	3

Time is of the essence of this Development Schedule.

In the event that you do not comply with the above Franchise opening and continuous operation requirements, we will have the right to terminate any of your franchise agreements representing franchises that have not yet opened for business. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control (not including financial circumstances) will be excused for a period of time that we deem reasonable under the circumstances.

6. **Payment of Initial Franchise Fees**. You will pay 100% of the initial franchise fee for the first franchise and 50% of the initial franchise fees for each additional franchise at the time you sign such franchise agreements. You will pay the 50% unpaid balance of the initial franchise fees for the additional franchises before the opening of each relevant Franchise Premises. The initial franchise fees we actually collect are not refundable under any circumstances.

7. **Training for First Franchise**. We will have no obligation to provide franchise training to you at our expense except for the first Franchise you open.

8. **Defined Terms**. All capitalized terms contained in this Addendum that are not defined in this Addendum will have the meaning ascribed to them in the Franchise Agreement.

DATED this _____ day of _______________________________, 20__.

("we/us"): **MIO SUSHI INTERNATIONAL, INC.**

By: ______________________________________

Print Name: ______________________________________

Title: ______________________________________

(jointly and severally "you"):

Name of Corporation/LLC/Partnership: ____

By: ___________________________ Title: ___________________________

Individual Signature: _________________________________

Print Name: _________________________________

Individual Signature: _________________________________

Print Name: _________________________________

Exhibit C
MIO SUSHI INTERNATIONAL, INC.
Franchise Disclosure Document

LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

The following table reflects our Agents for Service of Process and the Relevant State Franchise Authorities. We may not be registered to offer and sell franchises in all of these states:

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
CALIFORNIA	California Commissioner of Business Oversight: Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 Sacramento: 1515 K Street, Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 San Diego: 1350 Front Street San Diego, CA 92101-3697 (619) 525-4233 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94105-2980 <u>Toll-Free Number: 1-866-275-2677</u>	California Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 (213) 576-7505
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
FLORIDA	[Not Applicable]	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770
HAWAII	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottowa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328	Deputy Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
NEW YORK	Secretary of State of the State of New York 99 Washington Avenue Albany, NY 12231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Franchise Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Franchise Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities 445 E. Capitol Ave. Pierre, SD 57501 (605) 773-4823	Franchise Administrator Division of Securities 445 East Capitol Avenue Pierre, SD 57501-5070 (605) 773-4013
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH	Ryan C. Combe Registered Agent 2181 Combe Road Ogden, Utah 84403	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9733	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

Exhibit D
MIO SUSHI INTERNATIONAL, INC.
Franchise Disclosure Document

OPERATIONS MANUAL TABLE OF CONTENTS

MIO SUSHI®

OPERATIONS MANUAL

Table of Contents

Exhibit E
MIO SUSHI INTERNATIONAL, INC.
Franchise Disclosure Document

CONDITIONAL ASSIGNMENT

CONDITIONAL ASSIGNMENT

____________________ ("you") operate your franchise business at ____________________. In consideration of the granting of a franchise to you and other valuable consideration given by **Mio Sushi International, Inc.**, an Oregon corporation ("us"), you assign to us all business telephone numbers; business telephone and internet listings; website addresses and domain names; and business email addresses you use in the operation of the franchise. We assume the performance of all of the terms, covenants and conditions of your agreements with interested third parties concerning the above-described numbers, listings and addresses with the full force and effect as if we had been originally issued the telephone numbers, listings and addresses. We will hold this assignment, and will deliver it to interested third parties, in our discretion, only upon termination of the Franchise Agreement between us and you dated _____________________.

DATED this ___ day of _________, 20____.

("we/us"): **Mio Sushi International, Inc.**	("you"): _______________________________________
By: ______________________	By: ___________________________
Title: ______________________	Title: ___________________________
	By: ___________________________
	Title: ___________________________

Exhibit F
MIO SUSHI INTERNATIONAL, INC.
Franchise Disclosure Document

ABANDONMENT, RELINQUISHMENT, AND TERMINATION OF ASSUMED OR FICTITIOUS BUSINESS NAME

**MIO SUSHI INTERNATIONAL, INC. FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **Mio Sushi International, Inc.**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name **Mio Sushi**:

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

   ____

   ____

   a(an) individual/partnership/corporation organized and doing business under the laws of the State of

   ____

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant:

   ____

3. Address of Applicant's Registered Office in the State of: __________________

   ____

   ____

   ____

4. Please cancel the Applicant's registration to use the name **Mio Sushi.**

DATED: ______________________

____
Applicant
By:__________________
Title:_________________

Exhibit G
MIO SUSHI INTERNATIONAL, INC.
Franchise Disclosure Document

STATE LAW ADDENDUM

STATE LAW ADDENDUM

The following modifications and additions are part of the Mio Sushi Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") as required by relevant state laws.

California

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE ADDRESSES ARE www.miosushi.com and www.miofranchising.com. **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.**

FDD COVER PAGE

REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

FDD Item 17, FA Sections 5, 6, 7 and 9

(1) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

(2) 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.).

(3) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

(4) You must sign a general release 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).

(5) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, tried, heard and decided at Portland, Oregon with the costs being borne by the non-prevailing party. 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 a franchise agreement restricting venue to a forum outside the State of California.

(6) The Franchise Agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

(7) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

FDD Item 3

Response to California 10 CCR Section 310.114.1(c)(3): Neither the franchisor nor any person or franchise broker 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 that association or exchange.

FDD Item 6; Franchise Agreement Section 2.7

Late payment penalties and late charges will not exceed California's legal limit on interest rates, which is currently 10% annually.

FDD Item 11; Franchise Agreement Section 3.1

In California, we must apply only objective standards when determining whether or not you (or others) successfully complete our initial training program. We conduct observations and may conduct tests to ensure you meet our objective minimum standards, which relate to your accuracy, efficiency, and quality of performance and your knowledge of various tasks and subject matters. These tasks and subject matters may include, without limitation, the following: inventory controls (product and beverage ordering, receiving, storing, and First-In-First-Out (FIFO) procedures); location selection, build-out and equipment requirements; proprietary recipes and food preparation; operating standards; and marketing programs.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Hawaii

Paragraph 4110.01, Section 482E-6(3): Upon termination or refusal to renew the franchise the franchisee will be compensated for the fair market value, at the time of the termination or expiration of the franchise, of the franchisee's inventory, supplies, equipment and furnishings purchased from the franchisor or a supplier designated by the franchisor; provided that personalized materials which have no value to the franchisor need not be compensated for. If the franchisor refuses to renew a franchise for the purpose of converting the franchisee's business to one owned and operated by the franchisor, the franchisor, in addition to their remedies provided in this paragraph, will compensate the franchisee for the loss of goodwill. The franchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of the franchisee's inventory, supplies, equipment, and furnishings pursuant to this requirement, and may offset from such compensation any moneys due the franchisor.

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

Washington

FDD Item 17; FA Section 6 and 7

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Franchise 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.

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state law addendum for the state of ____________________, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

DATED this ____ day of _______________, 20___.

("we/us"): **Mio Sushi International, Inc.**		("you"): ____	
By:	________________________	By:	_____________________________
Title:	_______________________	Title:	_____________________________
		By:	_____________________________
		Title:	_____________________________

EXHIBIT H

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

Mio Sushi International, Inc.
2250 NW 22nd Ave., Suite 406
Portland, Oregon 97210
(503) 219-9762

I (we) hereby authorize MIO SUSHI INTERNATIONAL, INC. (the "Company") to initiate Electronic Funds Transfer charges to my (our) bank account (indicated below) for payment of my (our) monthly Royalty, Marketing and other fees owed by me (us) to the Company on or near the 5th day of each month. This Authorization will remain in full force and effect until Company receives written confirmation of termination of this Authorization via certified letter.

Financial Institution Name: ____

Account Number: ____

Branch Name: ____

Address: ____

City:________________ State:________ ZIP:_________

I further certify that I have received a copy of the Authorization for my files.

Individual Name: ____

Corporate Name: ____

Mio Sushi Store: ____

By:____

Title:____

Effective Date:____________________________

Please attach a voided blank check for verification purposes.

[VOIDED CHECK]

Exhibit I

DISCLOSURE ACKNOWLEDGMENT AND AGREEMENT

1. MIO SUSHI INTERNATIONAL, INC., an Oregon corporation ("***we/us'***") through the use of this document, desires to ascertain that ________________________ and your owners and officers ("***you***") fully understand and comprehend that the purchase of a MIO SUSHI franchise is a business decision, complete with its associated risks, and that it is our company policy to verify that you are not relying upon any oral statements, representations, promises, or assurances during the negotiations for the purchase of the franchise which have not been authorized by us.

2. You recognize that business risks, which exist in connection with the purchase of any business, make the success or failure of a MIO SUSHI franchise subject to many variables, including your skills and abilities, the hours you work, competition, interest rates, the economy, inflation, store location, operating costs, lease terms and costs, and the market place. You acknowledge your willingness to undertake these business risks.

3. You acknowledge that you received a copy of the MIO SUSHI Franchise Disclosure Document, which includes a copy of the form of MIO SUSHI Franchise Agreement and audited financials of MIO SUSHI INTERNATIONAL, INC. You acknowledge that you have personally and carefully reviewed all of this document. Furthermore, we have advised you to seek professional assistance, to have professionals review the documents, and to have them consult with you regarding the risks associated with the purchase of the franchise.

4. You represent to us that your decision to enter into this business risk is in no manner predicated upon any representations, assurances, warranties, guarantees, or promises made by us or our representatives that are not set forth in the MIO SUSHI Franchise Disclosure Document, such as representations as to the likelihood of success of the franchise. You further acknowledge that you have not received any information concerning actual, average, projected, or forecasted franchise sales, profits, or earnings except for those set forth in the MIO SUSHI Franchise Disclosure Document. If you believe that you have received any information concerning actual, average, projected, or forecasted franchise sales profits or earnings other than as set forth in the MIO SUSHI Franchise Disclosure Document, please describe these in the space provided below or write "None."

____

____

____

Acknowledged and accepted this _____ day of ________________, 20__.

FRANCHISEE:

____

EXHIBIT J

FORM OF GENERAL RELEASE

This General Release Agreement ("Agreement") is made this __ day of _________, 20__. It is among MIO SUSHI INTERNATIONAL, INC. ("Franchisor"), _____________________ and ___________________ (jointly and severally "Franchisee") and _________________ and __________________ (jointly and severally "Transferee").

On or about ____ day of ___________, 20__, Franchisor and Franchisee entered into a Mio Sushi Franchise Agreement (the "Franchise Agreement[s]") for the operation of a Mio Sushi franchise at the following location: ____________________________________.

[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer or renewal of the franchise and relevant agreement dates.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

[1. Renewal of Franchise Agreement. The parties covenant and agree:

A. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Franchise Premises must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

C. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal: ____.

D. You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the current Operations Manual and Method of Operation. This includes: ____.

E. You will attend and successfully complete the following retraining programs, and your designated operations manager(s) will attend and complete such programs, at your expense, including travel, meals, lodging, and our current training fee of $_________:____.]

[1. Franchise Transfer. The Parties covenant and agree:

A. The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination and transfer will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreement. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the Franchise Agreements, including but not limited to execution of a new franchise contract in the form currently being used by Franchisor. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

C. Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

D. All obligations of Franchisee in connection with the Franchise Agreement and the franchise are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

E. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee owes $--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

F. Franchisee is not in default in any way under the Franchise Agreement or any other agreement between it and Franchisor.

G. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of $---. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a __ percent commission on the gross transfer price (excluding the price of real property), in the amount of $__. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing Mio Sushi franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

I. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to Transferee.

J. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Franchise Premises, except as follows:

____

L. Franchisee will properly operate the franchises and maintain the Franchise Premises in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Franchise Premises.

M. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise Premises, except as follows:

____

N. Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transaction.

O. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

P. Transferee will refurbish and remodel the Franchise Premises, and will refurbish, remodel and/or replace the fixtures, equipment and signage to conform to the current Operations Manual and Method of Operation within 90 days of transfer. This includes: ____.]

[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]

[2. Franchisee to Cease Using Trade Names, Service Marks, and Logos. Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will:

A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training tapes and franchise related materials in Franchisee's custody, control or possession;
B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;
C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;
D. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property;
E. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system;]

3. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the Mio Sushi franchise operations manuals, or any other nonpublic information related to the operation of the Mio Sushi franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. Franchisee will continue to comply with all the confidentiality requirements of the Franchise Agreements.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

4. Release.

A. General. In consideration of the covenants and understandings set forth in this Agreement, Franchisee (for itself and on behalf of its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents) does release and forever discharge and covenants not to sue Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents ("***Released Parties***") from all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute (each a "***Claim***" and collectively "***Claims***"), arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties, or any of the Released Parties, arising before the date of this Agreement (except provisions in the Franchise

Agreement concerning Franchisee's obligations upon termination).

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

The purpose of this release is to make a full, final and complete settlement of all Claims against Franchisor, known or unknown, arising directly or indirectly out of the Franchise Agreement and any relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.

B. Waiver of Statute. With the advice of legal counsel, the Releasing Parties expressly waive any statute, legal doctrine or other similar limitation upon the effect of general releases. If applicable, the parties waive the benefit of California Civil Code Section 1542, which states: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

C. Franchisee's Acknowledgments. FRANCHISEE HEREBY ACKNOWLEDGES THAT FRANCHISEE HAS READ THIS RELEASE THOROUGHLY AND FULLY UNDERSTANDS IT; FRANCHISEE IS VOLUNTARILY EXECUTING THIS RELEASE; FRANCHISEE HAS BEEN GRANTED THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE BEFORE EXECUTING THIS RELEASE; AND FRANCHISEE IS AWARE THAT BY SIGNING THIS RELEASE FRANCHISEE IS WAIVING CERTAIN LEGAL RIGHTS THAT FRANCHISEE MAY HAVE AGAINST THE RELEASED PARTIES.

D. Covenant Not to Sue. Franchisee covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any of the Released Parties with respect to any Claim.

5. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees.

6. Miscellaneous.

A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.

B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.

C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.

D. Time of Essence. Time is of the essence of this Agreement.

E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.

F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in at least four hours of mediation in Portland, Oregon in accordance with the Mediation Procedures of Arbitration Service of Portland, Inc. [the US Arbitration & Mediation Service] or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

H. Governing Law and Venue. This Agreement is accepted in the State of Oregon and will be governed by the laws of Oregon, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Oregon franchise or business opportunity laws. Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in Portland, Oregon.

I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.

K. Counterparts. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, together, will constitute one and the same instrument.

L. Definition of "Including." In this Agreement, *including* means "including but not limited to" unless expressly stated otherwise.

M. Agreement Preparation and Review. This Agreement has been prepared by attorneys representing Franchisor. Franchisee and Transferee have each had opportunity to have this Agreement reviewed by attorneys of their own choice and to negotiate each and every provision in it.

IN WITNESS WHEREOF, the parties have executed this Agreement.

MIO SUSHI INTERNATIONAL, INC. ("Franchisor")

[SAMPLE FORM – DO NOT SIGN]

By:____________________

Title:__________________

("Franchisee"):

SIGNATURES OF INDIVIDUALS:

[SAMPLE FORM – DO NOT SIGN]

Signed: ________________________________

Print Name: ____________________________

NAME OF FRANCHISEE BUSINESS ENTITY: ________________________________
STATE OF FORMATION OF BUSINESS ENTITY: ________________________________

Signed By: __________________________
Title: __________________________

("Transferee"):

[SAMPLE FORM – NOT FOR SIGNATURES]

SIGNATURES OF INDIVIDUALS:

Signed: ________________________________

Print Name: ____________________________

NAME OF FRANCHISEE BUSINESS ENTITY: _________________________________
STATE OF FORMATION OF BUSINESS ENTITY: _________________________________

Signed By: __________________________
Title: __________________________

Instructions for signatures (above) for "Franchisee" and "Transferee": If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement <u>must</u> be signed by all officers and owners of the company <u>as individuals.</u>

Exhibit K
MIO SUSHI INTERNATIONAL, INC.
Franchise Disclosure Document

ACKNOWLEDGMENT OF RECEIPT

ACKNOWLEDGMENT OF RECEIPT
MIO SUSHI INTERNATIONAL, INC.

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 MIO SUSHI INTERNATIONAL, INC. 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, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode island law require delivery at the earlier of the first personal meeting or at least 10 business days, and Michigan and Wisconsin law require delivery at least 10 business days, before signing/paying.

If MIO SUSHI INTERNATIONAL, INC. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

The name, principal business address, and telephone number of each franchise seller offering the franchise follows: Sung In Kim, President, and Byung (Bryan) Min, Franchise Coach, at 2250 NW 22nd Ave., Suite 406, Portland, Oregon 97210, (503) 219-9762.

Our authorized agents for service of process are identified on Exhibit C to this Franchise Disclosure Document.

Issuance Date: ~~January 9, 2018~~January 18, 2019 and effective as of the individual state registration dates reflected on the cover page.

I have received a disclosure document dated as indicated above that included the following Exhibits:

A. Financial Statements
B. Sample Franchise Agreement
C. List of State Agents for Service of Process and State Administrators
D. Operations Manual Table of Contents
E. Conditional Assignment
F. Abandonment, Relinquishment, and Termination of Assumed Business Name
G. State Law Addendum
H. Authorization for Electronic Funds Transfer
I. Franchisee Closing Questionnaire
J. Acknowledgment of Receipt

DATED this ______ day of ________________________, 20_____.

Signatures of All Prospective Franchisees:

Signature: ____________________________ Signature: ___________________________

Print Name: ________________________________ Print Name: ___________________________

Name of Corporation/LLC/Partnership: _______________________________________

By: _________________________________
Name: _________________________________
Title: _________________________________

All individuals who will sign the franchise agreement must sign this acknowledgment. If the franchise agreement will also be executed by a corporation or limited liability company, an officer or owner authorized to receive this circular on behalf of the corporation or limited liability company must execute this acknowledgment. If the franchise agreement will be executed by a partnership, then all general partners must execute this acknowledgment as general partners and as individuals. **KEEP THIS COPY FOR YOUR RECORDS.**

ACKNOWLEDGMENT OF RECEIPT
MIO SUSHI INTERNATIONAL, INC.

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.

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By: _________________________________
Name: _________________________________
Title: _________________________________

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