

FRANCHISE DISCLOSURE DOCUMENT

SMK FRANCHISING INC.
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Sarku JAPAN®

As a franchisee, you will operate a quick service restaurant featuring a limited menu of Japanese style food.

The total investment necessary to begin operation of a franchised **SARKU JAPAN** restaurant is from \$175,300 to \$383,500, including \$31,500 to \$339,000 that you must pay the franchisor.

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 government 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 disclosure in different formats, contact our Franchise Development Department at 7650 Birchmount Road, Markham, Ontario, Canada L3R 6B9 and 1-800-668-3858.

The terms of your contract will govern your franchise relationship. Do not 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 FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies (See Exhibit A) about them.

ISSUANCE DATE: May 8, 2014

State Page

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

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

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

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

- 1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN BUFFALO, NEW YORK. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVOURABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN BUFFALO, NEW YORK THAN IN YOUR OWN STATE.**
- 2. THE FRANCHISE AGREEMENT STATES THAT DELAWARE LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
- 3. PROVISIONS REQUIRING THE FRANCHISEE TO SETTLE ALL DISAGREEMENTS IN THE STATE OF NEW YORK MAY BE SUPERCEDED BY CERTAIN STATE LAWS (SEE EXHIBIT H ADDENDUM TO FRANCHISE AGREEMENT).**
- 4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

We do not use the services of any franchise brokers, nor do we use any referral sources, to assist us in selling our franchises.

This franchise is registered in the State of Illinois effective _____.

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