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HAW
HOBSON AUDLEY HOPKINS AND WOOD
7 PILGRIM STREET, LONDON EC4V 6DR

C10 Nil
18th HAW
DATED 17th November 1997
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(1) RED HOT CONCEPTS, INC.

- and -

(2) THE CELEBRATED GROUP PLC

AGREEMENT

for the acquisition of the whole of the issued shares in
RESTAURANT HOUSE LIMITED
in consideration of the issue of ordinary shares and share options by
The Celebrated Group plc to Red Hot Concepts, Inc

Hobson Audley Hopkins & Wood
7 Pilgrim Street
London EC4V 6DR

EAJH/CELB-8/56769.07



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COMPANIES HOUSE 22/05/98

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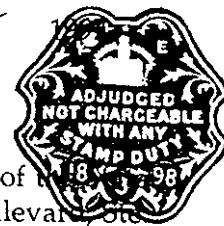
18th 11/11/98
THIS AGREEMENT is made the

day of

November

BETWEEN:

- (1) RED HOT CONCEPTS INC., a company incorporated under the Laws of Delaware whose principal place of business is at 6701 Democracy Boulevard, Suite 300, Bethesda, Maryland 20817, USA ("Red Hot"); and
- (2) THE CELEBRATED GROUP PLC registered no: 2297958, a company incorporated in England whose registered office is at 12 Kingfisher Court, Farnham Road, Slough, Berkshire SL2 1JF ("Celebrated").



RECITALS

- (A) Red Hot wishes to sell and Celebrated wishes to purchase the entire issued share capital of RESTAURANT HOUSE LIMITED ("the Company") upon the terms and conditions of this Agreement.
- (B) Red Hot is the legal and beneficial owner of all the shares in the Company shown against its name in columns (2) and (3) of Schedule 1.
- (C) The Company has no subsidiaries.
- (D) Details of the Company are set out in Schedule 2.
- (E) Details of Celebrated are set out in Part 1 of Schedule 9 and Celebrated is the legal and beneficial owner of all the shares in the companies set out in Part 2 of Schedule 9.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement (including the Schedules) except where the context otherwise requires the following definitions are used:-

"Accounts"

the audited balance sheet of the Company as at the Accounts Date and the audited profit and loss account of the Company for the relevant financial period ended on the Accounts Date including the directors' and auditors' report thereon and notes and all other documents annexed thereto;

"Accounts Date"

29th June 1997;

"Act"

the Companies Act 1985 (as amended);

"agreed draft" and "agreed form"

a draft agreed between the parties to this Agreement and initialled by them or on their behalf;

"Brinker's Confirmation"	the letter from Brinker International, Inc. in the agreed form;
"Business"	the business of the Company;
"Business Day"	a day on which clearing banks in the City of London are open for business excluding public holidays, Saturdays and Sundays;
"Circular"	the circular to Shareholders of Celebrated in accordance with the provisions of the Takeover Code to be despatched on or about 19th November 1997;
"Completion"	completion of this Agreement in accordance with Clause 5 and "Completion Date" shall mean the date of Completion;
"Conditions"	the conditions precedent to Completion set out in paragraphs 1 to 5 of Part 1 of Schedule 4 and paragraphs 1 to 3 of Part 2 of Schedule 4;
"Confidential Information"	<p>all information marked "confidential" or stated at the time of disclosure and subsequently confirmed in writing to be confidential and any information which is not publicly known used in or otherwise relating to the Company and/or its business, customers or financial or other affairs, including, without limitation, information relating to:</p> <ul style="list-style-type: none"> (i) the marketing of goods or services including, without limitation, customer names and lists and other details of customers, sales targets, sales statistics, market share statistics, prices, market research reports and surveys, and advertising or other promotional materials; (ii) future projects, business development or planning, commercial relationships and negotiations;

	(iii) Intellectual Property Rights; and
	(iv) business accounts, financial or contractual arrangements and documentation
	and all information in relation to which the Company owes a duty of confidentiality to any third party;
"Consideration "	the aggregate consideration payable for the Shares as set out in Clause 4;
"Consideration Shares"	28,000,000 (twenty eight million) new ordinary shares of 10p each in Celebrated to be allotted to Red Hot in accordance with Clause 4;
"Encumbrance"	a mortgage, charge (whether fixed or floating), pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind and whether legal or equitable, or another type of preferential arrangement (including, without limitation, a title transfer and retention arrangement) having similar effect;
"FRSs"	the financial reporting standards established by the Accounting Standards Board Limited;
"Franchise Agreement"	the development and licence agreement between Brinker International Inc. and the Company dated 15th July 1994 together with any subsequent amendments;
"Group"	shall be construed in accordance with Section 207 of the Financial Services Act 1986;
"Intellectual Property Rights"	patents, trade marks, service marks, rights (whether registered or unregistered) in any know-how, designs, applications or rights to apply for any of the foregoing, trade or business names, copyrights, rights in confidential information and any right or interest in

	any of the foregoing having equivalent or similar effect anywhere in the world;
"Interim Accounts"	the unaudited financial statements of Celebrated for the six months ended on 30th September 1997;
"Interim Accounts Date"	28th September 1997;
"Inventory"	materials and services within the meaning of "stocks and work in progress" for the purposes of SSAP No. 9 (whether in stock or agreed to be purchased) of all kinds for use or resale in the ordinary course of business including without limitation consumable stores and sales and marketing materials;
"Irrevocable Undertakings"	the irrevocable undertakings from Mr Tucker, Mrs P. Moody and Mr N. Mitchell in the agreed form to vote in favour of the resolutions to be put to shareholders of Celebrated set out in the Circular;
"London Stock Exchange"	London Stock Exchange Limited;
"Management Accounts"	the unaudited financial statements of the Company for the nine months ended 30th September, 1997;
"McGowan"	Barry McGowan of The Coach House, St Georges Court, 1 Cavendish, Cambridge CB1 4UP;
"McGowan Options"	the options granted to McGowan under the terms of an option agreement between him and the Company dated 14th November 1997;
"McGowan Release"	the release in the agreed form to be signed by McGowan;
"New McGowan Options"	the options to be granted to McGowan by Celebrated in the agreed form;
"New McGowan Service Agreement"	the service agreement to be entered into by McGowan and Celebrated in the agreed form;

"Properties"	the leasehold properties referred to in Schedule 3;
"Celebrated's Accounts"	the audited balance sheet of Celebrated as at Celebrated's Accounts Date and the audited profit and loss account of Celebrated for the financial period ended on Celebrated's Accounts Date and the consolidated accounts for Celebrated and Celebrated's Subsidiaries as at Celebrated's Accounts Date including the directors' and auditors' report thereon and notes and all other documents annexed thereto;
"Celebrated Accounts Date"	30th March 1997;
"Celebrated's Business"	the business of Celebrated;
"Celebrated's Accountants"	Robson Rhodes of Bryanston Court, Selden Hill, Hemel Hempstead, Hertfordshire HP2 4TN;
"Celebrated's Disclosure Letter"	the letter of even date in the agreed form from Celebrated to Red Hot which has been countersigned by Red Hot;
"Celebrated's Group"	Celebrated and any holding company of Celebrated and any of the subsidiaries from time to time of Celebrated or of any holding company of Celebrated;
"Celebrated's Properties"	The properties referred to in Part 1 of Schedule 11;
"Celebrated's Solicitors"	Hobson Audley Hopkins & Wood, 7 Pilgrim Street, London EC4V 6DR;
"Celebrated's Subsidiaries"	the subsidiary undertaking of Celebrated set out in Part 2 of Schedule 9;
"Celebrated's Warranties"	the representations, warranties and undertakings on the part of Celebrated set out in Parts 1 and 2 of Schedule 7 subject in each case to limitations contained in this Agreement and Part 3 of Schedule 7;
"Shares"	4,800,000 issued ordinary shares of £1 each, fully paid being the entire issued share capital of the Company;

"subsidiary"	shall be construed in accordance with Sections 736 and 736A of the Act;
"subsidiary undertaking"	shall be construed in accordance with Section 258 of the Act;
"Takeover Code"	the City Code on Takeovers and Mergers;
"Taxation"	all forms of tax, duty or other fiscal imposition whenever and by whatever authority imposed and whether of the United Kingdom or elsewhere, including (without limitation) income tax, corporation tax, advance corporation tax, capital gains tax, inheritance tax, value added tax, customs duties, local authority council taxes, stamp duty, stamp duty reserve tax, national insurance and social security or other contributions, and any interest, penalty, fine or surcharge in connection with any such taxation;
"Taxes Act"	the Income and Corporation Taxes Act 1988;
"Tax Covenant"	the tax deed to be entered into pursuant to this Agreement in the form of the agreed draft;
"TCGA"	the Taxation of Chargeable Gains Act 1992;
"Trade Marks"	the registered trade marks licensed to the Company details of which are set out in Schedule 10;
"VATA"	the Value Added Tax Act 1994;
"Red Hot's Accountants"	Moore Stephens of St. Paul's House, Warwick Lane, London EC4P 4BN;
"Red Hot's Disclosure Letter"	the letter of even date in the agreed form from Red Hot to Celebrated which has been countersigned by Celebrated;
"Red Hot's Option"	has the meaning given to it in paragraph 2 of Schedule 8;

"Red Hot's Solicitors"

SJ Berwin & Co, 222 Grays Inn Road,
London WC1X 8HB;

"Warranties"

the representations, warranties and undertakings on the part of Red Hot which are set out in Parts 1 and 2 of Schedule 6, subject in each case to limitations contained in this Agreement and Part 3 of Schedule 6.

- 1.2 Any reference to an enactment (or subordinate legislation or any rule made by a local authority and having the effect of law) is a reference to it as already amended and includes a reference to any repealed enactment which it may re-enact with or without amendment.
- 1.3 Unless there is something in the subject or context inconsistent therewith:-
 - 1.3.1 words importing the singular include the plural and vice versa;
 - 1.3.2 words importing any gender shall include all genders; and
 - 1.3.3 words importing individuals shall include corporations or unincorporated bodies of persons and partnerships.
- 1.4 The headings in this Agreement shall not affect its interpretation.
- 1.5 References to Clauses, Paragraphs, Schedules, Annexures and Attachments are to clauses, paragraphs, schedules, annexures and attachments to this Agreement.
- 1.6 Any reference to times of the day are to London time.
- 1.7 References to parties to this Agreement include their respective permitted assignees and/or their respective successors in title to substantially the whole of their respective undertakings.

2. CONDITIONAL AGREEMENT

- 2.1 This Agreement other than Clause 9 (Costs), Clause 11 (general) and Clause 13 (governing law) shall have no effect and no party will have any liability under it (except in respect of any prior breach) unless on or before 31st December 1997 all of the Conditions have been satisfied in full or waived (a waiver being permissible only by the agreement in writing of Red Hot and Celebrated jointly).
- 2.2 On exchange of this Agreement:-
 - 2.2.1 Red Hot shall deliver or procure to be delivered to Celebrated or Celebrated's Solicitors:-
 - 2.2.1.1 Red Hot's Disclosure Letter;

- 2.2.1.2 a copy of Celebrated's Disclosure Letter acknowledged as having been received by Red Hot; and
- 2.2.1.3 the Brinker's Confirmation;
- 2.2.1.4 Certificates of Title in the agreed form on the properties specified in paragraphs 1 and 2 of Schedule 3 and Reports on Title in the agreed form on the properties specified in paragraphs 3 and 4 of Schedule 3.
- 2.2.2 signed board minutes approving the entering into this Agreement;
- 2.2.3 Celebrated shall deliver or procure to be delivered to Red Hot or Red Hot's Solicitors:
 - 2.2.3.1 Celebrated's Disclosure Letter;
 - 2.2.3.2 a copy of Red Hot's Disclosure Letter acknowledged as having been received by Celebrated;
 - 2.2.3.3 signed board minutes approving the entering into this Agreement;
 - 2.2.3.4 the Irrevocable Undertakings;
- 2.2.4 Celebrated shall use its best endeavours to send the Circular to all its shareholders within 14 days of the date hereof;
- 2.2.5 Celebrated and McGowan shall enter into the New McGowan Options and the New McGowan Service Agreement and McGowan shall enter into the McGowan Release.

3. SALE OF SHARES

- 3.1 Red Hot shall on Completion sell the Shares with full title guarantee and Celebrated shall purchase the Shares upon and subject to the terms and conditions of this Agreement.
- 3.2 Celebrated shall acquire good legal and beneficial title to the Shares free from Encumbrances and together with all rights which now are or at any time hereafter may become attached to them.

4. CONSIDERATION

- 4.1 The consideration for the sale of the Shares shall be the aggregate of:-
 - 4.1.1 the allotment to Red Hot of the Consideration Shares, such Consideration Shares to be issued credited as fully paid. The Consideration Shares shall rank pari passu in all respects with the fully paid ordinary shares of 10p each in Celebrated which are in issue at the date of this Agreement and shall rank in full for dividends

from 1st April 1997 but shall not rank in full for the final dividend to be paid on ordinary share capital of Celebrated in respect of the period ended on Celebrated's Accounts Date; and

4.1.2 the grant of Red Hot's Option.

5. COMPLETION

- 5.1 The sale and purchase of the Shares shall be completed at the offices of Celebrated's Solicitors immediately following the satisfaction (or waiver) of all of the Conditions, but in any event by no later than 31st December 1997.
- 5.2 At Completion:-
 - 5.2.1 Red Hot shall deliver or procure to be delivered to Celebrated or Celebrated's Solicitors those items set out in Paragraph 1 of Schedule 5;
 - 5.2.2 Red Hot shall procure that those matters specified in Paragraph 2 of Schedule 5 are effected at or with effect from Completion;
 - 5.2.3 Celebrated shall deliver or procure to be delivered to Red Hot or to Red Hot's Solicitors who shall receive the same as agent for Red Hot whose receipt shall be an absolute discharge of Celebrated and shall be binding upon and conclusive against Red Hot those items set out in Paragraph 3 of Schedule 5;
 - 5.2.4 Celebrated shall procure that those matters specified in Paragraph 4 of Schedule 5 are effected at or with effect from Completion.
- 5.3 Red Hot shall procure that during the period from the execution of this Agreement until Completion the Company shall:-
 - 5.3.1 carry on the Business in the ordinary course in all material respects in the manner in which it has been carried on prior to the date of this Agreement;
 - 5.3.2 not enter into any material contract, commitment or obligation other than in the ordinary and normal course of business or institute any significant change in the management or policy of the Business;
 - 5.3.3 not, without the prior written consent of Celebrated (not to be unreasonably withheld or delayed), sell, assign, lease or otherwise transfer, release or dispose of any interest in any of its assets other than in the ordinary course of the Business;
 - 5.3.4 give Celebrated such access to all books and records of the Company as Celebrated may reasonably require and permit Celebrated to attend all meetings concerned with the conduct of the Business and to put forward the views of Celebrated regarding the same;

- 5.3.5 ensure that the Company does not issue any shares in the capital of the Company or grant any options over any Shares in the capital of the Company that are not set out in Schedule 2.
- 5.4 During the period from the execution of this Agreement until Completion Red Hot shall consult with Celebrated in relation to the material conduct of the Business.
- 5.5 Celebrated shall procure that during the period from the execution of this Agreement until Completion it shall:-
- 5.5.1 carry on Celebrated's Business in the ordinary course and in all material respects in the manner in which it has been carried on prior to the date of this Agreement;
- 5.5.2 not enter into any material contract, commitment or obligation other than in the ordinary and normal course of business or institute any significant change in the management or policy of Celebrated's Business;
- 5.5.3 not, without the prior written consent of Red Hot (not to be unreasonably withheld or delayed) sell, assign, lease or otherwise transfer, release or dispose of any interest in any of its assets other than in the ordinary course of Celebrated's Business or other than any disposal of Llyndir Hall Hotel, or the properties owned by Celebrated at Chorley and Deansgate;
- 5.5.4 give Red Hot such access to all books and records of Celebrated as Red Hot may reasonably require and keep Red Hot reasonably informed of all matters which are material to the conduct of Celebrated's Business;
- 5.5.5 ensure that Celebrated does not issue any shares in the capital of itself or grant any options over any Shares in the capital of itself that are not set out in Schedule 9.
- 5.6 During the period from execution of this Agreement until completion Celebrated shall consult with Red Hot in relation to the material conduct of Celebrated's Business.
- 5.7 Nothing in this Agreement shall be deemed to limit or restrict the rights of Celebrated to seek specific performance or an injunction as a result of any failure by Red Hot to comply with its obligations under Clauses 5.3 or 5.4, but without prejudice to any other rights conferred on Celebrated under any other provision of this Agreement, Celebrated shall not be entitled to rescind this Agreement or to seek damages or other compensation from Red Hot as a result only of any such non-compliance by Red Hot as aforesaid.
- 5.8 Nothing in this Agreement shall be deemed to limit or restrict the rights of Red Hot to seek specific performance or an injunction as a result of any failure by Celebrated to comply with its obligations under Clauses 5.5 or 5.6, but without prejudice to any other rights conferred on Red Hot under any other provisions

of this Agreement, Red Hot shall not be entitled to rescind this Agreement or to seek damages or other compensation from Celebrated as a result only of any such non-compliance by Celebrated as aforesaid.

6. **WARRANTIES**

- 6.1 Red Hot hereby warrants, represents and undertakes to Celebrated in terms of the Warranties, at the date of this Agreement (only), with the intention of inducing Celebrated to enter into this Agreement and acknowledge that Celebrated was induced to enter into this Agreement on the basis of and in reliance upon the Warranties.
- 6.2 The Warranties are subject to the information fairly disclosed in Red Hot's Disclosure Letter and liability under the Warranties is limited in accordance with Part 3 of Schedule 6. No letter, document or other communication shall be deemed to constitute a disclosure for the purposes of the Warranties unless the same is accepted as such by Celebrated and is expressly included in Red Hot's Disclosure Letter.
- 6.3 The rights and remedies of Celebrated in respect of the Warranties shall continue and subsist and not be affected by Completion.
- 6.4 Where any of the Warranties is qualified by the expression "to the best of the knowledge, information and belief of Red Hot" or "so far as Red Hot is aware" or any similar expression that Warranty is deemed to include an additional statement that it has been made after reasonable enquiry (which shall include, without limitation, reasonable enquiry of the Company's auditors and its other professional advisers) unless otherwise stipulated in Schedule 6.
- 6.5 Except as otherwise expressly provided for in the Warranties or Red Hot's Disclosure Letter each of the Warranties is to be construed independently of the others and is not limited by reference to any of the others.
- 6.6 Except in the case of fraud, Red Hot waives and may not enforce a right which it may have against the Company or a director, officer or employee of or to the Company in respect of a misrepresentation, inaccuracy or omission in or from information or advice supplied or given by any such persons for the purpose of assisting Red Hot to give a Warranty or prepare Red Hot's Disclosure Letter.
- 6.7 All sums payable by Red Hot in respect of a claim under the Warranties shall be paid free and clear of all deductions or withholdings unless the deduction or withholding is required by law.
- 6.8 If any such deduction or withholding is required by law or any payment in respect of the Warranties shall be liable to Taxation Red Hot shall pay such additional amount as shall be required to ensure that the net amount received by Celebrated will equal the full amount which would have been received by it had no such Taxation liability been incurred or deduction or withholding made.

7. PROTECTION OF GOODWILL

- 7.1 Red Hot shall not during the period from the date hereof and expiring 2 years after Completion ("the Restraint Period") have any Interest (hereafter defined) in any restaurant (a "Competing Restaurant") in the United Kingdom that is in the casual dining market segment of the restaurant industry and has an image identical or deceptively similar to the Image (hereafter defined).
- 7.2 For the purposes of Clause 7.1 above:-
- 7.2.1 "Interest" in a restaurant includes to own, maintain, develop, operate, advise, help or lend money to that restaurant, whether directly or indirectly (included but not limited to through any member of Red Hot's Group); and
- 7.2.2 "Image" means the Trade Marks and the distinctive appearance and ambience of Chilli's Grill & Bar Restaurants comprising its distinctive trade dress, including but not limited to the general menu layout, the core menu items, design, fit-out, awnings, tile table tops, lamps over table tops, photo package, floor tiles, booth seating, colour schemes and signs in each case as at Completion.
- 7.3 Red Hot shall not before the expiry of 18 months from Completion directly or indirectly solicit or endeavour to entice away, offer employment to or employ, or offer or conclude any contract for services with any person occupying a senior or managerial position who was employed by the Company on exchange of this Agreement or at Completion and who is likely (in the opinion of Celebrated) to be:-
- 7.3.1 in possession of Confidential Information; or
- 7.3.2 able to influence relationships with customers, employees of the Company, or its key suppliers.
- 7.4 Subject to Clause 7.5, after Completion Red Hot shall:-
- 7.4.1 not use or disclose to any person Confidential Information it has or acquires; and
- 7.4.2 make all reasonable efforts to prevent the use or disclosure of Confidential Information.
- 7.5 Clause 7.4 (Confidential Information) does not apply to:-
- 7.5.1 disclosure of Confidential Information to a director, officer or employee of Celebrated or the Company whose function requires him to have the Confidential Information provided that Red Hot shall itself not disclose such Confidential Information if received from such director, officer or employee in breach of their fiduciary duties;
- 7.5.2 use or disclosure of Confidential Information required to be used or disclosed by law or the London Stock Exchange;

- 7.5.3 disclosure of Confidential Information to a legal or other professional adviser for the purpose of advising Red Hot provided that Red Hot shall procure that such advisers maintain the Confidential Information as strictly confidential;
- 7.5.4 Confidential Information which becomes publicly known except by Red Hot's breach of Clauses 7.3 or 7.4; or
- 7.5.5 disclosure of Confidential Information which is made available to Red Hot in its capacity as a shareholder of Celebrated (save where such Confidential Information is made available to shareholders of Celebrated by Red Hot in breach of any obligation of confidentiality owed by Red Hot).
- 7.6 Red Hot acknowledges:-
 - 7.6.1 that each of the foregoing Clauses of this Clause constitutes an entirely separate and independent restriction;
 - 7.6.2 that the duration, extent and application of each of the restrictions are no greater than is necessary for the protection of the goodwill of the Business and the value of the Shares; and
 - 7.6.3 that the covenants and undertakings contained in this Clause 7 are reasonable and are entered into for the purpose of protecting the goodwill of the Business of the Company and that accordingly the benefit of the covenants and undertakings may be assigned by Celebrated and its successors in title without the consent of Red Hot.
- 7.7 In the event that any of the restrictions contained in this Clause 7 shall be found to be void but would be valid if some part thereof were deleted or the period or area of application reduced, such restriction shall apply with such modification as may be necessary to make it valid and effective.

8. ANNOUNCEMENTS

Except to the extent required by law or the London Stock Exchange or the Panel on Take-overs and Mergers or the United States Securities and Exchange Commission, no announcement, circular or other publicity relating to any matter referred to in this Agreement shall be made or issued by or on behalf of Red Hot or Celebrated without the prior written approval of the other (such approval not to be unreasonably withheld or delayed).

9. COSTS

- 9.1 Subject to Clauses 9.2, 9.3 and 9.4 below, Celebrated shall pay the legal and accountancy costs, charges and expenses connected with all due diligence and the negotiation, preparation and implementation of this Agreement set out in Parts 1, 3, 5, 6 and 7 of Schedule 12 and all stamp duty on the transfer of the Shares.

9.2 Subject to Clause 9.4 below if the Conditions set out in Part 1 of Schedule 4 have not been satisfied unconditionally in full by 31st December 1997 and Completion does not occur by that date, Celebrated shall pay to Red Hot an amount equal to the costs set out in Parts 2, 3, 4 and 5 of Schedule 12.

9.3 If the Conditions set out in Part 2 of Schedule 4 have not been satisfied unconditionally in full by 31st December 1997 and Completion does not occur by that date Red Hot shall pay to the Purchaser an amount equal to the costs set out in Parts 1, 6 and 7 of Schedule 12.

9.4 In the event that:-

9.4.1 the Conditions specified in paragraph 1 of Part 1 of Schedule 4 are not satisfied, but Celebrated has sent out the Circular to its Shareholders by not later than 14 days after the date of this Agreement containing a recommendation from its directors to vote in favour of the resolutions set out in the notice convening the extraordinary general meeting; or

9.4.2 the Conditions specified in paragraph 2 of Part 1 of Schedule 4 are not satisfied, but Celebrated has prepared and submitted to the London Stock Exchange an application for the Consideration Shares to be admitted to trading on the Alternative Investment Market

then the amount payable by Celebrated to Red Hot under Clause 9.2 will be limited to £125,000

10. RESTRICTIONS ON DISPOSAL OF CONSIDERATION SHARES

10.1 Red Hot shall not without the prior written consent of Celebrated sell, transfer or otherwise dispose of any of the Consideration Shares or the Option Shares (as defined in Schedule 8) allotted pursuant to exercise of Red Hot's Option or any shares derived from any of such shares within 12 months of Completion. For the purposes of this Clause shares derived from the Consideration Shares or the Option Shares include shares derived by way of consolidation, subdivision, reduction, conversion, capitalisation, bonus, script dividends, rights issue, rights offer or otherwise.

10.2 Without prejudice to the restriction contained in Clause 10.1, Red Hot hereby undertakes not to dispose of, or agree to dispose of, any Consideration Shares or Option Shares (as defined in Schedule 8) or any interest in any Consideration Shares or Option Shares for a period of 3 years from Completion unless such disposal is effected through the Company's nominated broker and in such manner as such broker may require with a view to the maintenance of an orderly market in the Company's ordinary shares.

11. GENERAL

11.1 This Agreement when taken together with the documents in the agreed form (or the executed engrossments of them) constitutes the entire agreement and understanding between the parties with respect to all matters herein referred to.

- 11.2 No variation of this Agreement or any of the agreed drafts shall be valid unless it is in writing and signed by or on behalf of each of the parties.
- 11.3 As far as it remains to be fulfilled this Agreement will continue in full force and effect notwithstanding Completion.
- 11.4 This Agreement may be executed in one or more counterparts.
- 11.5 If at any time any one or more of the provisions hereof is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not be in any way affected or impaired thereby.
- 11.6 Without affecting the automatic termination of this Agreement under Clause 2.1 in the event that all the Conditions are not satisfied or waived as provided for in that Clause, neither of the parties shall have a right (whether before or after Completion) to rescind or terminate this Agreement or to delay performance of its obligations under this Agreement or under the provisions of the Misrepresentation Act 1967, the Unfair Contract Terms Act 1977 or for any other reason whatsoever.
- 11.7 The rights and obligations of the parties under this Agreement shall be personal to the parties and not capable of being dealt with, encumbered, assigned or transferred.
- 11.8 Each of the parties acknowledges that it has not entered into this Agreement in reliance on any statement or representation, whether or not made by any other party, except insofar as the same has been incorporated into this Agreement.
- 12. FURTHER ASSURANCES**
- 12.1 At any time after Completion Red Hot shall at its own expense execute all such documents and do such acts and things as Celebrated may reasonably require for the purpose of vesting in Celebrated the full legal and beneficial title of the Shares and giving to Celebrated the full benefit of this Agreement.
- 12.2 At any time after Completion Celebrated shall at its own expense procure the execution of all such documents and do such acts and things as Red Hot may reasonably require for the purpose of vesting in Red Hot the full legal and beneficial title of the Consideration Shares and Red Hot's Options and giving to Red Hot the full benefit of this Agreement.
- 13. GOVERNING LAW**
- This Agreement shall be governed in all respects by English law and the parties hereto irrevocably submit to the non-exclusive jurisdiction of the English Courts.
- 14. NOTICES**
- 14.1 A notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post

pre-paid recorded delivery or by fax to the party due to receive the notice or communication, at its address set out in this Agreement or another address specified by that party by written notice to the other.

14.2 In the absence of evidence of earlier receipt, a notice or other communication is deemed given:-

14.2.1 if delivered personally, when left at the address referred to in Clause 14.1;

14.2.2 if sent by mail, two days after posting it;

14.2.3 if sent by fax, on completion of its transmission.

15. CELEBRATED'S WARRANTIES

15.1 Celebrated hereby warrants and represents and undertakes to Red Hot in terms of Celebrated's Warranties as at the date of this Agreement (only) with the intention of inducing Red Hot to enter into this Agreement and acknowledges that Red Hot was induced to enter into this Agreement on the basis of and in reliance upon Celebrated's Warranties.

15.2 Celebrated's Warranties are subject to the information fairly disclosed in Celebrated's Disclosure Letter and liability under Celebrated's Warranties is limited in accordance with Part 2 of Schedule 7. No letter, document or other communication shall be deemed to constitute a disclosure for the purposes of Celebrated's Warranties unless the same is accepted as such by Red Hot and is expressly included in Celebrated's Disclosure Letter.

15.3 The rights and remedies of Red Hot in respect of Celebrated's Warranties shall continue and subsist and not be affected by Completion.

15.4 Where any of Celebrated's Warranties is qualified by the expression "to the best of the knowledge, information and belief of Celebrated" or "so far as Celebrated is aware" or any similar expression that Celebrated's Warranty is deemed to include an additional statement that it has been made after reasonable enquiry (which shall include, without limitation, reasonable enquiry of Celebrated's Accountants and its other professional advisers) unless otherwise stipulated in Schedule 7.

15.5 Except as otherwise expressly provided for in Celebrated's Warranties or Celebrated's Disclosure Letter each of Celebrated's Warranties is to be construed independently of the others and is not limited by reference to any of the others.

15.6 Except in the case of fraud, Celebrated waives and may not enforce a right which it may have against a director, officer or employee of Celebrated in respect of a misrepresentation, inaccuracy or omission in or from information or advice supplied or given by any such persons for the purpose of assisting Celebrated to give any of Celebrated's Warranties or prepare Celebrated's Disclosure Letter.

- 15.7 In Part 1 of Schedule 7 references to "Celebrated" shall apply to Celebrated and each of Celebrated's Subsidiaries severally so that Celebrated's Warranties are given in respect of each such company individually.
- 15.8 All sums payable by Celebrated in respect of a claim under Celebrated's Warranties shall be paid free and clear of all deductions or withholdings unless the deduction or withholding is required by law.
- 15.9 If any such deduction or withholding is required by law or any payment in respect of Celebrated's Warranties shall be liable to Taxation Celebrated shall pay such additional amount as shall be required to ensure that the net amount received by Red Hot will equal the full amount which would have been received by it had no such Taxation liability been incurred or deduction or withholding made.

AS WITNESS the hands of the parties hereto or their duly authorised representatives the day and year first before written

SCHEDULE 1

Red Hot and the Shares

(1) Name of Red Hot	(2) No. of ordinary shares of £1 each held in the Company	(3) No. of ordinary shares of £1 each to be sold
Red Hot Concepts, Inc.	4,800,000	4,800,000

SCHEDULE 2

Details of the Company

The Company

Name of Company:	Restaurant House Limited
Registered Number:	2908208
Date of Incorporation:	14th March 1994
Registered Office:	41 Vine Street, London EC3N 2AA
Directors:	Colin Halpern
Secretary:	Anthony Derek Betley
Accounting Reference Date:	31st December
Auditors:	Moore Stephens, St. Paul's House, Warwick Lane, London EC4P 4BN
Authorised share capital:	£5,000,000 divided into 4,800,000 Ordinary Shares of £1 each and 2,000,000 'A' Ordinary Shares of 10p each
Issued share capital:	4,800,000 Ordinary Shares of £1 each
Charges:	Mortgage Debenture between the Company and National Westminster Bank PLC dated 16th April 1996 Legal Mortgage between the Company and National Westminster Bank PLC dated 17th April 1996 Legal Mortgage between the Company and National Westminster Bank PLC dated 16th May 1996 Charge Over Credit Balances between the Company and National Westminster Bank PLC dated 3rd June 1996 Legal Mortgage between the Company and National Westminster Bank PLC dated 20th May 1997
Shares under Option:	Mr McGowan 192,000 'A' Ordinary Shares
Subsidiaries:	None

SCHEDULE 3

The Properties

Leaseholds

	Address	Legal and Beneficial Owner	Tenure Details	Current Rent Review
1.	Ground and part first floor Abbey Gate House 164/167 East Road Cambridge	The Company	20 years from 25.12.95	£150,000 p.a.
2.	Unit R 2:300 Cabot Place Canary Wharf London E14 4QS	The Company	25 years from 01.07.95	£69,120 p.a. plus 7.5% of gross turnover to the extent that exceeds 10 times the basic rent
3.	Unit 9, 10 and 11 Municipal College House London Road Southend-on-Sea	The Company	Agreement for lease dated 29.02.96 for term of 35 years	Lease yet to be granted - initial rent - £120,000 p.a.
4.	Unit R 2:100 Cabot Place Canary Wharf London E14 4QS	The Company	Agreement for lease dated 20 July 1995 for 25 years	Lease yet to be granted - (initial rent until 9 months after the tenant enters into occupation a peppercorn) and thereafter £44,835 p.a plus 7.5% of gross turnover to the extent that exceeds 10 times the basic rent

SCHEDULE 4

Conditions

Part 1

Celebrated's Conditions

1. The Circular being sent to shareholders of Celebrated.
2. Effective resolutions being passed at an extraordinary general meeting of Celebrated to give effect to the terms of this Agreement:-
 - (i) increasing the authorised share capital of Celebrated by the creation of additional ordinary shares of 10p each;
 - (ii) authorising the allotment of the Consideration Shares pursuant to Section 80 of the Act;
 - (iii) authorising the directors of Celebrated to allot equity securities otherwise than pursuant to Section 89 of the Act;
 - (iv) approving the terms of the acquisition of the Company by Celebrated;
 - (iv) releasing Red Hot from any obligation to make a mandatory offer under the provisions of Rule 9 of the City Code on Take-overs and Mergers as a result of the issue of the Consideration Shares and/or Option Shares to Red Hot under this Agreement, and/or the issue of any shares in Celebrated McGowan under the New McGowan Option.
3. The Consideration Shares being admitted to trading on the Alternative Investment Market of the London Stock Exchange and such admission having become effective in accordance with the rules of the London Stock Exchange.
4. No breach of any of the terms of Clause 5.5.5 having occurred.
5. No event (save where Red Hot has consented in writing to any such event), fact or circumstances having occurred which renders materially untrue, inaccurate or misleading any of Celebrated's Warranties given on the date of this Agreement or which would render materially untrue, inaccurate or misleading any of Celebrated's Warranties if they were repeated immediately prior to Completion and which in either case (assuming for these purposes (but not otherwise) and if applicable that Celebrated's Warranties were to be repeated on Completion) which gives rise to Red Hot being entitled to make a relevant claim for an amount in excess of £150,000 taking into account the limitations of liability set out in Clause 15 and Schedule 7.

Part 2 Red Hot's Conditions

1. No breach of any of the terms of Clause 5.3.5 having occurred.
2. No fact or matter having arisen which would give rise to Celebrated being entitled to make a relevant claim under the Tax Covenant for an amount which when aggregated with the amount (if any) of any claim under paragraph 3 below would exceed £150,000 if the Tax Covenant had been entered into on the date of this Agreement taking into account the limitations of liability set out in Clause 6.2 and Part 3 of Schedule 6.
3. No event (save where Celebrated has consented in writing to any such event), fact or circumstance having occurred which renders materially untrue, inaccurate or misleading any of the Warranties given on the date of this Agreement or which would render materially untrue, inaccurate or misleading any of the Warranties if they were repeated immediately prior to Completion and which in either case (assuming for these purposes (but not otherwise) and if applicable that the Warranties were to be repeated on Completion) would give rise to Celebrated being entitled to make a relevant claim for an amount which when aggregated with the amount (if any) of any claim under paragraph 2 above would exceed £150,000 taking into account the limitations of liability set out in Clause 6 and Part 3 of Schedule 6.

SCHEDULE 5

Completion Formalities

1. Items To Be Delivered By Red Hot

At Completion Red Hot shall deliver or procure to be delivered to Celebrated or Celebrated's Solicitors:-

- 1.1 duly executed transfers into the name of Celebrated or its nominee in respect of the Shares together with definitive certificates for them;
- 1.2 the Tax Covenant duly executed by Red Hot;
- 1.3 any other documents which may be necessary to give good legal and beneficial title to the Shares (including any power of attorney under which any document required to be delivered under this Paragraph 1 has been executed or signed);
- 1.4 the certificate of incorporation, any certificates of incorporation on change of name, share registers and share certificate books (with any unissued share certificates) of the Company;
- 1.5 all deeds and documents (including plans and consents) relating to the Properties (which are held by the Company);
- 1.6 releases of the Shares from all fixed and floating charges (if any);
- 1.7 an executed power of attorney in favour of Celebrated or its nominee(s) generally in respect of all the Shares and which enables Celebrated or its nominee(s) to attend and vote at general meetings of the Company;
- 1.8 a certificate signed by a director of Red Hot and addressed to Celebrated confirming that all debts and accounts between the Company and members of Red Hot's Group have been fully paid;
- 1.9 notice of resignation of Messrs. Moore Stephens as auditors of the Company (which shall have been deposited at its registered office in accordance with Section 392 of the Act containing the statements required under Section 394 of the Act);
- 1.10 a copy of the board minutes referred to in Paragraph 2; and
- 1.11 the Certificates of Title and Reports on Title referred to in Clause 2.2.1.4 of this Agreement.

2. Matters To Be Procured By Red Hot

- 2.1 At Completion Red Hot shall procure that a meeting of the directors of the Company is held at which the following business is transacted:-

- 2.1.1 the directors of the Company shall approve for registration the transfers of the Shares to Celebrated or its nominees (subject only to their being duly stamped);
- 2.1.2 the directors of the Company shall approve and authorise the signing of new bank mandates for all bank accounts of the Company and of the Company's Subsidiaries in the agreed form;
- 2.1.3 Mr G. Tucker and Mrs P. Moody shall be appointed as additional directors of the Company;
- 2.1.4 the secretary of the Company shall resign and execute as a Deed a waiver in the agreed form of any claims whatsoever which he may have against the Company and Mrs P. Moody shall be appointed in his place;
- 2.1.5 there shall be tabled the notice of resignation of Messrs. Moore Stephens as auditors of the Company (which shall have been deposited at its registered office in accordance with Section 392 of the Act containing the statements required under Section 394 of the Act) and Messrs. Robson Rhodes shall be appointed in their place;
- 2.1.6 the situation of the registered office of the Company shall be changed to that of the registered office of Celebrated;
- 2.1.7 a release duly executed as a deed, in a form satisfactory to Celebrated, releasing the Company from any liability whatsoever (actual or contingent) which may be owing to Red Hot or any person connected with them (as defined in Section 839 Income and Corporation Taxes Act 1988) by the Company; and
- 2.1.8 the accounting reference date of the Company shall be changed to that of Celebrated.

3. Items To Be Delivered By Celebrated

At Completion Celebrated shall deliver or procure to be delivered to Red Hot or to Red Hot' Solicitors whose receipt shall be an absolute discharge of Celebrated and shall be binding upon and conclusive against each of Red Hot' Solicitors:-

- 3.1 certificates for the Consideration Shares;
- 3.2 the counterpart of the Tax Covenant duly executed by Celebrated;
- 3.3 duly executed guarantee to Brinker International, Inc. in respect of the obligations of the Company under the terms of the Development and Licence Agreement dated 15th July, 1994;
- 3.4 a copy of the board minutes referred to in Paragraph 4.

4. **Matters to be Procured by Celebrated**

4.1 At Completion Celebrated shall procure that a meeting(s) of the directors of the Company is/are held at which the following business is transacted:

4.1.1 approval and execution of the Tax Covenant;

4.1.2 the allotment and issue of the Consideration Shares;

4.1.3 the appointment of C. Halpern and B. McGowan as additional directors of Celebrated.

SCHEDULE 6

The Warranties

PART I - GENERAL WARRANTIES

1. Recitals and Schedules

The Recitals and Schedules 1 and 2 to this Agreement are true and accurate.

2. Accounts

2.1 General

The Accounts:-

- 2.1.1 give a true and fair view of the assets and liabilities and state of affairs of the Company as at the Accounts Date and its profits for the financial period ended on the Accounts Date;
- 2.1.2 have been prepared and audited in accordance with generally accepted accounting practice including all applicable SSAPs and FRSs and generally accepted accounting standards and principles and no changes in the bases or policies of accounting have been made by the Company for any of financial periods preceding the Accounts Date;
- 2.1.3 comply with the requirements of the Act and any other relevant statutes;
- 2.1.4 have not been (and neither have the results shown by the audited profit and loss accounts of the Company for the preceding financial period) affected by any extraordinary, exceptional or non-recurring item.

2.2 Provision for Liabilities etc.

The Accounts make adequate provision or adequate reserve for or adequately disclose all depreciation, liabilities and capital commitments of the Company (whether actual, contingent, deferred, disputed, unquantified or otherwise and whether or not the Company has a right of reimbursement from any third party) outstanding at the Accounts Date (including any deferred Taxation) and make adequate provision or reserve for all bad or doubtful debts.

2.3 Profits

The profits shown in the audited profit and loss accounts of the Company for the financial period ended on the Accounts Date have not (except as therein disclosed) to a material extent been affected by any extraordinary or exceptional item or by any other factor rendering such profits for all or any of such years unusually high or low.

2.4 Asset Valuations

No amount included in the Accounts in respect of any asset, whether fixed or current, exceeds its purchase price or production cost (within the meaning of the Act, Schedule 4) or (in the case of current assets) its net realisable value on the Accounts Date and there has been no revaluation of any fixed assets since their acquisition.

2.5 Stock

2.5.1 The basis of valuing raw materials, work-in-progress, finished parts and Inventory included in the Accounts is in accordance with the relevant SSAPs.

2.5.2 Obsolete items of finished parts, work-in-progress, raw materials and Inventory have been wholly written off and any of such items which are slow moving have been written off to the extent that such items represent in excess of one year's usage and the value attributed to the remaining items of raw materials, work-in-progress, finished parts and Inventory included in the financial and other material records provided by, or on behalf of, Red Hot does not exceed the lower of cost and net realisable value.

2.6 Management Accounts

A true copy of the Management Accounts of the Company for the period ended on 29th September 1997 are annexed to Red Hot's Disclosure Letter and the Management Accounts in the agreed form have been prepared in accordance with the Company's normal practice on a consistent basis and Red Hot believes them to be materially accurate and Red Hot does not consider them materially misleading.

2.7 Accounting Reference Date

The Company has notified to the Registrar of Companies 31st December as being its accounting reference date pursuant to the Companies Act 1985 and has not at any time notified the Registrar of Companies of any other date.

3. Finance

3.1 Debts

3.1.1 Red Hot has no reason to believe that the material part (being all less £20,000) of all book and other debts which may be outstanding at Completion will save insofar as a provision has been made in the Accounts or Management Accounts therefor be good and collectable in the ordinary course of business and in any event not later than three months after Completion; no debt has been factored and no debtor has been released by the Company on terms that he pays less than the book value of his debt and no debt owing to the Company has been deferred, subordinated or written off or has proved irrecoverable.

- 3.1.2 So far as Red Hot is aware, there are no circumstances which indicate that any of the debts owing to the Company at the date hereof and which were not fully written off or fully provided against in the Accounts may prove to be irrecoverable to any material extent.
- 3.1.3 No single debtor owes to the Company an amount or amounts in aggregate greater than 5% of the total of all debts owing to the Company.
- 3.1.4 No debtor is entitled to credit terms in excess of 40 days from date of invoice.
- 3.1.5 The carrying value of trade debtors is materially consistent with that in all preceding accounting periods. Bad or doubtful debts, including all debts that have been outstanding for 90 days or more, have been adequately provided for in the Accounts.

3.2 Off Balance Sheet Financing

The Company has not engaged in any financing (including without prejudice to the generality of the foregoing the incurring of any borrowing or any indebtedness in the nature of borrowing including without limitation liabilities in the nature of acceptances or acceptance credits) of a type which would not be required to be shown or reflected in the Accounts.

3.3 Borrowings and Guarantees

3.3.1 Bank Account

A statement of all the bank accounts of the Company and of the credit or debit balances on such accounts as at a date not more than 7 days before the date hereof is annexed to Red Hot's Disclosure Letter. The Company has no other bank or deposit accounts (whether in credit or overdrawn) and since that statement there have been no payments out of any such accounts except for those in the ordinary course of business and the balances on current account are not now substantially different from the balance shown on such statements.

3.3.2 Other Indebtedness

Details of all borrowings or other indebtedness owed by the Company to third parties (other than in respect of normal trade credit and debit balances on bank accounts) in excess of £20,000 are listed in Red Hot's Disclosure Letter.

3.3.3 Repayment

The Company has received no notice to repay under any agreement relating to any borrowing or indebtedness in the nature of borrowing on the part of the Company which is repayable on demand and there has not occurred any event of default under any agreement relating to

any other borrowing or indebtedness in the nature of borrowing on the part of the Company which could give rise to a relevant claim in excess of £10,000.

3.3.4 Third Party Obligations

The Company is not a party to and is not liable (including, without limitation, contingently or otherwise) under a guarantee, indemnity or other agreement or arrangement to secure or incur a financial or other obligation with respect to another person's obligations.

3.3.5 Third Party Guarantees

No part of the loan capital, borrowing or indebtedness in the nature of borrowing of the Company is dependent on the guarantee or indemnity of, or security provided by, another person.

4. **Business Since Accounts Date**

4.1 Borrowings and Trading

Since the Accounts Date:-

- 4.1.1 the Company has carried on business in the ordinary and usual course so as to maintain it as a going concern without entering into any transaction assuming any liability or making any payment which is not in the ordinary course of its business;
- 4.1.2 the Company has not borrowed or lent any money or taken any financial facility;
- 4.1.3 the Company has paid its creditors within the time agreed with such creditors and there are no debts outstanding by the Company which have been due for more than 6 weeks;
- 4.1.4 other than in the ordinary course of business the Company has not entered into or agreed to enter into any capital commitments;
- 4.1.5 no share or loan capital has been issued or agreed to be issued by the Company;
- 4.1.6 other than in the ordinary course of business no capital expenditure has been incurred and no commitments of a capital nature have been entered into;
- 4.1.7 the Business has not been materially adversely affected by the loss of any sources of supply and (so far as Red Hot is aware, having made no enquiry) there are no circumstances which are likely to give rise to any such effect; and
- 4.1.8 no provision or reserve included in the Accounts has proved to be inadequate in the light of subsequent circumstances and (so far as

Red Hot is aware) there are no circumstances which indicate that any such provision or reserve may prove to be inadequate; and

4.1.9 details of all creditors to whom greater than £20,000 is owed by the Company are listed in Red Hot's Disclosure Letter.

4.2 Distributions

Since the Accounts Date no dividend has been declared or paid out and no distribution of capital within the meaning of Sections 209 or 210 of the Taxes Act has been made or agreed to be made in respect of any share capital of the Company and no management charge has been or is to be levied against the Company and no loan (otherwise than in the ordinary course of day to day business) or loan capital has been repaid in whole or part and no payment for group relief has been made by the Company.

4.3 Material adverse changes

Since the Accounts Date there has been no material adverse change, being a change in excess of £35,000, in the working capital position or cashflow of the Company or in the financial or trading position of the Company.

5. **Assets**

5.1 Title

All of the assets included in the Accounts (including all book debts owed to the Company) and all of the assets acquired by the Company since the Accounts Date and all other assets used or employed by the Company are legally and beneficially owned by the Company and are free from any Encumbrance save for the assets disclosed in Red Hot's Disclosure Letter as being held under a leasing, hire or hire purchase agreement or agreement for payment on deferred terms or conditional sale agreement or rental agreement and there are annexed to Red Hot's Disclosure Letter copies of any such agreements which require payments by the Company in excess of £3,000 per year.

5.2 Plant and Machinery, etc.

5.2.1 All the plant, machinery, equipment and vehicles of the Company are in a reasonable state of repair and have been reasonably maintained and, where appropriate, are and will on Completion be adequately licensed and insured and none is dangerous or in need of renewal or replacement (reasonable wear and tear excepted);

5.2.2 The records of plant and machinery of the Company comprise a complete and accurate record of all plant, machinery, equipment or vehicles owned or possessed by it and there are no outstanding commitments for capital expenditure other than replacements and normal purchases of plant and equipment in the ordinary course of business.

5.2.3 Where applicable, the Company owns or has a valid licence to use each material asset necessary for the effective operation of the Business.

5.3 Inventory

5.3.1 The Company's stock-in-trade and Inventory is of satisfactory quality and there have been no abnormal losses in the stock of the Company through theft, breakages, damage or otherwise and all such stock has been stored in suitable conditions for stock of its kind and the Company's stock-in-trade and Inventory is adequate in relation to the current trading requirements of the Business and is capable of being sold by the Company in the ordinary course of Business.

5.3.2 The quantities of Inventory will not be materially less at Completion than at the Accounts Date.

5.4 Title Retention

The Company has not acquired or agreed to acquire any material asset on terms that property therein does not pass until full payment is made.

6. **Intellectual Property Rights**

6.1 No licence, permission or other right has been granted to the Company by any third party in respect of any Intellectual Property Rights other than in respect of the Intellectual Property Rights in the Trade Marks and/or confidential information (the "Licensed Intellectual Property"); the agreements relating to the Licensed Intellectual Property details of which are contained in Red Hot's Disclosure Letter contain all the terms relative to the use by the Company of the same.

6.2 There are no Intellectual Property Rights, of which Red Hot is aware, of whatsoever nature which are capable of registration within the UK which have not been so registered or vested and the Licensed Intellectual Property comprises all the Intellectual Property Rights which are necessary to enable the Business fully and effectively to be carried on as it has been carried on up to the date of this Agreement.

6.3 The Company has not done or omitted to do any act, matter or thing in respect of any Licensed Intellectual Property or in respect of any agreement relating to any Licensed Intellectual Property which would or might impinge upon the validity or enforceability of the same or upon the right of the Company to use the same in relation to the Business nor are there any outstanding obligations of the Company or of any other person whether as to payment or otherwise which if left outstanding would or might so impinge.

6.4 The Company has not granted and is not obliged to grant any licences of, nor are there any subsisting agreements under which the Company has granted to any person any right or interest under or in connection with the Licensed Intellectual Property.

- 6.5 So far as Red Hot is aware none of the Licensed Intellectual Property is the subject of any claim, opposition, assertion, infringement, attack, right, action or other restriction or arrangement of whatsoever nature which does or may impinge upon the validity, enforceability or ownership of the same by the Company or the use of the same (or any part of the same) howsoever by the Company and so far as Red Hot is aware there are no grounds, facts or circumstances that may give rise to such.
- 6.6 So far as Red Hot is aware, none of the activities of the Business infringes any right of any other person relating to any Intellectual Property Rights or involves the unlicensed use of information confidential to a third party or gives rise to a liability for any royalty or similar payment other than by virtue of an agreement relating to the Licensed Intellectual Property.

7. **Information Technology**

7.1 Computers

All the computers and computer systems owned by the Company or used by or on behalf of the Company (including software, peripherals, communication links and storage media):-

- 7.1.1 are in satisfactory operating order and are fulfilling the purposes for which they were acquired or established in an efficient manner without material downtime or errors;
- 7.1.2 have reasonably adequate security, back-ups, duplication, hardware and software support and maintenance (including emergency cover) and trained personnel to ensure:-
- 7.1.2.1 that breaches of security, errors and breakdowns are kept to a minimum; and
- 7.1.2.2 that no material disruption will be caused to the business of the Company or any material part thereof in the event of a breach of security, error or breakdown;
- 7.1.3 are under the sole control of the Company, are located in premises within the United Kingdom owned by the Company, are not shared with or used by or on behalf of or accessible by any other person and (save for software licensed to the Company) are owned by the Company.

7.2 Third Parties

No person is in a position, by virtue of his rights in, knowledge of or access to any of the computer systems and databases used and operated by the Company or any part of them (including software) lawfully to prevent or impair the proper and efficient functioning of the computer system or databases or to demand any payment in excess of any current licence fee or in excess of reasonable remuneration for services rendered, or to impose any

onerous condition, in order to preserve the proper and efficient functioning of the computer system in the future.

7.3 Data Protection

7.3.1 The Company is not registered and is not required to be registered as a data user nor as a computer bureau under the Data Protection Act 1984 and no individual has claimed, or will have a right to claim, compensation from the Company under that Act.

8. Insurances

8.1 The Company has and at all material times has had valid adequate and proper insurances in respect of its assets and business against all risks which are normally insured against by other companies owning or possessing similar assets or carrying on similar businesses.

8.2 Details of all the Company's insurance policies are contained in Red Hot's Disclosure Letter.

8.3 On Completion the Company will be the beneficiary under and will have in full force and effect the policies of insurance details of which are contained in Red Hot's Disclosure Letter and, so far as Red Hot is aware, the Company has not done or omitted to do or suffered anything to be done or not to be done which has or might render any policies of insurance taken out by it void or voidable.

8.4 Claims

No claim has been received by the Company which is outstanding under any policies of insurance of the Company and so far as Red Hot is aware, no matter exists which will give rise to a claim under any of the said policies.

9. Commercial Arrangements

9.1 Material Contracts

Red Hot's Disclosure Letter refers to all contracts which have been entered into by the Company which are material to the Business ("a Material Contract").

9.2 Other Matters

9.2.1 There is not outstanding:-

9.2.1.1 any option, right to acquire, mortgage, charge, pledge, lien, equity or other Encumbrance on the whole or any part of the undertaking, property or assets of the Company; or any agreement or commitment to give or create any of the foregoing and no claim has been made by any person to be entitled to any of the foregoing;

- 9.2.1.2 any agreement which requires or may require or confers any conditional or unconditional right to require the issue of any share or loan capital of the Company now or at any time in the future or any option to subscribe for or acquire or any agreement to put under option any share or loan capital of the Company;
- 9.2.1.3 any agreement or arrangement where the Company is a party to any joint venture, consortium or any partnership or profit sharing arrangement or agreement;
- 9.2.1.4 any liability statutory or otherwise whatsoever on the part of the Company to any person who is or has been a director or employee;
- 9.2.1.5 any contract for hire or rent, hire-purchase or purchase by way of credit sale or periodical payment in respect of movable or personal property;
- 9.2.1.6 any guarantee or contract for indemnity or for suretyship whether entered into by the Company in respect of the obligations of others or by others in respect of the obligations of the Company;
- 9.2.1.7 any contract for agency or for distributorship or management agreement;
- 9.2.1.8 any agreement, contract or arrangement entered into by the Company otherwise than in the ordinary and usual course of the Business and by way of bargain at arm's length;
- 9.2.1.9 an agreement, arrangement or obligation which so far as Red Hot is aware, the Company cannot comply with on time or without undue or unusual expenditure of money or effort;
- 9.2.1.10 any purchase contract including, without limitation, any forward purchase contract for the supply of raw materials which is onerous or which is unusual in the nature of the type of contract itself or the Business.

9.2.2 Red Hot is not aware that the other contracting party to a Material Contract is in material default thereunder.

9.2.3 So far as Red Hot is aware, the Company is not in material default of a Material Contract to which it is a party.

9.3 Powers of Attorney

There are not outstanding any powers of attorney given by the Company except in any debenture of the Company or any other authority (express

implied or ostensible) which is still outstanding or effective to any person to enter into any contract or commitment or do anything on its behalf.

9.4 Substantial Suppliers

9.4.1 There is not outstanding any agreement or arrangement between the Company and a major (that is to say representing more than five per cent of the turnover of the Company) distributor or supplier of the Company.

9.4.2 During the year ending on the date of this Agreement no substantial supplier of the Company (that is to say representing more than five per cent of the turnover of the Company) has:-

9.4.2.1 stopped, or indicated an intention to stop, trading with or supplying the Company;

9.4.2.2 reduced, or indicated an intention to reduce, substantially its trading with or supplies to the Company; or

9.4.2.3 changed, or indicated an intention to change, substantially the terms on which it is prepared to trade with or supply the Company (other than normal price and quota changes)

9.5 Grants etc.

9.5.1 The Company is not liable to repay an investment or other grant or subsidy made to it by a body (including, without limitation, the Department of Trade and Industry or its predecessor).

9.5.2 No matter (including, without limitation, the execution and performance of this Agreement) exists which might entitle a body to require repayment of, or refuse an application by the Company for, the whole or part of a grant or subsidy.

9.6 Commissions etc.

No person is entitled to receive from the Company a finder's fee, brokerage or commission in connection with this Agreement or anything contained in it.

9.7 Franchise Agreement

9.7.1 Red Hot's Disclosure Letter contains a certified copy of the Franchise Agreement. So far as Red Hot is aware, neither Brinker International Inc. or the Company are in default of any terms under the Franchise Agreement and Red Hot is not aware of any fact, matter or thing likely to give rise to such a default. In addition, so far as Red Hot is aware, neither Brinker International Inc. or the Company are in default of any terms under any Licence Agreement (as defined in the Franchise Agreement) and Red Hot is not aware of any circumstances likely to give rise to such a default;

- 9.7.2 There is not outstanding any payment (including licence fees or royalties) to be made by the Company pursuant to the Franchise Agreement or pursuant to any Licence Agreement (as defined in the Franchise Agreement);
- 9.7.3 At the date of this Agreement, the Company has complied in all material respects with the Development Schedule, as defined in Clause 5.1 of the Franchise Agreement;
- 9.7.4 Red Hot is not aware of any reason why the Franchise Agreement could be terminated as a result of the sale and purchase hereby effected.

10. Arrangements with Connected Persons

- 10.1 There is not outstanding:-
 - 10.1.1 any loan made by the Company to, or debt owing to the Company by Red Hot or any directors of any Company or any person connected with any of them as described in Section 839 of the Taxes Act;
 - 10.1.2 any agreement or arrangement to which the Company is a party and in which Red Hot or any director of the Company or any persons connected with any of them as described in Section 839 of the Taxes Act is interested;
 - 10.1.3 any agreement or arrangements between the Company and any company of which it is a subsidiary or another subsidiary of any such company (including but not limited to any such agreement or arrangements under which the Company is or may in future become liable to pay any service, management or similar charge or to make any payment of interest or in the nature of interest).

11. Litigation and Compliance

11.1 General

- 11.1.1 Neither the Company nor any person for whose acts the Company may be vicariously liable is engaged in litigation or arbitration or administrative proceedings which are in progress or are threatened or pending by or against or concerning the Company or a person for whom the Company may be vicariously liable or any of its assets and Red Hot is not aware of any facts which are likely to give rise to litigation or arbitration or administrative proceedings in which the Company might become involved.
- 11.1.2 Neither the Company nor, so far as Red Hot is aware (having made no enquiry), any of its officers or employees by any act or default have committed:-
 - 11.1.2.1 any criminal or unlawful act in connection with the Business other than minor road traffic offences;

11.1.2.2 any breach of trust in relation to the business or affairs of the Company;

11.1.2.3 any breach of contract or statutory duty or any tortious act which could entitle any third party to terminate any contract to which the Company is party or could lead to a claim against the Company for damages or an injunction.

11.2 Conduct of Business

So far as Red Hot is aware the Company has conducted Business in all material respects in accordance with all applicable laws, regulations and codes of conduct (whether statutory or otherwise) of the United Kingdom and any relevant foreign country and Red Hot has not received any notice that any governmental or official investigation or enquiry concerning the Company is in progress or threatened.

12. Competition Law

12.1 The Company is not a party to any agreement (as defined in the Restrictive Trade Practices Act 1976 ("the RTPA") which has been furnished to the Director General of Fair Trading as provided for in the RTPA or which is or was subject to registration pursuant to the RTPA and which has not been so furnished.

12.2 Red Hot has not at any time received any process, notice, communication or any formal or informal request for information with reference to any actual or proposed agreement, arrangement, concerted practice, trading policy or body (wherever situated) whose task it is to investigate, report or decide upon matters relating to monopolies, mergers or anti-competitive agreements or practices nor has the Company received notice that it has been the subject of any report, decision, order, judgement or injunction made, taken or obtained by any of the foregoing persons or bodies and nor has the Company given (whether directly or indirectly) any undertakings or assurances to any of those persons or bodies.

12.3 The Company has not received written notice that it is a party to any agreement, practice or arrangement which, in whole or in part, contravenes the provisions of the Trade Descriptions Acts 1968 to 1972 or the Consumer Credit Act 1974.

13. Subsidiaries and Associates

The Company has no subsidiaries or subsidiary undertakings (and has never had) and has never been a subsidiary or subsidiary undertaking of any other company (other than Red Hot) nor does the Company own any shares or stock in the capital of or have any beneficial interest in any other company or business organisation nor does the Company control or take part in the management of any other company or business organisation nor is the Company (nor has it ever been) a member of any partnership or unincorporated company or association.

14. Corporate Organisation

14.1 Share Capital

Schedule 2 contains true particulars of the authorised and issued share capital of the Company and all shares shown there have been properly issued and allotted and are in issue fully paid and are beneficially owned and registered as set out therein free from any Encumbrance.

14.2 Options etc.

Other than as shown in Schedule 2, no person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, issue, sale, redemption or transfer of any share or loan capital of the Company under any option or other agreement (including conversion rights and rights of pre-emption).

14.3 Memorandum and Articles

The copy of the Memorandum and Articles of Association of the Company annexed to Red Hot's Disclosure Letter is true accurate and complete and has embodied thereon or annexed thereto a copy of every such resolution or agreement as is referred to in Section 380 of the Act and neither the Company nor any class of its members has passed any resolution (other than resolutions relating to business at annual general meetings which was not special business). The Company is operating and has always operated the Business in all respects in accordance with its Memorandum and Articles of association at the relevant time.

14.4 Company's Accounts and Records

14.4.1 All accounts, books, ledgers and financial records, including for the avoidance of doubt, the fixed assets register of the Company:-

14.4.1.1 have been properly and accurately maintained in all material respects and are up to date in all material respects, are in the possession of the Company and contain true and accurate records of all matters required by law to be entered therein;

14.4.1.2 do not contain any material inaccuracies or discrepancies.

14.4.2 No notice or allegation that any of the said records is incorrect or should be rectified has been received by the Company.

14.5 General

14.5.1 The Company:-

14.5.1.1 does not have any branch or place of business outside England or any permanent establishment outside the United Kingdom;

14.5.1.2 has the right, power and authority to conduct the Business as conducted at the date of this Agreement; and

14.5.1.3 has the power to carry on the Business and the Business has at all times been carried on intra vires by the Company.

14.6 Returns

All returns, particulars, resolutions and other documents required under the Act or any other applicable legislation to be delivered on behalf of the Company to the Registrar of Companies or to any other authority whatsoever have been properly made and delivered.

14.7 Rectification

No member, former member or other person has made or given notice to the Company of their intention to make an application for rectification of the register of members of the Company.

15. Insolvency

15.1 Winding-Up Petition etc.

No order has been made or petition presented or resolution passed for the winding-up or administration of the Company or Red Hot nor has any distress, execution or other process been levied (by notice to the Company) against the Company or action taken (by notice to the Company) to repossess goods in the Company's possession and the Company has not stopped any payment and neither the Company nor Red Hot is insolvent (or will become insolvent as a result of completion of the sale of the Shares) or unable to pay its debts for the purposes of the Insolvency Act 1986.

15.2 Receivership etc.

No receiver, administrative receiver or administrator has been appointed of the whole or any part of the assets or undertaking of the Company or Red Hot and Red Hot is not aware of any circumstances likely to give rise to the appointment of any such receiver, administrative receiver or administrator.

15.3 Court Judgement

There is no unsatisfied judgement or court order outstanding against the Company.

15.4 Striking Off

No action is being taken by the registrar of companies to strike the Company off the register under Section 652A of the Act.

16. Capacity and Interests of Red Hot

- 16.1 RED HOT has the requisite power and authority to enter into and perform its obligations under this Agreement.
- 16.2 The execution and delivery of and the performance by Red Hot of its respective obligations under this Agreement will not:-
 - 16.2.1 result in a breach of, or constitute a default under, any agreement, instrument or arrangement to which Red Hot or the Company is a party or by which Red Hot or the Company is bound;
 - 16.2.2 result in a breach of any order, judgment or decree of any Court or governmental agency to which Red Hot or the Company is a party or by which Red Hot or the Company is bound.
 - 16.2.3 so far as Red Hot is aware, Red Hot or any person connected with Red Hot does not have any interest, direct or indirect, in any business which competes with the Business.
 - 16.2.4 so far as Red Hot is aware, Red Hot is not entitled to any claim of any nature against the Company or any of its officers, employees or suppliers and Red Hot has not assigned to any third party the benefit of any such claim to which he was previously entitled.
 - 16.2.5 so far as Red Hot is aware, none of the Shares was or is, or represents assets which were or are, the subject of a transfer at an undervalue (within the meaning of the Insolvency Act 1986, Section 238 or Section 339) since the incorporation of the Company, including without limitation, as a result of any transaction contemplated by this Agreement.

17. The Agreement

- 17.1 Compliance with the terms of this Agreement will not and does not:-
 - 17.1.1 relieve any person of any obligation over the Company or enable any person to determine any such obligation or result in the creation, imposition, crystallisation or enforcement of any encumbrance on any of the Company's assets;
 - 17.1.2 contravene any agreement or arrangement entered into or binding on the Company and any third party or give any third party the right of termination or any option;
 - 17.1.3 result in any present or future indebtedness to the Company becoming due and payable prior to its stated maturity.

18. Employment

- 18.1 General

- 18.1.1 All appropriate notices have been issued under all statutes, regulations and codes of conduct relevant to the relations between the Company and its employees, prospective employees or any trade unions and the Company has maintained adequate and suitable records regarding the service of its employees.
- 18.1.2 The Company has not entered into any collective agreement or arrangement (whether legally binding or not,) with a trade union, works council, staff association or association of trade unions or other body representing any of its employees nor has it done any act which might be construed as recognising such a union or body.

18.2 Terms and Conditions

- 18.2.1 Full particulars are contained in Red Hot's Disclosure Letter of the terms and conditions upon which all directors and employees of the Company (and their dependants) carrying remuneration at a rate in excess of £25,000 per annum] shall be employed at Completion, including, without limitation, details of all participation, profit sharing, incentive, bonus, commission, share option, medical, permanent health insurance, directors and officers insurance, travel, car, redundancy and other benefit schemes, arrangements and understandings and whether legally binding upon the Company or not and of all consultancy agreements with the Company with remuneration in excess of £25,000 which are in place at Completion.
- 18.2.2 No changes to any of the agreements referred to in paragraph 18.2.1 above (including any increases in emoluments) have been made or proposed since the Accounts Date nor will any such changes be made to the same up to Completion.
- 18.2.3 There is not in existence any contract of employment with directors or employees of the Company (or any contract for services with any individual) which cannot be terminated by three months' notice or less or (where such a contract has not been reduced to writing) by reasonable notice without giving rise to a claim for damages or compensation (other than a statutory redundancy payment or statutory compensation for unfair dismissal).
- 18.2.4 No promise has been made and the Company is not obliged to increase the emoluments payable to or to vary the terms of service of any of its directors, other officers and employees.
- 18.2.5 There are not outstanding offers of employment or consultancy made by the Company and there is no one who has accepted an offer of employment or consultancy made by the Company but who has not yet taken up that employment or consultancy.

18.3 Disputes and Transfers

- 18.3.1 The Company has not been engaged or involved in any trade dispute (as defined in Section 218 of the Trade Union and Labour Relations

(Consolidation) Act 1992) with any employee, trade union, staff association or any other body representing workers and no event has occurred which could or might give rise to any such dispute and no industrial action involving employees of the Company, official or unofficial, is now occurring or threatened nor has any industrial relations or employment matters been referred either by the Company or its employees or by any trade union representing any of its employees to ACAS for advice, conciliation or arbitration.

- 18.3.2 The Company has not since its incorporation acquired or entered into any agreement which involved or may involve it acquiring any undertaking or part of one such that the Transfer of Undertakings (Protection of Employment) Regulations 1981 applied or may apply thereto.

18.4 Liabilities

- 18.4.1 There are no amounts owing or promised to any present or former directors, employees or consultants of the Company other than remuneration accrued due or for reimbursement of business expenses and no directors, employees or consultants of the Company have given or been given notice terminating their contracts of employment or consultancy.
- 18.4.2 No liability has been incurred by the Company (a) for breach of any contract of service or for redundancy payments (including protective awards) or for compensation for wrongful dismissal or unfair dismissal or for compensation for discrimination on the grounds of sex, race or disability or for failure to comply with any order for the reinstatement or re-engagement of any employee or for the actual or proposed termination or suspension of employment or variation of any terms of employment of any present or former employee of the Company or (b) in respect of any payment to be made or benefit to be provided to any present or former director, employee or consultant of the Company in connection with the sale of the Shares or (c) for the breach of or the termination or variation of any contract for services or consultancy agreement for any present or former consultant to the Company.
- 18.4.3 No gratuitous payment has been made or promised by the Company in connection with the sale of the Shares or in connection with the actual or proposed termination or suspension of employment or variation of any contract of employment of any present or former director or employee or in connection with the proposed termination or suspension or variation of any contract for services or consultancy agreement.
- 18.4.4 There are no claims pending or threatened against the Company:-
- 18.4.4.1 by a present or former employee, director, consultant or third party, in respect of an accident or injury which is not fully covered by insurance; or

18.4.4.2 by a present or former employee, director or consultant in relation to his terms and conditions of employment or (as the case may be) consultancy.

18.5 Compliance with laws

The Company has in relation to each of its employees (and so far as relevant to each of its former employees and persons seeking employment) complied with:-

- 18.5.1 all laws and codes of conduct and practice relevant to the relations between it and its employees, prospective employees or any trade union;
- 18.5.2 all collective agreements and customs and practices for the time being dealing with the terms and conditions of service of its employees; and
- 18.5.3 all relevant orders, declarations and awards made under any relevant law or code of conduct and practice affecting the conditions of service of its employees.

18.6 Redundancies

The Company has not within a period of one year preceding the date of this Agreement given notice of any redundancies to the Secretary of State or started consultations with any independent trade union or association of unions.

18.7 Leaving the Company

No senior employee of the Company or employee material to the Business of the Company has ceased to be employed by the Company (other than through death or retirement at normal retirement age) during the twelve months prior to the date hereof.

18.8 Commissions

There are no agreements, arrangements or schemes in operation by or in relation to the Company whereunder any of its employees or officers and/or former employees or officers and/or their relatives and dependants is entitled to shares or a commission or remuneration of any kind calculated by reference in whole or in part to turnover, profits or sales.

19. Pensions, Gratuities Etc.

- 19.1 There is no liability whatsoever to make payment to or for the benefit of any director or employee or ex-director or ex-employee or the wife or widow or any other relative of any director, ex-director, employee or ex-employee of the Company in respect of past service retirement, death or disability by way of pension contribution, pension retirement benefit lump sum, gratuity or otherwise;

- 19.2 The Company has no superannuation fund, retirement benefit or other pension schemes or arrangements.

20. **Properties**

- 20.1 With the exception of the Properties (as described in Schedule 3) the Company does not own use or occupy any other land or building whether under licence or otherwise and the Properties are the only properties in which the Company has any right title or interest.
- 20.2 The descriptions of the Properties are true and accurate and not misleading.
- 20.3 There is no actual or contingent liability on the part of the Company in relation to any real property other than the Properties (including any actual or contingent liability as previous lessee or underlessee or guarantor or surety or covenantor in relation to any lease or underlease).
- 20.4 So far as Red Hot is aware the information provided by Red Hot in the preparation of the certificates of title and reports on title provided by Red Hot's solicitors in respect of the Properties is true and accurate in all respects.
- 20.5 So far as Red Hot is aware (having made no specific enquiry for the purposes of giving this warranty) the Company will acquire a good and marketable title to the Properties at Basildon, Southend-on-Sea and Cabot Place (Unit R2:100) upon completion of the relevant agreements for lease.

PART 2 - TAX WARRANTIES

1. Adequacy of Provision for Taxation

The provisions for Taxation including provisions for deferred tax included in the Accounts have been made in accordance with generally accepted accounting principles and will be sufficient (on the basis of the rates of tax current at the date of this Agreement) to cover all Taxation for which the Company was at the Accounts Date liable and in particular (but without prejudice to the generality of the foregoing) will be sufficient to cover such Taxation on or in respect of or by reference to any profit, gains or income (including deemed profits gains or income) for any accounting period ended on or before the Accounts Date.

2. Due and Punctual Payment of Tax

2.1 The Company has duly and punctually paid all tax to the extent that the same ought to have been paid and is under no liability to pay any fine penalty or interest or to give any security in connection therewith.

2.2 In particular (but without prejudice to the generality of the foregoing):-

2.2.1 the Company has made under deduction of tax all payments to any person which ought to have been made under deduction of tax (with particular reference to Sections 134, 348 to 350 and 524 of the Taxes Act) and has (if required by law to do so) accounted to the Inland Revenue for the tax so deducted;

2.2.2 the Company has properly operated the P.A.Y.E. system and all National Insurance Contributions and sums payable to the Inland Revenue and the Department of Social Security under the P.A.Y.E. system (including ex gratia payments and compensation for loss of office) (Section 148 of the Taxes Act) benefits in kind (Sections 154 to 168G of the Taxes Act) due and payable by the Company up to the date hereof have been paid;

2.2.3 the Company has duly paid all tax shown to be due to the Inland Revenue by all returns required to be made under Schedule 13 to the Taxes Act (advance corporation tax);

2.2.4 prior to Completion all documents to which the Company is a party or to the production of which the Company is entitled which are necessary to establish the title of the Company to any asset and which attract stamp duty in the United Kingdom or elsewhere have been properly stamped and the appropriate stamp duty has been paid and all duty payable in respect of the capital of the Company has been paid and the Company has duly paid any stamp duty reserve tax for which it has at any time been liable.

3. **Complete and up-to-date Accounts, Returns, Clearances, etc.**

The Company has and at Completion will have duly and punctually made all returns, given all notices and accounts and supplied all other information which are required by law to have been made given or supplied for the purpose of and in respect of Taxation in the United Kingdom and elsewhere, to the Inland Revenue, H.M. Commissioners of Customs and Excise or to any other governmental authority (including any governmental authority of a foreign jurisdiction) and has and at Completion will have kept and maintained all records invoices and other documents which ought to have been kept or maintained for such purposes and:-

- 3.1 all such information, returns, accounts, notices, records, invoices and other documents were and are and at Completion will be up-to-date, accurate in all material respects and made on the proper basis and are not, nor, so far as Red Hot is aware, is likely to be, the subject of any dispute with the Inland Revenue, H.M. Commissioners of Customs and Excise or other appropriate authorities concerned;
- 3.2 the Company has not since its incorporation been the subject of a back duty, PAYE or other audit or investigation by the Inland Revenue or H.M. Commissioners of Customs and Excise (or other similar authority outside the United Kingdom);
- 3.3 all clearances and consents obtained by the Company from H.M. Treasury, the Inland Revenue, H.M. Commissioners of Customs and Excise or other authority whether in the United Kingdom or elsewhere have been obtained after full complete and accurate disclosure of all material facts and considerations and so far as Red Hot is aware no such clearance or consent is liable to be withdrawn, modified or rendered void; and
- 3.4 since its incorporation the Company has not made any claims or elections under taxation legislation on a provisional basis.

4. **Disclosure**

Fair disclosure has been made by Red Hot to Celebrated:-

- 4.1 of all bonus issues, redeemable share issues and repayments and re-organisations of capital since the incorporation of the Company;
- 4.2 of the identity of all companies in the same group (as defined in TCGA Section 170) as the Company;
- 4.3 of the Company's claims for the use of capital allowances as at the date hereof;
- 4.4 of any agreements or arrangements between the Company and the Inland Revenue for the creation of any special arrangements (being arrangements which are not based on a strict and detailed application of the relevant legislation or pursuant to published Inland Revenue practice or extra statutory concession); and

- 4.5 of all payments made to the Company, since the Accounts Date, to which Section 601 Taxes Act applies (pension scheme surpluses: payments to employers).
5. **Trading Losses and Advance Corporation Tax**
- 5.1 The amount of trading losses available to the Company for carry forward as at the Accounts Date have not been agreed with the Inland Revenue but the amount of such trading losses will not be less than £1,500,000.
- 5.2 Nothing has been done which might cause the disallowance of the carry forward of trading losses or advance corporation tax under the provisions of Section 768 or Sections 245, 245A and 245B of the Taxes Act (and the sale of the Shares hereby will not cause any such disallowance) nor have the activities of the Company become small or negligible for the purposes of either of those Sections.
- 5.3 All of the Company's trading losses are available for carry-forward under Section 393 of the Taxes Act.
6. **Deductibility of Payments to or for the Benefit of Directors or Employees**
- All remuneration and other sums (including any payments made directly or indirectly in consideration or in consequence of, or otherwise in connection with, the termination of the holding of any office or employment) paid or due to be paid and all benefits provided or to be provided to directors of the Company is or are (on the basis of taxation legislation in force at the date hereof) deductible for corporation tax purposes, either in computing the profits of the Company or in computing the corporation tax chargeable on the Company;
7. **Distributions**
- 7.1 The Company has not since its incorporation made any distribution within the meaning of Sections 209 (General definition of "distribution"), 210 or 211 (Bonus issue following repayment of share capital) of the Taxes Act except as provided for in its audited accounts nor is the Company bound to make any such distribution.
- 7.2 The Company has not paid any capital distribution in respect of its shares.
8. **Franked Investment Income**
- 8.1 The Company has not received and will not receive before Completion any franked investment income.
- 8.2 The Company has made no claim under Sections 242 or 243 of the Taxes Act (surplus franked investment income).
9. **Capital Allowances**
- 9.1 No grants or subsidies within the meaning of Section 153 CAA 1990 have been received by the Company in respect of assets on which it has claimed capital allowances.

- 9.2 All plant or machinery which is affixed to land or buildings of which the Company is the owner in fee simple is deemed to belong to the Company by virtue of the provisions of Sections 51-59 (inclusive) of the Capital Allowances Act 1990 (capital allowances for fixtures).
- 9.3 The Company has not incurred or agreed to incur any expenditure to which Section 42 of the Capital Allowances Act 1990 applies or could apply.
- 9.4 All necessary conditions for all capital allowances (as defined by Section 832 of the Taxes Act) claimed by the Company were at all material times satisfied and remain satisfied and the Company is not liable for any balancing charge or in damages by virtue of any breach of the said conditions.

10. Corporation Tax on Chargeable Gains

- 10.1 For the purposes of corporation tax on chargeable gains the Company has not disposed of any assets to which Sections 48 and 280 (consideration due after time of disposal) of the TCGA 1992 or Section 19 and Schedule 11, paragraph 2 (assets disposed of in a series of transactions) applies.
- 10.2 The Company has not made any claim or election under Section 161 (appropriation of trading stock) or Schedule 2 (elections concerning assets held on 6th April 1965) of the TCGA.
- 10.3 The cost of acquisition for the purposes of corporation tax on chargeable gains to the Company of each of the leasehold properties (excluding leasehold improvements and fixtures and fittings) of the Company is not less than the book value of that asset as provided for in the Accounts.
- 10.4 The Company has not acquired any material asset otherwise than by way of bargain at arm's length from an unconnected person.
- 10.5 So far as the Vendor is aware the Company has not disposed of or acquired any assets in circumstances such that the provisions of Sections 17, 51, 125 or 282 TCGA could apply to such disposal or acquisition.
- 10.6 So far as Red Hot is aware there has been no transaction involving the Company (other than the present transaction) to which any of Sections 126-134, 175 or 247 TCGA (replacement of assets) or Sections 135 and 136 (company reconstructions and amalgamations) TCGA, Section 171 (intra-group transfers) or 139 and 140 (transfer of assets on company reconstruction or amalgamation) TCGA or Section 24 TCGA (deemed disposal) applies.
- 10.7 The Company has not received any capital distributions to which the provisions of Section 189 TCGA could apply (capital distribution of chargeable gains: recovery of tax from shareholder).
- 10.8 The Company has not transferred a trade carried on by it outside the United Kingdom through a branch or agency to a company not resident in the United Kingdom in circumstances such that a chargeable gain may be deemed to arise at a date after such transfer under Section 140 TCGA.

- 10.9 The Company has not ceased to be a member of a group of companies for the purposes of Sections 178-180 (inclusive) TCGA.
- 10.10 The Company has made no claim under Section 24 TCGA (assets of negligible value) or under Section 152 or 153 TCGA.
- 10.11 The Company has made no claim under Sections 23 or 25 TCGA (Compensation and Insurance monies).
- 10.12 So far as Red Hot is aware nothing has been done in circumstances such that Sections 29 - 34 (inclusive) TCGA (value shifting and depreciatory transactions) has or may or will have effect in relation to a transaction by the Company.
- 10.13 There has not accrued any gain in respect of which the Company may be liable to corporation tax on chargeable gains by virtue of the provisions of Sections 86 and 87 or Schedule 11, paragraph 18 TCGA.
- 10.14 The Company has not incurred liabilities under Sections 185-187 (inclusive) or Sections 188, 199 or 276 (company migration) TCGA.
- 11. **Transactions in the Company's Share and Loan Capital, etc.**
 - 11.1 The Company has not at any time redeemed repaid or repurchased or agreed to redeem repay or repurchase any of its issued share capital.
 - 11.2 The Company has not at any time capitalised or agreed to capitalise in the form of shares or debentures any profits or reserves of any class or description or passed or agreed to pass any resolution to do so.
 - 11.3 The Company has not converted any securities it has issued.
 - 11.4 No securities issued by the Company and remaining in issue at the date hereof were issued in such circumstances that the interest payable thereon falls to be treated as a distribution under Section 209(2) Taxes Act.
 - 11.5 The Company has not issued nor does it own any shares to which Section 249 or 251 Taxes Act (stock dividends) could apply.
 - 11.6 The Company has not been a party to any transaction to which either of Section 213 (Demergers) or Section 219 (Purchase of own shares) of the Taxes Act have been or could be applied.

12. **Group Income**

The Company is not, nor has it ever been, a member of a group of companies as defined by Section 170 T.C.G.A.

13. **Group Relief, etc.**

The Company has not consented or agreed to surrender or claim any amount by way of group relief or consortium relief nor made any payment for group relief or

consortium relief or consented or agreed to make any payment for group relief or consortium relief under the provisions of Section 402 to Section 413, Taxes Act or otherwise.

14. Unremittable overseas income

The Company has made no claim under Section 584 of the Taxes Act (unremittable income arising outside the United Kingdom).

15. Close Company provisions

15.1 The Company is not nor has it ever been a close company as defined by Section 414 of the Taxes Act.

16. Accrued Income Scheme

The Company has no undisclosed taxation liability in respect of accrued amounts as defined in Section 713 of Taxes Act (transfers of securities with accrued interest).

17. VAT

17.1 The Company is not nor has been for VAT purposes a member of a group of companies and no act or transaction has been effected in consequence whereof the Company is or may be held liable for any tax or VAT chargeable against some other person firm or company.

17.2 The Company is a registered and taxable person for the purpose of the VATA and has complied with and observed in all material respects the terms of all statutory provisions, directions, conditions, notices and agreements with H.M. Customs and Excise relating to VAT.

17.3 The Company has maintained and obtained accounts, records, invoices and other documents (as the case may be) appropriate or requisite for the purposes of VAT which are complete, correct and up-to-date.

17.4 The Company is not, nor has been, in arrears with any payments or returns or notifications under any statutory provisions, directions, conditions or notices relating to VAT, or liable to any forfeiture or penalty or interest or surcharge or to the operation of any penalty, interest or surcharge provision or received any surcharge or penalty notice.

17.5 The Company has not been required by H.M. Customs and Excise to give security.

17.6 The Company is not, and has not agreed to become, an agent, manager or factor for the purposes of Section 47 VATA (agents etc.) of any persons who is not resident in the United Kingdom.

17.7 The Company has not made, and will not make prior to Completion, any supplies that are exempt supplies.

- 17.8 The Company has not received a notice under paragraph 2 of Schedule 6 VATA (valuation - special cases) directing that the value of goods supplied by the Company be taken to their open market value.
- 17.9 The Company has not been treated as having made any supply of goods or services for the purposes of VAT where no supply has in fact been made by the Company.
- 17.10 The Company does not use any schemes made under any of the following regulations: Value Added Tax (Supplies by Retailers) Regulations 1972 (special schemes for retailers); Value Added Tax (Cash Accounting) Regulations 1987 (cash accounting scheme); or Value Added Tax (Annual Accounting) Regulations 1988 (annual accounting scheme).
- 17.11 The Company holds no interest in any buildings or land in respect of which the Company, or any other person has made an election to waive the exemption to VAT in accordance with the provisions of paragraph 2 of Schedule 10 to the VATA nor is the Company contractually committed (contingently or otherwise) to receive any supply in respect of which such an election has been made.
- 17.12 The Company is not a developer in relation to any building or work in circumstances where it could make a self-supply of land or buildings under paragraph 5 of Schedule 10 to the VATA.
- 17.13 The Company has not performed any services such as are described in the VAT (self-supply of Construction Services) Order 1989.
- 17.14 The Company has made no deduction and taken no credit for input tax in respect of a capital item in relation to which there could be an adjustment under Part VA of the Value Added Tax (General) Regulations 1985.
- 17.15 Details of any claim for bad debts relief under Section 36 VATA (bad debts) made by the Company are fairly disclosed in and/or annexed to Red Hot's Disclosure Letter.
- 17.16 The Company is not required to pay amounts on account of VAT under any order made under Section 28 VATA (payments on accounts)
- 18. Inheritance Tax, etc.**
- 18.1 The Company is not liable to be assessed to corporation tax on chargeable gains or to capital transfer tax or inheritance tax as donor or donee of any gift or transferor or transferee of value and is at Completion not aware of any circumstances which might give rise to a liability to taxation under the provisions of Part VII of the Inheritance Tax Act 1984; and the Company has not been a party to any transaction operation disposition or transfer which is or may form part of an associated operation or associated operation in relation to a transfer of value within the meaning of Section 268 of the Inheritance Tax Act 1984.

18.2 No shares in or securities of or assets owned by the Company are or are liable to be subject to any sale, mortgage or charge by virtue of Section 212 or 237 of the Inheritance Tax Act 1984.

18.3 Any certificates of discharge from inheritance tax (and/or capital transfer tax) which have been obtained in relation to the Company have been obtained after full disclosure.

19. Foreign Matters

19.1 The Company has prior to Completion been resident for taxation purposes in the United Kingdom and is not resident in any other jurisdiction.

19.2 The Company has no assets situated outside the United Kingdom.

19.3 The Company is not and does not hold and has never held an asset which might be considered to be a material interest in a non-qualifying offshore fund as defined in Section 757 of Taxes Act.

19.4 The Company is not liable to be assessed to tax in respect of income or gains of a non-resident person pursuant to Part VIII Taxes Management Act 1970.

20. Premiums, leases at undervalue, etc.

So far as Red Hot is aware the Company has not entered into any transactions or done or permitted to be done anything, in consequence of which any sums received or receivable by the Company, or any payment made or to be made by the Company, is subject to the provisions of Sections 34 to 37 of the Taxes Act (assignment of lease at undervalue) or Section 36 of the Taxes Act (sale with right to reconveyance and similar transactions).

21. Tax Avoidance

21.1 The Company has not been and so far as Red Hot is aware is under no obligation to be a party to any transaction to which any of the following provisions could apply:-

21.1.1 Part XVII, Chapters I, II, III, VI Taxes Act (transactions in securities, transfers of securities, transfers of assets abroad, migration of companies, change in ownership of companies, transactions between associated persons, transactions in land: taxation of capital gains, sales and leasebacks, etc.);

21.1.2 Section 75 of the Capital Allowances Act 1990 (Capital Allowances - avoidance);

21.1.3 Section 94 Taxes Act (release of obligation to pay debt);

21.1.4 Section 125 Taxes Act (annual payments).

21.2 The Company has not entered into any transaction, or done or omitted to do anything else in consequence of which either (i) any tax advantage obtained by

the Company may be cancelled pursuant to Section 703 of the Taxes Act (cancellation of tax advantages from certain transactions in securities) or (ii) in computing the income, profits or losses of the Company for tax purposes, adjustments are liable to be made under the provisions of Section 770 of the Taxes Act (sales and other transactions at undervalue or overvalue).

- 21.3 In particular, but without prejudice to the generality of the foregoing, the Company has not entered into any transaction to which Section 786 of the Taxes Act (transactions associated with loans or credit; connected persons) applies or is likely to apply.
- 21.4 So far as Red Hot is aware, the Company has not been involved in or been party to any transaction, act or omission which could result in any transaction being regarded for any taxation purpose as a fiscal nullity or otherwise as having no consequences or otherwise for any taxation purpose being ignored, disregarded or treated as being of a different nature from its nature when considered apart from any circumstances in which it in fact happened.

PART 3

LIMITATION OF LIABILITY UNDER WARRANTIES

1. Effect of this Part 3

This Part 3 shall operate so as to limit the liability of Red Hot under the Warranties or Tax Covenant.

2. Operative Provisions

2.1 In this Part 3 "relevant claim" means a claim in respect of the Warranties or Tax Covenant.

2.2 No liability will arise in respect of any relevant claim, in the absence of fraud or dishonesty on the part of Red Hot, unless:-

2.2.1 written notice containing so far as reasonably practicable specific details of the relevant claim is served on Red Hot:-

2.2.1.1 in respect of a claim under the Warranties other than those contained in Part 2 of this Schedule 6 on or before the second anniversary of Completion; or

2.2.1.2 in respect of a claim under the Warranties contained in Part 2 of this Schedule 6 on or before the sixth anniversary of Completion;

and any legal proceedings in connection with the relevant claim or series of directly related claims are commenced within 12 months after such written notice is served on Red Hot.

2.2.2 the amount of the individual head of relevant claim exceeds £1,000 in which event the whole amount shall be recoverable and for the purposes of this paragraph all claims of a similar nature arising from similar facts and circumstances shall be treated as one claim; and

2.2.3 the aggregate amount of all relevant claims which, but for this paragraph 2.2, would exceed £75,000 in which event the whole amount shall be recoverable.

2.3 The aggregate liability of Red Hot in respect of all relevant claims (excluding interest and costs) shall not exceed £3.2 million.

2.4 Red Hot will not be liable in respect of a relevant claim:-

2.4.1 to the extent that the circumstances giving rise to the same would not have arisen but for some voluntary act or omission after Completion by Celebrated Group or the Company (otherwise than in the normal course of the Business) which could reasonably have been avoided and which Celebrated was aware or ought reasonably to have been aware would give rise to a relevant claim save where such act or

omission is a result of a legally binding obligation of the Company entered into before Completion or is done with the approval of Red Hot;

- 2.4.2 to the extent that it arises or is increased as a result only of:-
 - 2.4.2.1 an increase in rates or incidence of Taxation after the date hereof; or
 - 2.4.2.2 the passing of any legislation, or making of any subordinate legislation with retrospective effect after the date hereof;
- 2.4.3 to the extent that it relates to any loss which is recovered under any policy of insurance effected by the Company Provided however that Red Hot shall account to Celebrated for any increase in insurance premiums of the Company to the extent that they are directly attributable to any such claim;
- 2.4.4 to the extent that it represents any matter provided for or included as a liability in the Accounts;
- 2.4.5 to the extent that the matter giving rise to a relevant claim under the Warranties has been fairly disclosed in Red Hot's Disclosure Letter.
- 2.5 In calculating the liability of Red Hot in respect of any relevant claim, credit will be given to Red Hot to the extent of any over-provision against Taxation contained in the Accounts which has been realised by the Company as such at the date of the relevant claim.
- 2.6 If Red Hot pays to a member of Celebrated's Group or the Company an amount in respect of any relevant claim and a member of Celebrated's Group or the Company subsequently recovers from a third party a sum which is referable to such relevant claim, and which if made prior to the payment having been made would have reduced the amount payable by Red Hot, the member of Celebrated's Group or the Company (as the case may be) shall as soon as practicable thereafter repay to Red Hot any sums paid by Red Hot in respect of such relevant claim net of the costs of recovery paid by the member of Celebrated's Group and/or the Company or their agents or successors in title up to a maximum of the total amount paid by Red Hot in respect of such relevant claim or, if less, the amount received from such third party and Celebrated shall procure that the Company shall use all reasonable endeavours to enforce any rights to recover such sums from insurers and other third parties.
- 2.7 Celebrated will:-
 - 2.7.1 as soon as reasonably practicable notify Red Hot in writing of any relevant claim and of any claim or matters which gives or may give rise to a relevant claim;
 - 2.7.2 take or procure that a member of its Group or the Company take such action as Red Hot may reasonably require to avoid, resist, contest or

compromise any relevant claim or matter which gives or may give rise to a relevant claim, and where required by Red Hot, give control of the conduct of any relevant claim or matter which may give rise to a relevant claim to Red Hot and subject in each such case to being fully indemnified and secured first by Red Hot against all reasonable costs in so doing;

- 2.7.3 not make any admission of liability, agreement or compromise to or with any person in relation thereto without the prior agreement in writing of Red Hot (such agreement not to be unreasonably withheld or delayed)
- 2.8 No breach on the part of Celebrated of its obligations under paragraph 2.7.1 or 2.7.2 shall prejudice any claim it may have under the Warranties but the amount recoverable pursuant to such claim under the Warranties shall be limited to the amount which would have been recoverable had the provisions of paragraphs 2.7.1 and 2.7.2 been complied with.
- 2.9 Notwithstanding any of the foregoing provisions of this Part 3, none of the limitations contained in this Part 3 shall apply to any relevant claim arising out of any fraud, wilful misconduct or wilful concealment on the part of the Company or Red Hot or any person acting on its or their behalf in relation to the matter giving rise to the relevant claim.
- 2.10 Any amounts paid by Red Hot to Celebrated pursuant to a relevant claim shall be deemed (so far as possible) to be a reimbursement of an equal value of the Consideration received by it for the Shares.
- 2.11 In determining damages for any breach of the Warranties Celebrated shall not be required to cause the Company to be wound up or to rely on the limited liability of the Company in mitigation of its loss.
- 2.12 No claim shall be made against Red Hot to the extent that the breach giving rise to a relevant claim arises as a result of any change in the basis of accounting or tax computation of any member of Celebrated's Group after the date of this Agreement.
- 2.13 No claim shall be made against Red Hot in respect of any matter of which Celebrated or any officer of Celebrated has actual knowledge at Completion.
- 2.14 To the extent that the relevant claim arises under the Warranties and also under the Tax Covenant, such claim shall first be made under the Warranties and any amount which may be recovered under the Tax Covenant will be reduced by the amount of any recovery from Red Hot in respect of the relevant claim made under the Warranties.
- 2.15 Celebrated shall procure that all reasonable steps are taken by it and each member of Celebrated's Group and all reasonable assistance is given by it and each member of Celebrated's Group to avoid or mitigate any loss or liability (without prejudice to any similar obligation existing at law generally or any other specific term of this Agreement) which gives rise to a relevant claim.

SCHEDULE 7

Celebrated's Warranties

PART I - CELEBRATED'S WARRANTIES

1. Schedules

The information set out in Schedules 9 and 11 is true and accurate.

2. Celebrated's Accounts

2.1 General

Celebrated's Accounts:-

- 2.1.1 give a true and fair view of the assets and liabilities and state of affairs of Celebrated as at Celebrated's Accounts Date and its profits for the financial period ended on Celebrated's Accounts Date;
- 2.1.2 have been prepared and audited in accordance with generally accepted accounting practice including all applicable SSAPs and FRSs and generally accepted accounting standards and principles and no changes in the bases or policies of accounting have been made by Celebrated for the three financial periods preceding Celebrated's Accounts Date;
- 2.1.3 comply with the requirements of the Act and any other relevant statutes;
- 2.1.4 have not been (and neither have the results shown by the audited profit and loss accounts of Celebrated for the preceding financial period) affected by any extraordinary, exceptional or non-recurring item.

2.2 Provision for Liabilities etc.

Celebrated's Accounts make adequate provision or adequate reserve for or adequately disclose all depreciation, liabilities and capital commitments of Celebrated (whether actual, contingent, deferred, disputed, unquantified or otherwise and whether or not Celebrated has a right of reimbursement from any third party) outstanding at Celebrated's Accounts Date (including any deferred Taxation) and make adequate provision or reserve for all bad or doubtful debts.

2.3 Profits

The profits shown in the audited profit and loss accounts of Celebrated for the financial period ended on Celebrated's Accounts Date have not (except as therein disclosed) to a material extent been affected by any extraordinary or exceptional item or by any other factor rendering such profits for all or any of such years unusually high or low.

2.4 Asset Valuations

No amount included in Celebrated's Accounts in respect of any asset, whether fixed or current, exceeds its purchase price or production cost (within the meaning of the Act, Schedule 4) or (in the case of current assets) its net realisable value on Celebrated's Accounts Date and there has been no revaluation of any fixed assets since their acquisition.

2.5 Stock

2.5.1 The basis of valuing raw materials, work-in-progress, finished parts and Inventory included in Celebrated's Accounts is in accordance with the relevant SSAPs.

2.5.2 Obsolete items of finished parts, work-in-progress, raw materials and Inventory have been wholly written off and any of such items which are slow moving have been written off to the extent that such items represent in excess of one year's usage and the value attributed to the remaining items of raw materials, work-in-progress, finished parts and Inventory included in the financial and other material records provided by, or on behalf of, Celebrated does not exceed the lower of cost and net realisable value.

2.6 Interim Accounts

A true copy of the Interim Accounts of Celebrated are annexed to Celebrated's Disclosure Letter and the Interim Accounts in the agreed form have been prepared in accordance with Celebrated's normal practice on a consistent basis and Celebrated believes them to be materially accurate and Celebrated does not consider them materially misleading.

3. Finance

3.1 Debts

3.1.1 So far as Celebrated is aware, there are no circumstances which indicate that any of the debts owing to Celebrated at the date hereof and which were not fully written off or fully provided against in the Accounts or Interim Accounts may prove to be irrecoverable to any material extent.

3.1.2 No single debtor owes to Celebrated an amount or amounts in aggregate greater than 5% of the total of all debts owing to Celebrated.

3.1.3 No debtor is entitled to credit terms in excess of 40 days from date of invoice.

3.1.4 The carrying value of trade debtors is materially consistent with that in the three previous accounting periods. Bad or doubtful debts, including all debts that have been outstanding for 90 days or more, have been adequately provided for in Celebrated's Accounts.

3.2 Indebtedness

- 3.2.1 Details of Celebrated's bank and borrowing facilities and loans are set out in Celebrated's Disclosure Letter and the indebtedness statement (which includes all cash balances and short term deposits as at 29th September 1997) in the agreed form contains details of the amounts drawn down under such facilities and also contains details of Celebrated's outstanding borrowings or indebtedness in the nature of borrowings and cash balances and deposits at the close of business on 29th September 1997.
- 3.2.2 Other than as referred to in the paragraph above, Celebrated as at the close of business on 29th September 1997 does not have any outstanding mortgages, charges, debentures, loan capital (either outstanding or created but unissued), term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or finance lease commitments, guarantees or other contingent liabilities.
- 3.2.3 Since 29th September 1997, there has been no material adverse change, being a change in excess of £25,000 in the outstanding borrowings or indebtedness of Celebrated.

3.3 Off Balance Sheet Financing

Celebrated has not engaged in any financing (including without prejudice to the generality of the foregoing the incurring of any borrowing or any indebtedness in the nature of borrowing including without limitation liabilities in the nature of acceptances or acceptance credits) of a type which would not be required to be shown or reflected in Celebrated's Accounts.

3.4 Borrowings and Guarantees

3.4.1 Bank Account

A statement of all the bank accounts of Celebrated and of the credit or debit balances on such accounts as at a date not more than 7 days before the date hereof is annexed to Celebrated's Disclosure Letter. Celebrated has no other bank or deposit accounts (whether in credit or overdrawn) and since that statement there have been no payments out of any such accounts except for those in the ordinary course of business and the balances on current account are not now substantially different from the balance shown on such statements.

3.4.2 Repayment

Celebrated has received no notice to repay under any agreement relating to any borrowing or indebtedness in the nature of borrowing on the part of Celebrated which is repayable on demand and there has not occurred any event of default under any agreement relating to any other borrowing or indebtedness in the nature of borrowing on the part of Celebrated which could give rise to a relevant claim in excess of £10,000.

3.4.3 Third Party Obligations

Celebrated is not a party to and is not liable (including, without limitation, contingently or otherwise) under a guarantee, indemnity or other agreement or arrangement to secure or incur a financial or other obligation with respect to another person's obligations.

3.4.4 Third Party Guarantees

No part of the loan capital, borrowing or indebtedness in the nature of borrowing of Celebrated is dependent on the guarantee or indemnity of, or security provided by, another person.

4. Business Since Interim Accounts Date

4.1 Borrowings and Trading

Since the Interim Accounts Date:-

- 4.1.1 Celebrated has carried on business in the ordinary and usual course so as to maintain it as a going concern without entering into any transaction assuming any liability or making any payment which is not in the ordinary course of its business;
- 4.1.2 Celebrated has not borrowed or lent any money or taken any financial facility;
- 4.1.3 Celebrated has paid its creditors in accordance with the policy stated in Celebrated's Accounts and there are no debts outstanding by Celebrated which have been due for more than 6 weeks;
- 4.1.4 other than in the normal course of business Celebrated has not entered into or agreed to enter into any capital commitments;
- 4.1.5 no share or loan capital has been issued or agreed to be issued by Celebrated;
- 4.1.6 other than in the normal course of business no capital expenditure has been incurred and no commitments of a capital nature have been entered into;
- 4.1.7 Celebrated's business has not been materially adversely affected by the loss of any sources of supply and (so far as Celebrated is aware, having made no enquiry) there are no circumstances which are likely to give rise to any such effect;
- 4.1.8 no provision or reserve included in Celebrated's Accounts has proved to be inadequate in the light of subsequent circumstances and (so far as Celebrated is aware) there are no circumstances which indicate that any such provision or reserve may prove to be inadequate; and

4.2 As at the Interim Accounts Date details of all creditors to whom greater than £20,000 is owed by Celebrated are listed in Celebrated's Disclosure Letter.

4.3 Distributions

Since the Interim Accounts Date no dividend has been declared or paid out and no distribution of capital within the meaning of Sections 209 or 210 of the Taxes Act has been made or agreed to be made in respect of any share capital of Celebrated and no management charge has been or is to be levied against Celebrated and no loan (otherwise than in the ordinary course of day to day business) or loan capital has been repaid in whole or part and no payment for group relief has been made by Celebrated.

4.4 Material adverse changes

Since the Interim Accounts Date there has been no material adverse change, being a change in excess of £35,000, in the working capital position or cashflow of the Company or in the financial or trading position of the Company.

5. **Company Formalities**

5.1 Celebrated has complied with the Act and in particular has made all returns required to be made thereunder or pursuant thereto on a proper and timely basis.

5.2 Celebrated has properly and accurately maintained all statutory books which it is required by law to maintain and these are written up to date.

5.3 All accounts, books, ledgers, financial and other records of whatsoever kind, including for the avoidance of doubt, the fixed assets register of Celebrated:-

5.3.1 have been fully, properly and accurately maintained and are up to date, are in the possession of Celebrated and contain true and accurate records of all matters required by law to be entered therein;

5.3.2 do not contain or reflect any material inaccuracies or discrepancies.

5.4 No notice or allegation that any of the said records is incorrect or should be rectified has been received by Celebrated.

5.5 The copy of the Memorandum and Articles of Association of Celebrated annexed to Celebrated's Disclosure Letter is true accurate and complete in all material respects and has embodied thereon or annexed thereto a copy of every such resolution or agreement as is referred to in Section 380 of the Act.

6. **Share Capital**

Celebrated, subject to the passing of the resolution at an extraordinary general meeting of Celebrated referred to in Clause 9.4.1 of this Agreement, has the requisite power and authority to enter into and perform this Agreement and to purchase the Shares and to allot and issue the Consideration Shares and Option Shares on the terms of this Agreement without requiring the consent or authority of any other person.

7. Compliance with Legislation

Celebrated has conducted its business in all material respects in accordance with all applicable laws and regulations.

8. Litigation and Compliance

8.1 General

8.1.1 Neither Celebrated nor any person for whose acts Celebrated may be vicariously liable is engaged in litigation or arbitration or administrative proceedings which are in progress or are threatened or pending by or against or concerning Celebrated or a person for whom Celebrated may be vicariously liable or any of its assets and Celebrated is not aware of any facts which are likely to give rise to litigation or arbitration or administrative proceedings in which Celebrated might become involved.

8.1.2 Neither Celebrated nor, so far as Celebrated is aware, any of its officers or employees by act or default have committed:-

8.1.2.1 any criminal or unlawful act in connection with the Business other than minor road traffic offences;

8.1.2.2 any breach of trust in relation to the business or affairs of Celebrated;

8.1.2.3 any breach of contract or statutory duty or any tortious act which could entitle any third party to terminate any contract to which Celebrated is party or could lead to a claim against Celebrated for damages or an injunction.

8.2 Conduct of Business

So far as Celebrated is aware, Celebrated has conducted Business in all material respects in accordance with all applicable laws, regulations and codes of conduct (whether statutory or otherwise) of the United Kingdom and any relevant foreign country and Celebrated has not received any notice that any governmental or official investigation or enquiry concerning the Company is in progress or threatened and so far as Celebrated is aware there are no circumstances which are likely to give rise to any such investigation or enquiry.

8.3 General

So far as Celebrated is aware all licences, permissions and consents required for the carrying on of the Business have been obtained and are in full force and effect and Celebrated is not aware of any circumstances indicating that any of those licences, permissions or consents are likely to be revoked or not renewed in the ordinary course.

9. Assets

9.1 General

Except for current assets disposed of by Celebrated in the ordinary course of its business, Celebrated is the legal and beneficial owner of and has good marketable title to and has in its possession or under its control all assets included in Celebrated's Accounts and all other assets used or employed by Celebrated and all assets which have been acquired by Celebrated since Celebrated's Accounts Date and no such assets, nor any of the undertaking, goodwill or uncalled capital of Celebrated is subject to any Encumbrance or any agreement or commitment to create the same.

9.2 Inventory

9.2.1 Celebrated's stock-in-trade and Inventory is of satisfactory quality and there have been no abnormal losses in the stock of Celebrated through theft, breakages, damage or otherwise and all such stock has been stored in suitable conditions for stock of its kind and Celebrated's stock-in-trade and Inventory is adequate in relation to the current trading requirements of Celebrated's business and is capable of being sold by Celebrated in the ordinary course of business.

9.2.2 The quantities of Inventory will not be materially less at Completion than at the Interim Accounts Date.

9.3 Title Retention

Celebrated has not acquired or agreed to acquire any material asset on terms that property therein does not pass until full payment is made.

10. Liabilities

Celebrated has not created any debenture stock or other loan capital.

11. Employment

11.1 Copies of all contracts of service or for services and other arrangements of all officers, employees and consultants of Celebrated who earn in excess of £25,000 per annum are annexed to Celebrated's Disclosure Letter.

11.2 There are no agreements or other arrangements (binding or otherwise) or outstanding or anticipated claims or disputes between Celebrated and any trade union or other body representing all or any of the employees of Celebrated.

Celebrated does not owe any amount to, nor does it have any outstanding obligations in respect of, any of its present or former directors, employees or shareholders other than remuneration accrued during the month in which this Agreement has been entered into.

11.3 No gratuitous payment has been made or promised in connection with the actual or proposed termination or suspension of employment or variation of any contract of employment of any present or former director or employee of Celebrated and there are no disputes outstanding between Celebrated or any of its current or former employees or officers.

12. Intellectual Property Rights

- 12.1 The registered Intellectual Property which is listed in Schedule 13 ("Celebrated's Intellectual Property") is owned and used by Celebrated within the UK.
- 12.2 Celebrated has not done or omitted to do any act, matter or thing in respect of Celebrated's Intellectual Property which would or might impinge upon the validity or enforceability of the same or upon the right of Celebrated to use the same in relation to its business nor are there any outstanding obligations of Celebrated or of any other person whether as to payment or otherwise which if left outstanding would or might so impinge.
- 12.3 Celebrated has not granted and is not obliged to grant any licences of, nor are there any subsisting agreements under which Celebrated has granted to any person any right or interest under or in connection with Celebrated's Intellectual Property.
- 12.4 So far as Celebrated is aware none of Celebrated's Intellectual Property is the subject of any claim, opposition, assertion, infringement, attack, right, action or other restriction or arrangement of whatsoever nature which does or may impinge upon the validity, enforceability or ownership of the same by Celebrated or the use of the same (or any part of the same) howsoever by Celebrated and so far as Celebrated is aware there are no grounds, facts or circumstances that may give rise to such.
- 12.5 Other than Celebrated's Intellectual Property:
 - 12.5.1 there is no other material Intellectual Property owned or used by Celebrated; and
 - 12.5.2 Celebrated has not licensed or disclosed to any person or received licences in respect of any other Intellectual Property.
- 12.6 Celebrated has not received any written notice of any claims by any third parties in respect of such third parties' Intellectual Property or in respect of Celebrated's Intellectual Property.

13. Information Technology

13.1 Computers

All the computers and computer systems owned by Celebrated or used by or on behalf of Celebrated (including software, peripherals, communication links and storage media):-

- 13.1.1 are in satisfactory operating order and are fulfilling the purposes for which they were acquired or established in an efficient manner without material downtime or errors;
- 13.1.2 have reasonably adequate security, back-ups, duplication, hardware and software support and maintenance and trained personnel to ensure:-

13.1.2.1 that breaches of security, errors and breakdowns are kept to a minimum; and

13.1.2.2 that no material disruption will be caused to the business of Celebrated or any material part thereof in the event of a breach of security, error or breakdown;

13.1.3 are under the sole control of Celebrated, are located in premises within the United Kingdom owned by Celebrated, are not shared with or used by or on behalf of or accessible by any other person and (save for software licensed to Celebrated) are owned by Celebrated.

13.2 Third Parties

No person is in a position, by virtue of his rights in, knowledge of or access to any of the computer systems and databases used and operated by Celebrated or any part of them (including software) lawfully to prevent or impair the proper and efficient functioning of the computer system or databases or to demand any payment in excess of any current licence fee or in excess of reasonable remuneration for services rendered, or to impose any onerous condition, in order to preserve the proper and efficient functioning of the computer system in the future.

13.3 Data Protection

13.3.1 No individual has claimed compensation from Celebrated under the Data Protection Act 1984.

14. Insurances

14.1 Celebrated has and at all material times has had valid adequate and proper insurances in respect of its assets and business against all risks which are normally insured against by other companies owning or possessing similar assets or carrying on similar businesses.

14.2 Details of all Celebrated's insurance policies are contained in Celebrated's Disclosure Letter.

14.3 On Completion Celebrated will be the beneficiary under and will have in full force and effect the policies of insurance details of which are contained in Celebrated's Disclosure Letter and, so far as Celebrated is aware, Celebrated has not done or omitted to do or suffered anything to be done or not to be done which has or might render any policies of insurance taken out by it void or voidable.

14.4 Claims

No claim has been received by Celebrated which is outstanding under any policies of insurance of Celebrated and so far as Celebrated is aware, no matter exists which will give rise to a claim under any of the said policies.

15. Commercial Arrangements

15.1 Material Contracts

15.1.1 Celebrated's Disclosure Letter refers to all agreements, contracts or arrangements entered into by Celebrated which:

15.1.1.1 contain termination, or notice provisions in excess of 6 months in relation to either party or contain financial penalties for termination; or

15.1.1.2 contain provisions pursuant to which Celebrated must exclusively trade with the other party or exclusively be supplied goods or services by the other party; or

15.1.1.3 are otherwise than in the ordinary and usual course of Celebrated's business.

(together a "Material Contract")

15.1.2 Celebrated is not aware that the other contracting party to a Material Contract is in material default thereunder.

15.1.3 So far as Celebrated is aware, Celebrated is not in material default of a Material Contract to which it is a party.

15.2 Other Matters

There is not outstanding:

15.2.1 any option, right to acquire, mortgage, charge, pledge, lien, equity or other Encumbrance on the whole or any part of the undertaking, property or assets of Celebrated; or any agreement or commitment to give or create any of the foregoing and no claim has been made by any person to be entitled to any of the foregoing;

15.2.2 any agreement which requires or may require or confers any conditional or unconditional right to require the issue of any share or loan capital of Celebrated now or at any time in the future or any option to subscribe for or acquire or any agreement to put under option any share or loan capital of Celebrated;

15.2.3 any agreement or arrangement where Celebrated is a party to any joint venture, consortium or any partnership or profit sharing arrangement or agreement;

15.2.4 any guarantee or contract for indemnity or for suretyship whether entered into by Celebrated in respect of the obligations of others or by others in respect of the obligations of Celebrated;

15.3 Powers of Attorney

There are not outstanding any powers of attorney given by Celebrated except in any debenture of Celebrated or any other authority (express implied or ostensible) which is still outstanding or effective to any person to enter into any contract or commitment or do anything on its behalf.

15.4 Substantial Suppliers

15.4.1 There is not outstanding any agreement or arrangement between Celebrated and a major (that is to say representing more than five per cent of the turnover of Celebrated) distributor or supplier of Celebrated.

15.4.2 During the year ending on the date of this Agreement no substantial supplier of Celebrated (that is to say representing more than five per cent of the turnover of Celebrated) has:-

15.4.2.1 stopped, or indicated an intention to stop, trading with or supplying Celebrated;

15.4.2.2 reduced, or indicated an intention to reduce, substantially its trading with or supplies to Celebrated; or

15.4.2.3 changed, or indicated an intention to change, substantially the terms on which it is prepared to trade with or supply Celebrated (other than normal price and quota changes)

15.5 Commissions etc.

No person is entitled to receive from Celebrated a finder's fee, brokerage or commission in connection with this Agreement or anything contained in it.

16. **Arrangements with Connected Persons**

16.1 There is not outstanding:-

16.1.1 any loan made by Celebrated to, or debt owing to Celebrated by Celebrated or any directors of Celebrated or any person connected with any of them as described in Section 839 of the Taxes Act;

16.1.2 any agreement or arrangement to which Celebrated is a party and in which Celebrated or any director of Celebrated or any persons connected with any of them as described in Section 839 of the Taxes Act is interested;

16.1.3 any agreement or arrangements between Celebrated and any company of which it is a subsidiary or another subsidiary of any such company (including but not limited to any such agreement or arrangements under which Celebrated is or may in future become liable to pay any service, management or similar charge or to make any payment of interest or in the nature of interest).

17. Competition Law

- 17.1 Celebrated is not a party to any agreement (as defined in the Restrictive Trade Practices Act 1976 ("the RTPA") which has been furnished to the Director General of Fair Trading as provided for in the RTPA or which is or was subject to registration pursuant to the RTPA and which has not been so furnished.
- 17.2 Celebrated has not at any time received any process, notice, communication or any formal or informal request for information with reference to any actual or proposed agreement, arrangement, concerted practice, trading policy or body (wherever situated) whose task it is to investigate, report or decide upon matters relating to monopolies, mergers or anti-competitive agreements or practices nor has Celebrated received notice that it has been the subject of any report, decision, order, judgement or injunction made, taken or obtained by any of the foregoing persons or bodies and nor has Celebrated given (whether directly or indirectly) any undertakings or assurances to any of those persons or bodies.
- 17.3 Celebrated has not received written notice that it is a party to any agreement, practice or arrangement which, in whole or in part, contravenes the provisions of the Trade Descriptions Acts 1968 to 1972 or the Consumer Credit Act 1974.

18. Corporate Organisation

18.1 Options etc.

Other than as shown in Schedule 9, no person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, issue, sale, redemption or transfer of any share or loan capital of Celebrated under any option or other agreement (including conversion rights and rights of pre-emption).

18.2 General

18.2.1 Celebrated:-

- 18.2.1.1 does not have any branch or place of business outside England or any permanent establishment outside the United Kingdom;
- 18.2.1.2 has the right, power and authority to conduct its business as conducted at the date of this Agreement; and
- 18.2.1.3 has the power to carry on its business and its business has at all times been carried on intra vires by Celebrated.

18.3 Rectification

No member, former member or other person has made or given notice to Celebrated of their intention to make an application for rectification of the register of members of Celebrated.

19. Insolvency

19.1 Receivership etc.

No receiver, administrative receiver or administrator has been appointed of the whole or any part of the assets or undertaking of Celebrated and Celebrated is not aware of any circumstances likely to give rise to the appointment of any such receiver, administrative receiver or administrator.

19.2 Court Judgement

There is no unsatisfied judgement or court order outstanding against Celebrated.

19.3 Striking Off

No action is being taken by the registrar of companies to strike Celebrated off the register under Section 652A of the Act.

19.4 No petition has been presented, no order has been made and no resolution has been passed for the winding up of any member of Celebrated.

20. Celebrated's Properties

20.1 With the exception of Celebrated's Properties (as described in Part 1 of Schedule 11) Celebrated does not own use or occupy any other land or building whether under licence or otherwise and Celebrated's Properties are the only properties in which Celebrated has any right title or interest.

20.2 The descriptions of Celebrated's Properties are true and accurate and not misleading.

20.3 There is no actual or contingent liability on the part of Celebrated in relation to any real property other than Celebrated's Properties (including any actual or contingent liability as previous lessee or underlessee or guarantor or surety or covenantor in relation to any lease or underlease).

20.4 Part 2 of Schedule 11 sets out details of the properties sold by Celebrated pursuant to the sale of the business of the AJ's Family Restaurants.

20.5 In respect of Celebrated's Properties that are leasehold:

20.5.1 so far as Celebrated is aware (having made no specific enquiry for the purposes of giving this warranty) it has good and marketable title to and is legal and beneficial owner of Celebrated's Properties;

20.5.2 so far as Celebrated is aware (having made no specific enquiry for the purpose of giving this warranty) each of Celebrated's Properties is free from all leases tenancies options licences mortgages charges liens and encumbrances and any agreement to create any of them;

20.5.3 Celebrated is not aware (having made no specific enquiry for the purposes of giving this warranty) of any material breach of any covenant obligations (including without limitation statutory obligations including

those under planning and environmental laws) restriction and condition affecting Celebrated's Properties or Celebrated as owner or lessee thereof and all outgoings (including rates) have been duly paid and all Celebrated's Properties are insured to their full reinstatement value;

20.5.4 Celebrated is not aware (having made no specific enquiry for the purposes of giving this warranty) of any covenant obligation restriction condition easement or encumbrance or statutory consent or authorisation which would affect the continued use of any of Celebrated's Properties for the purposes of Celebrated's business.

20.6 In respect of Celebrated's Properties that are freehold:

20.6.1 Celebrated has good and marketable title to and is legal and beneficial owner of Celebrated's Properties;

20.6.2 both Celebrated's Properties are free from all leases tenancies options licences mortgages charges liens and encumbrance and any agreement to create any of them;

20.6.3 there is no material breach of covenant obligation (including without limitation statutory obligations including those under planning and environmental laws) restriction and condition affecting Celebrated's Properties or Celebrated as owner or lessee thereof and all outgoings (including rates) have been duly paid and all Celebrated's Properties are insured to their full reinstatement value;

20.6.4 there is no covenant obligation restriction condition easement or encumbrance or statutory consent or authorisation which would affect the continued use of any of Celebrated's Properties for the purposes of Celebrated's business.

21. Other Matters

21.1 Neither the execution and delivery of this Agreement nor Completion nor compliance with the terms of this Agreement nor the allotment and issue of the Consideration Shares or Option Shares does now or will hereafter conflict with or result in the breach of any of the terms conditions or provisions of any agreement or instrument to which Celebrated is now a party or constitute a default or relieve the other party to a contract with Celebrated of its obligations thereunder or enable termination of such contract or result in the creation or imposition of any Encumbrance upon any of the property or assets of Celebrated.

21.2 Celebrated has not received notice from any third party that it is in default under any of the provisions of any agreement or arrangement to which it is a party nor so far as Celebrated is aware is it in default under any of the provisions of any such agreement or arrangement and which is material in relation to the business of Celebrated as a whole and Celebrated has not done or suffered to be done anything whereby nor omitted to do or suffered to be omitted anything as a result of which omission any such agreement or arrangement may be terminated or rescinded by any other party or whereby the terms thereunder may be worsened or Celebrated may be prejudiced.

- 21.3 The summary of the asset sale agreement dated 12th November 1997, relating to the disposal of the business, assets and goodwill of AJ's Restaurants referred to in Celebrated's Disclosure Letter is true and accurate in all material respects.

Part 2

Tax Warranties

1. Celebrated has duly made all returns and given or delivered all notices, accounts and information which ought to have been made to and is not involved in any dispute with the Inland Revenue, H.M. Customs & Excise or other Taxation authority concerning any matter likely to affect in any the liability (whether accrued, contingent or future) of it to Taxation and Celebrated is not aware of any matter which may lead to such dispute.
2. Celebrated has duly and punctually paid all tax to the extent that the same ought to have been paid and is under no liability to pay any fine, penalty or interest or to give any security in connection therewith.
3. No liability of Celebrated to taxation has arisen or will arise up to Completion save for corporation tax payable in respect of normal trading profits earned by it or income tax deducted and/or accounted for under PAYE regulations or national insurance contributions or Value Added Tax or sickness pay for which it is accountable to the Inland Revenue, H.M. Customs & Excise or other relevant Taxation authority and which has where appropriate been deducted or charged and where due paid to the Inland Revenue, H.M. Customs & Excise or such other relevant Taxation authority.
4. Celebrated has not entered into or been a party to any schemes or arrangements designed partly or wholly for the purpose of it or any other person avoiding taxation.
5. All documents in the possession of Celebrated or to the production of which it is entitled and which are either necessary to establish the title of Celebrated to an asset or the enforcement of which Celebrated is interested in and which attract stamp duty in the United Kingdom or elsewhere have been properly stamped.

Part 3

Limitation of Liability Under Celebrateds' Warranties

1. Effect of this Part 3

This Part 3 shall operate so as to limit the liability of Celebrated under Celebrated's Warranties.

2. Operative Provisions

2.1 In this Part 3 "relevant claim" means a claim in respect of Celebrated's Warranties.

2.2 No liability will arise in respect of any relevant claim, in the absence of fraud or dishonesty on the part of Celebrated, unless:-

2.2.1 written notice containing so far as reasonably practicable specific details of the relevant claim is served on Celebrated:-

2.2.1.1 in respect of a claim under Celebrated's Warranties other than those contained in Part 2 of this Schedule 7 on or before the second anniversary of Completion; or

2.2.1.2 in respect of a claim under Celebrated's Warranties contained in Part 2 of this Schedule 7 on or before the sixth anniversary of Completion;

and any legal proceedings in connection with the relevant claim or series of directly related claims are commenced within 12 months after such written notice is served on Celebrated.

2.2.2 the amount of the individual head of relevant claim exceeds £1,000 in which event the whole amount shall be recoverable and for the purposes of this paragraph all claims of a similar nature arising from similar facts and circumstances shall be treated as one claim; and

2.2.3 the aggregate amount of all relevant claims exceeds £75,000 in which event the whole amount shall be recoverable.

2.3 The aggregate liability of Celebrated in respect of all relevant claims (excluding interest and costs) shall not exceed £3.2 million.

2.4 Celebrated will not be liable in respect of a relevant claim:-

2.4.1 to the extent that it arises or is increased as a result of:-

2.4.1.1 an increase in rates or incidence of Taxation after the date hereof; or

2.4.1.2 the passing of any legislation, or making of any subordinate legislation with retrospective effect after the date hereof;

- 2.4.2 to the extent that it relates to any loss which is recovered under any policy of insurance effected by Celebrated Provided however that Celebrated shall account to Red Hot for any increase in insurance premiums of Celebrated to the extent that they are directly attributable to any such claim;
- 2.4.3 to the extent that it represents any matter provided for or included as a liability in Celebrated's Accounts;
- 2.4.4 to the extent that the matter giving rise to a relevant claim under Celebrated's Warranties has been fairly disclosed in Celebrated's Disclosure Letter.
- 2.5 In calculating the liability of Celebrated in respect of any relevant claim, credit will be given to Celebrated to the extent of any over-provision against Taxation contained in Celebrated's Accounts which has been realised by Celebrated as such at the date of the relevant claim.
- 2.6 If Celebrated pays to Red Hot an amount in respect of any relevant claim and Red Hot subsequently recovers from a third party a sum which is referable to such relevant claim, and which if made prior to the payment having been made would have reduced the amount payable by Celebrated, Red Hot shall as soon as practicable thereafter repay to Celebrated any sums paid by Celebrated in respect of such relevant claim net of the costs of recovery paid by Red Hot or its agents or successors in title up to a maximum of the total amount paid by Celebrated in respect of such relevant claim or, if less, the amount received from such third party and Red Hot shall use all reasonable endeavours to enforce any rights to recover such sums from insurers or other third parties.
- 2.7 Red Hot will:-
 - 2.7.1 as soon as reasonably practicable notify Celebrated in writing of any relevant claim and of any claim or matters which gives or may give rise to a relevant claim;
 - 2.7.2 take such action as Celebrated may reasonably require to avoid, resist, contest or compromise any relevant claim or matter which gives or may give rise to a relevant claim, and where required by Celebrated, give control of the conduct of any relevant claim or matter which may give rise to a relevant claim to Celebrated and subject in each such case to being fully indemnified and secured first by Celebrated against all reasonable costs in so doing;
 - 2.7.3 not make any admission of liability, agreement or compromise to or with any person in relation thereto without the prior agreement in writing of Celebrated (such agreement not to be unreasonably withheld or delayed)
- 2.8 No breach on the part of Red Hot of their obligations under paragraph 2.7.1 or 2.7.2 shall prejudice any claim it may have under Celebrated's Warranties but the amount recoverable pursuant to such claim shall be limited to the amount

which would have been recoverable had the provisions of paragraphs 2.7.1 and 2.7.2 been complied with.

- 2.9 Red Hot hereby confirms to Celebrated that it has not entered into this Agreement with actual knowledge of any breach of any of Celebrated's Warranties.
- 2.10 Notwithstanding any of the foregoing provisions of this Part 2, none of the limitations contained in this Part 2 shall apply to any relevant claim arising out of any fraud, wilful misconduct or wilful concealment on the part of Celebrated or any person acting on its or their behalf in relation to the matter giving rise to the relevant claim.
- 2.11 Celebrated undertakes not to make and undertake that no other person claiming under or through them will make any claim against any employee of Celebrated on whom it may have relied before entering into any term of this Agreement or in the preparation of Celebrated's Disclosure Letter in respect of any claim under this Agreement or any omission from or statement in Celebrated's Disclosure Letter.
- 2.12 In determining damages for any breach of Celebrated's Warranties Red Hot shall not be required to cause Celebrated to be wound up or to rely on the limited liability of Celebrated in mitigation of its loss.
- 2.13 Red Hot shall procure that all reasonable steps are taken by it and all reasonable assistance is given by it to avoid or mitigate any loss or liability (without prejudice to any similar obligation existing at law generally or any other specific term of this Agreement) which gives rise to a relevant claim.

SCHEDULE 8

Red Hot's Option

1. Interpretation

In this Agreement:

"Initial Date"	means 31st March 1998;
"Option Notice"	means a notice served by Red Hot on Celebrated exercising the Option substantially in the form contained at the end of this Schedule;
"Option Period"	means the period commencing on the date hereof and ending on the Termination Date;
"Option Shares"	means 6,000,000 Ordinary Shares subject to variation in accordance with paragraph 4;
"Subscription Price"	means (subject to variation in accordance with paragraph 4): (i) in relation to the exercise at any time up to and including the Initial Date of Red Hot's Option in respect of any of the Option Shares, the sum of 12.5 pence multiplied by the relevant number of Option Shares in respect of which Red Hot's Option is so exercised; and (ii) in relation to the exercise at any time after the Initial Date but on or before the Termination Date of Red Hot's Option in respect of any of the Option Shares, the sum of 15 pence multiplied by the relevant number of Option Shares in respect of which Red Hot's Option is so exercised.
"Ordinary Shares"	means ordinary shares of 10p each in the capital of Celebrated;
"Termination Date"	the third anniversary of Completion;

"Red Hot's Option"

means the right granted pursuant to paragraph 2.1.

2. Grant of Red Hot's Option

- 2.1 On Completion and as part of the Consideration, Celebrated shall hereby grant to Red Hot the right exercisable at any time during the Option Period to subscribe for the Option Shares (or any of them) at the Subscription Price.
- 2.2 Red Hot's Option shall be exercisable in respect of all or some only of the Option Shares be delivery to Celebrated of an Option Notice, specifying the number of Shares in respect of which Red Hot wishes to exercise Red Hot's Option, provided always that Red Hot's Option shall not in any one exercise be exercisable in respect of less than 1,000,000 Option Shares.
- 2.3 When Red Hot's Option is exercised in respect of the only some of the Option Shares, it shall remain exercisable in respect of the balance of the Ordinary Shares comprised in Red Hot's Option on the same terms mutatis mutandis as applied to all of the Option Shares.
- 2.4 The parties shall be bound to complete the subscription of the Option Shares 10 Business Days after the date of service of the Option Notice (or on the next succeeding Business Day if completion would otherwise fall on a non-Business Day).

3. Completion

- 3.1 Completion of the subscription for the Option Shares shall take place at the offices of Celebrated or at such other place as Red Hot and Celebrated shall mutually agree not later than 3.00 p.m. on the day specified in the Option Notice.
- 3.2 Celebrated shall allot the Ordinary Shares in respect of which the Option has been validly exercised to Red Hot or as it directs and shall procure that Red Hot or its nominee is issued a definitive certificate in respect of the Ordinary Shares and that Red Hot or its nominee is entered in Celebrated's register of members as the holder of such Shares. Celebrated undertakes to use all reasonable endeavours to procure that the Ordinary Shares in respect of which Red Hot's Option has been validly exercised are admitted to trading on the Alternative Investment market of the London Stock Exchange.
- 3.3 Red Hot shall pay to Celebrated by telegraphic transfer or banker's draft in pounds sterling, or by such other means as may be agreed between the parties, the Subscription Price.

4. Variation of share capital

- 4.1 In the event of any capitalisation consolidation sub-division or reduction of the share capital of Celebrated or any rights issue or other variation of capital taking place after the date of this Agreement the number of Ordinary Shares comprised in Red Hot's Option and the Subscription Price may be varied in such manner as the directors of the Company shall reasonably determine and

as (save in the event of a capitalisation) Celebrated's Accountants shall confirm in writing to be in their opinion fair and reasonable provided that no variation shall be made which would result in the Subscription Price for an Ordinary Share being less than its nominal value.

4.2 Celebrated shall notify Red Hot of any such variation under paragraph 4.1.

Form of Option Notice

To: The Directors
The Celebrated Group PLC

[], 199[]

Dear Sirs,

We refer to Clause 2 and Schedule 8 of the agreement ("the Agreement") dated [], 1997 by which you granted to us an option to subscribe for the Option Shares (or any of them).

We write, pursuant to paragraph 2 of Schedule 8 of the Agreement, to give you notice that we hereby exercise Red Hot's Option conferred on us in respect of [] Option Shares.

Completion shall take place at [] a.m. on [], 199[] at your offices.

Terms not defined in this Notice shall have the meanings given to them in the Agreement.

Kindly acknowledge receipt of this Notice.

Yours faithfully

SCHEDULE 9

Part 1

Details of Celebrated

Name of Company: The Celebrated Group Plc

Registered Number: 2297958

Date of Incorporation: 20th September 1988

Registered Office: 12 Kingfisher Court, Farnham Road, Slough, Berkshire SL2 1JF

Directors: R.W. Littledale
P.G.K. Tucker
P.R. Moody
N.J. Mitchell

Secretary: P. Moody

Accounting Reference Date: 30th March

Auditors: Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Hertfordshire HP2 4TN

Authorised share capital: £5,000,000 (divided into 50,000,000 Ordinary Shares of 10p each)

Issued share capital: 3,339,400 (divided into 33,394,000 Ordinary Shares of 10p each)

Options to acquire Ordinary Shares pursuant to the executive share option scheme:

Optionholder	No of Shares subject to option
P. Tucker	600,000
P. Moody	350,000
S. Murdock	175,000
J. Richards	50,000
A. Brown	30,000
J. Watson	50,000

Charges: Mortgage Debenture dated 13th September 1995 between Celebrated and Barclays Bank Plc
Mortgage Debenture dated 13th June 1996 between Celebrated and Barclays Bank Plc

Part 2

Details of Celebrated's Subsidiaries

Company	Percentage of issued share capital owned by Celebrated
Celebrated Hotels Limited	100%
The Rolling Rock Cafe Limited (non trading)	100%
Celebrated Restaurants Limited (non trading)	100%
Starvin' Marvin's Limited (non trading)	100%
Elegant Hotels Limited (non trading)	100%
AJ's Family Restaurants Limited (in the process of changing its name to Enivob A Limited) (non trading)	100%
B' Line Diners Limited (non trading)	100%
West Coast Diners Limited (non trading)	100%

SCHEDULE 10

Trade Marks

Trade Mark No	Trade Mark	Class	Proprietor	Status
2113224	CHILI'S TRIP	30	Brinker International, Inc.	Registered
1350976	CHILI'S	42	Brinker International, Inc.	Registered
2004595	CHILIS and Device	42	Brinker International, Inc.	Registered
2113202	TEXAS CHILI'S GRILL & BAR	42	Brinker International, Inc.	Registered
2113204	TEXAS CHILI'S GRILL & BAR and Device (Series of 2)	42	Brinker International, Inc.	Registered
3223217	CHILI'S - LIKE NO PLACE ELSE	42	Brinker International, Inc.	Registered
2113219	CHILI'S GRILL & BAR GRILLS LIKE NO PLACE ELSE (Series of 2)	42	Brinker International, Inc.	Registered

SCHEDULE 11

Celebrated's Properties

Part 1

Address	Legal and Beneficial Owner	Tenure Details	Current Rent
78 Deansgate, Manchester	Celebrated	25 years from 24.06.86	£85,000
80 Deansgate, Manchester	Celebrated	25 years from 27.02.87	£55,000
Unit 7, Stevenage Leisure Park, Herts	Celebrated	25 years from 16.08.96	£28,400
Fast Food Outlet, Church Street, Cannock, Staff	Celebrated	20 years from 29.09.96	£17,500 (£18,000 from 29.11.97)
Trafford Road, Salford, Greater Manchester	Celebrated	5 years from 16.03.96	£25,000
Telegraph Service Station, Haydock, Merseyside	Celebrated	25 years from 01.03.96	£20,000
Sugarbrook Service Station, East Lancashire Road, Liverpool	Celebrated	15 years from 24.09.96	£15,000 plus turnover rent of between 5% and 6.5% of turnover more than £500,000
Lyndir House Hotel, Lyndir Lane, Rossett Nr Wrexham, Clywd	Celebrated	Freehold	N/A
Chorley	Celebrated	Freehold	N/A
Chorley	Celebrated	Leasehold 900 years from 1.1.1912	N/A
North Side of Chichester Bypass, Kingsland, Chichester, West Sussex	Celebrated	50 years from 29.9.87	Greater of £16,040 or 6% or turnover
Stratford Place, 149/163 Victoria Road, Aldershot, Hants	Celebrated	25 years from 25.3.87	£31,500
12 Kingfisher Court, Farnham Road, Slough, Berkshire	Celebrated	3 years from 06.10.95	£24,150

Part 2

1. Teddington Hands Services, Restaurant Premises, Tewkesbury
2. Land and premises to be the west of Coppice Service Station, Watling Street, Dordon
3. Nene Valley Service Area, South Side, Restaurant Premises, A45, Ecton
4. Nene Valley Service Area, North Side Restaurant Premises A45, Ecton (eastbound)
5. Land at East of Cambridge Road, Streatham, Ely
6. Land at Wragby Road East, North Greetwell, Lincolnshire
7. Land south-east of Ipswich Road (A12), Dedham, Colchester
8. Grange Farm Services, Northampton Road, Courtenhall, Collingtree, Northampton
9. Land at north-west of Buckingham Road, Deanshanger, Milton Keynes, Northants
10. Land at Stone Cross, Bexwell, Downham Market, Norfolk
11. City Garage (westbound), A27, Chichester By-Pass, Chichester
12. Land at Red House, Hannington, Kettering, Northants
13. Land at Fosse Way, Lincoln Road, Winthorpe, Notts
14. Land at Handcross, East side of A23, London Road, West Sussex
15. Milford Service Area, Newmarket Road, Barton Mills, Suffolk

SCHEDULE 12

Costs

Part 1	Hobson Audley Costs	£60,000
Part 2	S J Berwin & Co Acquisition Costs	£67,000
Part 3	S J Berwin & Co Due Diligence Costs	£41,000
Part 4	Moore Stephens Acquisition Costs	£22,000
Part 5	Moore Stephens Due Diligence Costs	£14,000
Part 6	Robson Rhodes Costs	£63,000
Part 7	Beeson Gregory Costs	£95,000

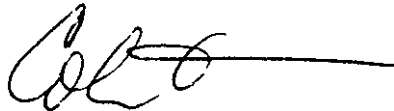
SCHEDULE 13

Celebrated's Intellectual Property

Trade Mark No	Trade Mark	Class	Proprietor	Status
1585088	STARVIN' MARVIN'S	42	Starvin' Marvin's Limited	Registered

SIGNED by GOWN HALPERN
duly authorised for and on behalf of
RED HOT CONCEPTS, INC.

Jim Ly. Chy
JAMAIL GUNBY - CHAMPION
7 PILGRIM STREET
LONDON EC4V 6DX

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SIGNED by GEOFFREY TUCKER
duly authorised for and on behalf of
THE CELEBRATED GROUP PLC

Jim Ly. Chy
AS ABOVE

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