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CASTUS LOW CARB SUPERSTORES

Castus Low Carb Superstores
9110 B Alcosta Blvd. Suite #205
San Ramon, California 94583



INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY FEDERAL TRADE COMMISSION

To protect you, we have required your Franchisor to give you this information. We have not checked it and DO NOT know if it is correct. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. DO NOT RELY UPON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ YOUR ENTIRE CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT HAS BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE FRANCHISING LAWS IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

EFFECTIVE DATE: January 17, 2003

CASTUS LOW CARB SUPERSTORES

FRANCHISE OFFERING CIRCULAR INFORMATION FOR PROSPECTIVE FRANCHISEES AS REQUIRED BY THE FEDERAL TRADE COMMISSION AND THE STATE OF CALIFORNIA

**CASTUS LOW CARB SUPERSTORES
(A CALIFORNIA CORPORATION)
9110 B ALCOSTA BLVD. SUITE 205
SAN RAMON, CA 94583
(925) 560-9675**

The franchisee will operate a retail store that offers low and/or controlled carbohydrate foods and supplements for the weight and health conscious, diabetics and hypoglycemics and also offer services such as workshops and consulting related to the use of such low and/or controlled carbohydrate foods and supplements.

The initial franchise fee for any Castus Low Carb Superstore location is \$25,000. If you are an existing Castus Low Carb Superstore franchisee who has operated a retail store under a Castus Low Carb Superstore unit franchise agreement ("Franchise Agreement") for which the initial term has expired, you may elect to renew your franchise agreement as described in Item 17, and you must reimburse Castus Low Carb Superstores for its costs of renewal of up to \$5,000. Items 5 and 7 of this Offering Circular should be consulted for further information concerning the total investment required in order to open and operate a Castus Low Carb Superstore. You may develop multiple retail stores pursuant to the terms of the Area Development Agreement (See Item 12 and Exhibit "C"). Under an Area Development Agreement, a franchisee will normally be required to pay a fee, typically \$25,000 per retail store to be developed and opened during the term of the Area Development Agreement.

The estimated initial investment required to begin operations of a Castus Low Carb Superstore retail store will vary depending upon whether the store property is purchased or leased and whether the franchised retail store is a freestanding building or is in another location such as a mall, shopping center or central business district development, as well as other factors, but the estimated initial investment ranges from approximately \$141,000 to \$235,000 (See Item 7 for more detail).

Risk Factors:

THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE ONLY IN CALIFORNIA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE IN CALIFORNIA THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

NOTE: THE FRANCHISE AGREEMENT PROVISIONS REFERRED TO ABOVE MAY BE VOID UNDER SOME STATE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information about comparisons of franchisors is available. Call the state administrator listed in Exhibit "A" of this Offering Circular (such states may require registration or filing of this Offering Circular) or your public library for sources of information.

REGISTRATION OF THIS FRANCHISE WITH THE STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THIS OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPLICABLE STATE ADMINISTRATORS LISTED IN EXHIBIT A.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

The effective date of this Offering Circular is January 17, 2003.

**CASTUS LOW CARB SUPERSTORES
OFFERING CIRCULAR**

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ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

THE FRANCHISOR

The Franchisor is CASTUS LOW CARB SUPERSTORES, a California corporation. In this offering the Franchisor will be referred to as "Castus," "we" or "us." "Castus" "we" or "us" does not mean any of the directors, officers, or shareholders of CASTUS LOW CARB SUPERSTORES. "You" means the person or persons who buys a franchise, in other words, the franchisee. If the franchise will operate through a corporation or limited liability company, "you" also includes the franchisee's owners.

We do business under the name "CASTUS LOW CARB SUPERSTORES" and we were incorporated on April 29, 2002 in the State of California. The principal place of business of CASTUS LOW CARB SUPERSTORES is located at 9110 B Alcosta Blvd., Suite 205, San Ramon, California, 94583 and its agent for service of process is Paul Chalupsky.

CASTUS LOW CARB SUPERSTORES has filed one (1) trademark and (2) service mark "intent to use" registration applications (the "Marks") with the United States Patent and Trademark Office ("USPTO") on August 20, 2002 and August 22, 2002, respectively, for the following "Castus" and "Castus Low Carb Superstores." As of the date of this offering circular, the USPTO had not issued a federal registration for the Marks. None of the trademarks or service marks have been registered with any other states. See Item 13, below, regarding the consequences of the pending registrations.

CASTUS LOW CARB SUPERSTORES is owned in equal shares by Shelly Berg, Paul Chalupsky and HNC (as described below). Predecessors and affiliates to the business that we conduct are:

Health & Nutrition Centers, Inc., a California corporation ("HNC") doing business as Greenbeanz, owns the domain name www.castuslowcarb.com and others from which customers may purchase Castus products directly. HNC, d/b/a Greenbeanz, is the predecessor to and the model for Castus Low Carb Superstores. HNC was formed and its two store locations were opened to assist consumers in finding low carbohydrate products and services in one location. Both stores stock a full selection of low carbohydrate products for sale and offer counseling and seminar workshops and classes to their customers to explain the low carbohydrate products and how to use and integrate such products into the customer's daily diet and lifestyle in order to more effectively control their weight and stabilize their blood sugar levels. HNC is owned solely by Paul Chalupsky. HNC currently owns and operates two existing low carb stores and may enter into licensing agreements in the future to use the name Castus Low Carb Superstores. HNC is a shareholder of Castus.

The Federal Food, Drug and Cosmetics Act, 21 U.S.C. Section 301, *et seq.*, and the Federal Trade Commission Act, 15 U.S.C. Section 41, *et seq.* apply to the industry and affect the products that you offer for sale, the claims you can make, and the information that you provide about those products to your customers and consumers.

THE FRANCHISOR'S BUSINESS

Castus sells or grants franchises to qualified persons to operate retail stores that offer low and/or controlled carbohydrate foods and supplements for the weight and health conscious, diabetics and hypoglycemics, as well as anyone suffering from any disease or condition with unstable blood sugars as its cause (each, a "Castus Store"). Castus, through its affiliates, also offers services such as workshops and consulting related to the use of such low and/or controlled carbohydrate foods and supplements.

The market for products sold in a Castus Store is comprised of people of all ages who are interested in weight control and health and each Castus Store intends to offer a full line of high quality low carbohydrate foods and supplements at competitive prices and with an emphasis on customer service. Your competitors include other nutritional stores, health food stores, gyms and health clubs that sell such nutritional foods and supplements, and other retailers of nutritional foods and supplements (via both retail outlets and via internet sales), and more specifically, outlets that market and sell low carb products and services.

Our affiliates have owned and operated retail stores since 1999. Prior to the date of this offering, neither we nor our predecessors or affiliates have offered franchises to operate such retail stores to any other parties. We have not offered franchises nor do we presently plan to grant franchises for or in any other line of business. Castus does not currently independently own or operate any Castus Stores.

Pursuant to the terms of a contract with us, Castus Low Carb Superstores will provide training services (as further described in this Offering Circular) to franchisees that have executed Franchise Agreements with us.

THE FRANCHISED BUSINESS

In order to conduct the operation of a Castus Store as a Castus Low Carb Superstores franchisee, you will sign a franchise agreement ("Franchise Agreement") with Castus. The Franchise Agreement is attached to this Offering Circular as Exhibit "B." Certain provisions of the Franchise Agreement will also apply to your partners (if you are a partnership), to your shareholders (if you are a corporation) and to certain other parties involved in your business, such as guarantors and managers. You will be required to operate the Castus Store in accordance with the Franchise Agreement and our standards and specifications (the "Operating System").

Your Castus Store must be built to our specifications as to interior and exterior design. Some Castus Stores are anticipated to be conversions of properties from other uses but will also be required to be consistent in appearance in regard to interior and exterior appearance.

We will provide our franchisees with an opportunity to develop multiple retail stores under the terms of our Area Development Agreement (See Item 5 and Exhibit "C"). Under an Area Development Agreement, a franchisee is obligated to begin construction of and open an agreed number of retail stores on or before predetermined dates in order to maintain exclusive development rights within a specified geographic area (as defined in the Area Development Agreement).

The target market for the goods and services sold through a Castus franchise is comprised of people of all ages, occupations, and ethnic groups. In addition, your sales are not seasonal. By operating a Castus Store, you will be competing with other local, regional and national retail stores offering similar nutritional foods and supplements. You may also have to compete with other franchised or company-owned Castus Stores, including operations in non-traditional locations. The market for our products is well developed in some areas, but in other areas may be underdeveloped or not developed at all.

In addition to the Federal Food, Drug and Cosmetics Act and the Federal Trade Commission Act, as noted above, you must also comply with all local, state and federal laws that apply to your retail store operations. Those laws include health, sanitation, no smoking, Equal Employment Opportunity Commission ("EEOC"), Occupational Safety and Health Administration ("OSHA"), Food and Drug Administration ("FDA"), employment and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, bathrooms (if applicable), parking, drinking facilities, etc. You must also obtain real estate permits and licenses and operational licenses. In addition, you must complete any training required to open and operate your store, as required by any and all local, state, and/or federal agencies. You should consult with your attorney concerning these and other local laws and ordinances that may affect your retail store operations.

ITEM 2. BUSINESS EXPERIENCE

Paul Chalupsky, Founder, President and Chief Financial Officer, Director and a major shareholder of Castus.

Mr. Chalupsky has been the President, Chief Financial Officer and Director of Castus since its inception (April 29, 2002) and is responsible for the day-to-day operations of Castus. He has been responsible in implementing a fully integrated point of sale system ("POS") and the creation and development of the Castus policies and procedures and the Confidential Operations Manuals. Paul will be primarily involved with the

operations and sales training of Castus franchisees prior to store opening, and will be in charge of working with the franchisees once their Castus Store lease is signed and the retail store build-out is complete.

In 1998, prior to Mr. Chalupsky's involvement with Castus, Paul, together with Rick Schott, became one of the founders of the original Greenbeanz concept which focuses on providing the highest level of customer service by: (a) providing hours of operation at its stores seven days a week, (b) training each employee through on-going staff training seminars in the policies and procedures of both the store operations and customer education of using and integrating low carbohydrate products into an individual's daily diet in order to control their weight and stabilize their blood sugar levels; (c) providing customers with on-going discounts and rebates on purchases by offering customers the opportunity to purchase a Greenbeanz Preferred Customer Card; (d) informing customers of new low carbohydrate products available in the stores and any in-store specials via weekly e-mails; and (e) conducting weekly workshops at convenient times in the evenings and on weekends for customers on integrating low carbohydrate products into the customer's daily diet and lifestyle. In 1999, Paul and Rick opened the first "low carb" store in San Ramon, California. Today, Paul continues his responsibilities for the day-to-day operations of Greenbeanz.

Prior to his work with Greenbeanz and Castus, Paul worked with Business Tel as a Vice President of Marketing from 1998 through 1999 and prior to that, from 1985 to 1998, Paul was the Chief Financial Officer for the Church of Scientology, a major non-profit organization.

Shelly Berg, Secretary, Director and shareholder of Castus.

From 1989 through 1997, Ms. Berg worked with Rickett & Colman as a Key Account Manager and was responsible for sales of household cleaning products (including, Lysol, Woolite and Wizard) to major non-food retailers (including, Longs Drugs, Thrifty, Rite-Aid, and Home Depot). Since 1998 to the present, Ms. Berg has been employed by ACNielsen, in market research, as the Director of Consumer Insights. Ms. Berg works with retailers and helps them utilize panel data to understand consumer purchase dynamics and shopping behavior. Because of her extensive experience and expertise with interpreting consumer insights, Shelly will be involved in the marketing side of the Castus business, and primarily focus on market research and consumer behavior.

Rick Schott, Chief Executive Officer and Director of Castus.

Rick is the founder of Greenbeanz Low Carb Superstores, and has worked for the company since it's inception and has opened two locations in California, one in San Ramon and one in Fremont, California. Since 1998, Rick has conducted nutritional training and consulting. Rick is the Chief Executive Officer of Castus and has been working on and developing the Castus franchise concept since 2001. Rick will be responsible for the developing the nutritional and workshop training for Castus franchisees and will also be the primary contact for the franchisees until their retail store lease is signed and the tenant improvements at each location are completed.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this offering circular.

Neither Castus nor any person identified in Item 2, above, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

ITEM 4. BANKRUPTCIES

Castus' Chief Operating Officer, Rick Schott, was the President and sole shareholder of Briejess Cellular, Inc., a California corporation, doing business as "Parrot Cellular." Parrot Cellular provided wireless communication services to consumers. On September 16, 1996, Briejess Cellular, Inc. filed a bankruptcy petition under Chapter 7 of

the U.S. Bankruptcy Code. On March 22, 2001, the court issued a final decree in this matter. (US Bankruptcy Court for the Northern District of California; Case #96-47800.)

On November 4, 1997, Castus' Chief Operating Officer, Rick Schott, as President, sole shareholder and personal guarantor of the Parrot Cellular store leases, also filed a personal petition under Chapter 7 of the U.S. Bankruptcy Code. (U.S. Bankruptcy Court for the District of Northern California; Case #97-70840). On February 9, 1998, Mr. Schott received a discharge in bankruptcy and this case was closed on May 24, 1999.

Other than these two (2) actions noted above, no person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5. INITIAL FRANCHISE FEE

The initial franchise fee for any Castus Store is \$25,000. The initial franchise fee is fully earned by us upon signing of the Franchise Agreement and is non-refundable, other than as described below for retail stores opened under an "Area Development Agreement," a copy of which is attached as Exhibit "C" to this Offering Circular.

In addition to the initial franchise fee, you will also be required to pay for any training materials and supplies provided by us and you will be required to reimburse us for our actual costs incurred in providing you with any additional pre-opening training. These costs may vary by circumstance (See Item 6 and Item 7).

Existing Castus franchisees who has operated a retail store under a Castus franchise agreement for which the initial term has expired, may elect to renew their franchise agreement as described in Item 17, below. However, renewing franchisees must reimburse us for our costs of renewal of up to \$5,000.

Area Development Agreement

We may provide certain of its franchisees with an opportunity to develop multiple retail stores under the terms of an Area Development Agreement. The Area Development Agreement is attached as Exhibit "C," and additional information regarding the Area Development Agreement is contained in Item 12 of this Offering Circular. Under a Area Development Agreement, a franchisee has the option to enter into new Castus franchise agreements in a specified geographic area if the franchisee meets certain terms and conditions, including opening an agreed number of retail stores on or before pre-determined dates in order to maintain exclusive development rights within a specified geographic area. The franchisee must enter into the then-current Castus Franchise Agreement for each new retail store established.

Under an Area Development Agreement, franchisees will normally be required to pay an initial development fee, typically Twenty-Five Thousand Dollars (\$25,000.00) per retail store to be developed and opened during the term of the Area Development Agreement. The initial fee paid under the Area Development Agreement varies and is determined upon a number of factors, including the number of Castus Stores to be opened under the Area Development Agreement, whether the franchisee is in good standing under its current Franchise Agreement with us and the development experience and historical development activity of the franchisee. However, for each Castus Store constructed and opened in accordance with the schedule contained in the Area Development Agreement, we will credit a portion (per retail store opened) of the initial development fee against the initial franchise fee for each new franchise agreement entered into for each Castus Store opened under the Area Development Agreement. Upon signature of the Area Development Agreement, you must pay Castus 100% of the initial development fee.

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ITEM 6. OTHER FEES

<i>Name of Fee</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Royalty ^{1, 13*}	5 % of Gross Sales ¹	Payable monthly on the 5th day of the next month without invoice or notice from us via direct debit electronic transfer	Gross Sales include all pretax proceeds you receive from your customers. Gross Sales do not include sales or use tax. All royalty fees are payable to us. All royalty fees are nonrefundable.
Advertising ^{3, 13}	4% of Gross Sales ²	As incurred	You must allocate an average of 3% of your quarterly Gross Sales ² to advertising in your Territory and 1% which is to be paid into an advertising fund to be administered by us.
Pre-opening and grand opening advertising and related expenses*	\$2,000.00	Upon approval by us of your site location	Paid to us for pre-opening and grand opening advertising arranged for and placed by us and other related expenses.
Costs of testing products and equipment ^{4*}	Castus' actual costs	As incurred	We may refuse to accept proposed inventory, products or equipment if they do not meet our standards. This would preclude your use of such products or equipment.
License and Permit Fees ⁵	Varies	On demand by licensing agency	You must comply with any state, city or local laws or regulations requiring licenses or permits for your business.
Additional Training ^{6*}	\$200.00 per day, per person, plus your travel expenses if training is done at our facility and \$400.00 per day, plus travel and other expenses, if training is done at your store or facility	Prior to training	Training for additional staff is described in Items 7 and 11.
Delinquency ^{7*}	10% of amount due if overdue plus 1 1/2% per month (or maximum amount permitted by state law if such amount is less than 1 1/2% per month) of amount due if not paid within 30 days	On demand if payment is overdue	You must pay delinquency charges on all past due royalty fees you owe to us.
Assignment or transfer ^{8*}	Our expenses in connection with the transfer up to \$5,000.00	Prior to consummation of the assignment or transfer	Payable when you sell your franchise.
Audit ^{9*}	Cost of Audit	15 days after invoice	Payable only if audit shows an understatement of Gross Sales of at least 3% of Gross Sales.

Attorneys' Fees and Costs ^{10*}	Our actual costs	Upon termination of Franchise Agreement for your default as incurred by us and for any indemnity obligations arising from your operation of your Castus Store	
Insurance Premiums ¹¹	Premiums will vary. If we pay a premium to avoid lapse, you must pay us the cost plus a fee of \$100.00	On demand	Paid to insurance company or agency
Development Fee ^{12*} (Area Development Agreement Only)	Typically \$25,000.00 per Castus Store opened under Area Development Agreement	Upon signing the Area Development Agreement	
Liquidated Damages	\$50 per day up to \$7,500 in the first ten (10) years and up to \$10,000 after the tenth year	Upon failure to take required actions after termination or expiration of Franchise Agreement	
Renewal Fee*	\$5,000.00	30 days before the new term begins	
Operations Manual*	\$250.00	Before replacement of the Operations Manual	If you lose, destroy or fail to return your copy of the Operations Manual, Castus will charge you a \$250.00 fee

FOOTNOTES:

*=Payable to Castus.

NOTE 1. Royalty.

In addition to the Initial Franchise Fee, each Franchise Agreement requires you to pay a monthly royalty from the date of the opening of the Castus Store operated under such Franchise Agreement. The royalty is an amount equal to five percent (5%) of your Gross Sales (as defined below) on all items per month. This amount is payable monthly by the fifth (5th) day of each month, and will be deducted electronically on the fifth day of each month from your designated checking account via direct debit. You agree to sign all necessary authorizations required in order for these direct debit transactions to occur. If funds are not available on the 5th of the month, you will be charged a 10% late fee; and if you are more than 30 days late, you will be charged the late fee plus interest at the rate of one and one-half percent (1 1/2%) per month or, if the maximum interest rate permitted by state law is less than one and one-half percent (1 1/2%) per month, interest at such maximum rate. You are required to carry business interruption insurance against the loss of earnings from the interruption of business at the Castus Store.

The Franchise Agreement requires you to submit a signed monthly royalty report, in a form to be prescribed by us. This report must reflect the gross amount of sales of all items sold on or from each of your franchised Castus Store during the preceding month, related expenses, and any additional information that we deem necessary. You must also submit reports of Gross Sales from each year's operations, and amounts expended on advertising, along with a balance sheet and income statement within ninety (90) days of the end of your fiscal year. These reports must be certified by an independent certified public accountant, except that the balance sheet and income statement may be accompanied by an accountant's review report in lieu of certification.

NOTE 2. Gross Sales.

The term "Gross Sales" shall include the entire gross receipts of every kind and nature from sales and service (including, without limitation, workshops, seminars and consulting services) made in, upon, or from the operation of your Castus Store, whether upon credit or for cash, without reserve or deduction for inability or failure to collect. Gross Sales shall not include the amount of receipts from approved pay telephones (if any), overrings, refunds, allowances, or discounts to customers (including discounts attributable to coupon sales), nor the amount of any sales tax levied upon retail sales and payable over to the appropriate governmental authority. In order to accurately reflect the total amount of your sales, all of your sales must be scanned through the required point of sale (POS) system. We will require you to print out specific reports for us on a weekly and monthly basis and fax them to us. In the future, we may utilize a system in which we can access your POS system remotely via the internet. In that event, you will be required to provide us with the access and passwords needed to effectuate this remote access. If any audit or examination reveals any understatement of Gross Sales for any period of more than 3%, you must pay Castus' fees, charges and expenses of the audit and examination.

NOTE 3. Advertising.

You are required to conduct adequate advertising and marketing efforts in your local market area and elsewhere and to use only advertising material approved by us. We will make available to you advertising material, at a price equal to our cost plus shipping. You may determine the method and manner in which such advertising dollars are spent, however all advertising must be approved by us in writing prior to its use and dissemination. You may do your own local advertising or hire your own local advertising agency. In addition, you may participate, at your own expense, in drives, contests and other local, regional and national programs, related to sales promotions established by us. However, you must honor any coupons or similar promotional material issued by us. All coupons that you specifically create must represent that they are good at your store only. You are required to spend not less than three percent (3%) of each of your Castus Store's monthly Gross Sales on local and regional advertising.

You may also be required to participate in an advertising cooperative, if there are other franchised or Castus-owned Castus Stores in the market in which you operate your Castus Store. In that case, Castus may require that you pay up to the 3% of Gross Sales allocated for advertising (as noted above) to such advertising co-op. However, your total advertising expenditure requirement (including both your direct advertising and contributions to an advertising co-op, if established) shall not exceed the aggregate of 3% of Gross Sales. If Castus requires you to contribute less than the total 3% of Gross Sales to the advertising co-op, then you are still required to spend the remainder of the 3% of your Gross Sales for local and regional advertising.

If you do not spend the required 3% of your Gross Sales either on local and regional advertising or as a contribution to the advertising co-op (or a combination of the two advertising mechanisms), then Castus shall either purchase advertising for you to meet this 3% advertising requirement and you must reimburse Castus for such amount upon demand or Castus may require that you pay your monthly advertising requirement directly to Castus and Castus will purchase local and/or regional advertising for you.

In addition, the Franchise Agreement requires you to pay up to (1%) of each of your Castus Store's monthly Gross Sales into an advertising production fund administered by us. This fund shall be used for regional and/or national advertising and all advertising shall be created and placed by us or our designee.

NOTE 4. Costs of Testing Products and Equipment.

If you want to use any products, equipment or other items that we have not approved, you may request that we approve the items. We may test the item, and you must pay any costs incurred by us in connection with the testing. Such fees are non refundable.

NOTE 5. License and Permit Fees.

Under the Franchise Agreement, you are solely responsible for compliance with any federal, state, city or other local laws or regulations requiring licenses or permits for the franchised business. You are required to pay the applicable license or permit fees, which fees may vary from territory to territory.

NOTE 6. Additional Training.

"Initial training" for the franchisee (or appointee) and two (2) additional staff members is described in Item 11. The cost of this training is included as part of the initial franchise fee. Additional training may be purchased for \$200.00 per day plus travel and expenses incurred if the training is conducted at our facilities and for \$400.00 per day plus travel and expenses incurred if training is conducted at your store or facility. We do not currently charge any tuition or registration fees for initial training, but we may do so in the future. You must pay us (at our actual costs) for any training supplies or materials. You or your employees must pay any salaries, wages, benefits, meals and travel expenses incurred by you or your employees during the training process.

The franchisees initial training will be at an existing Castus location designated by us, and will consist of approximately thirty-four (34) hours of classroom franchisee training by us and six (6) hours on-the-job training. When this training is completed, you will receive an additional 40 hours of clerk/management training in a Castus store. A significant percentage of this time (approximately 30 hours) you will spend on your own in a Castus store in performing the actually daily duties of a clerk and store manager. In addition, you will receive an additional 40 hours of training and/or assistance in all of the steps involved in opening your Castus store, some of this additional support will be by telephone and by e-mail consultation. Just before your store is open, we will provide 16 more hours of training in your store to review and implement methods and other training that has been done previously, and 16 hours after your store is open. If additional training assistance is requested by you or deemed necessary by Castus, you must reimburse us (at our actual cost) for our reasonable expenses incurred in providing the Castus representative's salary and living and travel expenses. The expenses for which you must reimburse us for additional training at your store or facility would normally amount to \$400.00 per day, for one (1) Castus representative, plus expenses (lodging, airfare and rental car if needed, in addition to any other travel- related expenses). If you, or your staff, come to us for additional training, the cost will be \$200.00 per person, per day, plus travel and expenses.

NOTE 7. Delinquency Charges.

You are required to pay a late fee of 10% of the Royalty Fee and any other fees and charges due to Castus under the Franchise Agreement and a sum equal to the lesser of one and one-half percent (1 1/2%) per month, or the maximum rate permitted by applicable state law, on all accounts which are more than 30 days past due.

NOTE 8. Assignment.

If you assign your interest in the Franchise Agreement in accordance with Section 13, you (or the transferee) will be required to pay to Castus reasonable costs up to \$5,000.00 for investigating and approving the assignee and the legal and other costs associated in effecting the transfer and in providing training and other initial assistance to the transferee. The Area Development Agreement is not assignable.

NOTE 9. Audits.

Under the Franchise Agreement, you are required to deliver to Castus within ninety (90) days after the end of each fiscal year of the franchise, reports of Gross Sales and advertising expenditures from each year's operation, certified or reviewed by an independent certified public accountant, together with a balance sheet and income statement which may be accompanied by an accountant's review report in lieu of certification. Castus has the right to have its own audit performed, and if any such audit discloses that the reported Gross Sales have been understated to the extent of three percent (3%) or more, you shall reimburse Castus for any and all costs, fees and expenses connected with such audit. If you fraudulently or with gross negligence understate Gross Sales, you shall be in material default of the Franchise Agreement and Castus shall have all the rights described in Item 17 below.

NOTE 10. Attorney's Fees and Costs.

You have to reimburse Castus for all costs, including legal fees and court costs incurred in defending claims, suits, proceedings or judgments arising in connection with your operation of the Castus Store and upon termination of your Franchise Agreement.

NOTE 11. Insurance.

If you fail to obtain or maintain required insurance coverage, Castus may (but is not required to) procure the coverage and you must pay Castus' costs, plus a reasonable administrative fee determined solely by us in an amount up to \$100.00, incurred in placing insurance coverage for you.

NOTE 12. Development Fees.

The initial fee paid under the Area Development Agreement varies and is determined upon a number of factors, including the number of Castus Stores to be opened under the Area Development Agreement, whether the franchisee is in good standing as a Castus franchisee and the development experience and historical development activity of the franchisee. See Item 5.

NOTE 13. Direct Debit Arrangement.

The Franchisor shall directly debit the Franchisee's checking account on the 5th day of every month during the term of the Franchise Agreement for the monthly royalty fee, advertising fees, if applicable, and any other fees due and owing to the Franchisor for activity the prior month. Such direct debit arrangement shall be entered into between Franchisee and its bank(s) and shall provide for the electronic transfer of funds from Franchisee's bank(s) to the Franchisor's accounts the full amount due no later than the end of business on the 5th day of each month. Franchisee shall maintain sufficient funds in its account at all times to ensure that all amounts due to the Franchisor and its affiliates and subsidiaries are promptly and fully paid.

ITEM 7. INITIAL INVESTMENT

The following table represents an estimate of the initial investment that you can expect to make in the first several months of ownership of a franchised Castus Store beginning with signing the Franchise Agreement through the opening of the franchised Castus Store:

Your Estimated Initial Investment	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$25,000.00 per retail store to be developed (See Note 1)	Lump Sum	100% due upon signing of the Franchise Agreement	Castus
Pre-Opening and Grand Opening Expenses	\$2,000.00 per retail store to be developed. (See Note 1(a).	Lump Sum	Upon our approval of your site selection	Castus
Travel and Living Expenses while Training	\$1,000.00 to \$10,000.00 (See Note 2)	As Incurred	Due when franchisee or appointee and two staff members are training	Airline, Hotels and Castus' Stores
Additional Training	\$0.00 - \$5,000.00	As Incurred	Before the start of any additional training.	Castus, see Footnote 6 to Item 6
Equipment, Fixtures and Signs	\$48,500.00 to \$61,500.00 (See Note 3)	As Incurred	Before operation	Various Suppliers
Other Pre-Opening Expenses	\$2,000.00 to \$6,000.00 (See Note 4)	As Incurred	Prior to Opening	Various Vendors
Inventory	\$45,000.00 to \$55,000.00 (see Note 5)	As Incurred	Prior to Opening	Various Suppliers
Insurance	\$1,000.00 to \$4,000.00 (See Note 6)	Monthly Installments or As Incurred	Prior to and During Operation	Insurance Company or Agency
Licenses and Permits	\$0 - \$2,000.00 (See Note 7)	As Incurred	Prior to and During Operation	Licensing or Permitting Agency

Your Estimated Initial Investment	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Lease & Utility Deposits	\$0 – \$10,000.00 (See Note 8)	As Incurred	During initial construction at the beginning of the Lease Term	Landlord or Construction Company
Utilities (per month)	\$1,500.00	As Incurred	During Operation	Various Utility Companies
Working Capital (estimated for 3 mos.)	\$5,000.00 to \$25,000.00 (see Note 9)	As Incurred	During Operation	Various
Tenant Improvements	\$10,000.00 to \$30,000.00 (See Note 10)	As Incurred	As Ordered or Purchased.	Landlord or Seller and/or Construction Company
TOTAL	\$141,000.00 to \$235,000.00 (See Note 11)			

NOTE 1: As discussed in Items 5 and 10, \$25,000.00 is the minimum franchise fee for a territory. The initial franchise fee is nonrefundable.

NOTE 1(a): Upon approval by Castus of your site selection, you are required to pay to us \$2,000.00 for pre-opening and grand opening advertising and related expenses (for example, related expenses may include: a "Grand Opening Banner" to be placed in front of the store to announce an up-coming store opening, store front window signs announcing the store's grand opening, the cost of items used as give-away items at the grand opening and other promotional costs such as personality fees). This pre-opening and grand opening amount is nonrefundable.

NOTE 2: This estimate is for lodging and meals. Transportation costs and airfare will vary.

NOTE 3: Based upon our experience, the cost of the standard equipment package including furniture, fixtures, equipment (including, but not limited to, point of purchase displays cash register/computer, fax machine, and shelving) signage, and decor varies but will generally cost between \$48,500.00 and \$61,500.00 per retail store.

NOTE 4: In addition, approximately \$2,000.00-\$6,000.00 in "soft costs" will be required for miscellaneous expenses of opening a Castus Store, including staffing, fees, training and payroll prior to opening, pre-opening advertising, etc.

NOTE 5: You must open your Castus Store and maintain in such store an inventory of Castus approved products. The amount and mix of inventory will vary depending on the physical size and location of your retail store.

NOTE 6: You are required to carry insurance in accordance with the Franchise Agreement. It is estimated that approximately, \$2,000.00 will be required per year for insurance premiums relating to each Castus Store, however, this estimate does not include worker's compensation, which is solely dependant upon each store's payroll. One-half of the annual premium is generally paid prior to opening and the balance is paid monthly thereafter.

NOTE 7: Licensing laws and permit requirements including fees may vary from state to state and city to city. You are obligated to comply with these laws. Estimated costs are between \$0 and \$2,000.00.

NOTE 8: Depending upon lease provisions and local regulations and requirements, security deposits for leases, pre-payment of several months of rent upon execution of a lease and the utilities for the leased premises may vary. Lease security deposits are normally a factor of the annual or monthly rental. Estimate is between \$0 and \$10,000.00.

NOTE 9: This estimate includes some of your start-up expenses, such as: opening supplies (other than inventory), and operating expenses (including employee payroll) during your first three (3) months of operation. Castus cannot guarantee that you will not have additional expenses in starting your business and your costs will depend on such factors as the extent to which you follow our methods and procedures, your management skill, experience and business acumen, the local economic conditions, the local market demand for our products and the sales levels reached during the initial period of operation.

NOTE 10: You must provide your own financing for the construction of each Castus Store, the acquisition and installation of fixtures, signs and equipment, and/or the acquisition of any lease or monthly rental payments for land, building, leaseholds and equipment. The cost of these items will vary considerably depending on, among other things, the type of site and local conditions, the location and size of the property and the cost of obtaining financing. The estimate is based on hypothetical leasehold improvements to a basic "vanilla" shell of \$10,000.00 to \$30,000.00. Free standing buildings, regional mall locations and locations in multi-story buildings tend to cost more to build than single story strip retail buildings.

NOTE 11: Exclusive of purchasing real estate and a building, your estimated initial investment is \$141,000.00 to \$235,000.00. Opening a Castus Store does not typically require the purchase of land and the construction of a building from the ground up. If you decide to lease the land and building on a build-to-suit basis, the base rent can vary considerably depending on many factors including the type of lease, location and the size of the leased premises. Normally, the rent on a build-to-suit lease in which the lessee pays all taxes, utility charges and insurance will vary from approximately \$2,000.00 to \$7,000.00 per month. The retail store and all improvements must be constructed or modified to comply with plans and specifications approved in advance by Castus. The low range for the total initial investment costs of \$141,000.00 as set forth in the preceding table was calculated by adding the lowest estimated start-up costs in each subcategory listed, including the lowest estimate for tenant improvements and equipment costs, but exclusive of any real estate and building costs. Thus, if a franchisee purchases land and/or a building, such costs must be added to the estimated initial investment costs as noted in the table to reach an aggregate initial investment amount. Similarly, the high range for the total initial investment costs of \$235,000.00 as set forth in the preceding table was calculated by adding the highest estimated start-up costs in each subcategory listed, including the highest estimate for tenant improvements and equipment costs, but exclusive of any real estate and building costs.

Franchisees with leases must include language in such lease, approved by us prior to Franchisee's execution of such lease, giving Castus the right, but not obligation, to assume the lease from Franchisee, if the Franchisee's Franchise Agreement is terminated for any reason. The lease must also state that, should Castus decide to assume Franchisee's lease, then Castus shall not be obligated to pay any monies due to Landlord from Franchisee, as such costs shall be the sole responsibility of Franchisee. The assignment clause of Franchisee's lease with Landlord must clearly state that Castus can assume the lease on the same terms and under the same conditions as the Franchisee.

We do not offer direct or indirect financing. We do not guarantee lease or note obligations.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In purchasing equipment (including computer hardware and software), supplies, fixtures, inventory, real estate or any other item, you are required to meet our specifications and deal with suppliers approved by us. (See Item 11 of this offering circular for specific information regarding computer hardware and software.)

In order to protect, maintain and foster the reputation, goodwill, and public acceptance of our trade names, trademarks, service marks and products, we reserve the right to determine, approve and supervise the quality of service and preparation of the products sold by the franchised business and to inspect the premises, the equipment and products to maintain the quality and standards of such products on the premises. You are required to purchase

all fixtures, equipment, inventory and other supplies, products, and materials used in the operation of your Castus Store from suppliers approved and not subsequently disapproved by us. 100% of all inventory offered for sale in your retail store must be approved in advance by us before it is sold in your store. A current list of such approved suppliers shall be maintained by us at our corporate headquarters and shall be made available to you upon request. The cost of equipment, supplies, fixtures, land and building and other items purchased in accordance with specifications represents between 90% and 95% of your total purchases in connection with establishment of your retail store. Castus does not currently supply products to franchisees but may supply dietary supplements or other products in the future as an approved supplier.

If you desire to purchase any of such items from a supplier that has not previously been approved by us for use in a Castus Store, you may submit a written request to us that we evaluate and approve the item. As a condition of our approval, we may require that you submit a sample of the item to us or an independent laboratory designated by us for testing and our representative may want to inspect the supplier's facilities. Based on the information and samples supplied, we will test the items supplied and review the proposed supplier's financial records, business reputation, delivery performance, credit rating and other information. In such event, you or the supplier may be charged a reasonable fee to cover the costs of such investigation, inspection or testing. The time required for testing and evaluation depends upon a number of factors, including the nature of the item and whether Castus or an independent laboratory will perform the testing. Our review is typically completed in ninety (90) days. If we approve an item for use in a Castus Store, we may then periodically re-test the item. We may revoke such item's prior approval if the item fails to continue to meet our standards and specifications or if the item fails to achieve certain performance levels (for example, in the case of food products, sales levels). We will notify you in writing of such item's revocation of our approval and you must immediately discontinue use of the item for which approval has been revoked in your Castus Store.

You are required to obtain Castus' prior written approval on the following: (a) the site for your Castus Store; (b) the business terms of any proposed lease and the final lease for the Castus Store; (c) the design, plan, structure, construction, improvements and decoration of the Castus Store; (d) all fixtures and equipment to be used at the Castus Store; and (e) the quality of the construction work at the Castus Store. We will provide approval or comments within ten (10) business days after we receive all details regarding the item or supplier to be approved.

You may install at your Castus Store only such decor that is approved by us prior to installation and conforms to the appearance standards and specifications prescribed by us. We may make available for purchase such artifacts, signs, pictures, posters, memorabilia and similar items from approved third parties, at a cost equal to the cost to us plus shipping and handling costs.

All stationary items, including business cards, letterhead, labels, publications and other paper goods printed with the Castus name or having any Castus trademark, service mark or logo applied must conform to Castus' specifications and quality standards and must be approved in writing by Castus prior to use by the franchisee. You must request, in writing, that Castus approve a particular product. Based on the samples and the information you provide to Castus, Castus will have the product tested or examined, review the advertising claims made regarding the product and investigate the proposed supplier. Castus may also require you to reimburse Castus for the reasonable costs associated with such investigation, review, testing and approval.

Neither Castus nor any person affiliated with us is among those suppliers currently recommended by us, your obligations described in this Item 8 arise by reason of provisions of the Franchise Agreement, and not by reason of any other device or practice of Castus. Neither Castus nor our affiliates currently derive any revenue from required purchases or leases.

Based on our research, testing and field input and experience, we may modify or update our Castus Store site selection guidelines and Castus Store construction plans and specifications. We will communicate those modifications to you and other franchisees in writing in order to allow you to comply with them as necessary. Based on our research, testing and field input and experience, and a supplier's ability to supply products to fit with our specifications, we may modify our standards and specifications and approved items, brands or suppliers of equipment, furnishings, products, paper goods and supplies. We will communicate those modifications to you by revisions in the Confidential Operations Manual, or through bulletins or other written communications or on-line

electronic communications. We will not communicate to you our specifications (or modifications) that we consider proprietary trade secrets.

We may require, however, not more often than every 3 years, that you to make improvements and/or update your store, including, but not limited to, store appearance and equipment, to bring store to the then-current standards outlined in the current Castus Operations Manual. The costs of these shall be borne solely by the Franchisee, but shall not exceed 3% of the total of your prior year's Gross Sales. We shall provide the list of necessary upgrades and improvements, and all such changes must be approved by us in writing before any work is commenced at your location.

In addition to the required purchases described above, you must maintain, at your expense, the insurance that we require as described in the Franchise Agreement. You must obtain the insurance from insurance companies licensed to do business in the state in which your Castus Store is located and having a Best's insurance rating of at least "A 1." The insurance required in the Franchise Agreement includes worker's compensation (in such amounts required by applicable law), comprehensive general liability (minimum policy limits of \$2,000,000 aggregate, \$1,000,000 per occurrence and property damage coverage of \$1,000,000 per occurrence), and building equipment and extended coverage at replacement cost. You will also be required to purchase business interruption insurance which covers at least 50% of your Gross Sales for the most recently ended calendar year.

Franchisee retail stores may be required to form and join advertising cooperatives in instances where multiple stores with diverse ownership operate in close proximity to each other. Franchisees may be required to pay into this cooperative up to the full 3% of their required marketing dollars. In this case, each franchised or company-owned retail store will be entitled to one vote in determining marketing and advertising practices. All such advertising must be approved by us before it is placed.

Currently, there are no other purchasing or distribution cooperatives in existence.

ITEM 9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Obligation	Section in the Franchise Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	Section 1, 2, 3 and 5 of Franchise Agreement	Items 7, 11 & 12
b. Pre-opening purchases/leases	Section 1, 3, 4, 5 and 6 of Franchise Agreement	Items 7, 8 & 10
c. Site development and other pre-opening requirements	Section 1, 3, 4, 5 and 7 of Franchise Agreement	Items 1, 7 & 11
d. Initial and ongoing training	Section 2, 5 and 13 of Franchise Agreement	Items 7 & 11
e. Opening	Section 3, 4, 5, 6 and 9 of Franchise Agreement	Items 7 & 11
f. Fees	Section 2, 5, 6, 8, 9 and 13 of Franchise Agreement	Items 5, 6 & 7
g. Compliance with standards and policies/Operating Manual	Section 1, 3, 4, 5, 8, 9, 10 and 11 of Franchise Agreement	Items 1, 8, 11, 15 and 16
h. Trademarks and proprietary information	Section 4 and 10 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 3, 4 and 12 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 9 of the Franchise Agreement	N/A

k. Territorial development and sales quotas	Section 7 of Franchise Agreement. See also the requirements to maintain development rights under the Area Development Agreement, Exhibit "C" in the Offering Circular	Item 12 and Exhibit "C"
l. Ongoing product/service purchases	Section 4 and 5 of Franchise Agreement	Items 8, 11, 16
m. Maintenance, appearance and remodeling requirements	Section 2 and 3 of Franchise Agreement	Item 7
n. Insurance	Section 3 and 9 of Franchise Agreement	Items 6 & 7
o. Advertising	Section 6 and 7 of Franchise Agreement	Item 6
p. Indemnification	Section 3 and 9 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Section 5 of Franchise Agreement	Item 15
r. Records and reports	Section 6 and 8 of Franchise Agreement	Item 11
s. Inspections and audits	Section 3, 6 and 8 of Franchise Agreement	Item 6
t. Transfer	Section 11 and 13 of Franchise Agreement	Item 17
u. Renewal	Section 2 of Franchise Agreement	Item 17
v. Post-termination covenants	Section 10, 11 and 12 of Franchise Agreement	Items 14, 16 & 17
w. Noncompetition covenants	Section 12 and Exhibit "B" of Franchise Agreement	Items 16 & 17
x. Dispute resolution	N/A	Item 17
y. Release of all Claims	Sections 2, 13.02(d)(2) and Exhibit "A" of Franchise Agreement, and the Area Development Agreement	Item 17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your lease or note obligations.

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you.

A. Prior to Opening Your Castus Store (Obligations Imposed by Franchise Agreement; Section numbers noted refer to the applicable Franchise Agreement provision):

Prior to the opening of each Castus Store, we are obligated, under the terms of the Franchise Agreement, to provide the following services to you:

- We will review and, if appropriate, approve the proposed site location and size of the Castus Store and the terms of the proposed lease or purchase agreement for the Castus Store. We will notify you of our approval or disapproval the proposed site location and/or the proposed lease terms or purchase agreement for the Castus Store within ten (10) business days after you provide us with sufficient information necessary for us to make such determination. (Section 3.01).
- We will make available to you such standard construction plans and specifications for the structures, equipment, fixtures, furnishing, signs and décor identified with Castus Stores, as we make available to new franchisees. You may have to modify, revise or otherwise alter such plans and specifications to ensure compliance with applicable local building codes and regulations. You must notify us of all modifications, revisions, or alterations to such plans and specifications that are required in order to

ensure compliance with applicable local building codes and regulations. The cost of any such modification, revision or alteration shall be borne solely by you. (Section 1.04 and 3.02(b)).

- Review of your site plans and final construction plans and specifications for conformity to the construction standards and specifications of the Operating System, upon our receipt of your written request for acceptance. (Section 3.02(b)).
- Make available to you initial and ongoing training in the Operating System, including instruction with respect to our standards, methods, procedures and techniques, for each person identified in Section 5 of the Franchise Agreement subject to the other terms of Section 5 of the Franchise Agreement. The extent of such training is at our discretion based on your or your manager's experience. (Section 5.03).
- Make available to you such assistance, as we deem necessary and appropriate in connection with the opening of the Castus Store by you, including assistance by Castus personnel, and planning and developing of pre-opening and promotional programs. (Sections 1.04(a)(4) and 5.03(g)).
- Make available to you the use of our Operating System and any other manuals and training aids as periodically revised. (Section 1.04(a)(7)).
- In addition to other training and support that we will provide to you as set forth in Item 6, above, under Section 5 of the Franchise Agreement, we are obligated to provide training to the staff of the Castus Store for a period of 16 hours prior to opening and 16 hours after opening, or longer if we deem it necessary. However, if after you receive an occupancy certificate or permit from the appropriate governmental agency and if you do not give Castus at least thirty (30) days prior written notice of your intent to open the Castus Store, we may delay the opening in order to schedule such training. (Section 5.03(g)).
- Most of the marketing and advertising placement is done on a local level by the individual franchisees. We do not currently conduct regional or national advertising programs, however, we may do so in the future. At that time you may be required to spend additional monies to participate in regional or national advertising programs. You may also be required to participate in an advertising cooperative, if there are other franchised or company-owned Castus Stores in the market in which you operate your Castus Stores. The Franchise Agreement may require you to pay up to 3% of your Castus Store's monthly Gross Sales into an advertising cooperative fund. You are required to spend three percent (3%) of Gross Sales on local advertising, however, amounts (up to 3% of Gross Sales) paid to the advertising cooperative will be credited against the 3% requirement. (Section 6.02 and 7.0)

We do not furnish any other supervision, assistance or services to you prior to the opening of your first Castus Store and we are not bound to do so by the Area Development Agreement, the Franchise Agreement or any related agreement.

B. During Operation Of Your Castus Store:

Following the opening of a Castus Store, we are obligated to provide the following services and assistance to you during the term of the Franchise Agreement as set forth in the Franchise Agreement:

- Make available to you the use of our Confidential Operations Manual as periodically revised. (Section 1.04(a)(7)). We shall use our best efforts to make available to you any training films or videotapes, made by us, for a fee equal to our cost of producing and distributing such films or tapes. (Section 5.03(c)).
- Make available to you such periodic continuing individual or group advice, consultation and assistance, including, merchandising and operating aids and services, printed material in connection with such aides and services, if available, rendered by personal visit or telephone, or by newsletters, brochures, reports or bulletins, as may be developed and offered by us to our franchisees; and from time to time, in

our sole discretion, we may send a representative to your Castus Store to consult with you and/or your management team about the operation of your Castus Store and we may inspect your Castus Store with or without prior written notice to determine the efficiency and quality of the operation and your compliance with our requirements and specifications. (Sections 5.04 (a) and (b)).

- Make available to you such other resources and assistance, including, but not limited to: assistance in developing marketing and advertising programs, as may be developed and offered by us to our franchisees and as we may deem necessary or appropriate. (Sections 1.04(a)(9) and 7.01(e)).
- Approve or disapprove:
 - Your stationary, including, business cards, letterhead, labels, boxes, bags, other paper goods, publications, invoices, and similar items. (Section 4.03(c)).
 - Any other products, goods, services or merchandise offered for sale at your Castus Store. (Section 4.01 and 4.03).
 - All advertising not furnished or produced by Castus. (Section 7.0).
 - A site location within your Franchise Area for relocation of your retail store. (Section 3.01(a)).
 - Real property, leased property, signs, improvements, equipment fixtures, designs, plans, structures, construction, decorations, and the quality of work at your site location. (Section 3.02(a)).
- Upon your written request, test products that you wish to sell in your Castus Store, examine the product's history, label and advertising claims, investigate the proposed supplier and notify you of our decision regarding the approval or disapproval of your use of such product in your Castus Store. (Section 4.02 and 4.03(b)).
- If you want to sell or assign your Castus Store, we will review the sale or assignment documents, investigate the proposed buyer and notify you of our decision to approve or disapprove of such sale or assignment. (Section 13.0).
- If we inspect your Castus Store or audit your financials, we will notify you of the result of such inspection or audit. (Section 8.0).
- Castus may provide product development and advertising materials and services to you which include advertising copy, flyers, brochures, point of purchase displays and information. These materials may be produced in-house by Castus or by outside advertising agencies engaged by Castus. These materials and services shall be provided to you at our cost which shall include the cost to produce and ship to you. (Section 7.01(e)).
- You may develop and produce advertising materials for your own use at your own costs; however, such materials must be approved by Castus in advance and in writing. If such materials are disapproved by Castus, you must not use them or you must discontinue using them immediately upon notification from Castus even if they were previously approved. We have the right to go into your store and remove any unapproved advertising and promotional materials at any time. (Section 7.02(b) and 7.02(d); see also Item 6, Note 3, above.)

Castus does not furnish other supervision, assistance or services during the operation of the Castus Store by you and is not bound to do so by the Area Development Agreement, the Franchise Agreement or any related agreement.

- Computer/Cash Register System: You must purchase a computer/cash register system for your Castus Store that will be used to record customer purchases, track inventory, place product orders, and

maintain a customer mailing list. Castus does not have a proprietary system or software, but will provide you with the specifications and requirements for your system as well as recommended vendors. Castus shall require hardware and software upgrades from time to time with specifications provided by Castus and the cost of such upgrades shall be borne solely by the Franchisee. (Section 8.01(b)).

The hardware components can be purchased from any computer dealer so long as they meet the specifications outlined below. Castus is under no obligation to assist you in obtaining this computer system. The approved software systems may be purchased from any licensed software dealer. You must replace or upgrade your equipment in your Castus Store as necessary to be in compliance with Castus' current standards and specifications and as a condition of renewal. The Franchise Agreement does not impose contractual limitations on the frequency and cost of your obligation to keep your system up to specifications. (Section 8.01(b)).

Castus shall have independent access to the information and data stored in the computer or cash register system. Castus shall have the right to access all information contained in Franchisee's database contained in the software listed below, or any other software used by Franchisee for the tracking and management of sales and inventory at the Castus Store. (Section 8.01(b)).

Minimum Hardware Components:

- (1) Windows-based computer with Intel Pentium 4 processor - minimum clock speed of 1.8 gigahertz with 1 gigabyte of Ram, 56K modem, NIC card, Mouse, and a 15-inch color monitor
- (1) Epson TM-T 88IIP receipt printer,
- (1) Metrologic Orbit Scanner
- (1) MMF Cash Drawer
- (1) Magtec Card Reader
- (1) Logic Controls Display

Approved Software Programs:

- QuickSell Commerce Point of Sale Software
 - I/C Verify Credit Card authorization software
 - Quickbooks Pro Accounting Software
- Note: All 3 of the above programs are required.

C. Methods Used By the Franchisor To Select The Location of the Franchisee's Business.

- Under the terms of the Franchise Agreement, your Castus Store Territory is selected when you execute the Franchise Agreement. It is your obligation to select proposed sites for your Castus Store within your Territory. We will consult with you about the site selection criteria and the guidelines for choosing a site when you sign your Franchise Agreement. Subject to Castus' approval, you will select the site of your business within your Territory by taking into consideration a list of criteria furnished by us which will include the following: (a) population density; (b) traffic patterns, ease of ingress and egress; (c) visibility; (d) adequate parking available; (e) market saturation and whether the demographics of the area include the potential for walk-in traffic, local advertising impact, and prospective customers for the products in proportion to the local population; and (f) zoning. These factors are considered and balanced against the cost of operating the franchise in that area, with monthly rental obligations being one of the most significant financial strains. You then submit those sites to us for acceptance. We will accept or reject the proposed site based on our evaluation of this information and our own on-site inspection and evaluation, if we desire to conduct such inspections and evaluations. (Section 3.10 and see also Item 11.A, above regarding time frames for our approval or disapproval of your proposed site selection.)

In addition, under the terms of the Area Development Agreement, if you enter into one, it is your obligation to select proposed sites for your Castus Store within the Development Area.

D. Typical Length of Time Between Signing Agreement and Opening of First Castus Store:

You must select and propose a potential Castus Store location within 30 days of signing of the Franchise Agreement. (Section 3.01(a)).

We estimate that the typical time necessary for opening retail stores after signing the Franchise Agreement is approximately four (4) to seven (7) months. Factors that may affect this estimated length of time usually include obtaining a satisfactory site, negotiating a lease, financing the construction of the premises and/or the working capital for the operation of the business, compliance with laws, regulations and local ordinances, delivery and installation of fixtures, equipment and signs.

If you have entered into an Area Development Agreement, the typical length of time between the signing of the Area Development Agreement and the opening of the first Castus Store for business by you is negotiated and will typically be shorter. However, the timeframe may still vary depending upon the time it takes to finalize the real estate negotiations and to construct the building or to lease the premises and build-out in interior of the leased space in compliance with the plans and specifications for a Castus Store under the Franchise Agreement. We estimate that this process will, in the typical case, take seven (7) to nine (9) months for construction of a building and three (3) to four (4) months to lease and build out the leased space. We estimate that the typical time necessary for opening retail stores after negotiations for the site have been finalized will normally vary from four (4) to seven (7) months. Where the Area Development Agreement provides for more than one (1) retail store to be constructed or operated by you, it will also provide a Minimum Performance Schedule for operating those Castus Stores. The factors that affect this Minimum Performance Schedule timeframe are the ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, delayed installation of equipment, fixtures and signs, and delayed training of personnel.

Even though Castus grants approvals and provides assistance, you are solely and completely responsible for selecting appropriate locations, obtaining approvals, consulting with your own accountants, attorneys, and other professional advisors as you deem necessary, and negotiating the terms of your lease or other agreement or arrangement for a location for your Castus Store.

E. Training Program:

We provide a training program for your benefit and for two (2) other employees, as chosen by you. The Franchisee (or their designate) is required to attend up to 2 weeks of training prior to the opening of the retail store, to consist of training at one or more Castus Stores and/or classroom training at our office headquarters. The training programs will be custom tailored on a case-by-case basis by us based on your, and your employee's, experience. If requested, we will also provide training in our accounting systems for a member of your accounting staff, at our headquarters. You are responsible for all costs associated with the travel, meals, lodging and compensation of your employees during training. The initial training of Castus Store employees is described in this Offering Circular, in Item 11, Subsection A, entitled "Prior to Opening Your Castus Store" and Item 6, Note 6, above.

We are unable, at present, to predict the location, duration and content of any additional training and/or refresher courses.

Failure to satisfactorily complete initial training may result in the termination of your Franchise Agreement. Our initial orientation training includes the following:

Subject	Time Begun	Classroom Hours ¹	On-the-job Hours ¹	Instructional Materials	Instructor(s)/ ²
Orientation, review of basic food products and supplements; weight control, health effects of products and supplements. Workshop training.	Week 1	16	-0-	Low Carb Diet Reference Materials Review Workshop Manual	Rick Schott, CEO of Castus
Castus Store Operations, POS Systems, Training; Local Store Marketing, Advertising, Promotions, Merchandising,	Week 1	6	6	Review manuals and routines as well as store layout and procedures	Paul Chalupsky, President of Castus
Setting and Understanding Financials/ Financial Goals and Management.	Week 1	12	-0-	Review manuals and routines.	Paul Chalupsky
Retail Operations and on the job training;	Week 2	10	30	Practical application	Castus Staff
How to get your store set up and ready to open.	Week 3	0	40	Phone & e-mail consultation	Castus Staff
Training at the Franchisee's store	Before Store opens	0	16	Review and implement prior store training	Castus Staff
Training at the Franchisee's Store	After Store opening	0	16	Practice all prior training and skills acquired	Castus Staff
Total		44	108		

Footnotes:

NOTE 1. On the job training is conducted at an existing Castus Store selected by us. Classroom training is conducted at a location designated by us and is scheduled on an as needed basis. Training at the franchised retail store location consists of at least two (2) days pre-opening and two (2) days post-opening. Pre-opening training will focus upon qualifying the franchisee's employees in each of the skills required for each respective worker position. Additionally, the lead trainer will assist the franchisee in preparing to open the Castus Store.

NOTE 2. Training will be broken down into two (2) major segments:

1. Nutritional and Workshop training will be performed by Rick Schott, CEO of Castus. Rick is the founder of Greenbeanz Low Carb Superstores, and has worked for the company since its inception at both locations in San Ramon and Fremont, California. Rick has conducted nutritional training and consulting since 1998.

2. Operations and Sales Training will be performed by Paul Chalupsky, President of Castus. Paul Chalupsky is a founder, President and Chief Financial Officer of Castus. Paul is responsible for the day-to-day operations of Greenbeanz, and is still working for the company. Paul is President of Castus and is responsible for the Operations side of the business. He has been responsible in implementing a fully integrated POS system and the creating and developing the Castus Policies and Procedures and Operational Manuals.

ITEM 12. TERRITORY

Upon the execution of the Franchise Agreement by you and us, you will receive the right to construct, own and operate a Castus Store at a specified location (the "Location") and the exclusive rights to use the Operating System and Confidential Operations Manual and provide products and services at the Castus Store and within an area determined solely by a demographic survey of the area chosen (the "Territory"). Castus shall determine the Territory by evaluating the market surrounding the proposed store and will grant an exclusive area based upon that data. You may not solicit mail order or retail customers outside of your Territory.

During the term of the Franchise Agreement, and subject to the right of HNC to sell similar products via the internet we will not grant another franchise to construct, own or operate a Castus Store within the Territory or establish a company-owned Castus Store within the Territory. However, we may own or operate, or grant franchises or licenses for others to operate Castus Stores anywhere outside the Territory (regardless whether such location is within the area targeted by franchisee's advertising of the Franchised Castus Store) on such terms and conditions as we deem appropriate.

We may operate and franchise retail stores other than Castus Stores. You agree that we may do so at any location, including locations within the Territory, provided that such retail stores are not operated under the names "Castus Stores" or similar trade names. Under the Franchise Agreement, you acknowledge and agree that your franchise is solely for the Location and affords you no rights in any additional franchise to be operated at any other location, unless you execute an Area Development Agreement. Neither the Franchise Agreement nor our grant of your franchise obligates us in any way to sell or issue any other franchise.

We may also promote or conduct sales at fairs, expositions, convention centers and special events through mobile units or temporary locations within your Territory provided that the opportunity has first been offered to you in accordance with the terms of the Franchise Agreement.

If you enter into an Area Development Agreement, you must open your Castus Stores in accordance with the Development Schedule and the terms of the Area Development Agreement may reserve for you the exclusive right to construct and operate Castus Stores in the Development Area (as defined in the Area Development Agreement).

The continuation of the exclusivity provisions of both the Area Development Agreement and the Franchise Agreement are dependent upon your compliance with the terms of each of those agreements. If you are in default under the terms of either of those agreements, in addition to its other remedies, Castus may terminate either or both of those agreements and the exclusivity rights granted therein. Castus may not otherwise alter your exclusive area, Territory or Development Area (as defined in the Area Development Agreement and Franchise Agreement, as applicable), without your consent. In the absence of an Area Development Agreement, the franchisee has no territorial rights outside of the area specifically outlined in the Franchise Agreement.

ITEM 13. TRADEMARKS

Under the Franchise Agreement, we grant to you the right to operate a Castus Store under the name "Castus Low Carb Superstores" and under any other trade names, trademarks, service marks and logos currently used or that may hereafter be used in the operation of Castus Stores.

We have filed a trademark registration "intent to use" application with the U.S. Patent and Trademark Office ("PTO") on August 20, 2002, (Serial Number 76446861) for the trademark "CASTUS LOW CARB SUPERSTORES." In addition, on August 22, 2002, we filed two (2) service mark registration "intent to use" applications with the PTO for the service mark "CASTUS" (Serial Numbers 76443426 and 76443427) for use in franchising, namely offering technical assistance in the establishment and/or operation of retail stores for dietary food and dietary food supplements and for retail store services for dietary food and dietary food supplements, respectively. By not having a Principal Register federal registration for "CASTUS LOW CARB SUPERSTORES" or "CASTUS," Castus does not have certain presumptive legal rights granted by a registration.

We are not obligated by the Franchise Agreement, or otherwise, to protect your right to the use of our trademarks, service marks, trade names, logotypes or other commercial symbols and further we are not obligated to protect you against claims of infringement or unfair competition with respect to the same. However, you must promptly notify Castus of any unauthorized use of the name "Castus Low Carb Superstores" and/or the above-referenced marks (the "Marks"), or any claim against you involving the name "Castus Low Carb Superstores" or the Marks and Castus, in its sole discretion, will decide whether to defend your use of such name or Marks at our cost and expense. You will not be responsible for the costs of any litigation to protect or defend such name or Marks unless your unauthorized use of such name or Marks caused the litigation or need to defend. Furthermore, you agree to cooperate with Castus to protect or defend such name and the Marks. You cannot contest our ownership of the name and/or Marks.

There are no infringing uses actually known to us that could materially affect your use of such trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any other state in which the franchise business is to be located.

We may change or modify our commercial symbols and you are obligated to adopt, use, and display the new or modified commercial symbols immediately upon notice from us. You must use all Names and Marks in full compliance with the rules prescribed from time to time by us. You are prohibited from using any of our Names or Marks as part of any corporate name or with any prefix, suffix, or other modifying words, forms, designs or symbols (other than logos licensed by us to you). In addition, you may not use any of our Names or Marks in connection with the sale of any unauthorized product or service in any other manner not explicitly authorized in writing by us.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or copyrights are material to the franchise. However, although Castus has not filed a copyright registration application for its Confidential Operations Manuel and other manuals, it claims copyrights and that the information contained within such manuals is proprietary. Castus also claims copyrights in its other written materials, including without limitation, its publications, product labels, and advertising materials that are developed by Castus, the Operating System and all other proprietary or confidential information, plans, procedures, processes, methods, techniques and materials revealed to you by Castus (collectively, referred to as the "Proprietary Information"). You are required to preserve the confidentiality of the Proprietary Information and use it only as authorized by Castus. You must promptly notify us when you learn about unauthorized use of this Proprietary Information. Castus is not required to take any action as a result of your communicating an unauthorized use of the Proprietary Information but Castus will respond to this information as we think appropriate.

You must also keep confidential the names of any suppliers, and other information about the business of Castus and its affiliates.

We may require you to have your employees sign a confidentiality, non-disclosure agreement and non-solicitation agreement. If so, and any employee makes an unauthorized disclosure, you must notify us of such disclosure and if we so elect, in our sole and absolute discretion, you must discharge such employee upon request from us.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement does not require that you personally participate in the actual operation of your Castus Store, although we recommend that you do so. But we do require that the Franchisee, or its designee, to undergo and satisfactorily complete the training conducted by us. We do, however, require that at least one person with a minimum of 10% ownership of the franchise must be involved in operating your Castus Store and must reside in the Territory. The Castus Store must be managed by a full-time Manager, who shall be selected in accordance with the Confidential Operations Manual, approved by Castus and satisfactorily completed the Castus training program. The Manager is not required to have an equity interest in the franchise. The Manager may not be involved in any way whatsoever in a competitive business with Castus. If a Manager terminates his or her employment relationship with your Castus Store, you must notify Castus immediately of such termination and as soon as possible thereafter, replace such Manager with another qualified person (as set forth above) and approved by Castus. We may also require that other certain key persons participate in the franchise business. If that is the case, the names of these persons will be set forth in a Notice of Key Employees Form, which will be attached to the Area Development Agreement and Franchise Agreement when executed. You may be required by Castus to obtain a signed Confidentiality, Non-Disclosure and Non-Solicitation Agreement from each Manager and each employee of your franchise in order to protect the Proprietary Information as described above in Item 14.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are required to offer and sell at your Castus Store only those products and services approved by Castus. Further, you are prohibited from offering or selling any products or services not authorized by us. In addition, you must provide your customers with an image and atmosphere meeting the minimum standards established by us. We reserve the right to change the types of authorized goods and services at any time without limitation.

Your total inventory level must always be at least 90% of the amount of your opening inventory.

You are not limited in the customers you may serve from your Castus Store, however, you may not use our Marks to advertise or solicit customers outside of your Territory and you may not sell Castus, or similar products, or any affiliated product or service, over the internet. You are not permitted to distribute Castus products on a non-retail basis without our prior written consent and without entering into a separate agreement, if we request the execution of such an agreement.

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ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Offering Circular.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the term of the franchise	Section 2.01 and 2.02	10 years or concurrent with lease term.
b. Renewal or extension of the term	Section 2.03	Two (2) five (5) year option periods if you are in good standing and comply with renewal conditions.
c. Requirements for franchisee to renew or extend	Section 2.03	You must (a) give us written notice (b) not be in default of your Franchise Agreement (c) satisfy all monetary obligations (d) provide financial information as requested (e) execute our then current standard form renewal franchise agreement (f) execute a general release (g) provide evidence satisfactory to us that you have the right to remain in possession of the Castus Store for the duration of the renewal term (h) complete, or provide for, such renovation and modernization of the Castus Store premises as we may reasonably require; and (i) pay to Franchisor all costs and expenses incurred by it in connection with the renewal of the franchise (See Item 5, above).
d. Termination by franchisee	Section 3.02(e)	You have the option to terminate the franchise agreement if the Castus Store becomes unusable as a retail store by fire or other casualty within the two (2) years immediately preceding the date of expiration of the franchise term and repairs cannot reasonable by made by franchisee.
e. Termination by franchisor without "cause"	None	Not applicable.
f. Termination by franchisor with "cause"	Section 11.01	We can terminate your franchise if you default on any of your obligations under the Franchise Agreement or the Area Development Agreement, if applicable.
g. "Cause" defined – curable defaults	Sections 11.01(c)	(1) If you fail, refuse or neglect to adhere to standards and specifications as set forth in the Confidential Operations Manual and otherwise adopted by us from time to time; (2) if you or any of your affiliates fail, refuse or neglect to pay promptly, when due, any amounts owed to us or any of our affiliates; (3) if you fail, refuse or neglect to submit to us any financial or other information required; (4) if you fail, refuse or neglect to obtain our prior written approval or consent as required; (5) if you fail, refuse or neglect to observe any other obligations under the Franchise Agreement or to carry out the terms of the Franchise Agreement in good faith.

h. "Cause" defined - defaults which cannot be cured	Section 11.01(a) and (b)	(1) If you become insolvent or make general assignment for the benefit of creditors; (2) if you are adjudicated bankrupt; (3) if a final judgment against you remains unsatisfied for 30 days or longer; (4) if execution is levied against your business or property to foreclose any lien against the assets of the Castus Store; (5) if you fail for any reason to have opened the franchised Castus Store for business within nine (9) months from the date of the Franchise Agreement, or if you cease to operate or otherwise abandon or forfeit the <u>legal right</u> to transact business at the Castus Store; (6) if you are convicted of a felony; (7) if you transfer any rights or obligations arising under the Franchise Agreement to any third party without our prior written consent; (8) if you misuse or make any unauthorized use of the Name or any of the Marks (9) if you disclose to a third party any Proprietary Information or confidential information; (10) if you repeatedly default under the Franchise Agreement which means after three or more notices of default have been sent to you; (11) if you make any material misrepresentation to us in any information or report provided prior to or during the term of the Franchise Agreement; (12) if you fail to repair or restore your Castus Store to its former condition within six (6) months of its being damaged or rendered totally or partially unusable as a retail store by fire or other casualty; (13) if those employees, as required under the Franchise Agreement, fail to satisfactorily complete their initial training.
i. Franchisee's obligations on termination/nonrenewal	Section 11.02	You must promptly pay to us all sums owed to us. You must immediately cease to use and shall not subsequently use any of our Proprietary Information or other trade secrets, Names or Marks. You must, on or before the effective date of termination or expiration (i) remove from the franchised premises all signs, emblems and displays identifying it as being associated with Castus and (ii) cease to use and return to Castus all copies of the Confidential Operations Manual and any other manuals or Proprietary Information. We have an option to purchase your inventory and equipment. See also "r", below.
j. Assignment of contract by franchisor	Section 13.01	No restrictions on our right to assign.
k. "Transfer" by franchisee - definition	Section 13.02	Includes transfer of Franchise Agreement or ownership in business entity.
l. Franchisor approval of transfer by franchisee.	Section 13.02	We have the absolute right to approve all transfers in advance of such occurrence. We shall not unreasonably withhold our consent to any assignment if certain conditions are met.
m. Conditions for franchisor's approval of transfer	Section 13.02	Written transfer request notice required. You cannot be in default of any provision of your Franchise Agreement, all monetary obligations must be satisfied, and you must sign a general release. Assignee (new franchisee) must meet character, financial and managerial requirements and execute the then-current standard form franchise agreement. Assignee and/or its employees must complete our training. A transfer fee is charged. See also, "r", below.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.02(g)	We have the right to match any bona fide offer for your interest in the Franchise Agreement, assets or ownership interest.

o. Franchisor's option to purchase franchisee's business.	Section 11.03	Upon termination or expiration of your Franchise Agreement, we shall have the option to purchase land, building, leasehold estate and improvements, inventory and supplies, and any patented, special or unique items of Castus Store equipment at fair market value.
p. Death or disability of franchisee	Section 13.02(f)	Upon your death, your personal representative may sell or transfer your franchise interest to a third party, subject to the conditions as set forth in the Franchise Agreement. If no offer to sell is made and your rights are distributable to heirs, then provided that such heirs qualify, we will approve the transfer.
q. Noncompetition covenants during the term of the Franchise Agreement	Section 12.02	Except as otherwise approved in writing by us during the term of the Franchise Agreement, you shall not own, engage in, or have any interest in any competing business.
r. Noncompetition covenants after the franchise is terminated or expires.	Section 12.02(c)	For a period of one (1) year after the expiration or termination of your Franchise Agreement, you shall not: own, maintain, engage in, or have any interest in any competing business which is located within 50 miles of your Castus Store.
s. Modification of the Franchise Agreement	Section 14.09(d)	No amendment, change or variance from the Franchise Agreement shall be binding on either party unless mutually agreed to by the parties and executed by both parties in writing, except, the Confidential Operations Manual may be subject to change from time to time.
t. Integration/merger clause	Section 14.06	Franchise Agreement and listed additional agreements, if any, constitute the entire agreement of the parties.
u. Dispute resolution by arbitration or mediation	None	Not applicable.
v. Choice of forum	Section 14.02	Litigation to be brought in Contra Costa County, California.
w. Choice of law	Section 14.02	California law applies.

These states have statutes that may supersede the Franchise Agreement and Area Development Agreement in your relationship with us including the areas of termination and renewal of your franchise:

ARKANSAS	[Stat. Section 70-807];
CALIFORNIA	[Bus. & Prof. Code Section 20000-20043];
CONNECTICUT	[Gen. Stat. Section 42-133e et. Seq.];
DELAWARE	[Del. Code Ann. Secs. 2551-2564t.];
HAWAII	[Rev. Stat. Section 482E-1];
ILLINOIS	[815 ILCS 705/19 and 705/20];
INDIANA	[Stat. Section 23-2-2.7];
IOWA	[Code Sections 523H.1-5523H.17];
MICHIGAN	[Stat. Section 19.854(27)];
MINNESOTA	[Stat. Section 80C.14];
MISSISSIPPI	[Code Section 75-24-51];
MISSOURI	[Stat. Section 407.400];
NEBRASKA	[Rev. Stat. Section 87-401];
NEW JERSEY	[Stat. Section 56:10-1];
SOUTH DAKOTA	[Codified Laws Section 37-54-51];
VIRGINIA	[Code 13.1.-557-574-13.564];
WASHINGTON	[Code Section 19.100.180];
WISCONSIN	[Stat. Section 135.03].

**COMPANY-OWNED BUSINESS STATUS SUMMARY
FOR YEARS ENDED 2002/2001/2000**

State	Businesses Opened During Year	Businesses Closed During Year	Company-Owned Businesses Operating at Year End
California	0/ 0/ 0	0/ 0/ 0	0/ 0/ 0*
TOTALS	0/ 0/ 0	0/ 0/ 0	0/ 0/ 0*

* Does not include the stores currently operated by HNC as an affiliate of Castus.

PROJECTED SALES AND OPENING IN YEAR 2003

State	Franchises Sold but Not Opened as of 1/1/03	Franchises Projected to Be Sold in 2003	Projected New franchisee-Owned Store Openings in 2003	Projected New Company-Owned Store Openings in 2003
California	0	0	0	0
TOTAL	0	0	0	0

ITEM 21. FINANCIAL STATEMENTS

Attached hereto as Exhibit "F", and incorporated by this reference, is the audited balance sheet of Castus Low Carb Superstores as of December 31, 2002. Castus was formed on April 29, 2002.

ITEM 22. CONTRACTS

The following agreements are included as exhibits to this Offering Circular:

1. Franchise Agreement (with Confidentiality, Non-competition and Non-Solicitation Agreement, Personal Guaranty, state-required addenda following) as attached hereto as Exhibit "B."
2. Area Development Agreement as attached hereto as Exhibit "C."

ITEM 23. RECEIPT

Exhibit "G" attached hereto includes a detachable document acknowledging your receipt of this Offering Circular.