CA # __________

Farmer Boys
WORLD'S GREATEST
HAMBURGERS ®

DEPT. CORPORATIONS
RECEIVED
APR 28 2006
SAN FRANCISCO

REDLINED

INFORMATION FOR PROSPECTIVE FRANCHISEES

REQUIRED BY THE FEDERAL TRADE COMMISSION

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT 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'S LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

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

FEDERAL TRADE COMMISSION

WASHINGTON, D.C. 20580

Franchisor:
Farmer Boys Food, Inc.
3452 University Avenue
Riverside, CA 92501
Telephone: (951) 275-9900
Fax: (951) 275-9930
URL: http://www.farmerboys.com

Offering Circular Dated:

FRANCHISE OFFERING CIRCULAR

FARMER BOYS FOOD, INC.
A California corporation
3452 University Avenue
Riverside, CA 92501
Telephone: (951) 275-9900
Fax: (951) 275-9930
URL: http://www.farmerboys.com

The franchisee will operate a fast casual restaurant.

The initial franchise fee is $45,000. The estimated initial investment is between $439,568 and $661,195.

Information about comparisons of franchisors is available. Call the State Administrators listed in Exhibit A-1 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 State Administrator for this State listed in Exhibit A-1.

EFFECTIVE DATE:

TABLE OF CONTENTS

^ ^

Terms that are defined in the franchise agreement or other attached agreements begin with capital letters in this offering circular, except for the words "we," "us" and "you," which begin with a capital letter or a lower-case letter depending on their positions in the

FARMER BOYS®
OFFERING CIRCULAR

ITEM 1. THE FRANCHISOR, OUR PREDECESSOR AND AFFILIATES

The purpose of this offering circular is to familiarize you with important legal and business aspects of Farmer Boys Food, Inc., a franchisor, and of the franchise we offer. To simplify the language, we will refer to Farmer Boys Food, Inc. as "Farmer Boys," "we" or "us" and the person or company that is granted a franchise by Farmer Boys as "you." The word "you" does not include your owners, who will be described as "Related Parties." "Affiliate" means a company controlled by, controlling, or under common control with us. The word "Predecessor" means a company from which we, within the past ten years, acquired, directly or indirectly, the major portion of our assets.

We were incorporated in California on March 11, 1997. We do not do business under any other name. We have no Predecessors. Our Affiliate, Andrew's Sons, Inc. ("Andrew's Sons"), was incorporated in California on August 26, 1981. A second Affiliate, Havadjia Holdings, Inc. ("Havadjia Holdings"), was formed on October 8, 1985.

Our principal business office is at 3452 University Avenue, Riverside, CA 92501. Both Andrew's Sons and Havadjia Holdings are located at 1380 Etiwanda Avenue, Ontario, CA 91761. The name and address of our agent for service of process in this state are stated in Exhibit A-2 to this offering circular.

We have been in the business of offering and granting franchises and of training and otherwise helping our franchisees since September 17, 1997. We have never offered any other franchise. We also own and operate ^four restaurants of the type being offered by this offering circular. We have no other business.

Andrew's Sons owns and operates eight restaurants that are similar to the franchised restaurant. It has never offered franchises of any kind nor does it sell goods or services to FARMER BOYS® franchisees. Havadjia Holdings has never offered franchises nor operated a restaurant, but it does lease or sublease restaurant premises to some FARMER BOYS® franchisees.

The business you will operate under the franchise agreement is a family-oriented "FASTAURANT®" (fast casual restaurant) featuring freshly cooked, made-to-order hamburgers and other "made from scratch" breakfast, lunch, and dinner menu items. The market served by the FARMER BOYS® Restaurant ("Restaurant") is the general public. Your competitors will be other restaurants offering fast casual on-premises dining and drive-through and carry-out services.

Except for state and local environmental and health and safety laws and regulations that are generally applicable to eating establishments, there are no laws or regulations that are specific to this business.

ITEM 2. BUSINESS EXPERIENCE

Demetris Havadjias, ^CEO and Director

Demetris Havadjias has been our ^CEO since January 2006 and a Director since the company was formed in March 1997. From March 1997 until January 2006, he was our President. He was also manager of Andrew's Sons from November 1989 until March 1997.

^Kenneth W. Clark, President

Kenneth W. Clark joined us as President in January 2006. From March 1990 to January 2006, he served in increasingly responsible positions at El Pollo Loco, Irvine, California, beginning as Director of Operations and ending as Vice President ^Operations. Before that, he was Vice President ^Development of Winchell's Donut House, La Mirada, California, from July 1986 to December 1989.

Donald W. Tucker, Director of Franchising

Donald W. Tucker has been our Director of Franchising since January 1998. Before joining the company, he was a self-employed franchise broker in Redlands, California, doing business as "Franchise Network of the Inland Empire," from June 1995 to December 1997. From September 1975 to March 1995, he served in several increasingly more responsible positions with Southland Corporation (7-Eleven) in Dallas, Texas, ending as National Franchise Manager.

^Melanie Brune-Carbone

Melanie Brune-Carbone joined us as Marketing Executive in December 2005. Before that, she was Executive Director of Marketing for Pick Up Stix, Inc., San Clemente, California, from ^January 2002 to June 2005. Earlier, from ^February 1997 to January 2002, she was Marketing Director of ^TGI Friday's, Inc., Dallas, Texas.

Elizabeth B. Santiago, Corporate Controller

Elizabeth B. Santiago has served as our corporate controller since November 2002. Before joining us, she was Director of Finance for Castle Park, Riverside, California, from May 2002 to November 2002. Earlier, from May 1996 to December 2001, she was Vice President and ^Controller of Skilled Care Pharmacy, Yorba Linda, California.

Makis Havadjias, Director

Makis Havadjias has been our Director since the company's inception in 1997. He was also our Vice-President Sales from March 1997 until April 2006. He has also been Secretary/Treasurer of Andrew's Sons since 1981 and President of Havadjia Holdings since June 1985.

Christakis Havadjias, Director

Christakis Havadjias joined us as a Director in March 1997. He was also our Vice-President - Training from March 1997 until April 2006. He has also been Vice President of Andrew's Sons since 1981 and Secretary of Havadjia Holdings since June 1985.

Haralambos Havadjias, Director

Haralambos Havadjias became our Director when the company was incorporated in 1997. He was also our Vice-President - Consulting from March 1997 until April 2006. He has also been President of Andrew's Sons since 1981 and Vice President of Havadjia Holdings since June 1985.

George Havadjias, Director

George Havadjias has served as our Director since March 1997. He was also our Vice-President - Marketing from March 1997 until April 2006. He has also been Vice-President of Andrew's Sons, Inc., since 1983 and Chief Financial Officer of Havadjia Holdings since June 1985.

ITEM 3. LITIGATION

There is no litigation to disclose in this offering circular.

ITEM 4. BANKRUPTCY

No person identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the United States Bankruptcy Code required to be disclosed in this item.

^

ITEM 5. INITIAL FRANCHISE FEES

Deposit Agreement

When you sign the Deposit Agreement, you will deliver to us the sum of ^ten ^thousand ^dollars ($10,000) ("Deposit") to be used in any manner in which we decide to use it. The entire Deposit will be applied toward your initial franchise fee for a FARMER BOYS® franchise unless the Deposit Agreement is terminated without your signing a Franchise Agreement. The Deposit will not be refunded under any circumstances.

Franchise Agreement

When you sign the Franchise Agreement, you will pay us in cash or other form of payment that is immediately accessible to us, such as cashier's check or wire transfer, an initial fee of $4^5,000 for your first franchise and $25,000 for each subsequent franchise, less any Deposit or applicable portion of a Development Fee that you have already paid. Otherwise, the initial fee is not refundable.

Area Development Agreement

When you sign the Area Development Agreement, you will pay us in cash or another form of payment that is immediately accessible to us, such as cashier's check or wire transfer, a Development Fee in the sum of ^twelve ^thousand ^five ^hundred ^dollars ($12,500) multiplied by the number of Restaurants required to be opened during the Term according to the Development Schedule attached to the Area Development Agreement. The Development Fee will not be refundable, but will be credited against your initial franchise fees, as described in each franchise agreement, at the rate of $12,500 for each Restaurant opened under the Area Development Agreement, the total amount of the credits not to exceed the Development Fee.

We may waive or reduce the initial fee for franchises granted to our Related Parties. Otherwise, the initial fees are uniform for all franchises currently being granted.

ITEM 6. OTHER FEES

NAME OF FEE	AMOUNT OR FORMULA	WHEN DUE	REMARKS[1]
Royalties	5% of Adjusted Gross Revenue[2]	weekly	
^Marketing Fund	^3% of Adjusted Gross Revenue	weekly	
Audit Cost	Actual cost^3	Upon demand	Only due if discrepancy exceeds 3%

NAME OF FEE	AMOUNT OR FORMULA	WHEN DUE	REMARKS[1]
Loaned Employees^4	Payroll expense plus $3 per hour plus employee travel expense	Upon invoice	
Replacement Manager Training	Not to exceed $350 per day	When training begins	
Ongoing Training Fees	Not to exceed $300 a day	At program	Continuing education will not be required more than twice a year and will not last more than three days
Annual Meeting	Not to exceed $500 a day	Before meeting	
Software License Fee	To be determined	Quarterly	Payable only after software introduced into System
Transfer Fee	^$20,000 unless transferee is existing franchisee, in which case fee is $5000	Upon transfer	
Base Rent	As negotiated by the parties and specified on Schedule A to Lease or Sublease	Monthly	Payable to Havadjia Holdings if you rent your premises from it
Percentage Rent	See Note 5	Annually	Payable to Havadjia Holdings if you rent your premises from it
Interest on Late Payments	18% per year or highest amount allowed by law, whichever less	Upon billing	

^1: All payments are imposed by and collected on our behalf or on behalf of an Affiliate unless otherwise stated. Payments to us or an Affiliate are not refundable; ^refundability of payments to others depends on the arrangements you make with them.^

2: "Adjusted Gross Revenue" is defined in Article 3 of the Franchise Agreement as "the total amount of money or other consideration received by you and your Related Parties for all goods sold and services rendered from the Approved Location or under the Trade Name or Marks, excluding sales tax, returns, and allowances, within an accounting period."^

3: ^Also, if underpayment exceeds 3%, we may require that from then on your annual financial statements be audited at your expense.^

4: Upon your request and at our' option, we may temporarily lend you trained employees to enable you to meet System standards at opening or at other times when you are temporarily understaffed. If this occurs, you must reimburse us as described above.

5: Percentage Rent under a Sublease (or Lease, as the case may be) with Havadjia Holdings is calculated as follows:

(a)	Two hundred thousand dollars ($200,000)	
(b)	PLUS	Annual gross sales (amount received by Subleasee or Tenant and its related parties for all goods sold and services rendered from the premises during the year)
(c)	MINUS	Sales tax and returns
(d)	TIMES	Four Percent (4%)
(e)	MINUS	Base Rent
(f)	EQUALS	Percentage Rent

If components (a) through (d) above do not exceed Base Rent, no Percentage Rent is payable.

Percentage Rent is due, for each calendar year of the term of the Sublease or Lease, on the tenth (10th) day of the following January. A final Percentage Rent payment is due on the tenth (10th) day of the month following expiration or termination of the Sublease or Lease. If the first or last year of the term of this Sublease is not a full calendar year, the percentage rent, the Base Rent, and the two hundred thousand dollars ($200,000.00) will be prorated.

REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

ITEM 7. INITIAL INVESTMENT

THROUGH FIRST 90 DAYS

^EXPENSE[1]	L^OW	^HIGH	^METHOD OF PAYMENT	^WHEN D^UE	T^O WHOM PAID
Combined Deposit Fee, Initial Franchise Fee, and Development Fee[2]	$25,000	$4^5,000	Single payment	At signing	Farmer Boys
Real Estate (includes security deposit and first 3 months' rent on land lease)[3]	$20,000	$40,000	As arranged	At lease signing	Lessor
Equipment and Signs[4]	^$72,661	$^89,^108	As arranged	As arranged	Suppliers and Contractors, Lender
Construction of Building and Surroundings[5]	^$152,^263	$264,557	As arranged	As Arranged	Contractors, Architects, Engineers, Govt. Agencies, Lender
Insurance	$8,652	$9,500	Single payment	Before opening	Insurance carriers
Initial Inventory	$12,000	$15,000	As arranged	As arranged.	Suppliers
Training Expenses[6]	$500	$15,000	As arranged	At training	Hotel, Restaurants
Grand Opening Advertising	$2,500	$5,000	Single payment	One month after opening	Agencies and Media
Professional Fees[7]	$1,000	$5,000	As incurred	Before opening	Attorney^s & Accountant
Additional Funds[8]	$1^44,^992	^$173,^030	As incurred	Varies	Employees, others
TOTAL Land Lease, Construction Financed	^$439,^568	$^661,^195			

@PFDesktop\::ODMA/WORLDOX/W:/WDOX/CLIENTS/FBF/012/00013518.WPD
April 24, 2006

ALL FIGURES ARE ESTIMATES ONLY

1: SBA financing may be available for the construction of building and improvements on leased real estate, as well as for the equipment and other initial expenses in opening the franchised restaurant. Typical SBA financing will require a down payment of 20% of the project costs, with financing ranging from 20 to 25 years. Interest rates vary, but often are expressed as Wall Street prime plus 1.5 to 2.0 percent. For purposes of the figures in the table, we estimated financing at ten percent a year. You will also pay SBA guarantee fees, which are not included in the preceding table. You should consult a lender to determine your qualifications for financing of this nature, as well as current financing costs. Other than costs connected with financing, this Item shows all expenses through first 90 days of operation. If you select a site on which we have already begun development, you will reimburse us for any of the costs described in this table that we have already incurred.

2: If you enter into a franchise agreement, your deposit fee is fully applicable to the initial franchise fee. If you are purchasing franchises separately, the initial franchise fee for the first franchise is $4^5,000 and $25,000 for each subsequently purchased franchise. However, if you are purchasing franchises under an Area Development Agreement, you must pay, in advance, $12,500 toward the initial franchise fee for each franchise to be developed under the Development Schedule when you sign the Area Development Agreement. $12,500 of the fees paid in advance will be credited toward the initial franchise fee for each restaurant developed under the Agreement until all fees have been credited.

3: Figures are based on assumption that real estate will be leased, that the value of the land is between $600,000 and $1,200,000, and that lessor will require an initial payment of one month's rent and a security deposit of one month's rent. We also include the second and third months' rent. See Item 10 of this Offering Circular for information on leasing your business premises from Havadjia Holdings.

4: This category includes such items as food preparation and other kitchen equipment, dining room furniture, office equipment and janitorial equipment. Total price of these items will range from ^$297,^436 to $3^63,^076. The figures in the table are based on financing at 10% per year, which includes down payment and first 3 months' loan payment^.

5: This category includes costs of constructing the building and other improvements on the real estate, architectural and engineering fees, sales tax deposits or bonds, construction permit, sewer hookup charges, and utility deposits. The figure includes down payment and first 3 months loan payments assuming the total cost is $6^82,300 to ^$1,185,500.^

6: This figure includes your costs of attending the franchise training program, and includes transportation, lodging, and meals while attending the program.

7: This figure includes attorney review and negotiation of the lease for the franchised restaurant. If we have paid for lease review while developing your site, you will reimburse us for this expense rather than pay attorney directly.

8: This category includes the cost to you of transportation and wages for pre-opening work and training for ^12 cooks and ^12 cashier servers. This will range from $^31,000 to $^66,000.^ Included are 90 days' wages for ^approximately 30 full time and part-time employees, opening cash, employee uniforms and other miscellaneous expenses incurred during the first 90 days of the franchised business' operations. We relied on our management's experience in operating company and affiliated ^restaurants in estimating this figure. You should review these figures carefully in light of local conditions and the economy, consulting a business advisor if necessary.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You will not be required to purchase any goods or services from us or Andrew's Sons. At your request and at our option, we may temporarily lend you trained employees to enable you to meet System standards at opening or at other times when you are temporarily understaffed. If this occurs, you must reimburse us for the employee's wages or salary while working in your Restaurant, a markup of ^three dollars an hour to compensate the employee for the inconvenience, and any incidental costs incurred by the employee in fulfilling the temporary assignment that he or she would not incur in his or her usual employment. Otherwise, neither we nor Andrew's Sons is a supplier of any goods or services that you will sell or use in your Restaurant other than services that are paid for by your franchise fees.

As a condition of offering you a site that we have located, we are likely to require that you lease or sublease, at our sole option, the land on which you build your restaurant from our affiliate, Havadjia Holdings. Otherwise, Havadjia Holdings is not a supplier of any goods or services you will sell or use in the Restaurant.

We require you to buy our proprietary products from a designated supplier to preserve secrecy. For quality assurance and protection of the Marks, you must buy all food products, including meat, chicken, fish, dairy products, bread, fountain drinks, and produce, employee uniforms, and all dry goods and items bearing the FARMER BOYS® Marks, such as fountain cups, napkins, and tray liners, from approved or designated suppliers and according to our specifications.

To seek our approval of a site for your Restaurant, you must advise us in writing of the street address of the proposed site and provide a copy of any demographic information you have on the site and complete the FARMER BOYS® Evaluation Form. We will base our approval of the site on the general guidelines for suitable franchise premises that are stated in the Manual.

To seek our approval of the lease or purchase agreement for the premises of your Restaurant, you must provide a copy of the proposed lease or purchase agreement or a lease summary. The terms of the lease or purchase agreement must allow you to operate profitably under the terms of the Franchise Agreement, in our reasonable discretion. A lease must grant us an option, without cost or expense to us, to assume or authorize our assignee to assume the lease if the franchise agreement is terminated or if you should fail to cure a material default under the lease within the time allowed by the lease. Your lessor and you may meet this requirement by ^adding the language to the lease as listed in the Lease ^Provisions in the form of Attachment 1 to the Deposit Agreement. If you purchase the land or premises for the Restaurant, under the Franchise Agreement you grant us an option to purchase the property from you upon termination of the Franchise Agreement.

You must ^furnish and decorate the Restaurant according to our specifications and submit your plans and furnishings to us for our prior written approval. If you employ an approved interior designer, your decoration and furnishings will be considered approved. Once every five years, beginning on the date you first open for business, you, or your successor in interest must ^make a minimum remodeling expenditure of $41,500 as adjusted annually by the CPI, to completely remodel the exterior and interior of your Restaurant. Your remodeling dollars should be spent to update and revitalize the look of your Restaurant from the customer's point of view, with particular attention to interior and exterior paint, artifacts, furniture upholstery, table tops, valances, window shades, wall coverings, bathroom fixtures and tile, wainscoting and signs.^ Payment for regular maintenance and repair, such as replacement or repair of damaged wall coverings, tiles, equipment or upholstery, will not count toward your remodeling obligation.

You must purchase and maintain a policy or policies of comprehensive public liability insurance, including products liability coverage, covering all Restaurant assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death, or property damage of not less than ^two ^million ^dollars. ^We may increase the minimum coverage requirement annually if necessary to reflect inflation or other changes in circumstances. You must also carry (1) casualty insurance in a minimum amount equal to the replacement value of your interest in the Restaurant premises, including furniture, fixtures, and equipment; and (2) business interruption insurance in an amount sufficient to cover the rent of the Restaurant premises, salary, or wages of key personnel, and other fixed expenses. In addition, you must maintain policies of workers' compensation insurance, disability insurance, and any other types of insurance required by applicable law. Each insurance policy that is required under the Franchise Agreement must contain a provision that the policy cannot be canceled without ten days' written notice to us. It must be issued by an insurance company that is admitted in California and that is rated B+ or better in Best's Key Rating, designate us as an additional named insured and be satisfactory to us in form, substance, and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to us within ten days after the policy is issued or renewed.

Except for reimbursement for employees we lend you at your request, neither we nor Andrew's Sons receive any income based upon your purchase of items from approved or designated suppliers or according to specifications. In the fiscal year ending January 31, 200^6, our total revenue was $^7,96^9,^869. Of this, ^$6,931 or .0^9% was derived from reimbursement for loaned employees. Vendor rebates, all of which we contributed to the advertising fund, constituted $82,513 or about 1.04% of our total revenue.

In the fiscal year ending January 31, 200^6, Havadjia Holdings derived ^$1,^859,069 as rent for leases or subleases of real property to FARMER BOYS® franchisees. Otherwise, Havadjia Holdings received no income from sale or lease of goods or services to franchisees during this period.

We negotiate purchase arrangements with suppliers, including advantageous price terms, for the benefit of all members of the FARMER BOYS® Network. In some cases, all FARMER BOYS® Restaurants must purchase certain items, such as fountain drinks, from a designated supplier in return for a systemwide price discount.

If you would like to use or sell any product in the categories described above from a supplier not previously designated or approved by us, you must advise us of this fact and, upon our request, give us product specifications, sample products, and information about the supplier. ^We will promptly communicate to you either our approval or our reasons for withholding our approval. Silence may not be construed as consent. As a condition of approving a supplier or product, we will require you or the supplier to reimburse us for any expenses reasonably incurred by us in inspecting the supplier's premises, checking the supplier's credentials, or testing the product. As a condition of approving a supplier of any product that bears the Trade Name or Marks, we may require that the supplier sign our License Agreement. Normally, we will not take longer than 60 days to evaluate a supplier. ^We may withdraw our approval of a supplier if the supplier no longer meets our standards.

Our existing standards and specifications and criteria were evolved through our management's years of experience in operating Andrew's Sons. Periodically, we retain a food consultant to undertake ongoing research, development, and testing of food items. ^We will communicate our standards and specifications in writing, usually in the Manual. At our discretion, our specifications will also be made available to suppliers.

We will not provide material benefits, such as renewal or granting additional franchises, to you based on your voluntary use of designated or approved sources. Failure to purchase items from approved or designated suppliers or according to specifications when we instruct you to do so is a material event of default that may lead to termination of your franchise.

Approximately 70% of your start-up expenses and 33% of your ongoing expenses will be for purchases from approved or designated suppliers. Most of these purchases will be of food and paper supplies.

ITEM 9. FRANCHISEE'S OBLIGATIONS

THE TABLE BELOW LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND ANY RELATED AGREEMENTS. IT WILL HELP YOU LOCATE MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THE AGREEMENTS AND IN OTHER PARTS OF THIS OFFERING CIRCULAR.

DEPOSIT AGREEMENT

^^^OBLIGATION	^SECTION IN DEPOSIT AGREEMENT^	^ITEM IN OFFERING CIRCULAR
^ ^a.^ Site selection and acquisition/lease	^ ^§ 3	^ ^8, 10, 11

^^^OBLIGATION	^SECTION IN DEPOSIT AGREEMENT^	^ITEM IN OFFERING CIRCULAR
^ ^b.^ Pre-opening purchases/leases	^ ^§ 3.1	^ ^5, 8
^ ^c.^ Site development and other pre-opening requirements	^ ^§ 3.1^	^ ^8, 11
^ ^d.^ Initial and ongoing training	NA	^ 11
e. Opening	NA	11
f. Fees	Article 1	5, 6
g. Compliance with standards and policies/Operating Manual	^ NA	8, 11, 16
h. Trademarks and proprietary information	^ NA	13, 14
i. Restrictions on products/services offered	^ ^NA	^ ^8, 16^
^ ^j.^ Warranty and customer service requirements	^ ^NA	^ ^N/A
^ ^k.^ Territorial development and sales quotas	^ NA	12
l. Ongoing product/service purchases	^ ^NA	8
^ ^m.^ Maintenance, appearance, and remodeling requirements	^ ^NA	^17
^ ^n.^ Insurance	^ ^NA ^	^ ^7, 8
^ ^o.^ Advertising	NA	^ ^6, 8, 11
^ ^p.^ Indemnification	^ ^NA	^ ^13
^ ^q.^ Owner's participation/ management/ staffing	^ ^§ ^3	^ ^15

^^^OBLIGATION	^SECTION IN DEPOSIT AGREEMENT^	^ITEM IN OFFERING CIRCULAR
^ ^r.^ Records/reports	^ ^NA	^ ^6
^ ^s.^ Inspections/audits	^ ^NA	^6
t. Transfer	NA	^6, 17
^ ^u.^ Renewal	^ ^NA	^ ^6, 17
^ ^v.^ Post-termination ^ ^obligations	^ ^NA	^ ^17
^ ^w.^ Non-competition covenants	^ NA	17
x. Dispute resolution	^Article 7	17

FRANCHISE AGREEMENT

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	NA	8, ^1^0, 11
b. Pre-opening purchases/leases	§§ 7.4.1 - 7.4.4, 7.6	5, ^8
c. Site development and other pre-opening requirements	§§ 7.4.1, 7.4.3	11
d. Initial and ongoing training	§ 7.4.1	11
e. Opening	§ 7.4.3	11
f. Fees	Article 6	5, 6
g. Compliance with standards and policies/Operating Manual	§ 7.4.4	8, 11, 16
h. Trademarks and proprietary information	§§ 7.1, 8.1	13, 14

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN OFFERING CIRCULAR
i. Restrictions on products/services offered	§ 7.4.5	8, 16
j. Warranty and customer service requirements	§ 7.4.6	N/A
k. Territorial development and sales quotas	NA	12
l. Ongoing product/service purchases	§ 7.4.5, 7.4.8	8
m. Maintenance, appearance, and remodeling requirements	§§ 4.4(c), 4.5.2(d), 7.4.4	17
n. Insurance	§ 7.9	7, 8
o. Advertising	§§ 7.2, 7.6	6, 8, 11
p. Indemnification	§ 8.5	13
q. Owner's participation/ management/ staffing	§§7.4.1, 7.5.1, 7.5.2	15
r. Records/reports	§§ 7.8.1, 7.8.2	6
s. Inspections/audits	§§ 6.5, 7.4.7	6
t. Transfer	Article 9	6, 17
u. Renewal	§ 4.5.2	6, 17
v. Post-termination obligations	§ 10.3 (b) - (h)	17
w. Non-competition covenants	§ 8.6, Attachment 43	17
x. Dispute resolution	§§ 11.7 - 11.10	17

AREA DEVELOPMENT AGREEMENT

OBLIGATION	SECTION IN AREA DEVELOPMENT AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	§§ 4.4, 6.1, Attachment 1	8, 10, 11
b. Pre-opening purchases/leases	NA	5, 8
c. Site development and other pre-opening requirements	Attachment 2	11
d. Initial and ongoing training	NA	11
e. Opening	NA	11
f. Fees	Article 5	5, 6
g. Compliance with standards and policies/Operating Manual	NA	8, 11, 16
h. Trademarks and proprietary information	NA	13, 14
i. Restrictions on products/services offered	NA	8, 16
j. Warranty and customer service requirements	NA	N/A
k. Territorial development and sales quotas	§§ 4.2, Attachment 2	12
l. Ongoing product/service purchases	NA	8
m. Maintenance, appearance, and remodeling requirements	NA	17
n. Insurance	NA	7, 8
o. Advertising	NA	6, 8, 11

OBLIGATION	SECTION IN AREA DEVELOPMENT AGREEMENT	ITEM IN OFFERING CIRCULAR
p. Indemnification	NA	13
q. Owner's participation/ management/ staffing	NA	8, 15
r. Records/reports	NA	6
s. Inspections/audits	NA	6
t. Transfer	Article 7	6, 17
u. Renewal	§ 4.5.2	6, 17
v. Post-termination obligations	§ 9.3	17
w. Non-competition covenants	§§ 8.1, 8.2	17
x. Dispute resolution	§§ 11.7 - 11.10	17

ITEM 10. FINANCING

If we locate a site and you are interested in it, Havadjia Holdings, our affiliate, may lease or sublease the real property to you. Of the ^38 FARMER BOYS® franchised restaurants currently in operation, ^11 lease real property from Havadjia Holdings, ^16 sublease real property from Havadjia Holdings, and ^11 have made other arrangements.

Havadjia Holdings uses a standard form for our leases to franchisees which is attached to the Deposit Agreement as Exhibit 2-B. The leases offer rent at market rates, a 20-year initial term coupled with renewal options that bring the combined term to 40 years, and a security deposit equal to one month's rent.

Havadjia Holdings may terminate the lease upon the occurrence of any one or more of the following events:

(a) The vacating of the Premises without the intention to reoccupy same, or the ^ abandonment of the Premises;

(b) Except as expressly otherwise provided in the lease, the failure by the tenant to make any payment of rent or any other monetary payment required to be made by the tenant under the lease, whether to Havadjia Holdings or to a third party, as and when due, where the failure continues for a period of three days following written notice by or on behalf of Havadjia Holdings to the tenant;

(c) A failure by the tenant to comply with any of the terms, covenants, conditions or provisions of the lease that are to be observed, complied with or performed by the tenant, other than those described in phrases (a) or (b), above, where the default continues for a period of thirty days after written notice by or on behalf of Havadjia Holdings to the tenant. However, if the nature of the tenant's default is such that more than thirty days are reasonably required for its cure, then it will not be considered to be a breach of the lease by the tenant if the tenant begins the cure within the thirty day period and thereafter diligently prosecutes the cure to completion;

(d)^ The occurrence of any of the following events:

(i) The making by lessee of any general arrangement or assignment for the benefit of creditors;

(ii) The tenant's becoming a "debtor" as defined in 11 U.S.C. 101 or any successor statute to it (unless, in the case of a petition filed against the tenant, the same is dismissed within ^60 days);

(iii) The appointment of a trustee or receiver to take possession of substantially all of the tenant's assets located at the Premises or of the tenant's interest in the lease, where possession is not restored to the tenant within thirty days;

(e) The discovery by Havadjia Holdings that any financial statement given to Havadjia Holdings by the tenant or any guarantor was materially false when given;

(f) Termination, for any reason, of the FARMER BOYS® franchise agreement for the restaurant to be operated in the Premises;

(g) If the performance of the tenant's obligations under the lease is guaranteed:

(i) The termination of a guarantor's liability with respect to the lease other than according to the terms of the guaranty,

(ii) A guarantor's becoming insolvent or the subject of a bankruptcy filing,

(iii) A guarantor's refusal to honor the guaranty, or

(iv) A guarantor's breach of its guaranty obligation on an anticipatory breach basis, and the tenant's failure, within sixty days following written notice by or on behalf of Havadjia Holdings to the tenant in any such event, to provide Havadjia Holdings with written alternative assurance or security, which, when coupled with the then existing resources of the tenant, equals or exceeds the combined financial resources of the tenant and the guarantors that existed at the time of signing of the lease.

A copy of the standard sublease offered by Havadjia Holdings is attached to the Deposit Agreement as Attachment 2-A. It "passes through" the terms and conditions of the underlying lease, with specified exceptions: The rent is marked up to defray Havadjia Holdings' risk and expenses in administering the lease. The security deposit is usually equal to one month's rent. Late payments under the sublease will bear interest at 18% per year.

Havadjia Holdings may terminate the sublease if:

(a) You fail to cure a default in making a payment under the sublease within five days after written notice;

(b) The Franchise Agreement with us is terminated or not renewed for any reason;

(c) Any other agreement between you and us or any of our affiliates is terminated because of your material default or if you terminate such an agreement;

(d) The lease is terminated for any reason;

(e) You cause an event of default by us under the lease and fail to cure it within any applicable cure period.

If Havadjia Holdings brings a legal proceeding to enforce the sublease against you or to remove you from the premises, you may not assert any counterclaims in that proceeding or assert as a defense that we had no right to terminate the Franchise Agreement or that we have violated the franchise laws. Counterclaims of this sort must be brought in a separate proceeding.

Each of your owners must personally guarantee any lease or sublease between you and Havadjia Holdings.

If you default under a lease or sublease with Havadjia Holdings and fail to cure the default within any applicable cure period, we may terminate the Franchise Agreement.

Otherwise, neither we nor our affiliates offer direct or indirect financing. We will not guarantee your note, lease or obligation.

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as described below, we ^are not obligated to give you any assistance:

Preopening Services

Site Approval

You may not sign a Franchise Agreement until you have obtained our written approval of the site for your Restaurant. You must, on your own initiative and at your own expense, locate, obtain, and occupy the site (Deposit Agreement § 3). We will also look for suitable sites for FARMER BOYS® restaurants. If we find an appropriate site, we have the right to develop the site ^ourselves without offering it to you or to any other prospective franchisee. If we do not want to develop the site ourselves, we will offer the site to ^our depositors and will award the site to the depositor with the highest priority of those who accept the site in writing within seven days after the offer is made. The order of priority is as follows: (a) any existing franchisee who has signed a Deposit Agreement; (b) the depositor with the earliest dated Deposit Agreement; (c) the depositor with the second earliest dated Deposit Agreement; (d) and so on^ (Deposit Agreement § 3.2). You may have difficulty in finding a site without Farmer Boys' assistance. However, **^we cannot and do^ not guarantee that ^we will find a mutually acceptable site within your preferred geographic area.**

To seek our approval of a site that you locate, you must advise us in writing of the street address of the proposed site, provide a copy of any demographic information you have on the site and submit the FARMER BOYS® Evaluation Form. We will base our approval of the site on the general guidelines for suitable franchise premises that are stated in the Manual^ (Deposit Agreement § 3.1).

To seek our approval of the lease or purchase agreement for the premises of the Restaurant, you must provide a copy of the proposed lease or purchase agreement or a lease summary. The terms of the lease or purchase agreement must allow you to operate profitably under the terms of the Franchise Agreement, in our reasonable discretion. A lease must grant us an option, without cost or expense to us, to assume or authorize our assignee to assume the lease if the franchise agreement is terminated or if you should fail to cure a material default under the lease within the time allowed by the lease. Your lessor and you may meet this requirement by ^adding the language to the lease listed in the Lease ^Provision in the form of Attachment 1 to the Deposit Agreement. If you purchase the land or premises for the Restaurant, under the Franchise Agreement you will grant us an option to purchase the property from you upon Termination of the Franchise Agreement (Deposit Agreement § 3.1).

Some of the factors that we consider in approving a site are daytime and residential population, traffic patterns and counts, access and egress, size, parking, availability for lease or purchase, term, and applicable regulatory requirements.

We will approve or disapprove your proposed site within 30 days after you present the information described above to us.

If you and we do not agree about a site, you must find another site. If you do not find a mutually satisfactory site within the term of the Agreement, the Agreement will terminate and, unless the agreement is extended, you will lose your deposit. Whether or not to extend the term is within our sole discretion (Deposit Agreement § 4).

The average length of time between signing of a franchise agreement and opening of a franchised business is between 12 and 24 months. This period does not include time spent looking for a site because you must have an acceptable site before entering into a FARMER BOYS® franchise agreement. Factors that may affect the length of time it takes to open include lease or purchase negotiations, obtaining regulatory approvals and permits, and speed of construction.^

Training^

The initial training program will take place at one of the company-owned FARMER BOYSSM Restaurants and at FARMER BOYS® ^headquarters before you open your first Restaurant. The training program will cover the following:
^

SUBJECT	INSTRUCTIONAL MATERIAL	CLASSROOM HOURS IN ^TRAINING CENTER	HOURS ON THE JOB	INSTRUCTION TIME IN RESTAURANT
Orientation	Manual, Video	^8	^1	0
Server	Manual, Video	^0	16	2^
Cashier	Manual	^0	32	4^
Prep/Salad/Steam Cook	Manual	^0	32	4^
Fry Cook	Manual^	0	32	^4
Broiler Cook	Manual	^0	^40	5
Middle Cook/ Expediter	Manual^	0	40	5^
Breakfast Cook	Manual	^0	^40	5
Restaurant Management Training	Manual	^0	^144	36
Franchise^ Business Management Training	Manual	45	^0	0

SUBJECT	INSTRUCTIONAL MATERIAL	CLASSROOM HOURS IN ^TRAINING CENTER	HOURS ON THE JOB	INSTRUCTION TIME IN RESTAURANT
Restaurant Management Skills Evaluation	N/A	0	^90	0
TOTAL HOURS		^53	467	^65

The entire training program consists of 11 weeks of pre-opening training followed by two weeks in a company restaurant during which we evaluate your restaurant management skills. After that, we will award you a completion certificate, ask you to attend additional training or terminate your training, depending upon our assessment of your management skills and capabilities. We encourage you to gain additional practical experience before the opening of your franchised Restaurant by working in FARMER BOYS® Restaurants in various job functions. This experience will enable you to open your business far more successfully than you would otherwise and to avoid many mistakes commonly made by new Restaurant owners. You will be paid for your work according to law.

Pre-opening training programs will run throughout the year on a set schedule. Ideally, you should complete your training 12 weeks before opening your Restaurant.

The primary instructional material for the initial training program will be the FARMER BOYS® Operations Manual and the training manual. There will be no additional charge for training material. However, you and those of your employees who attend training must buy uniforms before training begins.

The training program will be supervised by ^David Munson, who has several years' experience as an Area Manager and Training Manager for us, and, earlier, as Training Coordinator at Marie Callender's.

You and your Designated Manager ^must attend initial training and complete the program to our satisfaction. There will be no training fee for you and one other person, but if more than two people attend the training program or attend at different times, ^we may charge up to $3,000 as a training fee for each additional person (Franchise Agreement § 5.2). You must pay the wages of your employees and all incidental expenses you and your employees incur during training. We will not compensate you or your employees for any work performed during training.

We expect to require you to participate in ongoing additional training. Attendance will be mandatory and there may be training fees. You will be responsible for all incidental expenses you and your employees incur during training.

Manuals

We will lend you or make available to you on the FARMER BOYS® intranet a Manual containing explicit instructions for use of the Marks, specifications for goods that will be used in or sold by the Restaurant, sample business forms, information on marketing, management, and administrative methods developed by us for use in the Restaurant, names of approved suppliers, and other information that we believe may be necessary or helpful to you in your operation of the Restaurant. We will revise the manual periodically to conform to the changing needs of the Franchise Network and will distribute updated pages containing these revisions to you, or, if the Manual has been placed on the FARMER BOYS® intranet, will post revised pages there. Any paper copy of the Manual must be kept in a secure place in the Restaurant.

We will arrange for you to review our Manual in the presence of a FARMER BOYS® employee or agent at a mutually convenient time and place before you enter into a FARMER BOYS® Franchise Agreement.

Selection and Installation of Electronic Cash Register and Computer

You must buy ^a POS system^ that is available from and supported by GWPOS, Inc., (Golden West P.O.S. Systems), 795 E. Sixth Street, #D, Beaumont, California. Elements of the systems are:

- ^5 Partner Tech 5500 15" Terminals with card reader
- 5 Rear Displays
- 5 Epson TM-88III Thermal Printers
- 2 ^Epson TM-220B Auto Cut Kitchen Printers
- ^5 MS Cash Drawers (large size).
- ^1 ^Custom File ^Server with XP Pro, Office Basic and PC Anywhere ^for remote support, no report printer.
- 1 Maitre D' software package with ^5 Terminals, Time and Attendance, Recipe File, Phone Orders and Back Up Server.
- 1 Smart Power Uninterrupted Power Supply^
- 6^ Smart Power Surge Suppressors with 2 ports.
- ^ 1 Maitre'D CCM Module
- 1 - e-Global & Databoard (POS Internet Application)

You must upgrade the hardware and software when we modify our standards to require an upgrade (Franchise Agreement § 7.4.^4). This will occur ^no more often than once every five years.

You will use the cash register system to collect sales information by major product and time of day. Secondarily, you may use it for payroll and inventory functions. Although, under the Franchise Agreement, we have an independent right to access your cash register data (Franchise Agreement § 7.8^), access will actually be possible only with your cooperation.

We have established an intranet system at http://www.farmerboys.info for use by all members of the FARMER BOYS® Network. You must purchase a computer system, peripherals^ and software that will support your use of the intranet. Most commonly used browsers will work. You must maintain broadband (cable or DSL) internet access.

Opening Assistance

For your first Restaurant, at no additional charge, we will place an experienced manager in your restaurant for four weeks beginning around opening. The manager will further train you and your employees and help you with the operational and administrative issues confronting you as a new business owner (Franchise Agreement § 5.3).

Postopening Services

Consultation

We, for no additional charge, will use our best efforts to make our personnel available to you for consultation throughout the term of the franchise in a timely manner. We will provide you with information on hiring and training employees, suggest suitable prices, and advise you of improvements and developments in the fast casual restaurant business. In addition, we may research and develop new food items for addition to your menu^ (Franchise Agreement § 5.4).

Approved Suppliers

We will give you, in the Manual or otherwise in writing, a list of names and addresses of approved suppliers of specified goods and services that you will use or sell in your Restaurant. **In approving a particular supplier, we expressly disclaim^ any warranties or representations as to the condition of the goods or services sold by these suppliers, including express or implied warranties as to merchantability or fitness for any intended purpose.** You agree to look solely to the manufacturer of goods or the supplier of services for the remedy for any defect in the goods or services^ (Franchise Agreement § 5.7).

Proprietary Products Availability

We will use our best efforts to ensure that we, our Affiliate, or a designated supplier will at all times have a supply of Proprietary Products for sale to you^ (Franchise Agreement § 5.8).

^Marketing Services

We have a^ marketing program which is implemented by a regional advertising agency or Farmer Boys' Marketing and Advertising Department. It produces point-of-sale, outdoor, radio, and newspaper materials as well as cable-ready commercials. We also plan advertising campaigns and buy media space and time. In addition, we will provide ^Marketing materials for you to place in appropriate regional and local media. There is a franchisee advisory council to advise us on ^Marketing. Its recommendations are non-binding.

With our prior written approval, you may also use advertising materials that you prepare. You agree to submit to us copies of all advertising materials that you propose to use at least two weeks before the proof deadline. We will review the materials within a reasonable time and will promptly notify you whether we approve or reject them. We may not withhold our approval unreasonably (Franchise Agreement § 7.2).

Fifty percent (50%) of money you pay into a cooperative advertising account maintained by a regional advertising cooperative, as described below, may be credited against the local advertising spending requirement, in a maximum amount equal to one-half percent ^of Adjusted Gross Revenue.

When five ^or more company-owned or franchised Restaurants have been established in your Area of Dominant Influence ("ADI"), we will call a meeting of their representatives to determine whether they would like to establish a regional advertising cooperative for the region. For all cooperative decisions, representatives will be entitled to one vote for each franchised or company-owned Restaurant they operate within the region. A regional advertising cooperative will be established upon a ^three-quarters majority vote. The cooperative will elect a chairperson for a one-year term and will proceed to determine, by simple majority vote, such matters as how often it will meet, what financial contribution it will assess from each member, and what advertising programs it will undertake. Regional advertising cooperative programs must be reasonably related to the general promotion of the Trade Name and Marks within the region. Fifty percent of your required contribution to a regional advertising cooperative, in the maximum amount of one-half percent of your Adjusted Gross Revenue for the period, may be offset against your local advertising obligation for the period.

The members of the cooperative will administer its affairs. The cooperative will operate from written bylaws which will be developed by and available to its members for review. You will have the right to see the cooperative's bank statements and financial records upon reasonable notice but will not have the right to a prepared report unless the cooperative's bylaws grant this right. We will have the right to modify the way in which the cooperative operates and to dissolve it.

You must spend at least ^one percent of your Adjusted Gross Revenue on local advertising (Franchise Agreement § 7.6.2).

We will administer the ^Marketing Fund which will pay for the ^Marketing program (Franchise Agreement § 5.6.1). ^New franchisees and ^new company-owned Restaurants will contribute ^three percent of their Adjusted Gross Revenue to the ^Marketing Fund. Some ^Restaurants that opened earlier pay two percent. Some franchisees whose Restaurants are located further from FARMER BOYS® headquarters temporarily receive a ^one percent rebate from the ^Marketing Fund contribution which they must then spend locally. The restaurants owned by Andrew's Sons contribute substantially, but not on a proportional basis with franchisee-owned Restaurants. Currently, Andrew's Sons is contributing about ^$11,200 a month to the ^Marketing Fund.

^The marketing program is regional in scope at the present time, ^but it may broaden its scope to national markeing as we expand.

We will prepare an annual accounting for the Fund. The report will not be audited. Most of the money in the ^Marketing Fund will be spent during the year in which it is contributed. Any unspent money will be retained in the account for use during the following year.

During the most recent fiscal year, 70.^6% of the Fund's money was spent on media, ^2.^2% on production of advertising materials, ^8.^7% on public relations, research, consulting, and charitable contributions and 1^4.7% on administration. Neither we nor Andrew's Sons receives payment for providing goods ^to the ^Marketing Fund, but ^it may be used to compensate us for ^the salary of marketing personnel (Franchise Agreement § 5.6.1). Cooperative advertising payments from vendors will be added to the Fund or used in another manner that benefits all members of the FARMER BOYS® Network.

There is no requirement that we spend a specified amount of ^Marketing Fund money on advertising in your geographic area. We will not use money from the ^Marketing Fund to ^promote^ franchise sales.

ITEM 12. TERRITORY

Deposit Agreement

Each Deposit Agreement will specify a non-exclusive general territory within which you are seeking a site for a Restaurant. You receive no territorial rights under the Deposit Agreement.

Franchise Agreement

Under the Franchise Agreement, we grant you a franchise to operate a Restaurant at an Approved Location within a Protected Area with a one-mile radius. No one else's Restaurant will be authorized within your Protected Area, but your Protected Area may overlap someone else's Protected Area.

With the exceptions described in the following paragraph, we agree not to authorize any other franchisee to base a similar or competitive restaurant within the Protected Area, base any company-owned similar or competitive restaurant within the Protected Area, or allow any other franchisee or company-owned similar or competitive restaurant to relocate to a site within the Protected Area.

An exception to the exclusive rights described in the previous paragraph is that we reserve^ the right to locate or relocate any company-owned or franchised Restaurant to any major, regional or enclosed mall, theme or amusement park, county or state fair, special event location, mobile unit, kiosk, or institution of higher education within the Protected Area. Further, we reserve^ all rights not expressly granted in the Franchise Agreement, including the right to sell Proprietary Products through any means of distribution not specifically prohibited by another provision of the Franchise Agreement.

You will not be restricted or prohibited from accepting orders from outside your Protected Area, except that you may not solicit or accept orders through an Internet site or at wholesale except as permitted under our express written policies and procedures.

Neither we nor Andrew's Sons competes or intends to compete with franchisees through a competitive business or under another trade name or marks. You are not required to meet a quota or other condition to maintain the exclusivity of your Protected Area.

Area Development Agreement

Under the Area Development Agreement, we grant^ to you and you accept the exclusive right, during the term of the Area Development Agreement, to develop Restaurants in a specified Development Area.

As long as the Area Development Agreement is in effect, we may not operate or grant a franchise to any other person to operate a competitive restaurant or restaurants within the Development Area. There are no circumstances under which we would permit more than one Area Developer to operate under Area Development Agreements in a single Development Area. However, if you fail to meet your Development Schedule, we may terminate the Area Development Agreement. In this case, if your Franchise Agreements are still in effect, you may continue to operate your franchised Restaurants within your former Development Area.

Neither we nor Andrew's Sons competes or intends to compete with franchisees through a competitive business or under another trade name or marks.

There are no circumstances that would permit us to modify your Development Area while this Agreement is in effect.

ITEM 13. TRADEMARKS

Andrew's Sons registered the Mark FARMER BOYS® on the principal register of the Patent Office, registration number 2546629, on March 12, 2002. It has registered or filed applications to register several other Marks, as well.

Under a license that is effective September 1, 1997, Andrew's Sons licenses to us the right to use the Marks and to sublicense them to franchisees for use as part of their trade names. The license is coextensive with the term of any outstanding FARMER BOYS® franchise agreement.

There is no currently effective determination of the Patent Office, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the trademarks.

No agreements limit our rights to use or license the use of our trademarks or trade name.

We ^are not aware of any superior prior rights or infringing uses that could materially affect your use of the Marks in this state or the state where your Restaurant is to be operated.

Under the Franchise Agreement, you agree to notify us immediately in writing if you become aware of any unauthorized use of our Trade Name, Marks, or System. You must promptly notify us in writing of any claim, demand, or suit against you or against your principals for your use of the Trade Name, Marks, or System. We will indemnify and hold you harmless from all direct expenses and liabilities arising from or in any way connected ^to any third party claim that your operation of a Restaurant infringes our intellectual property rights or misappropriates our trade secrets. If you are made a party to a legal proceeding in connection with a claim of this type, we will hire counsel to protect our interests and will defend you at our own expense. You will be bound by any settlement negotiated by us.

We have invested a great deal of time, energy, and money in the promotion and protection of our Trade Name and other Marks. We do not intend to change them. However, rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend and changes in the cultural and economic environment within which the System operates or third party challenges to our rights in the Marks may make it desirable or necessary to change the Trade Name and Marks. We therefore have the right to change our Trade Name and Marks and the specifications for each when we believe^ that the changes will benefit the Franchise Network. You must promptly conform, at your own expense, to any such changes.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We have not registered any patents or copyrights. We claim^ common-law copyrights for our advertising materials and Manual.

We consider^ much of the information contained in the Manual to be confidential. For example, the ingredients in the Spice Pack are a trade secret. Therefore, the Franchise Agreement contains noncompetition and confidentiality provisions, in the form of Attachment 3. In addition, Related Parties must sign noncompetition and confidentiality agreements in regard to the Manual's contents.

We are not aware of any infringing uses of our copyrights for our advertising materials and Manual.

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

You or, if you do not qualify, in our sole discretion, to serve as general manager of your Restaurant, your Designated Manager must personally supervise your Restaurant. We recommend and may require that your Designated Manager have an equity interest in the Restaurant.^ Your original Designated Manager must complete the initial training program to our satisfaction, but replacement or successor managers do not have to do so. However, they must be certified by us, which may mean testing or supplemental training.

^Your Designated Manager must sign the Nondisclosure and Noncompetition Agreement attached to the Franchise Agreement.

If we determine^ that a Designated Manager is not properly performing his duties, we will advise you and you must immediately take steps to correct the situation^. Failure to comply with this provision may lead to Termination.

ITEM 16. RESTRICTIONS ON WHAT YOU MAY SELL

You must offer and sell all the products and services and only the products and services that we have authorized you to provide. If you would like to use or sell any product which is sold by a supplier not previously designated or approved by us, you must advise us of this fact and, upon our request, give us product specifications, sample products, and/or information about the supplier. We will promptly communicate to you either our approval or our reasons for withholding our approval. Silence may not be construed as consent. As a condition of approving a supplier, we will require you to reimburse us for any expenses reasonably incurred by us in inspecting the supplier's premises, checking the supplier's credentials, or testing the product. As a condition of approving a supplier of any product that bears the Trade Name or Marks, we may require that the supplier sign our License Agreement.

You must operate the Restaurant in total compliance with the standards and specifications stated in the Manual. We may make changes in these standards and specifications, when, in our reasonable discretion, change is needed for the continued success and development of the Franchise Network. The changes may necessitate the purchase of equipment, supplies, furnishings or other goods, completion of additional training by your employees, or other cost to you. You must promptly conform to the modified standards and specifications at your own expense.

There is no restriction as to whom you may sell goods or services.

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

The table below briefly summarizes certain important provisions of the franchise agreement and related agreements. You should read the complete provisions in the documents attached to this offering circular.

DEPOSIT AGREEMENT

PROVISION	SECTION IN DEPOSIT AGREEMENT	SUMMARY
a.^ Term of the Franchise	^Article 2	12 month grant to seek location
b. Renewal or extension of the term	Article 4	We have sole discretion to extend after your timely written request
c. Requirements for you to renew or extend	Article 4	Written request and review of your effort to obtain site
d. Termination by you	None	NA
e. Termination by us without cause	None	NA
f. Termination by us with cause	Article 5	Application misstatement, failure to deliver timely franchise agreement or material changes in your qualifications
g. "Cause" defined - defaults which can be cured	None	NA
h. "Cause" defined - defaults which cannot be cured	Article 5	Misrepresentation or material change in qualifications
i. Your obligation on termination/nonrenewal	None	NA

PROVISION	SECTION IN DEPOSIT AGREEMENT	SUMMARY
j. Assignment of contract by us	None	Recipient bound
k. "Transfer" by you - definition	None	NA
l. Our approval of your transfer	None	NA
m. Conditions for our approval or transfer	None	NA
n. Our right of first refusal to buy your business	None	NA
o. Our option to buy your business	None	NA
p. Your death or disability	None	NA
q. Noncompetition covenants during term of franchise	None	NA
r. Noncompetition covenants after franchise is terminated or expires	None	NA
s. Modification of the agreement	§ 8.4	Modification only by written agreement of parties
t. Integration/merger clause	§ 8.7	Agreement is what is written in deposit agreement; other promises cannot be enforced
u. Dispute resolution by arbitration or mediation	Article 7	Except for certain claims, all disputes are subject to binding arbitration in Riverside, California, following preliminary negotiation and mediation procedures
v. Choice of forum	None	NA
w. Choice of law	§ 8.2	California

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Term of the Franchise	§ 4.5.1	Term is 20 years

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
b.^ Renewal or extension of the ^term	^§ 4.5.2	If you meet conditions, you can renew twice for ten-year terms
c.^ Requirements for you to ^renew or extend	^§ 4.5.2 (a) - (f)	Sign new agreement, remodel, give notice, be in good standing, renew lease, and sign release
d.^ Termination by you	^None	NA
e.^ Termination by us ^without cause	None	^NA
f.^ Termination by us ^with cause	^§ 10.2.1	We can terminate only if you default
g.^ "Cause" defined - defaults ^which can be cured	^§ 10.2.2 (a) - (d)	You have 5 days to cure non-payment defaults; you have 30 days to cure other defaults that can be cured
h.^ "Cause" defined - defaults ^which cannot be cured	^§ 10.2.2 (e) - (o)	Non-curable defaults include conviction of felony, misrepresentation in securing franchise, abandonment, repeated defaults, misuse of marks, unapproved transfer, insolvency, failure to achieve an "A" three times in any 12-month period or less than a "B" twice in any 12-month period in a Health Department inspection and competition with Franchise Network
i.^ Your obligation on ^termination/nonrenewal	^§ 10.^3 (b) - (h)	^Complete deidentification, payment of ^all monies due, ^sign all necessary documents for transfer of phone numbers, maintain records and more.
j.^ Assignment of contract by us	^§ 9.^6	May assign to company that assumes obligations
k.^ "Transfer" by you - definition	^§ 3.1^9	Includes transfer of contract or assets or ownership change
l.^ Our approval of ^your transfer	^§ 9.1^	We have the right to approve all transfers but will not unreasonably withhold approval

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
m.^ Conditions for our ^approval or transfer	^§ 9.3	New franchisee qualifies, transfer fee paid, purchase agreement approved, defaults cured, repairs completed, training undertaken, release signed by you, new franchisee signs current franchise agreement
n.^ Our right of first ^refusal to buy your business	^§ 9.2	We have right to match any offer to buy your business
o.^ Our option to buy ^your business	^§§ 9.2, 10.3(f)	We have right to match any offer to buy your business within a certain time frame
p. Your death or disability	§ 9.5	Heirs must qualify or have 6 months to sell
q. Noncompetition covenants during term of franchise	§ 8.6, Attachment 3	No involvement of more than 10% in any competing business within three miles of Restaurant
r. Noncompetition covenants after franchise is terminated or expires	§ 8.6, Attachment 3	No involvement in competing business for one year within three miles of any Restaurant
s. Modification of the agreement	§ 11.4	Modification only by written agreement of parties; Manual may change
t. Integration/merger clause	§ 11.6	Agreement ^is what is written in franchise agreement; other promises cannot be enforced
u. Dispute resolution by arbitration or mediation	§§ 11.7, 11.8	Except for certain claims, all disputes are subject to binding arbitration in Riverside, California, following preliminary negotiation and mediation procedures
v. Choice of forum	None	NA
w. Choice of law	§ 11.2	California

AREA DEVELOPMENT AGREEMENT

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
a. Term of the Franchise	§§ 4.2, 4.5.1, Attachment 2	Development Schedule controls
b. Renewal or extension of the term	§ 4.5.2	No right to renew term
c. Requirements for you to renew or extend	NA	NA
d. Termination by you	None	NA
e. Termination by us without cause	None	None
f. Termination by us with cause	§§ 9.1, 9.2	Your material breach
g. "Cause" defined - defaults which can be cured	None	NA
h. "Cause" defined - defaults which cannot be cured	§ 9.1 (a)(b)	Unauthorized attempt to transfer or failure to meet Development Schedule
i. Your obligation on termination/nonrenewal	§ 9.3	You lose right to own or construct further Restaurants
j. Assignment of contract by us	§ 7.1	May assign to company that assumes obligations
k. "Transfer" by you - definition	None	NA
l. Our approval of your transfer	§ 7.3.1	We have the right to approve all transfers
m. Conditions for our approval or transfer	§ 7.3.2	New assignee qualifies, transfer fee paid, assignee agrees to fulfill your obligations in writing, training undertaken
n. Our right of first refusal to buy your business	§ 7.4	We have right to match any offer to buy your area
o. Our option to buy your business	§ 7.3.2	We have option to buy your ^area
p. Your death or disability	^§7.3.3	Transfer on death or disability constitutes an assignment, subject to same conditions as other assignments

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
q.^ Noncompetition covenants ^during term of franchise	^§ 8.^1	No involvement in any competing business in development area
r.^ Noncompetition covenants ^after franchise is terminated ^or expires	^§ 8.^2	No involvement in competing business for ^one year^ within ^development area without our consent
s.^ Modification of the ^agreement	^§ 11.4	Modification only by written agreement of parties^
t.^ Integration/merger clause	^§ 11.6	Agreement is what is written in franchise agreement; other promises cannot be enforced
u.^ Dispute resolution by ^arbitration or mediation	^§§ 11.7, 11.8	Except for certain claims, all disputes ^are subject to binding arbitration in Riverside, California, following preliminary negotiation and mediation procedures
v.^ Choice of forum	^None	NA
w.^ Choice of law	^§ 11.2	California

^Note: Please see the addendum attached to this Offering Circular immediately after ^Item 23 for important information concerning your rights under state law, including your rights in regard to transfer, termination and renewal.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19. EARNINGS CLAIMS

^

^Three company-owned, eight company-related and ^34 franchised FARMER BOYS® Restaurants had been open for business for 12 months or more on December 31, 200^5. During 200^5, average annual gross revenue of the ^45 Restaurants was $1,^377,042. Of these ^45 Restaurants, ^20 attained gross sales that were as great as or greater than the average. Average food, paper, and supplies cost of the ^45 Restaurants was 3^1.^7% of gross revenue. Average payroll expense was 27.^8% of gross revenue.^

1. The franchised Restaurants described above operate under franchises that are substantially similar to the franchises being offered in this Offering Circular.

2. The figures for franchised Restaurants were provided to us by franchised store owners. Although we believe^ the figures in the table above are generally accurate and reliable, the franchised Restaurant figures have not been audited.

3. Payroll costs reflected in the figures above include salaries and wages for all management and other personnel required for operation of the Restaurant, other than salaries paid to owners and their family members. Salary costs will depend upon how much you contribute to the daily operation of your Restaurant and can be lower if you actively participate. **These figures do not include payroll taxes, workers' compensation insurance or employee benefits.**

4. The figures above disclose labor and food costs, expressed as percentages of gross sales, for the ^45 Restaurants. Although labor and food costs are likely to be among the greatest expenses you incur in operating your franchised Restaurant, there are many others that you must take into account in estimating your ongoing expenses. Chief among these is your premises cost. **We did not disclose premises cost** because it may vary so widely, depending upon whether you buy or rent the land and building at your location. Franchisees or former franchisees, listed in the offering circular, may be one source of information on costs and expenses.

5. All of these Restaurants are located in Southern California, where the FARMER BOYS® trade name is well-known. If your Restaurant opens in another geographic area, you should expect your Restaurant to become profitable less rapidly. **Generally speaking, the success of a Restaurant is highly dependent on location. Restaurants at other locations, even within Riverside, may not be as successful.**

6. **Your franchised unit may have operating results that are substantially different from the results shown above**. In addition to the factors described in these footnotes, your Restaurant may not have the experienced management provided by us, your Restaurant will have had less time within which to build our customer base, the size of your Restaurant may differ, and geographic and economic developments may affect your income. **We do not guarantee that you will realize results comparable to those shown above.**

7. Substantiation of the data used in preparing this earnings claim will be made available to you upon reasonable request.

ITEM 20. LIST OF RESTAURANTS

^FRANCHISED RESTAURANT STATUS ^SUMMARY FOR YEARS ENDING JANUARY 31, 200^6 / 200^5 / 200^4

STATE	TRANSFERRED	CANCELLED	NOT RENEWED	REACQUIRED BY FRANCHISOR	OTHERWISE LEFT SYSTEM	TOTAL FROM LEFT	OPERATING AT YEAR END
California	^0 / 1 / 1					^0 / 1 / 1	38 / 35 / 24
Total	^0 / 1 / 1					^0 / 1 / 1	38 / 35 / 24

COMPANY-RELATED RESTAURANT* STATUS ^SUMMARY FOR YEARS ENDING JANUARY 31, ^200^6 / 200^5 / 200^4

STATE	OPENED	CLOSED	COMPANY-RELATED ^RESTAURANTS OPERATING AT YEAR END
California	^1 / 0 / 1		^12 / 11 / 11
Totals	^1 / 0 / 1		^12 / 11 / 11

^Figures include ^restaurants owned by Andrew's Sons

Attached to this Offering Circular as Exhibit D-1 is a list of names of all depositors, names of all franchisees under franchise agreements with us with the addresses and phone numbers of each of their Restaurants and names of all area developers^.

Attached to this Offering Circular as Exhibit D-3 is a list of the names of all franchisees, if any, who have had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within ten weeks of the application date.

^

PROJECTED RESTAURANT ^OPENINGS FOR YEAR ENDING JANUARY 31, 200^7

STATE	FRANCHISED AGREEMENTS SIGNED BUT ^RESTAURANT NOT YET OPEN	PROJECTED NEW FRANCHISED ^RESTAURANTS OPENING IN 200^6 - 200^7	PROJECTED NEW COMPANY RESTAURANTS OPENING IN 200^6 - 200^7
California	^4	8	2
^TOTALS	^4	8	2

^

ITEM 21. FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit B are our audited financial statements for the fiscal years ending January 31, 200^6, 200^5 and 200^4.

ITEM 22. CONTRACTS

The following agreements are proposed for use in this state for a FARMER BOYS® franchise: Deposit Agreement, ^Sublease Agreement, Lease, Franchise Agreement, Authorization Agreement for Prearranged Payments, Nondisclosure and Noncompetition Agreement, Personal Guaranty, and Area Development Agreement.

ITEM 23. RECEIPT

Attached, as the last page of this Offering Circular (Exhibit E-2), is a Receipt. Please sign it and return it to us. A duplicate of the Receipt is also attached for your records.

ADDENDUM TO OFFERING CIRCULAR: SPECIFIC STATE DISCLOSURES

^

ALBERTA

Sections 13 and 14 of the Alberta Franchises Act provide that if we fail^ to give you this offering circular at least 14 days before you sign any agreement related to the franchise or pay any money to the franchisor, whichever is earlier, you have a right to cancel the franchise agreement by giving notice of cancellation to us. We must compensate you for any net losses that you have suffered in buying, setting up, and operating the franchised business within 30 days after receiving your notice of cancellation. Your right to cancel the franchise in this manner expires at the earlier of 60 days after you receive the offering circular or two years after the franchise is granted to you.

Section 9 of the Alberta Franchises Act provides that if you suffer a loss because of a misrepresentation contained in this offering circular, you have a right of action for damages against any or all of us and every person who signed the offering circular.

Under Section 18 of the Alberta Franchises Act, any waiver or release by a franchisee of a right given by the Act or the regulations pertaining to the Act or a requirement of the Act or regulations is void.

CALIFORNIA

Neither the franchisor, nor any person or franchise broker identified in Item 2 of this offering circular is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§ 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement provides that you must sign a ^release of claims as a condition of transfer and of renewal. Under both the California Franchise Relations Act (Bus & Prof Code §§ 20000 to 20043) and the Franchise Investment Law (Corp. Code §§ 31000 to 31516), a provision in a franchise agreement that requires you to waive your rights under either or both of these laws is void.

Section 31125 of the California Corporations Code requires the franchisor to give the franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise.

OUR WEBSITE IS HTTP://WWW.FARMERBOYS.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT HTTP:// WWW.CORP.CA.GOV.

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

ILLINOIS

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with this matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has this a statute (815 ILCS 705/19 and 705/20).

The franchise agreement provides for termination upon bankruptcy. A provision in a franchise agreement that terminates the franchise upon bankruptcy of the franchisee may not be enforceable under Title 11, U.S. Code Section 101.

The franchise agreement includes a choice of law clause designating California law as the governing law. Under Illinois law, a franchise agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item17 w. is amended to state "none" under the heading for "Section in Franchise Agreement" and "none" under the heading for "Summary." The franchise agreement is amended to omit Section 11.2.

The franchise agreement requires you to sign a ^release of claims as a condition of relocation, transfer, or renewal of the franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Accordingly, insofar as the franchise agreement requires you to waive your rights under the Illinois franchise law, these requirements are deleted from the franchise agreement. This provision will not prevent the franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute.

^

MARYLAND

Amendments to ITEM^ 17 of the UFOC:

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

Section 9.3.1(g) of the Franchise Agreement says that we may require you to sign a general release of claims as a condition of renewal or transfer of your franchise. Under

Maryland law, this condition will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Under Sections 8.10 of the Deposit Agreement, 11.15 of the Franchise Agreement, and 11.15 of the Area Development Agreement, you are required to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland franchise law. Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Therefore, these agreements should be considered amended to state that the representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 4-216 (c) (25) of the Maryland Franchise Registration and Disclosure Law requires a franchisor to file an irrevocable consent to be sued in Maryland. Section 11.8 of the Franchise Agreement contains provisions requiring a franchisee filing any arbitration against the franchisor to agree to file the arbitration only in the State of California. Accordingly, the Franchise Agreement is amended to permit a franchisee to bring an arbitration in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three years after the franchise is granted.

MINNESOTA

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement.

The Franchise Agreement requires you to sign a general release as a condition of renewing or transferring a franchise. Minn. Rule 2860.4400J prohibits us from requiring you to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.

Section 11.10 of the Franchise Agreement says that you may not maintain any action against us unless you a) deliver written notice of any claim alleged to exist to us within one hundred eighty (180) days after the event complained of becomes known to you and b) you begin an arbitration proceeding within one (1) year after the notice. Under Minnesota law, any claims arising under Section 80C must be brought within three (3) years after the cause of action accrues. Therefore, in Minnesota the Franchise Agreement is amended to provide for a three- (3-) year period within which to bring any Minnesota claims.

NEW YORK

The Summary column of ^Item 17d is amended to read: "You may terminate upon any grounds permitted by law."

The Summary column of ^Item 17j is amended to read: "We may assign only to financially responsible assignee that we reasonably believe^ capable of performing our obligations under the franchise agreement and which expressly assumes these obligations in writing."

The Summary column of Item 17s is amended to add the following: "Revisions to the Manual will not unreasonably affect your obligations, including your economic obligations, under the Franchise Agreement."

The Summary column of ^Item 17w is amended to add the following: The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33."

RHODE ISLAND

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of ^Item 17v and ^Item 17w of the Offering Circular, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

In spite of the provisions of Article 11 of the Deposit Agreement and to the extent required by Section 19-28.1-14 of the Rhode Island Franchise Investment Act, the Franchise Agreement will be governed by the laws of the State of Rhode Island.

SOUTH DAKOTA

The Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law.

The Franchise Agreement provides for arbitration in Riverside, California. Under South Dakota law, arbitration must be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Franchise Agreement designates California law as the governing law, except that the arbitration clause is to be construed under the Federal Arbitration Act and trademark issues are to be construed under the Lanham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but contractual and all other matters will be subject to application, construction, enforcement, and interpretation under the governing law of California.

Any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the offering circular and franchise agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination.

Pursuant to SDL 37-5A-86, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void. Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

WASHINGTON

The State of Washington has a statute, RCW 19.100.180, that may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration or as determined by the arbitrator.

In Washington, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Franchise Agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act. This will not prevent a franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute after the agreement is in effect and when you are represented by independent counsel.

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs for the transfer.