

PACIUGO FRANCHISING LP

INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY FEDERAL TRADE COMMISSION

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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. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your 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's been 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***

FRANCHISE OFFERING CIRCULAR



®

PACIUGO FRANCHISING LP

(a Texas limited partnership)
9761 Clifford Drive, Suite 170
Dallas, Texas 75220
214-654-9501
www.paciugo.com

The franchise described in this offering circular is for a retail outlet ("Unit") which makes and sells gelato, and other specialty food items, beverage items, and products. There are 2 types of Units available – stand-alone Units and kiosk Units.

The initial franchise fee for a stand-alone Unit is \$30,000, and you must purchase goods and services from the franchisor's affiliate, ranging from \$5,000 to \$8,000, before the Unit opens. The total estimated initial investment required to begin operation of each stand-alone Unit, including the initial franchise fee, required purchases and initial operating capital, ranges from \$175,700 to \$372,600.

The initial franchise fee for a kiosk Unit is \$30,000, and you must purchase goods and services from the franchisor's affiliate, ranging from \$ 5,000 to \$8,000, before the Unit opens. The total estimated initial investment required to begin operation of each kiosk Unit, including the initial franchise fee, required purchases and initial operating capital, ranges from \$75,500 to \$193,500.

The franchisor also offers a development program for a specified area within which you must open an agreed-upon number of Units according to the development schedule, with a separate franchise agreement for each store. The development fee is \$5,000 for each Unit to be opened, all of which will be credited towards the initial franchise fee for each Unit.

Risk factors:

1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT STATE THAT THE LAW OF TEXAS GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT PERMIT YOU TO MEDIATE AND ARBITRATE ONLY IN THE CITY WHERE WE HAVE OUR PRINCIPAL PLACE OF BUSINESS (CURRENTLY DALLAS, TEXAS). OUT OF STATE MEDIATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO

MEDIATE OR ARBITRATE WITH US IN OUR HOME STATE THAN IN YOUR HOME STATE.

3. THE FRANCHISOR HAS BEEN IN EXISTENCE ONLY A SHORT PERIOD OF TIME. THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT.

4. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$78,500 TO \$377,600. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2005, WHICH WAS \$81,959.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

LOCAL LAW MAY SUPERSEDE THESE AGREEMENT PROVISIONS. CERTAIN STATES REQUIRE THE SUPERSEDING PROVISIONS TO APPEAR IN AN ADDENDUM IN THIS OFFERING CIRCULAR. SEE *EXHIBIT A*.

* * *

Information about comparisons of franchisors is available. Call the state administrators listed in *Exhibit B* 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 administrators listed in *Exhibit B*.

The effective dates of this Offering Circular for the States of California, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington and Wisconsin are listed on *Exhibit A*. The effective date in all other states is March 30, 2006.

FRANCHISE OFFERING CIRCULAR

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PACIUGO FRANCHISING LP
FRANCHISE OFFERING CIRCULAR

ITEM 1
THE FRANCHISOR, ITS PREDECESSOR, AND AFFILIATES

To simplify the language in this offering circular, “we” or “us” means Paciugo Franchising LP, the franchisor. “You” means the person or entity to whom we grant a franchise, as franchisee. If you are a corporation, partnership or other legal entity, “you” may also include your owners, depending on the context. “You” also includes the person or entity with whom we enter into a development agreement, and the entity’s owners, depending on the context.

The Franchisor

We were formed in Texas on July 17, 2001. Our principal business address is 9761 Clifford Drive, Suite 170, Dallas, Texas 75220. We do not do business under any other name. We began offering franchises as described in this offering circular in August 2004, and have never offered franchises in any other line of business. We do not own or operate any business which is similar to the business being franchised, and we do not engage in any other business. Our agents for service of process are listed in *Exhibit B*.

Our Predecessor and Affiliates

Our affiliate, Authentic Gelato LP (“Authentic Gelato”), has operated one or more retail outlets making and selling gelato, and other specialty food items, beverage items, and other products since 2000. Authentic Gelato has its principal business address at 9761 Clifford Drive, Suite 170, Dallas, Texas 75220. It was originally formed as a Texas limited liability company on April 5, 2000, and then converted to a Texas limited partnership on July 25, 2001. Authentic Gelato’s units are similar to the franchised business we offer under this offering circular. We have no affiliates which offer (or have ever offered) franchises in any line of business.

Our affiliate, Paciugo Supply Co. LP (“Paciugo Supply”), supplies certain products and services to our franchisees, and it owns and/or operates concessions in grocery stores. Paciugo Supply is a Texas limited partnership formed in July 2001 with its principal business address at 9761 Clifford Drive, Suite 170, Dallas, Texas 75220. We have no other affiliates which supply products and services to our franchisees. Paciugo Supply has never owned or operated any business which is similar to the business being franchised.

Another affiliate, Paciugo Properties LP (“Paciugo Properties”), a Delaware limited partnership with its principal business address at 9761 Clifford Drive, Suite 170, Dallas, Texas 75220, owns the trademarks, trade names, service marks, recipes, know how

and other intellectual property relating to the operation of Authentic Gelato units, the Paciugo Supply kiosks and the Franchised Businesses. Paciugo Properties has licensed Authentic Gelato, Paciugo Supply and us to use this intellectual property. See Item 13. Paciugo Properties has never owned or operated any business which is similar to the business being franchised.

The Franchised Business

We award franchises for the operation of retail gelato outlets which use the trade names, service marks, trademarks, logos, emblems and indicia of origin licensed to us by Paciugo Properties (collectively, the "Marks") and operate under distinctive operating procedures and standards we specify (the "System"). A retail business operated under the System and Marks is referred to in this offering circular as the "Franchised Business" or "Unit." There are 2 types of Units available – stand-alone Units and kiosk Units. Stand-alone Units and kiosk Units will make and sell high-quality gelato and other specialty food items and beverage items, and sell related products. Stand-alone Units and kiosk Units may also offer authorized gelato catering services.

If we approve your franchise application, you will have the right to sign a franchise agreement ("Franchise Agreement"), as franchisee, with us for the establishment and operation of a single Unit at a specific location. Our standard form Franchise Agreement applicable to both stand-alone Units and kiosk Units is attached to this offering circular as *Exhibit C*.

We also offer to qualified individuals and entities a development opportunity for the right to open a certain number of Units, at the times and geographic areas described in the development schedule included in the development agreement ("Development Agreement"). Our standard form Development Agreement is attached to this offering circular as *Exhibit E*. If you are a developer, you will sign a separate Franchise Agreement for each Unit you open. Unless otherwise noted, the terms of the development opportunity are the same as the franchise opportunity, and "you" will refer to developers, as well as franchisees.

General Market and Competition

The primary market for the services and products offered by the Franchised Business are customers who appreciate authentic, high-quality gelato. Typically, stand-alone Units are located in multi-tenant retail locations to take advantage of existing customer traffic; however, virtually any type of retail structure could be suitable for a stand-alone Unit, subject to our site-selection criteria. Kiosk units are typically located within established retail stores or other commercial locations that meet our site-selection criteria.

The frozen dessert market, as a whole, is highly competitive, and includes retail units and kiosks selling ice cream, frozen yogurt, shaved ice, industrial and freshly-made gelato and smoothies. In some locations – primarily in certain parts of major

metropolitan areas – the frozen dessert market appears to have reached saturation. You may have to compete with numerous other independent and chain-affiliated businesses, some of which may be franchised. Many ice cream and frozen yogurt franchise systems, in particular, have already established national and international brand recognition. Additionally, many grocery stores, convenience stores, and other types of retail locations sell individual servings of ice cream, sherbet, sorbet, slurpies, industrial gelato and other frozen desserts.

The gelato segment of the frozen dessert market is not well-developed in the United States. In fact, many potential customers who regularly eat ice cream and frozen yogurt have never tried gelato. Indeed, many may have never even heard of gelato. You should consider the Franchised Business as a developing business in a general market segment with many well-established competitors.

Industry-Specific Laws and Regulations

You must comply with all local, state, and federal laws and regulations that apply to your Franchised Business operations. In addition to the statutes, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupational Safety and Health Act, you should be aware that certain aspects of the food and beverage service business are heavily regulated by federal, state and local statutes, rules and ordinances. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local departments of health, and other agencies have statutes, regulations and ordinances concerning the preparation of foods and beverages, and the sanitary condition of Unit facilities. State and local agencies routinely conduct inspections for compliance with these requirements. You should consult with an attorney or business advisor about the laws, regulations and ordinances that may affect operation of your Unit.

ITEM 2 BUSINESS EXPERIENCE

Our directors, principal officers and other executives who have management responsibility in connection with the operation of our business relating to the franchise described in this offering circular are:

Chairman & CEO: Ugo Ginatta

Mr. Ginatta has been our President since our inception in July 2001. He has been president of Authentic Gelato in Dallas, Texas since April 2000. From November 1993 to September 1999, he was CEO of Executrain Italia SpA, a computer consulting and education master franchisor in Turin, Italy, with units in Turin, Milan and Rome.

COO, Senior Vice President and Treasurer: Cristiana Acerbi Ginatta

Mrs. Ginatta has been our Executive Vice President and Treasurer since our inception in July 2001. She has been executive vice president and treasurer of Authentic Gelato in Dallas, Texas since April 2000. From June 1997 to January 2000, she was director of human resources for Executrain Italia SpA, a computer consulting and education master franchisor in Turin, Italy.

Technical Senior Vice President: Vincent J. Ginatta

Mr. Ginatta has been our Technical Director since our inception in July 2001. He has been technical director of Authentic Gelato in Dallas, Texas since December 2000. From August 1996 until his graduation in December 2000, he was a student in the mechanical engineering department at Trinity University in San Antonio, Texas.

**ITEM 3
LITIGATION**

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

**ITEM 4
BANKRUPTCY**

No person identified in Item 1, or officer identified in Item 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**

Franchise Agreement

Your initial franchise fee will be \$30,000. You must pay the initial franchise fee to us in a lump sum when you sign the Franchise Agreement. We will not refund any portion of the initial franchise fee. If you sign a Franchise Agreement as part of your obligations under a Development Agreement, we will deduct from your initial franchise fee the development fee you paid for the relevant Unit.

In addition to the initial franchise fee paid to us, you will make payments to Paciugo Supply before opening the Unit for opening inventory and supplies in the range of \$5,000 to \$8,000. These items are available for purchase only from Paciugo Supply, and your payments are non-refundable. Except as specified in this Item, you are not

required to purchase or lease any items or services from us or our affiliates before you open your Unit.

See Item 7 for additional information.

Development Agreement

If you sign a Development Agreement, you will pay a lump sum development fee of \$5,000 for each Unit to be developed, as listed in the development schedule accompanying the Development Agreement. The development fee is non-refundable; however, the full amount you paid for each Unit to be developed will be credited towards the initial franchise fee when you sign the Franchise Agreement for the relevant Unit.

**ITEM 6
OTHER FEES**

NAME OF FEE	AMOUNT	DATE DUE	REMARKS
Royalty	4.5% of weekly Gross Sales.	Friday of each week on prior week's Gross Sales	See Note 2 for the definition of Gross Sales.
Marketing Fee	2.5% of weekly Gross Sales.	Same as Royalty.	Funds the Marketing Program. See Item 11 for additional details.
Initial Training Fee	No fee for initial training of initial manager for Unit. You must pay then-current tuition and expenses for initial training of any successor manager.	As incurred.	See Item 11 for additional details.
Other Training Fee	Amount of tuition charged to each trainee, and our expenses for any materials we provide.	Upon demand.	We may offer or require additional or refresher training programs. See Item 11 for additional details.
Conference Fee	Amount charged to each franchisee necessary to cover our expenses.	Before conference.	Franchisees, their owners or managers may be required to attend. See Item 11 for additional details.
Per Diem Fee	Currently \$500 per person per day	Upon demand.	Payable if you request additional assistance or if you are not ready to open the Unit as scheduled.

NAME OF FEE	AMOUNT	DATE DUE	REMARKS
Transfer Fee	One-half of the initial franchise fee that we would then charge a new franchise.	On or before date of transfer.	To be paid by you or your transferee.
Renewal Fee	\$15,000	Upon written notice of your desire to renew.	Payable if you desire to renew the right to operate the Unit after the initial term
Manual Replacement Fee	\$5,000	As incurred.	We loan you one Manual for each Unit at no expense. You must pay for any replacements.
Audit and Inspection Cost Recovery	Cost of audit or inspection and related expenses.	Upon demand.	Payable when an audit reveals you have paid less than 97% of the correct amount of fees for any month, or when you fail to cooperate with our auditor or inspector.
Taxes	Amount assessed us by federal, state and local tax authorities on any payments you make to us.	Upon demand.	Includes sales, gross receipt, excise, use or similar taxes (but not income tax) assessed against us.
Indemnification Costs	Costs of defending and resolving indemnified claims, including attorneys fees.	Upon demand.	If we are held liable for claims arising in connection with your operation of the Franchised Business.
Dispute Resolution Costs	Our costs, including attorneys fees.	Upon demand.	Payable if we incur attorneys fees or other expenses as a result of your default or breach of any agreement with us.
Late Payment Fee	Lesser of 1.5% per month or maximum rate permitted by applicable law on the unpaid amount.	Upon demand.	Payable on amounts you owe to us but have not paid.

NOTES:

1. This table lists other recurring or isolated fees or payments that each franchisee must pay. All fees are payable to only us. All fees are imposed and collected by us, and are non-refundable.
2. Gross Sales includes all revenue from your sale of products and services, including the sale of food, beverages and merchandise, catering and all other

income of whatever nature relating to the Unit, whether for cash or credit, and regardless of collection in the case of credit.

3. For information on marketing cooperatives, see Item 11.

ITEM 7 INITIAL INVESTMENT

TYPE OF PAYMENT	STAND-ALONE UNIT RANGE OR ESTIMATED AMOUNT	KIOSK UNIT RANGE OR ESTIMATED AMOUNT	WHEN DUE	TO WHOM PAYMENT IS MADE
Franchise Fee (Note 1)	\$30,000	\$30,000	When you sign the Franchise Agreement	Us
Rent (Note 2)	\$2,000 \$8,000	\$500 \$4,000	Monthly	Landlord
Leasehold Improvements (Note 3)	\$60,000 \$165,000	\$0 \$35,000	As incurred, before opening	Various suppliers
Equipment (Note 4)	\$40,000 \$86,000	\$30,000 \$60,000	As incurred, before opening	Approved suppliers
Décor (Note 5)	\$5,000 \$18,600	\$0 \$10,000	As incurred, before opening	Approved suppliers
Signs (Note 6)	\$5,000 \$14,500	\$2,500 \$5,000	As incurred, before opening	Approved suppliers
Opening Inventory and Supplies (Note 7)	\$5,000 \$8,000	\$5,000 \$8,000	As incurred, before opening	Paciugo Supply
Installation (Note 8)	\$3,000 \$6,000	\$1,000 \$5,000	As incurred, before opening	Approved suppliers
Computer System (Note 9)	\$18,000 \$19,000	\$0 \$22,000	As incurred, before opening	Approved suppliers
Training Expenses (Note 10)	\$500 \$4,000	\$500 \$4,000	As incurred, before opening	Airlines, hotels, restaurants, etc.
Grand Opening Costs (Note 11)	<u>\$3,000</u> <u>\$5,000</u>	<u>\$3,000</u> <u>\$5,000</u>	As incurred, before opening	<u>Approved supplies, postal service, etc.</u>
Miscellaneous Opening Costs (Note 12)	\$1,200 \$4,000	\$0 \$1,000	As incurred, before opening	Utility companies, governmental agencies, insurance companies, suppliers, etc.

Additional Funds For First 3 Months (Note 13)	\$6,000 \$9,500	\$6,000 \$9,500	As incurred, before or after opening	Employees, suppliers, professionals, utility companies, governmental agencies, insurance companies, suppliers etc.
TOTAL:	\$178,700 \$377,600	\$78,500 \$198,500		

NOTES:

None of the fees and costs payable to us are refundable, unless otherwise described. Fees and costs payable to others are generally not refundable unless you negotiate this right with them.

1. Franchise Fee. The initial franchise fee and certain pre-opening expenses are described in Item 5 of this offering circular, and are non-refundable, except as described in Item 5.
2. Rent. We estimate that a typical stand-alone Unit will need from 800 to 1,300 square feet of floor space and approximately 300 square feet for additional laboratory and storage. We estimate that a typical kiosk Unit will need from 100 to 250 square feet of floor space and approximately 200 square feet for additional laboratory and storage. It is not possible for us to estimate your rent expenses with much certainty, due to the material differences in these costs from location to location, and because some institutional landlords may charge a variable rent based on a percentage of your sales, with no fixed minimum rental charge. You should investigate rents in your own area.
3. Leasehold Improvements. Leasehold improvements involve expenses associated with the design and build out of the Unit, such as plumbing, electrical and remodeling work. You may be able to negotiate with your landlord for a landlord contribution for these expenses. The considerable spread from minimum to maximum is due to factors such as Unit size and type, configuration, remodeling needs, location and unions. The estimate shown does not reflect any landlord contribution. The contractor must be approved.
4. Equipment. The estimates are for the equipment you will need to open a Unit. All of these items are available for purchase from the approved suppliers.
5. Décor. The estimates are for the décor items (including furnishings and fixtures) you will need to open a Unit. All of these items are available for purchase from approved suppliers.

6. Signs. The estimates are for the signs you will need to open a Unit. These signs are available for purchase from approved suppliers.
7. Opening Inventory and Supplies. The estimates are for opening inventory and supplies, which are available for purchase from Paciugo Supply.
8. Installation. The estimates are for the costs of installing the equipment. Approved suppliers will provide these installation services.
9. Computer System. Includes purchase of point-of-sale system and installation, and purchase of remote monitoring / remote management system and installation. See Item 11 for additional information.
10. Training Expenses. See Item 11 for additional information. The estimates include costs for the attendance of 1 trainee. Travel expenses vary substantially depending on method of travel, point of origin, distance, advance purchase requirements, and other factors. The low estimate is for a franchisee within daily driving distance of Dallas, Texas. The high estimate includes amounts for airfare, hotel, rent car and meals. These estimates do not include any salary or wages you may pay to any of your trainees for the time they spend in training.
11. Grand Opening Costs. The estimates are for the costs of design customization, printing and mailing grand opening announcements, opening discounts, and free product give-aways in connection with your grand opening celebration.
12. Miscellaneous Opening Costs. Includes utility costs and deposits, security deposits, insurance premiums, and business licenses and permits.
13. Additional Funds. You will need capital to support on-going expenses, such as payroll, insurance premiums, taxes, bonds, initial accounting services, overhead, and other miscellaneous expenses, to the extent these expenses may exceed your sales revenues. We believe that the estimated amount will be sufficient to cover on-going expenses in excess of your sales revenues for the first 3 months of operation. This amount is an estimate, and it does not include any debt service payments. We cannot guarantee that you will not have additional expenses starting your business. Your actual costs will depend on factors such as your management skill, experience and business acumen, economic conditions, the local market for your business, the local prevailing wage rate, competition and the performance of your Unit. We relied on our experience and Authentic Gelato's experience since 2000 in estimating your needs for additional funds.

The table in this item estimates the major initial expense categories involved in establishing one Unit in accordance with our current plans and specifications. ACTUAL

EXPENSES WILL VARY AMONG FRANCHISEES. CAREFUL FINANCIAL PLANNING IS ESSENTIAL FOR ALL PROSPECTIVE FRANCHISEES. You should consult with a business advisor before making any decision to purchase a franchise.

Neither we nor any affiliate offer direct or indirect financing for any fees or expenses. See Item 10.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure uniformity and quality in all Units, you must purchase all furnishings, fixtures, equipment, signs, supplies, inventory, uniforms, and other products and materials, and services, used in the establishment and operation of the Unit in accordance with our written specifications. These specifications may include minimum standards for quality, delivery, performance, design, appearance, and other restrictions, as we periodically determine. These specifications are contained in the Manual or will otherwise be provided to you in writing, and we may, by written notice to you or through changes to the Manual, periodically change these specifications. You may incur an expense or increased costs to comply with these changes.

You must purchase certain items and services from suppliers that we have approved in writing. A list of these items and the approved suppliers is contained in the Manual or will otherwise be provided to you in writing. Our approved suppliers have demonstrated to our satisfaction that they have the ability to meet our standards and specifications for the relevant items, they possess adequate quality controls, and they have the capacity to supply your needs promptly and reliably. Approved suppliers do not currently make payments to us on account of transactions with our franchisees, but we may receive these types of payments in the future.

Our affiliate, Paciugo Supply, is an approved supplier for some of the items used in the establishment and operation of the Unit. Paciugo Supply is currently the sole approved supplier for certain items of inventory and supplies, including the proprietary gelato mixtures, flavors, and certain supplies such as paper cups, spoons and take-away containers. We or our affiliates may become the sole approved supplier of additional products or services in the future. We and our affiliates may derive revenue from the sale of these items to you. However, we expect that we and our affiliates will offer products and services to you at or below market price. In 2005, we received revenues of \$38,047 as a result of purchases by our franchisees, and Paciugo Supply received revenues of \$0 as a result of purchases by our franchisees.

If you desire to use or offer additional items or services that we have not approved, or you desire to purchase approved items and services from a supplier that we have not approved, you must first obtain our written consent. We do not have any formal policies or procedures for approving new items, services or suppliers, or for revoking approval.

We may require you to provide us with photographs, drawings, specifications, samples or any additional materials or information we desire to evaluate your request. You must pay for our reasonable expenses in evaluating your request. We will notify you of our approval or disapproval of any new item, service or supplier requested by you within a reasonable time (typically within 120 days) after we have received all of the relevant information we requested. We may withhold approval of any item, service or supplier, as we determine in our discretion. We can revoke approval of an approved item, service, or supplier at any time in our sole discretion, and we will notify you of any revocation of approval.

The cost of purchasing items from us or our affiliates could represent about 4% to 7% of your total purchases in connection with establishment of a Unit (not including rent or the cost of leasehold improvements), and about 80% of your total purchases in connection with the ongoing operation of the Unit. We estimate that the cost of purchasing items from approved suppliers (other than us or our affiliates) will represent approximately 75% to 85% of your total purchases in establishing your Unit, and 3% of your total purchases in the continuing operation of the Unit. We estimate that the cost of purchasing items in accordance with our specifications where no approved suppliers have been identified will represent approximately 2% to 5% of your total purchases in establishing your Unit and 5% of your total purchases in the continuing operation of the Unit.

We may attempt to negotiate discount purchase arrangements from approved suppliers for the benefit of our franchisees, based upon the combined buying power of our franchise network. These discounts, when obtained, may result in lower prices for the items being purchased. Currently, we have 3 of these purchase arrangements with manufacturers of batch freezers and display cases. You may be able to negotiate discounts off standard pricing on your own in the future. In order for our franchisees to obtain volume discounts, you may be required to purchase items from suppliers with whom we have negotiated discount purchase arrangements.

We do not currently have purchasing or distribution cooperatives, but may have in the future.

For stand-alone Units, you must obtain and maintain insurance from an insurance company acceptable to us, in accordance with our specifications, which we may periodically change. For kiosk Units, you must provide us with proof acceptable to us that we are covered by your existing insurance policies, which must meet our specifications. If you offer catering, your catering operations must be insured in accordance with our specifications.

We consider a variety of factors when determining whether to grant additional franchises. Among the factors we consider is compliance with the requirements described above. Otherwise, we do not offer any benefits to franchisees for following the requirements in this Item.

**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 FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition / lease	2, 3.11	3.2	Item 11
b. Pre-opening purchases / leases	2.3, 3.2, 3.9, 3.16, 3.22	None	Items 5, 7 and 8
c. Site development and other pre-opening requirements	2.3, 3.2, 3.9	None	Items 8 and 11
d. Initial and ongoing training	3.3, 3.4, 3.5	None	Item 11
e. Opening	3.2	3.5	Item 11
f. Fees	5	2.1	Items 5 and 6
g. Compliance with standards and policies / operating manuals	6	5.1	Items 11 and 14
h. Trademarks and proprietary information	7	None	Items 13 and 14
i. Restrictions on products / services offered	1.5, 3.7	None	Items 5, 8 and 16
j. Warranty and customer service requirements	3.19	None	Item 16
k. Territorial development and sales quotas	None	3.1	Item 12

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	ITEM IN OFFERING CIRCULAR
l. Ongoing product / service purchases	3.16	None	Items 8 and 16.
m. Maintenance, appearance and remodeling requirements	3.9, 3.10	None	Item 8
n. Insurance	3.14	None	Items 7 and 8
o. Advertising	3.6, 3.21	5.3	Items 6, 8 and 11
p. Indemnification	11	10.2	Item 6
q. Owner's participation / management / staffing	3.1, 3.5	7.2, 7.3	Item 15
r. Records / reports	3.13	None	None
s. Inspection / audits	9	None	Items 6 and 11
t. Transfer	12	8	Items 6 and 17
u. Renewal	1.7	None	Item 17
v. Post-termination obligations	14	6.5, 9.3	Item 17
w. Non-competition covenants	3.18, 14.7	9	Items 15 and 17
x. Dispute resolution	15	11.2	Item 17
y. Taxes / permits	3.12	None	Item 1

ITEM 10 FINANCING

We currently do not offer any direct or indirect financing. We do not guarantee any of your notes, leases or other obligations.

ITEM 11 FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you. This Item describes the minimum assistance we are contractually obligated to provide to you. We may provide you with more assistance than listed below.

Pre-Opening Obligations

The Franchise Agreement obligates us to provide certain supervision, assistance, and services to you, but the Franchise Agreement generally does not specify whether these services must be provided before or after you open your Unit. It is our intention, however, to provide the following assistance and services before you open your Unit: (Section numbers refer to the Franchise Agreement.)

(1) We will provide you with reasonable assistance and consultation regarding the location, placement and layout of the Unit at the Approved Location. (Section 4.1)

(2) We will provide you with a detailed checklist, referred to as the "Paciugo Turnkey," covering substantially all of the operating steps required to establish and open the Unit. (Section 4.2)

(3) We will make available standard plans and specifications for the construction and/or build out for your Unit. (Section 4.3)

(4) We will provide you with reasonable assistance and consultation regarding constructing, remodeling or decorating the Unit. (Section 4.3)

(5) We will offer an initial training program to your initial manager and each successor manager, unless your manager has at least 6 months' prior experience in the management and operation of one or more Units, and we elect not to provide this training. (Section 4.4)

(6) We will provide you with reasonable pre-opening assistance and consultation. (Section 4.6)

(7) We will provide, at your expense, promotional and advertising materials and consultation in connection with the opening of your Unit. (Section 4.6)

(8) We will provide you with reasonable on-site assistance and supervision regarding the opening of your Unit, including 7 days of on-site assistance by 1 of our representatives in connection with your opening. (Section 4.6) Typically, our representative will be at your Unit for 2 days before the scheduled opening date, on the day of opening, and for 4 days after opening.

(9) We will provide you with our list of approved items and our list of approved suppliers. (Section 4.8)

(10) We will loan to you one copy of the Manual. (Section 4.12)

Continuing Obligations

During your operation of the Unit, we must provide the following assistance and services:

(1) We will provide you with reasonable assistance and consultation regarding operation of your Unit. (Section 4.9)

(2) We will provide you with any new proprietary methods and formulas relating to approved menu items or operation of the Unit. (Section 4.9)

(3) We will provide you with suggested retail prices for approved menu items. (Section 4.10)

(4) We will sponsor franchisee conferences if and when we desire. (Section 4.11)

(5) We will review samples of all marketing materials and other materials bearing our Marks you submit to us, and we will consider your requests for approval of these materials. (Section 7.3)

Development Agreement

The Development Agreement obligates us to provide the following assistance and services to you:

(1) We will enter into franchise agreements with you, if you satisfy certain conditions. (Section 3.3)

Site Selection

The Franchise Agreement grants a franchise for a specific location which you have selected and we have approved. The factors we consider in approving sites may include location, size, suitability, layout, access and visibility of the proposed location, age and disposable income levels of prospective customers, location and nature of any

competitors, population density, vehicle and pedestrian traffic levels, existing tenant mix, parking convenience, and other factors that may be relevant to your market. The same site selection criteria will generally be applicable to all System franchisees, although the criteria are different for stand-alone Units and kiosk Units. We will supply you with a typical Paciugo® store layout for your type of Unit, which will assist you in planning the layout of your Unit. (Section 4.1) The Franchise Agreement does not specify any deadlines in connection with the site selection and approval process, but it does require you to open a Unit and begin business within 6 months after you sign the Franchise Agreement. If you and we are not able to agree on a suitable site within this time period, we may terminate the Franchise Agreement.

The Development Agreement requires that all of your Units must be located within the development area described in the Development Agreement. (Section 1.1)

Opening

You must open a Unit and begin business within 6 months after you sign the Franchise Agreement. The typical time between signing the Franchise Agreement and opening the Unit is 4 to 6 months. Factors that affect this length of time include: negotiating the lease; completing leasehold improvements; obtaining necessary permits; completing our initial training program; and hiring and training a manager and employees. (Section 3.2)

Training Programs

Initial Training Program

Within 2 months after you sign the Franchise Agreement, you must designate to us in writing an individual to serve as the initial manager for the Franchised Business. Your manager must successfully complete our initial training program to our satisfaction before you open your Unit. The initial training program will be offered at a Unit operated by a franchisee or an affiliate, at our training facility in Dallas, Texas, at your Unit, or at some other location in the United States we select. Our initial training program will be offered periodically as needed, subject to scheduling, and will consist primarily of on-the-job training, plus about 60 hours of classroom training. Some of the training topics are covered in DVD format. Training materials include the Manual and a training DVD.

There is no training fee for the initial training program for your initial manager. We will provide training instructors and training materials. You will be responsible for all other expenses, including travel, transportation, meals, lodging, incidental expenses, and any wages incurred for your manager to attend this training.

Any manager you hire later also must satisfactorily complete the initial training program, if we determine in our sole opinion that this training is necessary. You may send additional trainees to the initial training we provide, on a space-available basis. For any training of additional trainees, including later-hired managers, you must pay our then-

current fee for tuition and training materials (currently \$0). If this training is provided at your Unit, you must pay our then-current fee for tuition and training materials (currently \$100 per day), you must also reimburse us for all reasonable travel and living expenses we incur.

Our training programs are specifically tailored to the experience and ability of the individual trainee(s). The initial training program will generally last approximately 6 to 7 weeks, depending, in our sole discretion, on the experience and ability of the trainee(s). If your manager has at least 6 months' experience in the operation and management of a Unit, we may, at our discretion, elect not to provide initial training to your manager. (Section 4.4)

The initial training program covers basic System orientation, gelato batch freezing, operational procedures and philosophies, and effective management skills. Our training program is under the direction of Cristiana Acerbi Ginatta. Cristiana's experience is described in Item 2 of this offering circular. The hours shown below include time for one trainee with no relevant experience.

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	INSTRUCTOR
Batch freezing	0	60	Cristiana Ginatta or staff
Service	4	40	Cristiana Ginatta or staff
Customer Care	2	4	Cristiana Ginatta or staff
Statistics, Accounting and Cash Management	12	12	Cristiana Ginatta or staff
Management, Scheduling and Inventory	12	60	Cristiana Ginatta or staff
Total	30	176	

Additional Training Programs

You and/or your manager also may attend optional additional or refresher training programs that we may offer, and must attend all mandatory additional or refresher training programs that we may offer. This training may be offered at our training facility in Dallas, Texas or at some other location in the United States we select. We will provide instructors, and training materials for these programs (if any), and we may charge a reasonable fee for tuition and materials for this training. You will be responsible for all expenses for travel, transportation, meals, lodging and wages you or your manager incur in attending these programs. (Section 3.4)

Marketing Program

We will implement advertising, publicity, public relations, promotion, and/or market research activities ("Marketing Programs") to promote public awareness and patronage of Franchised Businesses. All of our franchisees must participate in any Marketing Programs.

We have sole discretion over all aspects of the Marketing Program, including the materials and media used and their placement and allocation. We may engage in international, national, regional and/or local advertising, which may be primarily disseminated via television, radio, newspapers, consumer magazines, directories, and/or other collateral materials. We may primarily utilize national and/or regional advertising and promotion agencies to create and place the advertisements, with the participation and supervision of our in-house staff. We may also engage in other types of national, regional and local Marketing Programs.

Funding for the Marketing Programs will come from a national marketing fund (the "Marketing Fund") into which each franchisee's monthly Marketing Fee will be deposited. See Item 6. Each franchisee will contribute to the Marketing Fund at the same rate as all other franchisees. We are not obligated to supplement the Marketing Fees, but we, our affiliates, marketing partners, and approved suppliers may also periodically contribute monies, services and/or materials to the marketing effort. We or our affiliates will, with respect to company-owned Units and affiliate-owned units (except for kiosks), contribute to the Marketing Fund on the same basis as System franchisees. We may require you to pay for the production of marketing materials to be used in your market area (in addition to your contribution of Marketing Fees).

We or our designee will administer and apply the Marketing Fund. Unaudited financial statements for the Marketing Fund will be prepared each year, and will be available to franchisees upon request. Any monies which remain in the Marketing Fund at the end of the year will be carried over for use in the following year. The Marketing Fund may be used to compensate us (or our affiliates) for any administrative or other services which we provide to any Marketing Program and for our related out-of-pocket costs. In particular, the salaries of in-house advertising personnel may be paid by the Marketing Fund. The Marketing Fund will not be used for the solicitation or sales of franchises. We may terminate the Marketing Program at our discretion. The Marketing Program, however, will not be terminated until all money in the Marketing Fund has been spent for the purposes described above.

We do not have to expend any portion of the Marketing Fund for marketing in any particular territory. We and our designee are not obligated, in administering the Marketing Program, to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from the Marketing Program. (Sections 3.6, 4.7)

Local Marketing

In order to provide each Unit with the best chance of success, you must spend at least 2% of your monthly Gross Sales on your own local advertising, public relations, promotional and other marketing programs for your Unit within your Protected Territory. You must submit to us proof of these expenditures within 30 days after the end of each month in the format we require. All materials you use in your local marketing efforts must conform to System standards, including proper Mark usage, and be approved in writing by us before you use them. We may, at our option, offer to provide, at no cost to you or at prices that reasonably cover our direct and indirect costs, approved advertising and promotional plans and other materials, which we may develop for use by System franchisees in local marketing. We have the right, at any time after you begin using approved marketing materials, to prohibit further use, effective immediately upon your receipt of written notice. You are restricted from making press releases or contributions or donations without our consent. (Section 3.6)

We may require you to contribute up to 100% of the required local marketing expenditures on local or regional cooperative marketing. There are currently no marketing cooperatives. Any company-owned Units and affiliate-owned Units (except kiosk Units) in the cooperative marketing area will participate in a marketing cooperative and have voting power on the same basis as franchised Units. Your contributions to cooperative marketing will be applied toward your local marketing expense requirements.

Manual

We will loan you one copy of our Manual which contains mandatory and approved specifications, standards, and operating procedures applicable to the Franchised Business. The Manual is confidential and remains our property. The table of contents for the Manual is attached as *Exhibit G*, from which you can determine the number of pages devoted to each topic. (Section 4.12)

Point-of-Sale and Computer System

We require you to purchase from designated suppliers, or pursuant to our specifications, certain equipment and services including a point-of-sale system, computer software, computer hardware, communication equipment and/or communication services, for use in connection with your Unit. We anticipate that designated suppliers will offer goods and services for sale to our franchisees at or below market price.

The point-of-sale system and/or computer system may be used to: process customers' orders, total customers' purchases, provide receipts to customers, monitor Gross Sales, calculate and report royalties; analyze sales trends; communicate with us; monitor Unit operations and perform other functions. The type of information or data that may be

collected or generated include the identity of items sold, sales price, taxes, fees and other matters.

We will have the right at any time to access your information, upload and download data, troubleshoot and perform diagnostic checks, and retrieve whatever data and information we want from your point-of-sale system, computer system and communication system. You will cooperate with us completely in any of these tasks. This information will become our property.

You must keep your equipment, software and services in good maintenance and repair. We may require that the required equipment, point-of-sale system, hardware components, software programs and/or communication equipment be supplemented, upgraded or updated during the term of the franchise, and there is no contractual limitation on the frequency or cost of these changes. If we require the purchase of additional, upgraded or updated equipment, software or services, we will provide you with reasonable consultation to assist you to comply with our requirements, and we will provide a list of any approved suppliers. You must promptly purchase, install, and implement at your expense, any additions, changes, modifications or substitutions to your computer and communication equipment, software and services as we may periodically require within the time period we specify.

Because your systems must be compatible with our systems, strict compliance with our standards and specifications relating to the point-of-sale system, computer system and communication system will be essential. We may require that you license from us proprietary computer software that we may develop for use in the Units, and, if so, we will require execution of a software license agreement as we specify. You will not install or permit the installation of any unauthorized software on your point-of-sale equipment or computer equipment, without our prior express written consent. You will use your point-of-sale system and computer system only in connection with the Franchised Business and only according to the System standards. (Section 3.22)

The current minimum required computer and communication equipment and services are described below:

Component	Function
<p>MICROS Point-of-Sale System</p> <ul style="list-style-type: none"> • Micros RES 3000 PC server • 1 or 2 Micros Workstation touch-screen terminals with accessories (terminal stands, customer pole display, guest check printers, cash drawer, and miscellaneous hardware components) • Micros 3700 POS software 	<p>Process customers' orders, credit card transactions, generate reports, etc.</p>
<p>mymicros.net Web-Based Point-of-Sale Access Software</p>	<p>Allows you and us to obtain real-time data from</p>

Component	Function
	your point-of-sale system remotely
eCard Systems Gift Card Processing Terminal	Allows you to accept stored-value gift cards or other non-cash payment methods
Varatec Remote Monitoring System <ul style="list-style-type: none"> • InnerVision IV-4300 server for 4 cameras • 4 Cameras with accessories • InnerLink system hardware with monitoring sensors and switches • 	Allows you and us to monitor your operations remotely
High-speed Internet connection (DSL or cable) and e-mail account	Allows electronic communication and data transfer.
Wireless Internet connection (Wi-Fi) router	Allows customers to access the Internet on their laptops in your store
Fax machine and dedicated fax line	Fax transmissions
Telephone system and at least 2 phone lines (in addition to the dedicated fax line)	Voice communications

The integrated point-of-sale system has been developed by MICROS Systems, Inc., located at 7031 Columbia Gateway Drive, Columbia, Maryland 21046, phone (866) 287-4736, fax (443) 583-2505, email info@micros.com, website www.micros.com. The required equipment and software are the proprietary property of MICROS Systems, Inc. Paciugo franchisees' stand-alone units have been using the MICROS point-of-sale system continuously since September 2005. We are not aware of any comparable point-of-sale equipment or web-based point-of-sale access software available on the market in the same price range that can perform to our needs and specifications. You must utilize the services of MICROS Systems, Inc. to install the point-of-sale system. MICROS Systems, Inc. is not obligated to update or upgrade the point-of-sale system, or any of its component equipment or software. If they do, they will provide the update/upgrades to you at your cost. Neither MICROS Systems, Inc. nor we are obligated to provide any maintenance or repair services to the software. However, MICROS Systems, Inc. maintains a customer service department which, for a fee, will provide trouble-shooting assistance to you.

The gift card processing software has been developed by eCard Systems, Inc., located at 9517 Butler Drive, Suite 200, Brentwood, Tennessee 37027, phone (615) 776-7409, fax (615) 776-2817, email info@ecardsystems.com, website www.ecardsystems.com. The required software is the proprietary property of eCard Systems, Inc. The software will run in your MICROS point-of-sale system. Paciugo franchisees' stand-alone units have been using the eCard gift card processing software continuously since September 2005. We are not aware of any comparable gift card processing software available on

the market in the same price range that can perform to our needs and specifications. You must utilize the services of both eCard Systems, Inc. and MICROS Systems, Inc. to install the gift card processing software. You are required to keep the gift card processing software up-to-date with its software updates/upgrades. eCard Systems, Inc. is not obligated to update or upgrade the gift card processing software. If they do, they will provide the update/upgrades to you at your cost. Neither eCard Systems, Inc. nor we are obligated to provide any maintenance or repair services to the software. However, eCard Systems, Inc. maintains a customer service department which, for a fee, will provide trouble-shooting assistance to you.

A remote monitoring / remote management system has been developed by Varatec., located at PO Box 1741, Rockwall, Texas 75087, phone (877) 225-1135, fax (469) 574-5009, email carledge@varatec.com, website www.varatec.com. The required equipment and software are the proprietary property of Varatec. Paciugo franchisees' stand-alone units have been using the Varatec remote monitoring / remote management system continuously since February 2006. We are not aware of any comparable remote monitoring system available on the market in the same price range that can perform to our needs and specifications. You must utilize the services of Varatec to install the remote monitoring / remote management system. Varatec is not obligated to update or upgrade the remote monitoring / remote management system, or any of its component equipment or software. If they do, they will provide the update/upgrades to you at your cost. Neither Varatec nor we are obligated to provide any maintenance or repair services to the software. However, Varatec maintains a customer service department which, for a fee, will provide trouble-shooting assistance to you.

Purchasing

We may offer you optional assistance with purchasing and procuring goods or services for use in connection with the Franchised Business. We may require minimum standards for these goods and services and we may restrict the brands of these goods and services, and/or the suppliers authorized to sell or provide these goods and services in order to control quality, provide for consistent service or obtain volume discounts. We will maintain and provide you with a list of approved items and/or a list of approved suppliers. We anticipate that approved suppliers will offer goods and services for sale to our franchisees at or below market price. (Sections 3.16, 4.8) See Item 8.

Conferences

We may in the future sponsor periodic conferences for our franchisees, at which seminars, workshops and other training may be conducted. We may require you or your manager/s to attend each conference. We may charge a fee for any conference to cover our expenses. You will also be required to pay for lodging, meals, local transportation, other travel and incidental expenses, compensation and benefits incurred in attending any conferences. (Sections 3.15, 4.11)

ITEM 12 TERRITORY

Franchise Agreement

In the Franchise Agreement, you will be granted the right to operate a Unit at a single location you select and we approve (subject to the site selection criteria) (the "Approved Location"). You must operate the Unit only at this Approved Location, and you may not relocate the Unit without our approval. Our approval for relocation is based on the same standards used to approve new Unit sites, as described in Item 11, subject to the rights of other franchisees and company-owned Units and affiliate-owned Units.

During the term of the Franchise Agreement, neither we nor any affiliate will establish or operate, or franchise any entity to establish or operate, a business using the Marks and System at any location within a certain geographic area surrounding the Approved Location, to be set forth in the Franchise Agreement ("Protected Territory"), with certain limited exceptions. The scope of the area will likely differ among franchisees, and will be determined by the nature of the facility in which the Unit is situated, population density, traffic volume, demographics and other factors considered in approving the new Unit site. As a general rule, the Protected Territory will include the area within a half-mile radius from the Unit.

Other than as set forth above, the franchise is non-exclusive, and we retain the right, for ourselves or through any affiliate, to: (a) to own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Marks and System outside the Protected Territory (even if there may be some impact to your business within the Protected Territory); (b) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location within or outside the Protected Territory (even if these businesses are in competition with you); (c) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any products which bear any proprietary marks, including the Marks, outside the Protected Territory; (d) to wholesale products, to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, or within any grocery store, within or outside the Protected Territory; and (e) to acquire, or be acquired by, any competing system, including a competing system that has one or more units within your Protected Territory.

Continuation of the Protected Territory is not dependent upon your achievement of a certain sales volume, market penetration, or other contingency. The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights

to acquire additional franchises within the Protected Territory or areas contiguous to the Protected Territory.

If you choose to offer catering services, we will assign to you a territory in which you will be authorized to offer and provide catering services under the System ("Catering Territory"). You may not offer or provide catering services outside your Catering Territory, without our approval. We have the right to reduce or otherwise adjust your Catering Territory at any time, effective upon written notice to you. You should expect that your Catering Territory will be reduced as we grant additional franchises and as our affiliates open additional units. We will try to assign and adjust Catering Territories to provide for equal opportunities among all franchised and affiliate-owned businesses, but we do not promise you that we will be able to achieve strict equality.

Development Agreement

The Development Agreement describes an area within which each Unit you develop under the Development Agreement will be located (the "Development Area"). The boundaries of the Development Area will be determined by population, population density, demographics, physical or political boundaries, the number of Units desired, and other factors. Each Franchise Agreement for a Unit developed under the Development Agreement will designate the Protected Territory for the Unit, as described above. The Development Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises within the Protected Territory or areas contiguous to the Protected Territory.

During the term of the Franchise Agreement, neither we nor any affiliate will establish or operate, or franchise any entity to establish or operate, a business using the Marks and System at any location within the Development Area, with certain limited exceptions. Other than as set forth above, the Development Area is non-exclusive, and we retain the right, for ourselves or through any affiliate, to: (a) to own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Marks and System outside the Development Area (even if there may be some impact to your business within the Development Area); (b) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location within or outside the Development Area (even if these businesses are in competition with you); (c) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any products which bear any proprietary marks, including the Marks, outside the Development Area; (d) to wholesale products, to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, or within any grocery store, within or outside the Development Area; and (e) to acquire, or be acquired by, any competing system, including a competing system that has one or more units within the Development Area.

The continuation of your protected rights in the Development Area is subject to your fulfillment of your obligations under the Development Agreement. If you fail to timely develop Units according to the development schedule in the Development Agreement, we may eliminate or reduce your protected rights in the Development Area, or we may terminate the Development Agreement.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to operate a Unit under the trade name "Paciugo," and to use the other Marks during the term of the Franchise Agreement, only in the manner we authorize, and only in connection with the Unit (or approved catering services). We may require or permit you to use other marks that we include as part of the System in the future, in our sole discretion.

As of the date of this offering circular, the following Mark for use with the System has been registered on the Principal Register in the United States Patent and Trademark Office for the relevant uses:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
PACIUGO ITALIAN GELATO RENAISSANCE ANTE LUCRUM NOMEN (design and words)	2587706	July 2, 2002
PACIUGO	2,916,871	January 11, 2005

There are currently no effective determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of this state or any court; no pending infringement, opposition or cancellation; and no pending material litigation involving the principal trademark. There are no infringing uses of the Marks actually known to us that could materially affect your use of the Marks in this state or elsewhere.

We acquired from Paciugo Properties the right to use the trademarks, trade names, service marks, recipes and other intellectual property relating to the operation of the Units pursuant to a non-exclusive license agreement effective as of July 30, 2001, and amended as of January 1, 2005. Under this license agreement, we are expressly permitted to license the use of this intellectual property to our franchisees. The license agreement has an initial term that expires on December 31, 2020, but it automatically renews for successive periods of 5 years each unless either party gives notice of termination according to the license agreement. Otherwise, the license agreement may be terminated by Paciugo Properties for cause upon any affirmative act of insolvency

(or similar events) or upon our uncured breach of the license agreement. There are no other agreements currently in effect which significantly limit our rights to use or license the use of the marks listed above in a manner material to the franchise.

You must follow our rules regarding use of the Marks. The Franchise Agreement requires that any display of the Marks give notice of Marks registration or claims by use of the symbols "®," "TM," and "SM" as required in the Manual. You must cooperate with us in maintaining registrations and prosecuting applications for the Marks, and in otherwise securing and preserving our rights in the Marks. Marks may be used only in connection with the Franchised Business, and may not be used in your corporate name or legal name. Marks may not be used in connection with any unauthorized product or service, or in any manner not expressly authorized by the Franchise Agreement. The Franchise Agreement requires that you notify us promptly in writing of (1) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), our confidential information or other System intellectual property, and (2) any threatened or pending litigation relating to the Marks or System against (or naming as a party) you or us, of which you become aware. We will handle disputes with third parties concerning use of all or any part of the Marks or System in any manner we deem, in our sole discretion, appropriate. You must cooperate fully and in good faith with our efforts to resolve these disputes. We may bring suit in your name or join you as a party to the relevant proceedings. We may resolve the matter by obtaining a license of the property at no expense to you, or by requiring that you discontinue using the infringing property or modify your use to avoid infringing the rights of others. We need not initiate suit against imitators or infringers who do not, in our sole opinion, have a material adverse impact on the Franchised Business, and we need not initiate any other suit or proceeding to enforce or protect the Marks or System in a matter we do not believe, in our sole opinion, to be material.

Nevertheless, we will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we determine that you have used the Marks in accordance with the Franchise Agreement and Manual, we will bear the cost of your defense, including the cost of any judgment or settlement. If we determine that you have not used the Marks in accordance with the Franchise Agreement or Manual, you will bear the cost of, and reimburse us for, your defense, including the cost of any judgment or settlement. If there is litigation relating to your use of the Marks, you must sign any documents and do any acts as may be necessary, in our opinion, to carry out this defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement or Manual, we will reimburse you for your reasonable out-of-pocket litigation costs in cooperating with us with respect to the litigation.

We reserve the right to substitute different proprietary marks for use in identifying the System, the businesses operating under them, and/or the products or services offered, if the Marks no longer can be used, or if we determine that substitution of different proprietary marks will be beneficial to the System. In these circumstances, the terms of

the Franchise Agreement will govern the use of the substituted proprietary marks, and we will not compensate you for this substitution. You must promptly implement any substitutions of this kind, at your expense.

Any use of the Marks not authorized by the Franchise Agreement provisions will be deemed an infringement. You will have no right to license others to use the Marks. Only the Franchise Agreement grants the right to use the Marks. The Development Agreement does not grant any right to use the Marks.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any right in or to any patents or registered copyrights that are material to the Franchised Business. However, we (or our affiliates) do own all proprietary rights in and to the System, and we (or our affiliates) claim common law protection (including applicable copyright protection) of these rights including with regard to the Manual, training materials, recipes, menus, advertisements, paper goods, decor, trade dress, promotional items and merchandise.

Confidential Information

You must not, during or after the term of the Franchise Agreement communicate, divulge, or use for the benefit of any other person, any non-public trade secrets, proprietary information, technical data, or know how which relate to our business, System, services or products, or to a Franchised Business, we may communicate to you, including the Manual, recipes, specialized preparation methods, quality-control systems, training materials, and information regarding salary, research, products, services, developments, inventions, processes, techniques, designs, marketing, finances, field operations, and computer hardware and software. Any information or techniques we designate as confidential must be treated by you as confidential. You may divulge confidential information only to those employees of yours who must have access to it in order to fulfill their employment obligations, or if disclosure is required to comply with an order of a court or arbitrator. You cannot, without our prior written consent, copy, duplicate, record or otherwise reproduce any confidential materials or information, in whole or in part, or otherwise make them available to any unauthorized person.

Your owners must sign and deliver to us the Owner Agreement in the form attached as *Exhibit D*. At our request, any officers, managers, employees, agents or representatives of yours who may have access to any of our confidential information must sign covenants stating that they will maintain the confidentiality of information they receive in connection with their employment. We may require that these covenants be in a form satisfactory to us, including specific identification of us as a third-party beneficiary of the covenants, with the independent right to enforce them.

Manual

You must treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained in them as confidential, and use all reasonable efforts to maintain the information as secret and confidential. You may not at any time, without our prior written consent, copy, duplicate, record, or otherwise reproduce any part of these materials, nor otherwise make them available to any unauthorized person. The Manual will at all times remain our sole property. We may periodically revise the contents of the Manual, and you must comply with each new or changed standard. You must insure that your copy of the Manual is kept current, and if there is a dispute about the contents of the Manual, the terms of the master copy as maintained by us at our headquarters will be controlling.

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

You must designate a manager for the Unit. If you are an individual, you may designate yourself as the Unit's manager. During the term of the Franchise Agreement, your manager must devote adequate time, energy, attention, and best efforts to the management and operation of the Unit.

We do not otherwise require your direct, on-premises supervision, but we do recommend this kind of supervision. Your manager must attend and successfully complete our initial training program, as described in Item 11. If you are a legal entity, we do not require your manager to own any equity interest in you. We also may require your manager and other individuals to sign covenants of confidentiality and non-competition, as described in Items 14 and 17.

If you are an entity, your owners must sign and deliver to us the Owner Agreement in the form attached as *Exhibit D*. The Owner Agreement is for the purpose of binding your owners to the same types of confidentiality and non-competition covenants as in the Franchise Agreement, and for the purpose of guaranteeing the performance of your obligations under the Franchise Agreement.

You will not permit or allow your owners, managers, employees or other representatives to engage in any conduct which is unlawful or damaging to the goodwill or public image of the System or the Marks.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Unit premises solely for the operation of the Franchised Business, must keep the Unit open and in normal operation for the minimum hours and/or days as provided in the Manual or as we otherwise periodically specify in writing, and must refrain from using or permitting the use of the Unit premises for any other purpose or activity at any time without obtaining our prior written consent. However, for a kiosk Unit located within the premises of an existing business, we will relax these requirements to be compatible with the operation of the existing business.

You are restricted with respect to the products or services you may offer. To ensure that the highest degree of quality and service is maintained, you must operate the Unit in strict conformity with the methods, standards and specifications we require in the Manual or otherwise in writing, as periodically amended. You must maintain in sufficient supply, and use and sell at all times, only the food and beverage items, ingredients, products, materials and supplies that conform to our standards and specifications. You must offer for sale and sell at the Unit all menu items and other products and services which we require, and provide all products and services in the manner, style and name we require, unless you have our prior express written consent. You must prepare all menu items exactly in accordance with our recipes and procedures for preparation and decoration contained in the Manual or other written directives, and refrain from deviating from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without our prior express written consent. You must sell and offer for sale only the menu items and other products and services that we expressly approve for sale in writing, and you must discontinue selling and offering for sale any menu items or other products or services which we, in our discretion, disapprove in writing at any time. You may suggest new recipes and products to us, but you cannot serve the new recipes and products to your customers unless we provide you with our written approval for their use, and standards and specifications with respect to their use. We have the exclusive right, in our sole discretion, to vary from the authorized menu in establishing the menu for any Unit.

You may sell your products and offer your services at any prices you determine and will in no way be bound by any price we recommend or suggest. However, in determining your prices, you must consider the general image of the Unit and the System.

You may not sell, any products at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products. Otherwise, you are not limited as to the customers to whom you may sell the products and services, except as described in Item 12 and this Item. We have the right to change the types of authorized goods and services, and there are no limits on our right to make these changes.

ITEM 17
RENEWAL, TERMINATION, TRANSFER
AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and Development Agreement. You should read these provisions in the agreement attached to this offering circular.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
a. Term of the franchise	1.6	1.3	Franchise: 10 years, unless terminated earlier. Development: As negotiated.
b. Renewal or extension of the term	1.7	None	Franchise: Up to 2 renewal terms of 5 years each, subject to certain conditions. Development: None.
c. Requirements for you to renew or extend	1.7.	None	Franchise: Timely written notice, renovation of Unit, payment of renewal fee, no default, sign current form franchise agreement, and others. Development: None.
d. Termination by you	13.4	None	Franchise: If we default and fail to cure. Development: None.
e. Termination by us without cause	None	None	Franchise: No right to terminate without cause. Development: Same.
f. Termination by us with cause	13.2	6.1, 6.2, 6.3	Franchise: If you default, or certain events occur (such as your death or bankruptcy). Development: Same.
g. "Cause" defined – defaults which can be cured	13.1	None	Franchise: 10 days to cure non-submission of reports or non-payment of fees, 30 days to cure many other types of default. Development: None.
h. "Cause" defined – defaults which cannot be cured	13.2	6.1	Franchise: Abandonment, material lease default, felony conviction, material misrepresentation, and others. Development: Violation of development schedule, attempted unauthorized transfer, and others..

PROVISION	SECTION IN FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
i. Your obligations on termination or non-renewal	14	6.4, 6.5, 6.6	Franchise: Payment of amounts owed, discontinue use of Marks and System, return Manuals, and others. Development: Extinguishment of development rights, payment of amounts owed, and others.
j. Assignment of contract by us	12.1	8.1	Franchise: No restrictions on our rights. Development: Same.
k. "Transfer" by you – definition	12.2	8.2	Franchise: Includes transfer of interest under Franchise Agreement, or in Unit, or in you (if an entity). Development: Includes transfer of interest under Development Agreement.
l. Our approval of transfer by you	12.2	8.2	Franchise: We have right to approve any transfer. Development: Same.
m. Conditions for our approval of transfer	12.3	None	Franchise: No default, payment of transfer fee, sign general release, sign new franchise agreement, and others. Development: No express conditions.
n. Our right of first refusal to acquire your business	12.4	None	Franchise: If you desire to sell. Development: None.
o. Our option to purchase your business	14.8	6.7	Franchise: Following expiration or termination. Development: Same.
p. Your death or disability	None	None	Franchise: None. Development: None.
q. Non-competition covenants during the term of the franchise	3.18	9.2	Franchise: Prohibitions on diverting business to competitors, involvement in any similar business, soliciting employees. Development: Same.
r. Non-competition covenants after the franchise is terminated or expires	14.7	9.3	Franchise: Prohibitions on diverting business to competitors, involvement in any competing business, soliciting employees. Development: Same.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
s. Modification of the agreement	16.2	11.4	Franchise: We may modify the System and Manuals. No modification of agreements unless in writing and signed. Development: No modification of agreements unless in writing and signed.
t. Integration/ merger clause	16.5	11.7	Franchise: Only terms of agreement are binding; any other promises are not enforceable (subject to state law). Development: Same.
u. Dispute resolution by arbitration or mediation	15	11.2	Franchise: Except for certain claims, all claims must be submitted to mediation and arbitration. Development: Same.
v. Choice of forum	15.4, 15.5	11.2	Franchise: City where our principal place of business is located. Currently Dallas, Texas (subject to applicable state law). Development: Same.
w. Choice of law	16.5	11.2	Franchise: Texas law applies (subject to applicable state law). Development: Same.

These states have statutes which may supersede the franchise agreement in your relationship with us including the provisions regarding termination of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit.], 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.1-523H.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 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions or statutes which may supersede the franchise agreement in your relationship with us including the provisions regarding termination of your franchise.

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS OFFERING CIRCULAR. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN AN ADDENDUM. SEE EXHIBIT A.

**ITEM 18
PUBLIC FIGURES**

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

**ITEM 19
EARNINGS CLAIMS**

The following table presents actual revenue information and pro forma expense information on a per-Unit per-Year basis for the stand-alone PaciugoSM Units located in the Dallas, Texas area owned and operated by our affiliate for the period from the opening of the first Unit on September 9, 2000 through December 31, 2005. The table shows the range of actual maximum annual revenues and the actual minimum annual revenues per Unit during this period. The number of Units in operation at any given time during this period ranged from 1 to 4. The size, physical layout, and operations of these Units are generally similar to the stand-alone Units that our franchisees will own and operate.

The financial information is taken from the unaudited books and records of Authentic Gelato. It has not been independently audited. THE NOTES THAT FOLLOW THE CHART ARE AN INTEGRAL PART OF THE INFORMATION PRESENTED IN THIS ITEM, AND PROVIDE INFORMATION TO HELP YOU BETTER UNDERSTAND THE FINANCIAL INFORMATION.

	Minimum / Maximum Range (per Unit per Year)
Annual Gross Revenues Per Unit	\$305,000 to \$740,000
Annual Cost of Goods Sold Per Unit of food and accessories, excluding shipping. (28% of Gross Revenues)	\$85,400 to \$207,200
Annual Net Revenues Per Unit	\$219,600 to \$532,800

Notes:

1. Operating History. Some of the Units included in these figures have been open since September 2000. It may take some time for a new Unit to establish itself in its marketplace. You should expect lower revenues during your first year of operations.
2. Revenues. The high range of the reported revenues includes revenues from catering operations and from the sale of coffee drinks. If you do not offer catering or coffee drinks, you probably will not reach that level of revenues.
3. Cost of Goods Sold. Cost of goods sold includes the cost of gelato mixes and ingredients, cups, spoons, and take-away containers. It does not include shipping cost to continental USA locations. The figures in the table are pro forma figures based on

average expense of 28% for cost of goods sold. By strictly following our System, you should be able to manage your costs of goods sold at this level (plus shipping).

4. Operating Expenses. The only expense items deducted from Gross Revenues to calculate Net Revenues are associated with cost of goods sold. You will have many other expenses, such as rent, wages, insurance, local marketing, royalty fees, marketing fees, and utilities.

5. Location. All of the Units reflected in this table are located in the Dallas, Texas area, which typically has long, hot summers and mild winters. Revenues for Units in other climates could be affected by the local weather.

Substantiation of the data used in preparation of this report will be made available to you upon reasonable request.

THE GROSS REVENUE INFORMATION PRESENTED ABOVE REFLECTS INFORMATION RELATING TO A SPECIFIC HISTORICAL PERIOD OF TIME AND IS NOT A PROJECTION OR FORECAST OR GUARANTY, IN ANY WAY, OF WHAT YOU MAY EXPERIENCE. We do not represent or guarantee that you will have the same level of revenues or expenses after your Unit has been open for a similar period.

The earnings claim figures do not reflect the operating expenses or other costs or expenses (except cost of goods sold) that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Unit. Franchisees or former franchisees listed in this Offering Circular may be one source of this information.

Other Considerations Relating to Earnings Claims and Financial Projections

In preparing financial projections and an overall business plan for your franchise operation, it is important to keep in mind that each individual franchisee's experience is unique, and each individual franchise will experience sales and expenses different from all other franchises in the system due to the many factors which will impact the franchise. These factors include general economic condition of the area, competition in the market, physical location, availability of supplies and labor, expenses or levels of expenses peculiar to the area, effectiveness of the franchisee in the management of the business and the overall efficiency of the operation. A franchisee's energy and dedication to the business will also affect the results of the operation.

A NEW FRANCHISEE'S INDIVIDUAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS STATED IN THIS ITEM 19. A VARIETY OF FACTORS, INCLUDING THOSE WE HAVE DESCRIBED IN THIS ITEM 19, MAY CAUSE YOUR FINANCIAL RESULTS TO BE DIFFERENT THAN THE REPORTED FINANCIAL RESULTS.

Other than the information provided in Item 19 of this Offering Circular, we do not furnish or authorize any person to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Unit. Actual results vary from Unit to Unit, and we cannot estimate the results of any particular franchise.

**ITEM 20
LIST OF OUTLETS**

Information concerning franchised Units, company-owned Units and affiliate-owned Units during the past 3 fiscal years is set forth below. States not listed in any table had no relevant Units during the 3-year period.

1. Franchised Business Status Summary For Last 3 Fiscal Years

FRANCHISED BUSINESSES STATUS FOR YEARS 2005 / 2004 / 2003							
STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	RE-ACQUIRED BY FRANCHISOR	LEFT THE SYSTEM (OTHER)	TOTAL FROM LEFT COLUMNS	TOTAL OPERATING AT YEAR END
CO	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
FL	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
TX	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
TOTAL	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/0/0

We did not begin franchising until the second half of 2004. There were no Franchised Businesses in operation during our fiscal years ending December 31, 2004 or 2003.

2. Number of Company-Owned Businesses at the End of Last 3 Fiscal Years

We did not have any company-owned businesses in operation during the past 3 fiscal years ending December 31, 2005, 2004 or 2001.

3. Number of Affiliate-Owned Businesses at the End of Last 3 Fiscal Years

STAND-ALONE UNIT STATUS FOR YEARS 2005 / 2004 / 2003									
State	Businesses Closed			Businesses Opened			Total Operating at Fiscal Year-End		
	05	04	03	05	04	03	05	04	03
Texas	1	0	0	0	0	1	3	4	4
TOTAL:	1	0	0	0	0	1	3	4	4

In 2005, our affiliate sold 1 location to our franchisee.

KIOSK UNIT STATUS FOR YEARS 2005 / 2004 / 2003									
State	Businesses Closed			Businesses Opened			Total Operating at Fiscal Year-End		
	05	04	03	05	04	03	05	04	03
Illinois	1	0	0	0	1	0	0	1	0
Oklahoma	1	0	0	0	1	0	0	1	0
Texas	0	1	0	1	0	1	6	5	6
TOTAL:	2	1	0	1	2	1	6	7	6

The units reflected in these charts are owned and/or operated by Authentic Gelato or Paciugo Supply.

4. Projected Openings in 2006
(As of the date of this offering circular)

STATE	FRANCHISE AGREEMENT SIGNED BUT BUSINESS NOT YET OPERATING	PROJECTED FRANCHISED BUSINESSES TO BE ESTABLISHED	PROJECTED COMPANY-OWNED/ AFFILIATE-OWNED OUTLETS TO BE OPENED
Florida	5	5	0
Oklahoma	1	1	0
Texas	8	5	0
Total	14	11	0

Florida agreements signed include locations to be established in Boca, Hollywood, Miami, St. Petersburg and Winter Park. Texas agreements signed include locations to be established in Dallas, Austin, Houston, Frisco and Rockwall.

5. Development Agreement Status Summary For Last 3 Fiscal Years

DEVELOPMENT AGREEMENT STATUS FOR YEARS 2005 / 2004 / 2003							
STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	RE-ACQUIRED BY FRANCHISOR	LEFT THE SYSTEM (OTHER)	TOTAL FROM LEFT COLUMNS	TOTAL IN EFFECT AT YEAR END
FL	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
TX	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0

TOTAL	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/1/0
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6. Projected Development Agreements in Current Fiscal Year

(As of the date of this offering circular – for fiscal year ending December 31, 2006)

STATE	DEVELOPMENT AGREEMENT SIGNED BUT UNITS NOT YET OPERATING	PROJECTED DEVELOPMENT AGREEMENTS TO BE SIGNED
Colorado	0	1
Total	0	1

There are no franchisees or developers who have had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement or Development Agreement at any time before the date of this offering circular, or who have not communicated with us within 10 weeks of the date of this offering circular.

Our existing franchisees and developers are listed in *Exhibit H*.

**ITEM 21
FINANCIAL STATEMENTS**

Attached as *Exhibit F* to this offering circular are our audited financial statements as of December 31, 2005 and December 31, 2004. Our fiscal year-end is December 31.

**ITEM 22
CONTRACTS**

The following sample contracts are included as exhibits to this offering circular:

1. Franchise Agreement (*Exhibit C*)
2. Owner Agreement (*Exhibit D*)
3. Development Agreement (*Exhibit E*)
4. Form of General Release (*Exhibit I*)

**ITEM 23
RECEIPT**

Two copies of an acknowledgment of your receipt of this offering circular are included as *Exhibit J*. Please complete both copies of the acknowledgment and return our copy to us. You should retain the other copy for your files.