

APPENDIX TO OFFERING CIRCULAR

We are required to provide you the following information about certain state laws, and how they may affect your franchise contracts.

CALIFORNIA

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

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Corporations, prior to solicitation of a proposed material modification of your Franchise Agreement or Development Agreement.

The following is added to Item 3 of the Offering Circular:

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

California Business and Professions Code, Section 20000 through 20043 provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement [or the Development Agreement] contains a provision that is inconsistent with the law, the law will control.

You must sign a release if you renew or transfer your franchise. California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 2000 through 20043).

The Franchise Agreement contains a covenant not to compete that extends beyond expiration or termination of the Agreement. This provision may not be enforceable under California law.

Certain liquidated damages clauses are unenforceable under California Civil Code Section 1671.

The Franchise Agreement and Development Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

The Franchise Agreement and Development Agreement requires binding arbitration. The arbitration will occur at Dallas, Texas. This provision may not be enforceable under California law.

The Franchise Agreement and Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).]

ILLINOIS

The following is added to Item 17 of the Offering Circular:

In accordance with Illinois law, any provision in the Franchise Agreement or Development Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois, except that the Franchise Agreement or Development Agreement may provide for arbitration outside Illinois. In addition, Illinois law will govern the Franchise Agreement with respect to those claims arising under the Illinois Franchise Disclosure Act or any other Illinois statute or regulation; Texas Law will govern all other claims.

Item 17 g. is amended to read as follows:

<p>g. "Cause" defined - defaults that can be cured</p>	<p>§§16(b) and 16(c)</p>	<p><u>Defaults that are curable within 5 business days:</u> If the Franchisee: fails to take appropriate action to correct any condition noted as "unsatisfactory" or "needs improvement" in any BCE Inspection report within 15 days after receiving a copy of the report.</p> <p><u>Defaults that are curable within 10 days:</u> If the Franchisee: attempts to hire an employee of Company or another franchisee in violation of the agreement; fails or refuses to honor a request for indemnification under the agreement; breaches any restriction or obligation set forth in the agreement or any related Terms of Use agreement; breaches any covenant or obligation set forth in the agreement, or otherwise makes any unauthorized use of a Mark, an item of Copyrighted Materials or an element of the System; asserts a claim to the Pizza Patrón domain name, any Mark, any item of Copyrighted Materials or any element of the System adverse to Company's interests; knowingly engages in any activity or business practice that Company reasonably considers detrimental to the goodwill and public image of the Pizza Patrón franchise system; fails to pay any trade obligation due to a vendor with whom Company or any of its Affiliates does business, as a result of which the vendor withholds or threatens to withhold the sale of goods or services, or withdraws or threatens to withdraw the availability of normal trade terms, to Company, any Company Affiliate or another franchisee; fails to submit when due a report or financial statement, or to furnish a tax return required by the agreement promptly after Company requests it; attempts to hire an employee of Company or another franchisee in violation of the agreement; fails or refuses to honor a request for indemnification under the agreement; breaches any restriction or obligation set forth in the agreement or any related Terms of Use agreement; breaches any covenant or obligation set forth in the agreement, or otherwise makes any unauthorized use of a Mark, an item of Copyrighted Materials or an element of the System.</p> <p><u>Defaults that are curable within 15 days:</u> If the Franchisee: fails to construct and open the Store or to complete Company's training program; lease for the Store expires or is terminated and Franchisee fails to relocate the Store in accordance with the agreement;</p> <p><u>Defaults that are curable within 30 days:</u> If the Franchisee: fails to fulfill any requirement, to perform any obligation, or to observe any restriction set forth in the agreement; fails to fulfill any requirement or to perform any obligation set forth in Section 8 with respect to advertising and promotions (other than a failure to make marketing fee or Ad Fund contributions, which are covered by Section 16(c)(1)), or in Sections 13(i) and 13(j) with respect to ownership restrictions and reports.</p>
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MINNESOTA

Items 5 and 7 are amended to reflect that the payment of the initial franchise fee will be deferred until the franchised business opens.

The following is added to Item 13 of the Offering Circular:

We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

The following is added to Item 17 of the Offering Circular:

Minn. Stat. Sec. 80C 21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Offering Circular or Franchise Agreement can abrogate or reduce any of your rights as provided for in the Minnesota Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

Under Minnesota law and except in certain specified cases, we must give you 90 days' notice of termination with 60 days to cure. We also must give you at least 180 days' notice of our intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

NEW YORK

The following is added to Item 3 of the Offering Circular:

Neither Pizza Patrón, Inc. nor any person identified in Item 2 of this Offering Circular has been convicted of a felony or pleaded *nolo contendere* to a felony charge or has, during or within the 10-year period immediately preceding the application for registration or amendment of the franchise registration (as applicable), been convicted of a misdemeanor charge.

The following is added to Item 5 of the Offering Circular:

All franchise fees are applied to the franchisor's general operating fund. All obligations of the franchisor, whether to franchisees or otherwise, are paid out of this fund.

The following is added to Item 17 of the Offering Circular:

Any condition, stipulation or provision contained in the Franchise Agreement or Development Agreement which purports to bind you to waive compliance with any provision of the New York General Business Law (Article 33, Sections 680 through 695) or any rule promulgated thereunder, may be void and unenforceable under the non-waiver provision of such law.

New York General Business Law, §687.5 prohibits Pizza Patrón, Inc. from requiring a franchisee to assent to a release, assignment, novation, waiver, or estoppel that would relieve a person from any duty or liability imposed by such law. To the extent the Franchise

Agreement or Development Agreement requires you to waive or release any claims you may have against Pizza Patrón, Inc. or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would serve to relieve any person from liability under the FRDL, such release, waiver or acknowledgment shall not apply and shall be void to the extent that they would violate the non-waiver provisions of the New York General Business Law.