

INFORMATION FOR
PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION

SFO FRANCHISE DEVELOPMENT LTD

RECEIVED

JUN 15 2005

Department of Corporations
Los Angeles

* * *

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
SFO FRANCHISE DEVELOPMENT LTD

an Ohio limited liability company
9150 South Hills Blvd., Suite 225
Broadview Heights, Ohio 44147
Phone: (440) 717-9450 x103

The Franchise offered is for a "San Francisco Oven" fast casual eatery which specializes in the sale of brick oven pizzas, soups, salads and sandwiches prepared according to Our recipes and specifications.

The initial franchise fee for a Restaurant is \$25,000. If You enter into a development agreement to develop more than one Restaurant, upon signing the Development Agreement You will pay a development fee equal to \$25,000 for the first Restaurant to be developed plus \$10,000 multiplied by each additional Restaurant to be developed under the Development Agreement. The development fee is applied pro rata to the initial franchise fees due. The estimated initial investment required to establish one Restaurant, including the initial franchise fee, is \$474,100 to \$807,300. This sum may not represent Your total investment in the Franchised Business (see Items 5-7 of this Offering Circular for further explanation concerning the total investment).

RISK FACTORS:

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE THE FRANCHISEE TO ARBITRATE WITH THE FRANCHISOR ONLY IN OHIO. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH THE FRANCHISOR IN OHIO THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT THE LAW OF THE FRANCHISOR'S HOME STATE GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

INFORMATION ABOUT COMPARISONS OF FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATOR LISTED ON ATTACHMENT A 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 APPROPRIATE STATE AGENCY LISTED ON ATTACHMENT A.

Effective Date: April 26, 2004

FOR USE ONLY IN THE STATE OF CALIFORNIA

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ITEM 1

FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

Franchisor

SFO Franchise Development Ltd. (referred to in this Offering Circular as "San Francisco Oven," "We," "Us," or "Our") was formed as an Ohio limited liability company in July 2002. Our principal place of business is 9150 South Hills Blvd., Suite 225, Broadview Heights, Ohio 44147, and we do business as "San Francisco Oven". In this Offering Circular, We refer to the person or entity that will be signing the Franchise Agreement (defined below) as "You," "Your," or "Franchisee." We have been offering franchises since the Spring of 2003 and have previously never offered franchises in this or any other lines of business.

We have written the Offering Circular in "plain English" in order to comply with legal requirements. Any differences in the language in this Offering Circular describing the terms, conditions or obligations under the Franchise Agreement, Development Agreement or any other agreements is not intended to alter in any way Your or Our rights or obligations under the particular agreement.

Our agents for service of process are listed in Attachment A.

Our Predecessors and Affiliates

We are wholly owned by our predecessor, San Francisco Oven, LLC, which is an Ohio limited liability company located at our headquarters, which was formed on May 8, 2001 ("Predecessor") and which is majority owned by our principals, Matt Harper and Eddie Cerino. Our Predecessor owns the proprietary mark, through an assignment from Mariana Enterprises Inc. on January 14, 2003, "San Francisco Oven Brick Oven Pizza" and sublicenses its use to us on a perpetual, royalty free, sublicensing arrangement.

We have an affiliate, SFO Willoughby, Ltd., which is an Ohio limited liability company formed on May 10, 2001, and is also wholly owned by our Predecessor. Our affiliate owns a "San Francisco Oven" Restaurant located at 34601 Ridge Road, Willoughby, Ohio 44094 which was opened in November, 2001 and which we operate under an operations services arrangement. This Restaurant also serves as our Corporate Test Kitchen and Training Center.

Description of Franchise

We offer franchises for the right and license to establish and operate "San Francisco Oven" Restaurants to be primarily located in retail shopping centers or urban locations under the Marks and the System, according to the terms of a Franchise Agreement ("Restaurant" or "Franchised Business"). We may, however, consider sites such as train stations, sports arenas, airports, university campuses or other captive market spaces on a case by case basis ("Non-Traditional Location"). The marketing strategy of the Restaurant is to utilize the themes and attractions of San Francisco throughout the Restaurant to provide a unique dining experience. Each Restaurant will typically offer a menu of brick oven pizza, soups, salads and sandwiches prepared according to Our proprietary recipes and ingredients. Restaurants will typically range in size between 2,800 and 3,500 square feet.

The Restaurants are established and operated under a comprehensive and unique system (the "System"). The System includes distinctive signage, interior and exterior design, décor and color scheme; special recipes and menu items, including proprietary products and ingredients; uniform

standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures (including point of sale and financial tracking systems); training and assistance; and advertising and promotional programs; all of which We may change, improve, and further develop, in Our discretion. Certain aspects of the System are more fully described in this Offering Circular and the Manuals that are provided to You as a franchisee (described in Item 11).

We offer the rights to develop one or more Restaurants within a specifically described geographical Territory ("development rights") under the terms of an Area Development Agreement (the "Development Agreement"), Exhibit B to this Offering Circular. We will determine and include a description of the Territory in the Development Agreement before You sign it. The Development Agreement requires You to establish one or more Restaurants within the Territory according to a development schedule, and to enter into a separate single unit Franchise Agreement (the "Franchise Agreement"), for each such Restaurant established when a site acceptable to Us has been selected. The size of the Territory will vary depending upon local market conditions and the number of Restaurants to be developed (see Item 12). Upon signing the Development Agreement, you will be referred to as the "Developer". Developers may be an individual, corporation, partnership, limited liability company, or other form of legal entity. Under the Development Agreement, certain parties are characterized as Developer's Principals (referred to in this Offering Circular as "Your Principals"). The Development Agreement is signed by Us, by You, and by those of Your Principals whom We designate as Controlling Principals. In most instances, We will designate Your principal equity owners and executive officers, and certain affiliated entities as Controlling Principals. By signing the Development Agreement, Your Controlling Principals agree to be individually bound by certain obligations in the Development Agreement, including covenants concerning confidentiality and non-competition. (see Item 15). Depending on the type of business activities in which You or Your Principals may be involved, We may require You or Your Principals to sign additional confidentiality and non-competition agreements. You must also designate an "Operating Principal" who will be the primary individual responsible for Your business. If You are an individual, You will be the Operating Principal. If You are not an individual, the person You designate as Your Operating Principal must maintain an equity interest in You. The Operating Principal must sign the Development Agreement as the Operating Principal and as one of Your Controlling Principals (see Item 15). The Operating Principal must individually make certain covenants in the Development Agreement.

The Franchise Agreement for each Restaurant developed under the Development Agreement will be in the form contained in Attachment A to the Development Agreement attached as Exhibit C to this Offering Circular amended only to the extent mandated by State or Federal Law. We will deliver to You a Franchise Agreement after we have approved the site You have selected for the Restaurant. You will be required to sign the Franchise Agreement within 10 days after we deliver it to You. The Franchise Agreement contains concepts similar to the Development Agreement involving the "Franchisee's Principals," Controlling Principals of Franchisee, and an Operating Principal of Franchisee. For purposes of this Offering Circular, the terms Your Principals, Controlling Principals and Operating Principal include those persons having similar obligations identified in both the Development Agreement and Franchise Agreement, and the terms You, Your, and Franchisee also include the Developer under the Development Agreement, unless We have noted otherwise. Any reference to the "Agreements" means the Development Agreement, and the Franchise Agreement, as applicable.

Competition

The market for the brick oven pizza, soup, salad and sandwich food products and services offered by the Restaurants is highly competitive. Our competitors include casual dining and fast casual restaurants such as California Pizza Kitchen, Panera Bread, Atlanta Bread Company, Baja Fresh and Chipotle. However, We believe Our competitive position is enhanced by Our operational format and by the food products offered by the Restaurants. We plan to continue controlled expansion into areas that We determine can support the Restaurants to improve name recognition and the reputation of the System through franchised businesses.

Industry Regulations

The restaurant industry is regulated on the federal, state and local levels. The preparation and handling of food is federally regulated by the Pure Food and Drugs Act of 1906; the Federal Food, Drug and Cosmetic Act and by rules and policies of the Food and Drug Administration. State requirements relating to food safety typically pertain to sanitation and handling. Local inspectors may also enforce sanitation and handling rules created on the state and/or local level.

Among the licenses and permits You may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Liquor Licenses, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Health Permits, Alarm Permits, County Occupational Permits, Retail Sales Licenses, and Wastewater Discharge Permits. There may be other laws, rules or regulations which affect Your Restaurant, including minimum wage and labor laws along with ADA, OSHA and EPA considerations. We recommend that You consult with Your attorney for an understanding of them.

ITEM 2 **BUSINESS EXPERIENCE**

<u>President and Chief Executive Officer:</u> Matthew Harper	Mr. Harper has been the President and CEO of San Francisco Oven, located in Broadview Heights, Ohio, since May 2001. He is also the Vice President of Mariana Enterprises, located in Brecksville, Ohio, since June 1993 to the present.
<u>Vice President and Executive Chef:</u> Edward Cerino	Mr. Cerino has been the Vice President of San Francisco Oven, located in Broadview Heights, Ohio, since November 2001. He is also the owner of Mariana Enterprises, located in Brecksville, Ohio, since June 1993 to the present. Mr. Cerino is also a graduate of the Culinary Institute of America in Hyde Park, New York.
<u>Chief Financial Officer:</u> R. Gene Dover	Mr. Dover has been Chief Financial Officer of San Francisco Oven, located in Broadview Heights, Ohio, since July, 2004. He is also a Certified Public Accountant (not in public practice) and managing principal of the Dover Consulting Group, located in Westlake, Ohio, since 1997 to the present.
<u>Vice President, Marketing & Brand Development:</u> Lynne Abramovich	Mrs. Abramovich has been Vice President for Marketing and Brand Development of San Francisco Oven, located in Broadview Heights, Ohio since January, 2005. She was employed by Malone Advertising, located in Akron, Ohio from 1978 to 2005.

Treasurer:
Shirley Harper

Ms. Harper has been the Treasurer of San Francisco Oven, located in Broadview Heights, Ohio, since November 2001. She is also the Accountant of Mariana Enterprises, located in Broadview Heights, Ohio, since April 1993 to the present.

We have a Regional Developer in Florida, SFO Support Group, LLC, whose Operating Principal, Tim Curtis, has been the owner and of Houligan's Irish Sports Pub located in Ormond Beach, Florida since its inception in 1990.

We employ an outside broker to sell our franchises. Exhibit G discloses any sales agents affiliated with our company.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Offering Circular.

ITEM 4 **BANKRUPTCY**

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or comparable foreign law required to be disclosed in this Item.

ITEM 5 **INITIAL FRANCHISE FEE**

Development Agreement: When You sign the Development Agreement for Territories located outside of the State of Florida, You must pay us a development fee equal to \$25,000 for the first Restaurant to be developed plus \$10,000 for each additional Restaurant to be developed under the Development Agreement. For Territories located within the State of Florida, the development fee is \$35,000 for the first Restaurant to be developed plus \$10,000 for each additional Restaurant to be developed under the Development Agreement. The development fee must be paid in a lump sum and is non-refundable. The estimated initial investment under the Development Agreement shall be the same as for the single unit franchise, \$474,100 to \$807,300.

Franchise Agreement: When you sign a Franchise Agreement for the right and license to operate each Restaurant established within Territories located outside of the State of Florida, you must pay Us an initial franchise fee of \$25,000. Within the State of Florida, the initial franchise fee is \$35,000. For the first Restaurant You develop under the Development Agreement, we will reduce the initial franchise fee by a portion of the development fee equal to 100% of the initial franchise fee. For each Restaurant developed after the first, We will apply \$10,000 of the development fee toward the initial franchise fee due under the Franchise Agreement. The balance of the initial franchise fee due is payable immediately upon execution of the Franchise Agreement for the Restaurant. We also reserve the right to adjust this formula depending upon the size of the Territory and the financial ability of Our developer. This fee is used in part for Our working capital and in part for Our profit. If You cannot obtain possession of the licensed location for the Restaurant or are denied the required permits, licenses, variances or approvals to operate the Restaurant within six months after You have signed the Franchise Agreement, We have the right to terminate the Franchise Agreement. If we terminate the Franchise Agreement under these circumstances, we will reinstate and reschedule your right to develop the

Restaurant within the Territory at an alternative location under the Development Agreement; and apply 75% of the initial franchise fee that you paid with the Franchise Agreement toward the initial franchise fee that will be due when you sign the Franchise Agreement for the Restaurant at the alternative location. This policy may be revoked by Us at any time. If We decide to revoke this policy, We will provide written notice to franchisees that have executed a Franchise Agreement to establish a single Restaurant at least 60 days before the revocation takes effect. This is the only refund provision available to you at this time.

In the State of Illinois only, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied. The initial franchise fee and development fee are deferred until you open your business and it is operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training.

The deferral requirement has been imposed by the Illinois Attorney General's Office based on the Franchisor's financial condition.

ITEM 6 OTHER FEES

Fees (1)	Amount	Due Date	Remarks
Royalty Fee (2)	5% of Gross Sales; 6% of Gross Sales in the State of Florida	Weekly on Wednesday	We will initiate an electronic debit transaction (EFT) to your designated bank account to withdraw and pay the Amounts due.
Creative Fund (3)	1% of Gross Sales	Weekly on Wednesday	We will initiate an electronic debit transaction (EFT) to your designated bank account to withdraw and pay the Amounts due.
Local Advertising	2% of Gross Sales	Monthly - as incurred by You	Your contributions to an Advertising Cooperative are credited against Your local advertising obligations.
Cooperative Advertising (4)	Maximum - 1½% of Gross Sales	As determined by Cooperative	Your Cooperative contribution may be allocated by Us to the Creative Fund. We will initiate an electronic debit transaction (EFT) to your designated bank account to withdraw and pay the Amounts due.
Advertising & Promotional Materials	Varies, depending on Your advertising needs	When billed	See Items 7 and 11. We will initiate an electronic debit transaction (EFT) to your designated bank account to withdraw and pay the Amounts due.

Fees (1)	Amount	Due Date	Remarks
Interest	18% or highest rate allowed by applicable law	On demand	Interest may be charged on all overdue amounts.
Prohibited Product or Service Fine	\$250 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us
Additional Assistance	If You request additional assistance, You must pay the current per diem charge for Our employees used to provide the assistance and Our associated costs. Current per diem \$250.	When billed	We provide opening assistance for the First Restaurant established under the Development Agreement without additional charge (see Item 11). Any additional assistance You request is billed at the current per diem rate. Amounts due will be withdrawn by EFT from Your designated bank account.
Transfer Fee	\$5,000 reimburse Us for Our reasonable costs and expenses in reviewing the transfer application	Submitted with transfer application	No fee charged to an individual or partnership franchisee that transfers its rights to a corporation controlled by the same interest holders. A transfer fee of a similar amount is charged under both the Franchise Agreement and the Development Agreement.
Public Offering	\$5,000 to reimburse Us for Our reasonable costs and expenses in reviewing the proposed securities offering	When billed	This covers Our cost to review the proposed offering of Your securities. The offering fee is the same amount under both the Franchise Agreement and the Development Agreement.
Additional or Remedial Training	Our cost in providing the training	Before additional training commences	We reserve the right to charge a fee for additional or remedial training that is not mandatory. We do not charge for mandatory training. Cost will vary based on the staff, location, and type of training being offered.

Fees (1)	Amount	Due Date	Remarks
Inspection and Testing	Cost of inspection or testing	When billed	We may require You to pay Us or an independent laboratory for the cost of inspection or testing if You purchase or lease items used in the Restaurant from sources We have not previously approved (see Item 8).
Audit Fee	Cost of audit	When billed	Payable only if We find, after an audit, that You have understated any amount You owe to Us by more than 2%
Late Payment or Reporting Fee	\$50 per day You are late	Daily	If You fail to pay royalties when due, We may charge You \$50 per day until the payment is received.
Manual Replacement Fee	\$500	When billed	If You request additional or replacement copies of the Manual (see Item 11).

Notes:

1. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, We impose all fees and expenses listed and You must pay them to Us. Except as specifically stated above, the amounts given may be increased based on changes in market conditions, Our cost of providing services and future policy changes. At the present time We have no plans to increase payments over which We have control.

2. For the purposes of determining the royalties to be paid under the Franchise Agreement, "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant or otherwise arising out of the Restaurant's operations, including without limitation sales or orders of food, food products, beverages, food preparation services, catering services, and delivery services. Gross Sales shall be determined without regard for the amounts or forms of tender received in connection therewith, except as otherwise provided herein. Gross Sales shall expressly exclude the following:

- a. Vending machine / pay phone revenues. Receipts from the operation of any public telephone installed in the Restaurant, or products from vending machines located at the Restaurant, except for any amount representing Franchisee's share of such revenues.
- b. Sales Tax Collected. Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Restaurant, and any other tax, excise or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority.
- c. Sales of Trade Fixtures. Proceeds from incidental sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Restaurant nor having any material effect upon the ongoing operation of the Restaurant required under this Agreement.

- d. Discounts and Allowances. The value of Customer and employee discounts, coupons redeemed, and complimentary meals;
- e. Employee Meals. The value of meals furnished to Franchisee's employees as an incident to their employment;
- f. Gift Cards. The proceeds from the sale of gift cards, gift certificates, or other similar sales vouchers.

We may authorize certain other items to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time by Us. The royalty fee will be withdrawn from Your designated bank account by electronic fund transfer ("EFT") weekly on Wednesday based on Gross Sales from the preceding week. You are required to maintain sufficient funds in Your designated bank account for the Restaurant to cover Our electronic debit transactions.

3. Effective in March, 2005, We have established and administer a national creative fund on behalf of the System (see Item 11) to provide national or regional creative materials for the benefit of the System.

4. Cooperatives will be comprised of all franchised Restaurants located in designated geographic areas. Each Restaurant has one vote in the cooperative. Each Franchisor-owned Restaurant shall also have one vote in the cooperative. The range for such fee shall be between 0 to 1½ percent. One Cooperative has been established as of the date of this Offering Circular.

ITEM 7 INITIAL INVESTMENT

Expenditure	Actual or Estimated (Low)	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (1)	\$25,000	\$35,000	On signing Franchise Agreement	Lump Sum	Non-refundable except as described below	Us
Leasehold Improvements (2)	\$255,100	\$460,800	As Arranged	As Invoiced	No	Independent Contractors
Lease Payments and other rental expenses (3)	\$6,000	\$10,000	Monthly	Per Lease	No	Landlord
Equipment (4)	\$100,000	\$150,000	As Arranged	As Invoiced	No	Designated Vendors
Signage (5)	\$15,000	\$22,000	As Arranged	As Invoiced	No	Designated Vendors
Initial Inventory (6)	\$8,500	\$12,000	As Arranged	As Invoiced	No	Designated Vendors
Architectural/ Engineering (7)	\$15,000	\$25,000	As Arranged	As Invoiced	No	Designated Vendor

Expenditure	Actual or Estimated (Low)	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Point of Sale Computer System (8)	\$22,000	\$28,000	As Arranged	As Invoiced	No	Designated Vendor
Facsimile Machine and other office equipment (9)	\$500	\$1,000	Lump Sum	As Invoiced	No	Designated Independent Vendor
Travel, lodging and meals for initial training (10)	\$1,500	\$12,000	As Incurred	As Incurred	No	Independent Suppliers
Business Supplies (stationery, business cards, menus, gift cards, paper and other materials) (11)	\$2,000	\$4,000	Lump Sum	As Invoiced	No	Us or Independent Suppliers
Business licenses, permits, utility deposits, etc. (for first year) (12)	\$2,500	\$7,500	As Arranged	As Incurred	No	Various Agencies
Insurance deposits and premiums (for first month) (13)	\$1,000	\$5,000	As Arranged	As Invoiced	No	Independent Carrier
Grand Opening Advertising (14)	\$5,000	\$10,000	As Arranged	As Incurred	No	Suppliers
Additional Funds (3 months) (15)	\$15,000	\$25,000	As Arranged	As Incurred	No	Various Vendors
TOTAL	\$ 474,100	\$ 807,300				

Notes: The initial start-up phase of the franchised business is 3 to 4 months.

(1) The estimate includes the initial franchise fee of \$25,000 which you must pay when you sign a Franchise Agreement for Restaurants located outside of the State of Florida. The initial Franchise fee is \$35,000 for Restaurants located within the State of Florida. The initial franchise fee is non-refundable under the terms of the Franchise Agreement, unless you are unable to obtain possession of the Restaurant location or are denied the required permits or approvals for operating the Restaurant in which case we may apply 75% of the initial franchise fee toward the initial franchise fee due when you sign a new Franchise Agreement for an alternative location. (see Item 5). The estimated initial investment under the Development Agreement is the same as for the single unit franchise, \$474,100 to \$807,300.

(2) The estimates for leasehold improvements are based upon the landlord providing you with a "vanilla box" consisting of 3,000 square feet of space. They anticipate the cost of adapting Our

prototypical architecture and design plans and are based on the rates and conditions typically experienced within the Cleveland, Ohio metropolitan area, and in some cases as estimated by US based general contractors, for remodeling and finish-out work. The cost of leasehold improvements will vary from the estimates depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); (iii) regional differences in the cost or availability of materials and labor within the geographical area in which the Restaurant is located; and (iv) the extent to which certain leasehold improvements included in the estimates may be paid for by the landlord.

(3) Lease payment estimates are for the first month's base rent and assume that the premises of the Restaurant will consist of 3,000 square feet of space in a strip shopping center or urban location, and that no security deposit is required. They are based on annual base rental rates ranging from \$20 to \$36 per square foot, plus Your share of shopping center operating expenses such as common area maintenance ("CAM"), real estate taxes, and insurance, estimated from 12% to 20% of the base rent. In addition to base rent, You may also have to pay additional variable rent based on a percentage of your gross sales. The actual amount You pay under the lease will vary from the estimates depending on the size and location of the Restaurant, the types of shopping center operating charges that are allocated to tenants under the lease, the prevailing rental rates within the Restaurant's geographic region, and Your ability to negotiate with landlords.

(4) These estimates include Your cost for equipment meeting Our specifications to be utilized in Restaurant operations, including refrigerated coolers, a brick oven, dishwasher, walk in cooler, shelving, mixer, microwave oven, work tables, convection oven and other items including smallwares. We have established relationships with equipment vendors for certain equipment used in the Restaurant that meet Our specifications. Refurbished equipment is also available many times.

(5) These estimates represent Your cost for menu boards, menu panels, neon logo and descriptive signs and other graphics to "brand" both the interior and exterior of the store. Your actual costs may vary from the estimates based on local sign ordinances and Your landlord's signage restrictions, if any.

(6) These estimates represent Your initial inventory of food supplies and paper goods for use in the initial phase of operating the Restaurant.

(7) These fees are estimates of Your costs to obtain any architectural and design services necessary for adapting Our prototypical plans and specifications for the construction of the Restaurant, which is a requirement of the Franchise Agreement.

(8) This estimate represents the cost of hardware and software for the Aloha™ Quick Service POS System which You are required to install to our exact specifications and use in the Restaurant operations. To ensure uniformity and consistency throughout Our System, we have established relationships with Authorized Aloha™ POS Partners, to configure and install the POS Systems for all of our Franchisees. You must acquire your System from an Authorized Aloha™ POS Partner. You are also required to augment and/or upgrade the system software and hardware in order to implement the latest computer technology from time to time as We may require. The System includes at a minimum the following:

Software	<ul style="list-style-type: none"> ▪ Aloha™ Quick Service POS System Software ▪ Aloha™ Electronic Draft Capture (EDC) Software ▪ Windows XP Pro™ ▪ Norton Anti-Virus™
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	<ul style="list-style-type: none"> ▪ pcAnywhere™ ▪ QSR Video Software / Aloha Video MX software / Video Software ▪ E-card™ Gift Certificate Software ▪ E-Frequency™ Customer Loyalty Software ▪ Aloha™ Centralized Database Management (CDM) Software
Dedicated Server (1)	<ul style="list-style-type: none"> ▪ Intel Pentium 4 - 2.8 GHz Processor (minimum) ▪ 512 MB RAM ▪ 80+ GB Hard Drive ▪ CD-RW Drive ▪ External 56K Baud Modem ▪ LCD Flat Panel Monitor ▪ Keyboard and Mouse ▪ 16 Port Switch ▪ 500VA Uninterruptible Power Supply w/Windows Shut down ▪ 4-port Cable/DSL Router – If not supplied by ISP ▪ Inkjet, Laser or Multifunction Printer
POS Terminals (cash registers) (quantity commensurate with restaurant size, but not less than 2)	<ul style="list-style-type: none"> ▪ Radiant Systems 1510 POS Workstation w/ 256MB RAM, 10+HD, Network Card, Magnetic Card Reader, and Windows XP Embedded ▪ Epson TM-T88III Thermal Printer - Grey ▪ 350VA Uninterruptible Power Supply ▪ 2 x 20 Customer Display ▪ Cash Drawer with Mounting Hardware
Kitchen Monitors (4)	<ul style="list-style-type: none"> ▪ 15" LCD Flat Panel Monitor ▪ QSR Video Display Kit – Bump Bar, ePic I/O Unit, and Cables
Other	<ul style="list-style-type: none"> ▪ High Speed Internet Access – DSL or Cable with Static IP Address ▪ Category 5e Network Cabling ▪ Dedicated and Isolated Power Outlets / Circuits

This cost for this equipment will vary based upon the type of hardware purchased as well as the utilization of flat panel monitors and utilizing refurbished equipment, when available. By purchasing the Aloha POS system you automatically become enrolled into the Aloha Membership Program for a period of one year. Renewals of your Aloha Membership Program will be at an annual fee of 10% (\$600-\$1000 per year), based on your system. We have the right, as described in Item 11, to poll Your system at Our discretion. You are therefore required to subscribe to the Aloha "Enterprise" service which will allow constant data communication with the corporate office. You must also sign up for the Aloha "ecard" program which is an automated gift card program. You must pay the cost for the "Enterprise" service and the "ecard" service. We estimate this cost to range from \$250 to \$750 for initial installation and \$200 to \$300 per month thereafter. You will be billed monthly by us for this service. Amounts due will be withdrawn by EFT from Your designated bank account. We may also require you to participate in other POS based programs such as frequent diner programs etc. You will be responsible for any costs that are incurred for these programs. You must also keep all software current and up to date. All San Francisco Oven Restaurants must be on the same version of software at all times. We will maintain your software database and schedule all approved software upgrade installations with you. You will be advised about the fees for upgrade installations prior to their being scheduled. All San Francisco Oven Restaurants must be on the same version of software at all times.

(9) You must have a facsimile machine to communicate with Us and to accept fax menu/catering orders, and it must be able to cut pages as they are received or print on single sheet paper. It will also be necessary to have a copy machine for general use. You will also need to have a DSL line or other form of high speed internet access for the POS system.

(10) We provide initial training to Your Operating Principal, General Manager, and one of your other employees at no additional charge. These estimates include only Your out-of-pocket costs associated with the training of these individuals (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for three weeks. These costs will vary depending on Your selection of lodging and dining facilities and mode and distance of transportation.

(11) You must purchase business cards, brochures and other written materials for use in the franchise business. You will typically purchase amounts that may last as long as six months. You may purchase these materials from Us or independent vendors that have been approved by Us.

(12) These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. These figures do not include occupancy and construction permits which were included in the leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the franchised business. This figure does not include the purchase of a "wine and beer" license from a government authority. The cost for these licenses can vary from city to city and state to state. The estimates also include Your utility deposits. Utility deposits may or may not be needed if you have another operating business.

(13) These figures are estimates of the cost of the initial deposit/premiums for the insurance You must obtain and maintain for the franchised business as described in Item 8.

(14) You must spend a minimum of \$5,000 on a grand opening advertising campaign. We reserve the right to approve all advertisements used in Your grand opening advertising campaign, and Your campaign must be conducted in the 90 day period comprising 30 days prior to and 60 days following opening of Your Restaurant.

(15) We have relied on Our 12 years of restaurant experience as well as 3 years of operating a San Francisco Oven, as well as implementing future improvements to our operating system in compiling these estimates. Additional items that will need to be purchased or leased include telephone system, music system, floor mats, uniforms, in store training, needed to cover your expenses for the start-up phase of Your business. You must maintain sufficient funds in your checking account for EFT purposes and other costs. These figures are estimates and We cannot assure You that You will not have additional expenses starting the Restaurant. Your actual costs will depend on factors such as Your management skill, experience and business acumen; local economic conditions; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, Our cost of providing services and future policy changes. At the present time, We have no plans to increase payments over which We have control.

We have not included a separate table for the initial investment if You sign a Development Agreement. Other than the initial fee for the Development Agreement, actual start-up costs pertaining to the actual Restaurants opened under the Development Agreement are as estimated above, subject to

potential increases over time or other changes in circumstances. If You execute a Development Agreement, Your professional fees such as legal and financial may be higher.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase or lease and install all fixtures, furnishings, equipment (including the Point of Sale computer system hardware and software), décor items, signs and related items We require, all of which must conform to the standards and specifications in Our Manuals or otherwise in writing (as defined in Item 11), unless You have first obtained Our written consent to do otherwise. You may not install or permit to be installed on the Restaurant premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items without our written consent or do not comply with our specifications. If You lease any of the property described above from a third party, We must approve the lease in writing before it is signed. We will not approve the lease unless it permits Your interest in the lease to be assigned to Us if the Franchise Agreement terminates or expires and that prohibits the lessor from imposing an assignment or related fee on assignment.

To ensure that the highest degree of quality and service is maintained, You must operate the Restaurant in strict conformity with the methods, standards and specifications that We prescribe in the Manuals or otherwise in writing. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies and paper goods that meet Our standards and specifications. All menu items must be prepared according to the recipes and procedures specified in the Manuals or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming items or differing amounts of any items, without obtaining Our written consent first. You must sell and offer for sale only those menu items, products and services that We have expressly approved for sale in writing. You must offer for sale all products and services required by Us in the manner and style We require, including dine-in and carry-out services and the sale of pre-packaged food products. You must not deviate from Our standards and specifications without obtaining Our written consent first. You must discontinue offering for sale any items, products and services We may disapprove in writing at any time. We can, and expect to, modify Our standards and specifications as We deem necessary. We will provide You notice of any changes in the Manuals.

You must permit Us or Our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from Your inventory or from the Restaurant free of charge for testing by Us or by an independent laboratory to determine whether the samples meet Our then-current standards and specifications. Besides any other remedies We may have, We may require You to pay for the testing if We have not previously approved the supplier of the item or if the sample fails to conform to Our specifications (see Item 6).

Except for proprietary products and promotional materials provided by Us or Our designated suppliers (or delivery vehicles that You may use in the operation of the Restaurant), You must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register, computer hardware and software), and other products used or offered for sale at the Restaurant solely from suppliers who demonstrate, to Our continuing reasonable satisfaction, the ability to meet Our then-current standards or according to Our standards and specifications. You may use a supplier of Your choice, provided We approve the supplier You choose. Our criteria for supplier approval may be found in the Manuals. Among other things, the suppliers must have adequate quality controls and the capacity to supply Your needs promptly and reliably. If You wish to purchase, lease or use any products or other items from an unapproved supplier, You must submit a written request for approval, or must request the supplier to do so. We have to approve any supplier in writing before You

make any purchases from that supplier. We can require that Our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Us or to an independent laboratory, for testing. You must pay the cost of the inspection, and the actual cost of the test must be paid by You or the supplier (see Item 6). We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke Our approval if the supplier fails to continue to meet any of Our then-current standards. Our supplier approval procedure does not obligate Us to approve any particular supplier. However, We will notify You within 30 days after We complete the inspection and evaluation process of Our approval or disapproval of any proposed supplier.

We require You to offer delivery and catering services and any vehicle that You use to deliver Restaurant products and services to customers must meet Our standards for appearance and ability to satisfy the requirements imposed on You under the Franchise Agreement. You must place the signs and décor items on the vehicle We require and must at all times keep the vehicle clean and in good working order. You must require each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles. Except as noted above, We do not have any standards or exercise control over any motor vehicle that You utilize.

We have and may continue to develop for use in the System certain products which are prepared from confidential proprietary recipes and other proprietary products which bear Our Marks, such as proprietary sauces, soup concentrates, dressings and other specialty food products. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to Your and Our benefit that We closely control the production and distribution of those products. Accordingly, if those products become a part of the System, You will use only Our proprietary recipes and other proprietary products and will purchase those items solely from Us or from a source designated by Us all of Your requirements for those products. You must purchase from Us for resale to Your customers certain merchandise identifying the System that We require, such as pre-packaged food products and San Francisco Oven memorabilia and promotional products, in amounts sufficient to satisfy Your customer demand. You must also obtain certain upgrades for Your Point of Sale computer system.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Restaurant) and other items We designate must bear the Marks (see Item 13) in the form, color, location and manner We prescribe. In addition, all Your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manuals or otherwise. You must obtain Our approval before You use any advertising and promotional materials and plans if We have not prepared or approved them during the 12 months before their proposed use.

You must obtain Our approval of the site for the Restaurant before You acquire the site. You must also obtain Our approval of any lease for the Restaurant before You execute the lease. We will not approve any lease unless an addendum to the lease, prepared by Us, is signed by You, by Us and by the landlord. The addendum will contain the following provisions:

1. The Landlord will deliver to Us a copy of any notice required or permitted under the lease, including notice of default or termination, at the same time such notice is delivered to You.
2. You assign to Us, with the Landlord's irrevocable and unconditional consent, all of Your rights, title and interests to and under the Lease if the Franchise Agreement terminates or expires without renewal and We notify both You and the Landlord in writing that We assume Your obligations under the Lease.

3. We have the right, but not the obligation, upon giving written notice to You and the Landlord, to cure any breach of the Lease and to also succeed to Your rights, title and interests under the Lease.

4. The Lease may not be modified, amended, renewed, extended or assigned by You without Our prior written consent.

5. You and the Landlord agree that We will have no liability or obligation whatsoever under the Lease unless and until We assume the Lease in writing.

6. If We assume the Lease, We may further assign the Lease to another person or entity to operate the restaurant, subject to Landlord's consent, provided that We remain liable for the performance of the tenant's obligations after the date of assignment.

7. The Landlord and You acknowledge that We have agreed under the Franchise Agreement that We and our employees or agents have the right to enter the Premises for certain purposes and in certain circumstances, including the termination (without renewal) of the Franchise Agreement; and that the Landlord agrees not to interfere with or prevent us from making such entry, provided that We agree to bear the expense of repairing any damage to the Premises as a result of these activities.

Before You open the Restaurant for business, You must obtain the insurance coverage for the Restaurant specified below. This insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible carrier or carriers acceptable to Us.

1. Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, dram shop liability, completed operations, products liability and fire damage coverage, in the amount of \$2,000,000 combined single limit.

2. "All Risks" coverage for the full cost of replacement of the Restaurant premises and all other property in which We may have an interest with no coinsurance clause.

3. Crime insurance for employee dishonesty in the amount of \$10,000 combined single limit.

4. Business Interruption insurance in a sufficient amount to cover profit margins, maintenance of competent and desirable personnel and fixed expenses for a period of at least 90 days.

5. Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$2,000,000 combined single limit.

6. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement.

7. Other insurance required by the state or locality in which the Restaurant is located and operated.

You may, after obtaining Our written consent, elect to have reasonable deductibles under the coverage required under paragraphs 1 - 6 described above. Also, related to any construction, renovation or remodeling of the Restaurant, You must maintain builders risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to Us. All of the policies must name Us and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds and must include a waiver of subrogation in favor of all those parties.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Offering Circular, there are no purchasing or distribution cooperatives for any of the items described above in which We require You to participate.

We may receive discounts on purchases of Point of Sale Computer hardware and software from approved suppliers, which discounts will be made available to You if You purchase through these suppliers. We may also receive discounts from approved suppliers of equipment for the Restaurant which We will make available to You as well. We may obtain certain materials such as cups, napkins, business cards, stationery, flyers, brochures and other promotional materials and memorabilia using Our Marks that You must obtain from Us or sources approved or designated by Us. You must purchase from Us or sources designated by Us certain proprietary products and trademarked food products. We may sell these items to You or have You purchase them through designated sources at Our cost, plus shipping, handling, a reasonable mark up by the supplier and an amount to compensate Us for Our administrative overhead in connection with these arrangements.

During our last fiscal year, no revenues were derived from any required purchases or leases.

We expect to derive revenue from franchisees' required purchases from suppliers in the next and following fiscal years through a program of rebates from some of Our designated or approved suppliers. We estimate that these rebates will range from 1% to 5% of such purchases. These rebates serve to partially reimburse Us for Our costs in the initial sourcing, approval and ongoing monitoring of compliance with Our quality standards of Our suppliers. We do not anticipate receiving rebates from all of our designated or approved suppliers because in many cases We will instead negotiate proportional reductions in the invoice price of the products sold to Us. We do not undertake any obligation to negotiate the proportional price reductions as each supplier has their own position on the granting (and tracking/accounting for) of price reductions vs. rebates.

You must purchase or lease virtually all goods and services necessary to establish and operate the Restaurants from Us or Our designees, from suppliers approved by Us, or according to Our specifications. We estimate that Your purchases and leases from Us and Our approved suppliers and according to Our specifications will be approximately 90% to 100% of Your costs to establish and operate the franchised business.

When determining whether to grant new or additional franchises, We consider many factors, including compliance with the foregoing requirements.

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 Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	Section VI of the Development Agreement and Section II of Franchise Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Sections IX, X, XII and XIII of Franchise Agreement	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Section IV of Franchise Agreement	Items 1, 8 and 11
d. Initial and ongoing training	Section XI of Franchise Agreement	Items 5, 6 and 11
e. Opening	Sections IV, VIII, and XIII of Franchise Agreement	Items 5, 6 and 11
f. Fees	Sections IV and VIII of Franchise Agreement and Section IV of Development Agreement	Items 5 and 6
g. Compliance with standards and policies/Manuals	Sections IV, V, IX, X, XI, XII, XIII, XV, XVI, XVII, and XVIII of Franchise Agreement and Section VI of the Development Agreement	Items 11 and 14
h. Trademarks and proprietary information	Sections XIV and XVI and Attachment D of Franchise Agreement; and Section XIV and Attachment B to Development Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Section XII of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section XII of Franchise Agreement	Item 8
k. Territorial development and sales quotas	Section V of Development Agreement	Item 12
l. Ongoing product/service purchases	Section XII of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Sections IV, XII XXI, and Section XXVIII of Franchise Agreement	Items 8 and 11
n. Insurance	Section XVIII of Franchise Agreement	Items 7 and 8
o. Advertising	Section XIII of Franchise Agreement	Items 6, 8 and 11
p. Indemnification	Section XIII of Franchise Agreement and Section XV of Development Agreement	Item 6

Obligation	Section in Agreement	Item in Offering Circular
q. Owner's participation/management/staffing	Sections IX, X, XXI, XIII and XXVIII of Franchise Agreement and Section VIII of Development Agreement	Items 1, 11 and 15
r. Records and Reports	Sections VI, XII and XVII of Franchise Agreement	Item 6
s. Inspections and audits	Sections IV, XII and XVII of Franchise Agreement	Items 6, 8 and 11
t. Transfer	Sections XX and XXI of Franchise Agreement and Sections XI and XII of Development Agreement	Items 6 and 17
u. Renewal or Extension of Rights	Section V of Franchise Agreement and Section V of Development Agreement	Items 6 and 17
v. Post-termination obligations	Section XXVI of Franchise Agreement and Section X of Development Agreement	Items 6 and 17
w. Non-competition covenants	Section XVI and Attachment D of Franchise Agreement, Section XIV and Attachment B of Development Agreement	Item 17
x. Dispute Resolution	Sections XXIX, XXX and XXXI of Franchise Agreement and Sections XXII and XXIII of Development Agreement	Items 6 and 17

ITEM 10 **FINANCING**

We do not offer, either directly or indirectly, any financing arrangements to You. We do not guarantee Your notes, leases or other obligations.

ITEM 11 **FRANCHISOR'S OBLIGATIONS**

Except as listed below, We need not provide any assistance to You.

Pre-Opening Obligations: Before the opening of a Restaurant We will provide the following assistance and services:

1. Our written site selection guidelines and the site selection assistance We deem advisable. (Development Agreement, Section VI(A).) If You cannot obtain possession of an approved location for the Restaurant within six months after You have signed the Franchise Agreement, We have the right to terminate the Franchise Agreement and refund 75% of the initial franchise fee (see Item 5).

2. One on-site evaluation, and additional on-site evaluations as We deem necessary or in response to Your reasonable request for site approval. (Development Agreement, Section VI(A))

3. On loan, one set of prototypical architectural and design plans and specifications for a Restaurant for adaptation by You, at Your expense. (Franchise Agreement, Section VIII(A).)

4. On loan, one set of the Manuals (as described below) which We may revise. (Franchise Agreement, Section VIII(D).)

5. A list of Our approved suppliers. (Franchise Agreement, Section VIII(F).)

6. An initial training program for Your Operating Principal and General Manager at no additional charge to You. If You wish to have additional personnel trained We may charge up to \$1,500 per person (see Item 6). (Franchise Agreement, Section VIII(G).)

7. One week of on-site pre-opening and one week of post-opening assistance at the Restaurant for Your first Restaurant and in Our discretion for each additional Restaurant. (Franchise Agreement, Section VIII(H).)

8. Advertising and promotional materials for use in the pre-opening promotion of the Restaurant. (Franchise Agreement, Section VIII(C).)

We are not required to provide any other service or assistance to You before the opening of the Restaurant. We will provide these services for our Area Developers who must own a Restaurant.

Post-Opening Obligations: We are obligated by the Franchise Agreement to provide the following services and assistance after the opening of the Restaurant:

1. As We reasonably determine necessary, visits to, and evaluations of, the Restaurant and the products and services provided there to ensure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Section VIII(B).)

2. Advertising and promotional materials for in-store marketing and Local Advertising for the Restaurant at a reasonable cost to You. (Franchise Agreement, Section VIII(C).)

3. Advice and written materials (including updates to the Manuals) concerning techniques of managing and operating the Restaurant, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Section VIII(D).)

4. Certain merchandise, including prepackaged food products and promotional products and memorabilia, for use in the Restaurant and for resale to Your customers, in quantities sufficient to meet Your customer demand, at a reasonable cost are made available to franchisees in the System. (Franchise Agreement, Section VIII(E).)

5. One week of On-site post-opening assistance at the Restaurant. (Franchise Agreement, Section VIII(H).)

6. Training programs and seminars and other related activities regarding the operation of the Restaurant as We may conduct for You, or Restaurant personnel generally, which Your Operating Principal, General Manager and other Restaurant personnel may be required to attend. (Franchise Agreement, Sections XI(C).)

7. Certain on-site remedial training for Your Restaurant personnel when You reasonably request it or as We find appropriate. If the remedial training is requested by You, We may require You to pay the per diem of the employees providing the training and Our expenses in providing the training (see Item 6). (Franchise Agreement, Section and XI(D).)

8. Administration of the advertising fund and cooperatives. (Franchise Agreement, Section XIII(C) and D.)

9. Indemnification against and reimbursement for all damages for which You are held liable in any proceeding arising out of Your use of any of the Marks (including settlement amounts), provided that You and Your Controlling Principals have fully complied with the terms of the Franchise Agreement. (Franchise Agreement, Section XIV(H)(5).)

We are not required to provide any other service or assistance to You for the continuing operation of the Restaurant. We will provide these services for our Area Developers who must own a Restaurant.

Grand Opening Advertising: You must spend at least \$5,000 on a grand opening advertising campaign announcing the grand opening of Your Restaurant. Your grand opening advertising campaign must be conducted in the 90 day period comprising 30 days prior to and 60 days following the opening of Your Restaurant. We reserve the right to approve the advertising You intend to use.

Advertising: You must spend annually throughout the term of the Franchise Agreement, 2% of the Gross Sales of the Restaurant on advertising for the Restaurant in Your Area of Primary Responsibility for Local Advertising. This amount is not paid to Us, but rather is spent by You. If Your landlord requires You to participate in any marketing or promotion fund, the amounts You pay may be applied towards satisfying Your Local Advertising obligations. We must approve all advertising before You use it. You must not advertise or use Our Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without Our express written consent. You must provide Us with an advertising expenditure report as requested to show that You have complied with the Local Advertising requirements. Costs and expenditures You incur with any of the following are not to be included in Your expenditures on Local Advertising unless We approve in advance in writing:

1. Incentive programs for Your employees or agents, including the cost of honoring any coupons distributed in connection with the programs;
2. Research expenditures;
3. Food costs incurred in any promotion;
4. Salaries and expenses of Your employees, including salaries or expenses for attendance at advertising meetings or activities;
5. Charitable, political or other contributions or donations;
6. In-store materials consisting of fixtures or equipment;
7. Seminar and educational costs and expenses of Your employees; and

We have established and administer a creative fund (the "Creative Fund") to advertise the System on a regional or national basis. You must contribute to the Creative Fund 1% of the Gross Sales of the Restaurant for each Accounting Period to be paid in the same manner as the royalty payments. We will raise the amount of your contribution, expressed as a percentage of Gross Sales, by more than one tenth of one percent (0.1%) per year. During the term of the Franchise Agreement, for certain special promotions, We may require You to allocate to the Creative Fund all or part of Your required Local Advertising expenditures and Cooperative contributions (described below).

The Creative Fund is maintained and administered by Us or Our designee as follows:

1. We direct all advertising programs and have sole discretion to approve the creative concepts, materials and media used in the programs and their placement and allocation. The Creative Fund is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Restaurants operating under the System. For Restaurants operated by Us, We will contribute to the Creative Fund generally on the same basis as You. In administering the Creative Fund, We and Our designees are not required to make expenditures for You that are equivalent or proportionate to Your contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising.

2. The Creative Fund may be used to satisfy the costs of maintaining, administering, directing and preparing advertising, including the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; employing advertising agencies; and costs of Our personnel and other departmental costs for advertising that We administer or prepare internally. All sums You pay to the Creative Fund will be maintained in a separate account and we may use them to defray Our reasonable administrative costs and overhead that We may incur in the administration or direction of the Creative Fund and advertising programs for You and the System. The Creative Fund and its earnings will not otherwise benefit Us. The Creative Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. Any sums paid to the Creative Fund that are not spent in the year they are collected will be spent in the following year or returned to the contributors in proportion to the respective amounts paid by them, without interest, on the basis of their respective contributions.

3. We will prepare an annual statement of the operations of the Creative Fund that will be made available to You if You request it. We are not required to have the Fund statements audited.

4. Although the Creative Fund is intended to be perpetual, We may terminate the Creative Fund at any time. The Creative Fund will not be terminated, however, until all monies in the Creative Fund have been spent for advertising or promotional purposes or returned to contributors on the basis described in paragraph 2, above.

We currently advertise the Restaurants and the products offered by the Restaurants primarily using point of purchase advertising materials, print media, radio and television advertising campaigns. As the number of Restaurants in the System expands, We envision using other forms of media, including: magazine and newspaper advertising campaigns; and direct mail and outdoor billboard advertising. The majority of Our advertising is developed by members of Our staff or third-party consultants. Advertising presently is conducted on a local basis. Once the franchise program has been established, We contemplate advertising on a national, regional and local basis through the use of the Creative Fund, Local Advertising and Cooperatives (described below).

We presently do not have a National Advertising Council. For the fiscal year ending 2004, We did not collect or spend any money on behalf of the Creative Fund.

We may designate any geographic area in which two or more Restaurants are located as a region for purposes of establishing an advertising Cooperative. The members of the Cooperative for any area will consist of all San Francisco Oven Restaurants, whether operated by Us or franchised. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to Our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been established for a geographic area where Your Restaurant is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, You must sign all documents We request and become a member of the Cooperative according to the terms of the documents. A copy of the Cooperative documents applicable to the geographic area in which Your Restaurant will be located will be provided to You if you request it.

You must contribute to the Cooperative the amounts required by the documents governing the Cooperative. However, You will not be required to contribute more than 1½% of Your Gross Sales during each month to the Cooperative unless, subject to Our approval, the members of the Cooperative agree to the payment of a larger fee. The payments may be applied by You toward satisfaction of Your Local Advertising requirement. Your contributions to a Cooperative may also be allocated by Us to the Creative Fund, as described above. All contributions to the Cooperative will be maintained and administered according to the documents governing the Cooperative. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining Our approval. Currently, one Cooperative has been established. Each Cooperative is obligated to prepare an annual financial statement reporting its expenditures for the previous year to its members. We maintain the right to change, dissolve or merge cooperatives that we create.

Neither the Creative Fund nor any Cooperative will use any funds for advertising that is principally a solicitation for the sale of franchises for Restaurants.

You must also pay Your pro rata share of the cost of a Regional Telephone Directory trademark or other business listings placed by Us on behalf of all San Francisco Oven Restaurants in the Restaurant's local market area. If You operate the only San Francisco Oven under the System in the local market area, You will be responsible for full payment of any Yellow Pages trademark advertising or other business listing, unless We determine, in Our sole discretion, that placement of a Regional Telephone Directory trademark listing or other business listings for the local market area is not economically justified. Any amount You pay for Regional Telephone Directory trademark or other business listings may not be applied by You toward satisfaction of Your Local Advertising requirement.

Except as described above, We are not obligated to spend any amount on advertising in the area where Your Restaurant is located.

Training: No later than 30 days before the date the Restaurant begins operation, Your initial management group consisting of your Operating Principal, General Manager, and one other employee of your choosing must attend and complete, to Our satisfaction, Our initial training program; unless the restaurant is not the first to be opened under Your Development Agreement, in which case the initial

training program is optional. We will conduct this training at Our corporate headquarters or at another location We designate. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement operating principals and general managers and other personnel needing training, the number of new Restaurants being opened and the timing of the scheduled openings of Restaurants to be operated by Our franchisees generally. It is anticipated that the initial training program will be offered nine or ten times a year. The initial training program will generally last approximately three weeks. We will provide instructors and training materials for the initial training of Your initial management group at no additional charge to You. You may also have additional personnel trained by Us for the Restaurant, although We may charge \$1,500 per person for that training. We will determine whether the members of the initial management group do not satisfactorily complete the initial training. If any member of the initial management group does not satisfactorily complete the training program or if We determine that any of these persons cannot satisfactorily complete the training, You will be required to designate a replacement to designated by You must also receive and complete the initial training. You will be responsible for all expenses You and Your Operating Principal, General Manager and other personnel incur for any training program, including costs of travel, lodging, meals and wages (see Item 6).

The Operating Principal, General Manager and other personnel must attend the additional training programs and seminars We offer if required to do so. For all of these programs and seminars, We will provide the instructors and training materials. If the training is mandatory, We will not charge You a fee for attending the training. We reserve the right to charge a reasonable fee for the additional training programs and seminars that We provide on an optional basis. You will also be responsible for all expenses You or Your Operating Principal, General Manager and other personnel incur in participating in any additional training, including costs of travel, lodging, meals, and wages (see Item 6).

For the opening of the Restaurant, We will provide You with one of Our trained representatives. The trained representative will provide on-site pre-opening and opening training, supervision, and assistance to You for two weeks. This training and assistance will be provided to You at no additional expense. For any additional assistance requested by You and any similar assistance that We provide to a replacement Restaurant, if the premises are destroyed or the Restaurant is required to be closed for any other reason, We reserve the right to require You to pay Us the per diem fee then being charged to franchisees generally for trained representative assistance, including payment of any expenses the trained representative incurs, such as costs of travel, lodging, meals and wages (see Item 6).

We maintain a formal training staff who will be conducting the opening training described below. We may also draw on the substantial experience of other Restaurant personnel in conducting Restaurant operations training. The instructional materials used in the initial training consist of Our Operations Manual, marketing and promotion materials, programs related to the operation of the point of purchase system, and other written directives related to the operation of the Restaurant (collectively, the "Manuals").

The subjects covered, hours of classroom and on the job training and instructors providing the initial training program are described below:

Description	Time	Activities	Location	Trainer(s)
Week 1: Introduction to Food Preparation			Corporate Office	Kathy Lui
Day 1		Orientation	Store	Kathy Lui
Day 2		Store Introduction		

Description	Time	Activities	Location	Trainer(s)
Day 3		Salad Station Instruction	Store	Kathy Lui
Day 4		Sandwich Station Instruction	Store	Kathy Lui
Day 5		Opening Store Procedures	Store	Kathy Lui
Day 6		Soup Station/Pizza Station Instruction	Store	Kathy Lui
Week 2: Food Preparation and POS Module				
Day 1		Soup Preparation	Store	Kathy Lui
Day 2		Point of Sale System Instruction	Store	Kathy Lui
Day 3		Point of Sale System Instruction	Store	Kathy Lui
Day 4		Pizza Preparation	Store	Kathy Lui
Day 5		Closing Store Procedures	Store	Kathy Lui
Day 6		Work all Stations	Store	Kathy Lui
Week 3: Administration – Introduction				
Day 1		Vendor relations, ordering Cleaning and maintenance.	Store	Kathy Lui
Day 2		Labor module.	Store	Kathy Lui
Day 3		Inventory, food cost, execute line positions	Store	Kathy Lui
Day 4		Complete Station tests	Store	Kathy Lui
Day 5 & 6		Review, questions and answers	Store	Kathy Lui

During the Practical Training sessions held at the training center, role-play cashier, questions, quizzes, review of quizzes, objectives, teamwork standards, answering phones, reviewing and filling out forms, Restaurant quality control and cleaning, recruiting and staffing, opening and closing of the Restaurant, and stocking and inventory will be discussed.

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to You.

Training programs will begin on a Monday morning. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience of those persons being trained.

If You reasonably request or as We deem appropriate, We will, during the term of the Franchise Agreement, subject to the availability of personnel, provide You with additional trained representatives who will provide on-site remedial training to Your Restaurant personnel. For additional training that You request, You may be required to pay the per diem fee then being charged to franchisees under the System for the services of Our trained representatives, plus their costs of travel, lodging, meals, and wages. The per diem fee will not be charged if the assistance is provided based on Our determination that the training is necessary; however, We reserve the right to charge for Our reasonable expenses incurred in providing the assistance.

The Table of Contents for Our Operations Manual is annexed hereto as Exhibit E.

Site Selection: You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Restaurant within the Assigned Area and for constructing and equipping the Restaurant at the accepted site. You will select the site for the Restaurant subject to Our approval. The Restaurant may not be relocated without first obtaining Our written consent. Before You lease or purchase the site for the Restaurant, You must locate a site that satisfies Our site selection

guidelines. You must submit to Us in the form We specify a description of the site, including evidence that the site satisfies Our site selection guidelines, together with other information and materials that We may reasonably require, including a letter of intent or other evidence that confirms Your favorable prospects for obtaining the site.

We will provide You with Our current written site selection guidelines and any other site selection counseling and assistance We think is advisable. Our guidelines for site selection may require that You conduct, at Your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic. Our guidelines may also require that you prepare an estimate of your expected investment to develop the Restaurant at the proposed site and Your financing plans for that investment.

After we have received from You the materials You must submit to Us as described above, We will also provide You an on-site evaluation of the proposed site, without additional charge. After that, if We think on-site evaluation is necessary or if You reasonably request, We will provide additional on-site evaluations. For those additional on-site evaluations We reserve the right to charge a reasonable fee for each evaluation as well as a fee for Our reasonable expenses including the cost of travel, lodging, meals and wages. We will have 30 days after the completion of Our on-site evaluation or Our receipt of the materials You must submit to Us as described above, whichever is later, to approve or disapprove the proposed site as the location for the Restaurant.

We estimate that the time from the signing of the Franchise Agreement to the commencement of operations of the Restaurant will be approximately six to twelve months. This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Restaurant, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Restaurant, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Restaurant, including purchasing inventory and supplies. Unless You obtain a written extension of time from Us, You must open the Restaurant and begin business within 150 days after You commence construction or remodeling of the accepted location, or within than 10 days after We have given You written authorization to open, whichever is later. If You do not obtain a site that We approve, and construct the Restaurant within the time periods required in Section IV of the Franchise Agreement, We may terminate the Franchise Agreement.

Computer and Point of Sale Systems: As described in Items 6, 7 and 8, You must purchase and use certain point of sale computer systems, computer hardware and software that meet Our specifications and that are capable of electronically interfacing with Our computer system. The System is used by Us to collect and monitor point of sale information, and may be expanded to collect and monitor inventory control and shrinkage, payroll and accounting information, and credit card processing.

The system is designed to enable Us to have immediate access to the information monitored by the system, and there is no contractual limitation on Our access or use of the information We obtain. You must install and maintain equipment and a telecommunication line according to Our specifications to permit Us to access the point of sale computer system (or other computer hardware and software) at the Restaurant premises as described above. This will permit Us to inspect and monitor electronically information concerning Your Restaurant's Gross Sales and any other information that may be contained

or stored in the equipment and software. It is Your responsibility to ensure that We have access at the times and in the manner We specify, at Your cost.

We require that you use the Aloha™ Quick Service POS System. We will arrange for you to acquire this system through an Authorized Aloha™ POS Partner. From time to time the system hardware requirements will be adjusted to take advantage of latest technology. This system includes at a minimum the following and will all be provided by an Authorized Aloha™ POS Partner to insure maximum system reliability:

Software	<ul style="list-style-type: none"> ▪ Aloha™ Quick Service POS System Software ▪ Aloha™ Electronic Draft Capture (EDC) Software ▪ Windows XP Pro™ ▪ Norton Anti-Virus™ ▪ pcAnywhere™ ▪ QSR Video Software / Aloha Video MX software / Video Software ▪ E-card™ Gift Certificate Software ▪ E-Frequency™ Customer Loyalty Software ▪ Aloha™ Centralized Database Management (CDM) Software
Dedicated Server (1)	<ul style="list-style-type: none"> ▪ Intel Pentium 4 - 2.8 GHz Processor (minimum) ▪ 512 MB RAM ▪ 80+ GB Hard Drive ▪ CD-RW Drive ▪ External 56K Baud Modem ▪ LCD Flat Panel Monitor ▪ Keyboard and Mouse ▪ 16 Port Switch ▪ 500VA Uninterruptible Power Supply w/Windows Shut down ▪ 4-port Cable/DSL Router – If not supplied by ISP ▪ Inkjet, Laser or Multifunction Printer
POS Terminals (cash registers) (quantity commensurate with restaurant size, but not less than 2)	<ul style="list-style-type: none"> ▪ Radiant Systems 1510 POS Workstation w/ 256MB RAM, 10+HD, Network Card, Magnetic Card Reader, and Windows XP Embedded ▪ Epson TM-T88III Thermal Printer - Grey ▪ 350VA Uninterruptible Power Supply ▪ 2 x 20 Customer Display ▪ Cash Drawer with Mounting Hardware
Kitchen Monitors (4)	<ul style="list-style-type: none"> ▪ 15" LCD Flat Panel Monitor ▪ QSR Video Display Kit – Bump Bar, ePic I/O Unit, and Cables
Other	<ul style="list-style-type: none"> ▪ High Speed Internet Access – DSL or Cable with Static IP Address ▪ Category 5e Network Cabling ▪ Dedicated and Isolated Power Outlets / Circuits

The cost for this equipment will vary based upon the type of hardware purchases as well as the utilization of flat panel monitors and utilizing refurbished equipment.

By purchasing the Aloha POS system you automatically become enrolled into the Aloha Membership Program for a period of one year. Renewals of your Aloha Membership Program will be at an annual fee of 10% (\$600-\$1000 per year), based on your system. We have the right, as described in Item 11, to poll Your system at Our discretion. You are therefore required to subscribe to the Aloha "Enterprise" service which will allow constant data communication with the corporate office. You must also sign up for the

Aloha "ecard" program which is an automated gift card program. You must pay the cost for the "Enterprise" service and the "ecard" service. We estimate this cost to range from \$250 to \$750 for initial installation and \$200 to \$300 per month thereafter. You will be billed monthly by us for this service. Amounts due will be withdrawn by EFT from Your designated bank account. We may also require you to participate in other POS based programs such as frequent diner programs etc. You will be responsible for any costs that are incurred for these programs. You must also keep all software current and up to date. All San Francisco Oven Restaurants must be on the same version of software at all times. We will maintain your software database and schedule all approved software upgrade installations with you. You will be advised about the fees for upgrade installations prior to their being scheduled. All San Francisco Oven Restaurants must be on the same version of software at all times.

We may revise Our specifications for the hardware as We determine necessary to meet the needs of the System. There is no contractual limitation on Our ability to require the hardware be improved or upgraded.

You shall obtain and maintain Internet access or other means of electronic communication, as specified by Us. It will be a material default under the Franchise Agreement if You fail to maintain the equipment, lines and communication methods in operation and accessible to Us at all times throughout the term of the Franchise Agreement. We must have access at such times and in such manner as We specify.

You must, at Our option, execute such forms and documents that We deem necessary to appoint Us your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to Us upon the termination or expiration of the Franchise Agreement: (i) all rights to the telephone numbers of the Restaurant and any related and other business listings; and (ii) Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Restaurant. You have no authority to and will not establish any website or listing on the Internet or World Wide Web without Our express written consent.

NO OTHER SUPERVISION, ASSISTANCE OR SERVICES ARE
PROVIDED BY US
FOR THE ESTABLISHMENT OR OPERATION OF THE RESTAURANT

ITEM 12
TERRITORY

Development Agreement: Under the Development Agreement, You are assigned a Territory where You have to develop one or more Restaurants according to a specified development schedule which will be listed in Section V and Attachment D of the Development Agreement and agreed to before it is signed (the "Development Schedule"). The size of the Territory may be an Area of Dominant Influence or "ADI," a single or multi-county area, single state area or some other area, and will be described in Section II.A. of the Development Agreement. We will determine the Territory before You sign the Development Agreement based on various market and economic factors such as those described above regarding the Assigned Area.

Except as stated below, if You are in compliance with the Development Agreement, We will not establish or authorize any other person or entity, other than You, to establish a franchised Restaurant

within the Territory during the term of the Development Agreement. We, any San Francisco Oven franchisee and any other authorized person or entity may, at any time, advertise and promote the System, within the Territory. We may also offer and sell and authorize others to offer and sell: (i) collateral products under the Marks, at or from any location, such as pre-packaged food or beverage products and San Francisco Oven memorabilia, and (ii) any products or food and beverage services under any other names and marks. We also reserve the right to develop SFO Restaurants within Reserved areas located within the Territory. A Reserved area is any area of food courts (other than in retail shopping malls), airports, hospitals, cafeterias, commissaries, schools, hotels and stadiums, arenas, ballparks, festivals, fairs and other mass gathering locations or events, and the premises of certain businesses that have an agreement with Us for the placement of a Restaurant in more than one of their facilities. Before we develop an SFO Restaurant within a Reserved Area, however, We will first give you a right of first refusal to establish the Restaurant at any proposed site that is not subject to an agreement for a location within an Airport, Hospital, College or University with a national food service provider with whom We already have or have been offered an agreement for the placement of SFO Restaurants in more than one of its facilities. You will have 30 days to notify us in writing whether or not You wish to exercise your first refusal right after receiving Our written notice, and You must sign a Franchise Agreement for the Reserved area location within 10 days of Our receiving Your notice. Any Restaurant You established by in a Reserved area will be in addition to the number of restaurants You agreed to open in accordance with the Development Schedule. If you choose not to exercise your right of first refusal for a Reserved areas site, We will have the right to develop that site Ourselves or through an Affiliate or another franchisee.

You must exercise the development rights only by entering into a separate Franchise Agreement with Us for each Restaurant. We may, in Our discretion, permit You to exercise the development rights through affiliated entities that are either Your wholly owned subsidiaries or commonly controlled entities with ownership identical to Yours. The Franchise Agreement to be executed for each Restaurant You develop under the Development Agreement will be in the form of the Franchise Agreement attached to this Offering Circular as modified from time to time during the term of the Development Agreement, but only to the extent necessary in order for the Franchise Agreement to conform to requirements mandated by state or federal law.

The territorial rights granted to You under the Franchise Agreement or the Development Agreement are not dependent on the achievement of a certain sales volume, market penetration or other contingency except as stated below. Also, except as stated below, the Territory may not be altered before the Development Agreement expires or terminates.

1. You must open each Restaurant developed and commence business according to the Development Schedule, unless You obtain an extension of the Development Period (as defined in the Development Agreement), at the expiration of which, You were to have had a Restaurant open and in operation. You may purchase a 90 day extension of the Development Period prior to Our approval of your site and commencement of construction of the Restaurant for a non refundable fee of \$10,000. Once We have accepted Your site and you have commenced construction, You are entitled to an automatic 90 day extension of the Development Period at no additional fee. If necessary, You may purchase one (1) additional 90 day extension of the Development Period (beyond the automatic extension), subject to our approval, for a non-refundable fee of \$5,000. If a Development Period is extended, the Opening Date (as defined in the Franchise Agreement) will be extended to the Extension Date. No extension of any Development Period will affect the duration of any other Development Period or any of Your other development rights. If an extension is requested in the final Development Period, the term of the Development Agreement will be extended to the Extension Date.

If You fail to open a Restaurant in compliance with the Development Schedule as required in the Development Agreement, or otherwise commit a material event of default under the Development Agreement as described in Item 17 and above, We may, in addition to Our other remedies, terminate or modify Your territorial rights, reduce the area of territorial rights, reduce the number of Restaurants that You may establish, or accelerate the development schedule under the Development Agreement.

Except as described above, We generally do not grant any right of first refusal to obtain additional Restaurant locations. If You wish to obtain an additional location, You must either have entered into a Development Agreement that grants You the right to establish more than one Restaurant or enter into a separate Franchise Agreement for the additional location.

We do not currently operate, franchise, or conduct business through alternative channels of distribution offering products or services similar to those offered by the Restaurant under different marks. There are, however, no restrictions in either the Franchise Agreement or Development Agreement that would restrict Our ability to do so.

Franchise Agreement: The Franchise Agreement grants You the right to operate a Restaurant at a single location that You select within the Territory and that We approve. Attachment A to the Franchise Agreement lists the specific street address of the accepted location and its Primary Area of Responsibility ("PAR"). You must operate the Restaurant only at this accepted location and may not relocate the Restaurant without first obtaining Our written consent. You may not establish or operate another Restaurant unless You enter into a separate Franchise Agreement.

During the term of the Franchise Agreement, if You are in compliance with the Franchise Agreement, We will not establish a Restaurant or authorize any other person or entity to establish a Restaurant within the PAR. We will determine the PAR before the Franchise Agreement is signed based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market. It may be defined in terms of a geographical radius from the footprint of the Restaurant, the contiguous property controlled by the landlord in which the Restaurant is located, such as the shopping mall, airport terminal, university campus or hospital, an area defined by street boundaries, or in some cases the specific physical space occupied by the Restaurant. You shall not be permitted to solicit catering or delivery business outside of Your PAR.

We may also offer and sell and authorize others to offer and sell: (i) collateral products under the Marks, at or from any location, such as pre-packaged food or beverage products and San Francisco Oven memorabilia, (ii) food and beverage services under the Marks at or through any San Francisco Oven Restaurant or other permanent, temporary or seasonal food service facility providing in whole or in part the products and services offered by a San Francisco Oven Restaurant in any Reserved Area, subject to Your first refusal rights under the Development Agreement described above., and (iii) any products or food and beverage services under any other names and marks.

Under the Franchise Agreement, You have to conduct Local Advertising activities and use all commercially reasonable efforts to advertise and promote the Restaurant with the PAR.

This offering is generally for a Restaurant of approximately 2,800 to 3,500 square feet located in an in-line space, in strip shopping centers or in urban locations. Generally, Our franchise sites will not vary significantly from the prototypes described above; however, We may consider other, non-traditional locations on a case-by-case basis.

ITEM 13

TRADEMARKS

The Franchise Agreement grants You the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by Us, including the Marks described in Item 1. These Marks may be used only in the manner We authorize and only for the operation of Your Restaurant at the location specified in the Franchise Agreement.

You may not use the Marks, or the acronym "SFO" as a part of Your corporate or other legal name, and You must comply with Our instructions in filing and maintaining trade name or fictitious name registrations. You must execute any documents We require to protect the Marks or to maintain their continued validity and enforceability. In addition, You may not directly or indirectly contest the validity of Our ownership of, or Our rights in and to, the Marks.

Our primary mark is "San Francisco Oven" as well as the words "San Francisco Oven. Brick Oven Pizza, Soup, Salad and Sandwiches. A Taste of the Bay Area" (the "Proprietary Mark"). This Proprietary Mark was registered on the Principal Register of the United States Patent and Trademark Office on December 4, 2000 under Reg. No. 2602551, issue date July 30, 2002. The Proprietary Mark is actually owned by our Predecessor who sublicenses it to us and to our franchisees, according to a royalty free, perpetual sublicense agreement.

There are no currently effective determinations of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above.

There are no agreements currently in effect which limit our right to use or to license others to use the Proprietary Mark.

We know of no superior prior rights or infringing uses of any Mark that could materially affect Your use of the Marks in this or any other state.

You must immediately notify Us of any apparent infringement of the Marks or challenge to Your use of any of the Marks or claim by any person of any rights in any of the Marks. You and Your Controlling Principals are not permitted to communicate with any person other than Us, or any designated affiliate, Our counsel and Your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or Patent and Trademark Office or other administrative or agency proceeding caused by any infringement, challenge or claim or otherwise relating to any of the Marks. You must execute any and all documents, and do what may, in Our counsel's opinion, be necessary or advisable to protect Our interests in any litigation or Patent and Trademark Office or other administrative or agency proceeding or to otherwise protect and maintain Our interests and the interests of any other person or entity having an interest in the Marks.

We will indemnify You against and reimburse You for all damages for which You are held liable for Your use of any of the Marks, provided that the conduct of You and Your Controlling Principals in the proceeding and use of the Marks is in full compliance with the terms of the Franchise Agreement.

Except as provided above, We are not obligated by the Franchise Agreement to protect any rights granted to You to use the Marks or to protect You against claims of infringement or unfair competition

with respect to them. Although We are not contractually obligated to protect the Marks or Your right to use them, as a matter of corporate policy, We intend to defend the Marks vigorously.

We may require You, at Your expense, to discontinue or modify Your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if We determine that an addition or substitution will benefit the System.

The license to use the Marks granted in the Franchise Agreement is non-exclusive to You. We have and retain certain rights in the Marks including the following:

1. To grant other licenses for the use of the Marks in addition to those licenses already granted to existing franchisees;
2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to You; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics We may develop for that purpose.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights: We have no patents or registered copyrights that are material to the San Francisco Oven franchise.

Confidential Manuals: You must operate the Restaurant according to the standards and procedures specified in the Manuals. One copy of the Manuals will be loaned to You by Us for the term of the Franchise Agreement.

You must treat the Manuals and any other manuals We create or approve for use in Your operation of the Restaurant, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and You must not duplicate, copy, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manuals remain Our sole property and must be kept in a secure place on the Restaurant premises.

We may revise the contents of the Manuals and You must comply with each new or changed standard. You must also insure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copy maintained by Us at Our home office will be controlling. You are required to return to Us all pages that are replaced in the Manuals.

Confidential Information: We claim proprietary rights in certain of Our recipes which are included in the Manuals and which are Our trade secrets. You and each of Your Controlling Principals are prohibited, during and after the term of the Franchise Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of the Franchise Agreement, from using for Your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Restaurant that may be communicated to You or any of Your Controlling Principals or that You may learn about, including these trade secrets. You and each of Your Controlling Principals can

divulge this confidential information only to Your employees who must have access to it to operate the Restaurant. Neither You nor Your Controlling Principals are permitted at any time, without first obtaining Our written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that We communicate to You, including the Manuals, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

If We ask, You must have Your General Manager and any of Your personnel who have received or will have access to confidential information execute similar covenants. (See Item 17.) The covenants will be substantially as set forth in Attachment D to the Franchise Agreement and Attachment B to the Development Agreement. Your Principals also must execute these covenants.

If You or Your Controlling Principals develop any new concept, process or improvement in the operation or promotion of the Restaurant, You must promptly notify Us and give Us all necessary information, free of charge. You and Your Controlling Principals must acknowledge that any of these concepts, processes or improvements will become Our property and We may give the information to other franchisees.

ITEM 15 **OBLIGATIONS OF FRANCHISEE TO PARTICIPATE** **IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

When You sign the Agreements, You must designate and retain at all times an individual to serve as the "Operating Principal" under the Agreements. If You are an individual, You must perform all obligations of the Operating Principal. If You are a corporation, partnership or other form of entity, the Operating Principal must be one of Your Controlling Principals and must hold an ownership interest in You or any entity that directly or indirectly controls You. Except as otherwise provided in the Agreements, the Operating Principal's interest in You must remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or option.

The Operating Principal may, at his option, and subject to Our approval, designate an individual to perform the duties and obligations of the Operating Principal described in the Agreements and in this Offering Circular. The Operating Principal must take all necessary action to ensure that the designee conducts and fulfills all of the Operating Principal's obligations and will remain fully responsible for his performance. The Operating Principal (or his designee, if applicable) must devote such time and effort as is commercially reasonable and best efforts to the supervision and performance of the Restaurant under the Agreements. The Operating Principal must execute the Agreements as one of Your Controlling Principals.

The Operating Principal (and any designee) must meet Our standards for these positions, as provided in the Manuals or other written instructions. Under the Agreements, the Operating Principal (or his designee) must satisfy the training requirements stated in the Franchise Agreement.

If, during the term of the Agreements, the Operating Principal or any designee cannot serve as Operating Principal or no longer qualifies, You must promptly notify Us and designate a replacement within 15 days after the Operating Principal or designee stops serving or no longer meets the requirements. Any replacement must meet the same qualifications listed above. You must provide for

interim management of the Restaurant until You designate a replacement. This interim management must be conducted according to the Agreements.

As described in Item 1, we have identified certain persons under the Franchise Agreement and Development Agreement that We refer to in this Offering Circular as Your Principals. Your Principals include Your spouse, if You are an individual, all of Your business entity's officers and directors (including the officers and directors of your general partner) and all holders of an ownership interest in You and of any entity which directly or indirectly controls You, and any other person or entity controlling, controlled by or under common control with You..

If We designate certain of Your Principals as Controlling Principals, They must sign the Franchise Agreement and Development Agreement, as applicable, and agree to be individually bound by certain obligations under the Agreements, including confidentiality and non-competition covenants. We typically designate Your principal equity owners and executive officers, as well as any other affiliated entities that operate San Francisco Oven Restaurants as Controlling Principals.

You must retain at all times a General Manager and the other personnel as are required to operate and manage the Restaurant. The General Manager must satisfy Our educational and business criteria as provided to You in the Manuals or other written instructions, and must be individually acceptable to Us. In addition, the General Manager must be responsible for the supervision and management of the Restaurant, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he or she must be replaced within the same time period and under the same conditions stated above for the Operating Principal. Your General Manager does not have to own an equity interest in the Franchised Business.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with You, from Your General Manager and any of Your other personnel who have received or will have access to Our training before employment, and any holder of a beneficial interest in You (except for any limited partners) who is not designated as a Controlling Principal and does not sign the Franchise Agreement as a Controlling Principal. You must require all of Your management personnel to sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with You (see Item 14). These covenants will be in substantially the same form attached to the Franchise Agreement as Attachment D and the Development Agreement as Attachment B. We reserve the right, in Our discretion, to decrease the period of time or geographic scope of the non-competition covenants contained in the attachments or eliminate the non-competition covenants altogether for any party that is required to sign an agreement as described in this paragraph. (See Item 17.)

ITEM 16 **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must comply with all of Our standards and specifications relating to the purchase of all food, food products and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale computer system, computer hardware and software), utensils and other kitchen items and products used or sold at the Restaurant (see Item 8).

You must sell or offer for sale all menu items, food products, and other products and services We require, in the manner and style We require, including dine-in and carry-out, as expressly authorized by Us in writing. You must sell and offer for sale only the menu items, and other products and services that

We have expressly approved in writing. You must not deviate from Our standards and specifications without first obtaining Our written consent. You must discontinue selling and offering for sale any menu items, products or services that We may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by You at the Restaurant at any time, and there are no limits on Our right to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to Our standards and specifications. You must prepare all menu items with Our recipes and procedures for preparation contained in the Manuals or other written instructions, including the measurements of ingredients. You must not deviate from Our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining Our written consent.

You must keep the Restaurant very clean and maintain it in good repair and condition. You must make any additions, alterations, repairs and replacements, including, repainting or replacement of obsolete signs, furnishings, equipment, and decor as We may reasonably direct. You must not make any changes to the premises without obtaining Our written consent before You make the changes. You must obtain and pay for any new or additional equipment, including the point of sale computer system, computer hardware and software, fixtures, supplies and other products and materials that We require You to have in order to offer and sell new menu items from the Restaurant or to provide the Restaurant's services by alternative means, such as through carry-out, catering or delivery arrangements.

We may ask You to make other improvements to modernize the Restaurant premises, equipment, including the point of sale computer system, computer hardware and software, signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required to operate the Restaurant, to Our then-current standards and specifications. You will be required at Our request to make the capital improvements or modifications described in the Franchise Agreement (i) on or before the fifth anniversary of the date You signed the Franchise Agreement or (ii) at any time during the term of the Franchise Agreement, when a majority of the Restaurants that We operate have made or are exercising their best efforts to make the improvements or modifications.

We may from time to time offer guidance with respect to the selling price for the goods, products and services offered from Your Restaurant. You are in no way bound to adhere to any of Our recommended or suggested prices. You have the right to sell Your products and provide services at any price that You may determine. If You elect to sell any or all its products or merchandise at any price we may recommend, We make no guarantees or warranties that offering such products or merchandise at the recommended price will enhance Your sales or profits.

We have developed certain products for use in the System that are prepared from confidential recipes and that are trade secrets of Ours and certain products that bear Our Marks. Because of the importance of quality and uniformity of production and the significance of the proprietary recipe and trademarked products in the System, it is to Our and Your benefit that We closely control the production and distribution of the products. You must use Our proprietary recipe products. You must purchase all of Your requirements for these products only from Us or from sources designated by Us.

All advertising and promotional materials, signs, decorations, and paper goods used in the Restaurant and on any Restaurant delivery vehicles and other items that We designate must have the Marks in the form, color, location and manner We specify.

We may make available and may require You to purchase from Us for resale to Your customers certain pre-packaged food products and promotional merchandise, such as T-shirts and re-fill cups in amounts sufficient to meet Your customer demand.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that You may offer or sell or as to the customers to whom You may offer or sell (see Item 8).

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

Provision	Section in Franchise Agreement	Summary
a. Length of the term of the franchise	Section V(A)	Term continues for 10 years from the date of the Franchise Agreement unless terminated earlier
b. Renewal or extension of the term	Section V(B)	Agreement may be renewed at Your option for an unlimited number of additional five year terms
c. Requirements for franchisee to renew or extend	Section V(B)(1) - (6)	You must give at least six months' notice, repair and update equipment and Restaurant premises, not be in breach of any agreement with Us, have the right to remain in possession of Restaurant premises, execute current agreement and general release, and comply with current qualification and training requirements
d. Termination by franchisee	Not applicable	You may terminate the Franchise Agreement on any grounds available by law.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with "cause"	Section XXV	Each of Your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	Sections XXV(B)(8) and (9) and XXV(B)(15) and (16) and XXV(C)	We may terminate You for cause if You fail to cure certain defaults, including: if You or any of Your affiliates fail to pay any monies owed to Us or Our vendors, and do not cure within five days after notice (or longer period required), fail to obtain execution of the Confidentiality and Non-competition Covenants contained in the Franchise Agreement within thirty days after a request, fail to procure and maintain required insurance within ten days after notice, use the Marks in an unauthorized manner and fail to cure within 48 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice
h. "Cause" defined – defaults which cannot be cured	Section XXV(A)	We may terminate You for cause if You fail to cure certain defaults, including: if You become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against You under federal bankruptcy laws, have outstanding judgments against You for over 30 days, sell unauthorized products or services, fail to acquire an accepted location within time required, fail to remodel when required, fail to open Restaurant when required, fail to comply with any term and condition of any sublease or related agreement and have not cured the default within the given cure period, abandon or lose right to the Restaurant premises, are convicted of a felony or other crime that may have an adverse affect on the System or Marks, transfer any interest without Our consent or maintain false books or records
i. Franchisee's obligations on termination/non-renewal	Section XXVI	Obligations include: You must cease operating the Restaurant and using the Marks and System and completely de-identify the business, pay all amounts due to Us, return all Manuals and software and other proprietary materials, comply with confidentiality requirements, and at Our option, sell or assign to Us Your rights in the

Provision	Section in Franchise Agreement	Summary
		Restaurant premises and the equipment and fixtures used in the business
j. Assignment of contract by Franchisor	Section XX(A)	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction. However, no assignment will be granted except to an assignee who assumes our obligations
k. "Transfer" by franchisee – defined	Section XXI	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Restaurant or You (if You are not a natural person)
l. Franchisor approval of transfer by franchisee	Section XXI(A)	You must obtain Our consent before transferring any interest. We will not unreasonably withhold Our consent
m. Conditions for franchisor approval of transfer	Section XXI(A)	Conditions include: You must pay all amounts due Us, not otherwise be in default, execute a general release, and pay a transfer fee. Transferee must meet Our criteria, attend training and execute current Franchise Agreement
n. Franchisor's right of first refusal to acquire franchisee's business	Section XXI(B)(1)	Within 15 days after notice, We have the option to purchase the transferred interest on the same terms and conditions
o. Franchisor's option to purchase franchisee's business	Sections XXVI(L) and XXI(B)(1)	Other than assets on termination, non-renewal or right of first refusal, We have no right or obligation to purchase Your business
p. Death or disability of franchisee	Section XXI(C)	If You or a Controlling Principal are a natural person, on death or permanent disability, distributee must be approved by Us, or franchise must be transfer to someone approved by Us within 12 months after death or within six months after notice of permanent disability
q. Non-competition covenants during the term of the franchise	Section XVI(C)	You are prohibited from operating or having an interest in a similar business
r. Non-competition covenants after the franchise is terminated or expires	Section XVI(D)	You and Your Controlling Principals are prohibited from operating or having an interest in a similar business which is located, or is intended to be located within the Territory as defined in the Development Agreement.

Provision	Section in Franchise Agreement	Summary
s. Modification of the agreement	Sections XV(E) and XXVIII(A)	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manuals as amended
t. Integration/merger clause	Section XXVIII(A)	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding
u. Dispute resolution by arbitration or mediation	Section XXIX	Except for actions brought by Us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be arbitrated at Our headquarters or arbitrated in Cuyahoga, Ohio
v. Choice of forum	Section XXX	The venue for all proceedings related to or arising out of the Franchise Agreement in Cuyahoga County, Ohio, unless otherwise brought by Us (see UFOC Addendum and State Amendments to Agreements)
w. Choice of Law	Section XXXI	The Franchise Agreement is to be interpreted, governed and construed under Ohio law (see UFOC Addendum and State Amendments to Agreement)

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE DEVELOPMENT AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

Provision	Section in Development Agreement	Summary
a. Length of the term	Section VII	Term continues until You have completed Your development obligations according to the Development Schedule
b. Renewal or extension of the term	Section V(C)	We may extend the term of the Development Agreement to allow You to complete construction and commence operations of a Restaurant for which we have granted an extension of the Development Period.
c. Requirements for Developer to renew or extend	Sections V(B)	You must develop the Restaurants called for by the Development Schedule

Provision	Section in Development Agreement	Summary
d. Termination by Developer	Section X(I)	You may terminate the Development Agreement upon at least 90 days prior written notice to us. If You terminate the Development Agreement You will not be entitled to any portion of the development fees and you will forfeit any remaining rights to develop Restaurants after the date of termination.
e. Termination by Franchisor without cause	Not applicable	Not applicable
f. Termination by Franchisor with "cause"	Sections X(D)	Following certain defaults, We may terminate the Agreement or modify Your territorial rights or alter Your Development Schedule, rather than terminate the Agreement
g. "Cause" defined - curable defaults	Sections X (B) and (C)	We may terminate You for cause if You fail to cure certain defaults, including: If You or Your affiliates fail to pay any monies owed to Us, or Our vendors, and do not cure within five days after notice (or longer period required), fail to obtain execution of the Confidentiality and Non-competition Covenants contained in the Agreement within 10 days after a request, use the Marks in an unauthorized manner and fail to cure within 48 hours after notice or fail to cure any other default that is susceptible of cure within 30 days after notice. An uncured default under Your Development Agreement that is also a default under Your Franchise Agreement is also a default under the Franchise Agreement.
h. "Cause defined - defaults which cannot be cured	Section X(A)	We may terminate You for cause based on certain non-curable defaults, including: If You become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against You under federal bankruptcy laws or similar state laws, have outstanding judgments against You for over 30 days, fail to comply with the Development Schedule, fail to comply with any term and condition of any sublease or related agreement and have not cured the default within the given cure period, are convicted of a felony or

Provision	Section in Development Agreement	Summary
		other crime that may have an adverse effect on the System or Marks, or transfer any interest without Our consent
i. Developer's obligations on termination/non-renewal	Section X(J)	Obligations include: You must cease developing Restaurants or, on a partial termination of territorial or development rights under Section X(D), must continue to develop only according to any modified Development Schedule, and must comply with all applicable confidentiality and non-competition covenants
j. Assignment of contract by Franchisor	Section XI(A)	We have the right to transfer or assign the Development Agreement to any person or entity without restriction. However, no assignment will be granted except to an assignee who assumes our obligations
k. "Transfer" by Developer - defined	Section XII	Includes sale, assignment, conveyance, gift, pledge, mortgage or other disposal or encumbrance of any direct or indirect interest in the Agreement or You (if You are not a natural person)
l. Franchisor approval of transfer by Developer	Section XII	You must obtain Our consent before transferring any interest. We will not unreasonably withhold Our consent.
m. Conditions for Franchisor approval of transfer	Section XII(A)	Conditions include: You must pay all amounts due Us, not otherwise be in default, execute a general release, remain liable for pre-transfer obligations and pay a transfer fee. Transferee must meet Our criteria, assume post-transfer obligations, execute Our then-standard Agreement and attend training.
n. Franchisor's right of first refusal to acquire Developer's business	Section XII(B)	Within 15 days after notice, We have the option to purchase the transferred interest on the same terms and conditions offered by a third party
o. Franchisor's option to purchase Franchisee's business	Not applicable	Not applicable
p. Death or disability of Developer	Section XII(C) t	If You or a Controlling Principal are a natural person, on death or permanent disability, distributee must be approved by Us, or interest must be transferred to someone approved by Us within 12 months after death or six months after notice of permanent disability

Provision	Section in Development Agreement	Summary
q. Non-competition covenants during the term of the Development Agreement	Section XIV(C)	Except for Restaurants You operate under Franchise Agreements with Us, You and Your Controlling Principals are prohibited from operating or having an interest in a similar business in the U.S. or anywhere else We have used, registered or sought to register the Marks or where we operate or license others
r. Non-competition covenants after the Development Agreement is terminated or expires	Section XIV(D)	Except for Restaurants You operate under Franchise Agreements with Us, You and Your Controlling Principals are prohibited from operating or having an interest in a similar business which is located in the Territory, or is within a 5-mile radius of any Restaurant or food service facility operating as of the date that the Development Agreement expires or is terminated.
s. Modification of the agreement	Sections X(D) and XXI	Agreement may not be modified unless mutually agreed to in writing, except We may unilaterally decrease the scope of certain non-competition covenants
t. Integration/merger clause	Section XXI	Only the terms of the Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding.
u. Dispute resolution by arbitration or mediation	Section XXII.	Except for actions brought by Us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be arbitrated at Our headquarters or arbitrated in Cuyahoga, Ohio.
v. Choice of forum	Sections XXII(B) and XXIII	The venue for all proceedings related to or arising out of the Agreement is Cuyahoga County, Ohio, unless otherwise brought by Us (see UFOC Addendum and State Amendments to Agreements)
w. Choice of law	Section XXIII(A)	The Agreement is to be interpreted and construed under Ohio law (see UFOC Addendum and State Amendments to Agreements)

ITEM 18
PUBLIC FIGURES

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

ITEM 19
EARNINGS CLAIMS

We do not furnish or authorize Our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Restaurant. Actual results vary from Restaurant to Restaurant and We cannot estimate the results of any particular franchisee.

ITEM 20
LIST OF OUTLETS

FRANCHISED RESTAURANT STATUS SUMMARY
AS OF DECEMBER 31, 2002/2003/2004

State	Transfers	Canceled or Terminated	Not Renewed	Reacquired by Us	Left the System Other	Total From Left Columns	Operating at End of Year
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/4
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1
Totals	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/5

STATUS OF AFFILIATE-OWNED RESTAURANTS
AS OF DECEMBER 31, 2002/2003/2004

States	Restaurants Closed (sold) During Year	Restaurants Opened During Year	Restaurants Operating At Year End
Ohio	0/0/0	1/0/0	1/1/1
TOTALS	0/0/0	1/0/0	1/1/1

PROJECTED OPENINGS
THROUGH FISCAL YEAR DECEMBER 31, 2005

States	Franchise Agreements Signed But Restaurant Not Open	Projected Franchised Restaurant Openings	Projected Company-Owned Restaurant Openings
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	0	0
California	0	0	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	0	0	0
District of Columbia	0	0	0
Florida	3	3	0

States	Franchise Agreements Signed But Restaurant Not Open	Projected Franchised Restaurant Openings	Projected Company-Owned Restaurant Openings
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	1	1	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	1	1	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	0	0
North Dakota	0	3	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	1	1	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	1	3	0
Texas	0	0	0
Utah	0	0	0
Vermont	3	2	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	14	0
TOTALS	10		

ITEM 21
FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit A are our audited financial statements for the fiscal years ended January 2, 2005 (2004) and December 28, 2003 (2003); and our audited Balance Sheet as of September 20, 2002. Also attached are our unaudited financial statements as of May 1, 2005.

ITEM 22
CONTRACTS

Attached as Exhibits to this Offering Circular are the following contracts and their attachments:

1. Development Agreement
2. Franchise Agreement

Exhibit B
Exhibit C

ITEM 23
RECEIPT

Two copies of an acknowledgment of your receipt of this Offering Circular appear at the end of the Offering Circular. Please return one signed copy to us and retain the other for your records.

**THE FRANCHISOR REPRESENTS THAT THIS
PROSPECTUS DOES NOT KNOWINGLY OMIT
ANY MATERIAL FACT, OR CONTAIN ANY
UNTRUE STATEMENT OF A MATERIAL FACT.**