

Obligation	Section in Agreement	Item in Offering Circular
(n) Insurance	Article 22 of Franchise Agreement; Sections 5 and 6 of the Delivery and Catering Services Addendum	Item 7
(o) Advertising	Article 13 of Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Section 20.3 of Franchise Agreement	Item 6
(q) Owner's participation/management/staffing	Sections 10.1(c) and (i) of Franchise Agreement	Items 11 and 15
(r) Records/reports	Article 16 of Franchise Agreement	Item 6
(s) Inspections/audits	Sections <del>14.3</del> 14.3, 16.5 and <del>16.5</del> Exhibit V of Franchise Agreement	Item 6
(t) Transfer	Article 17 of Franchise Agreement; Article 6 of Development Agreement	Item 17
(u) Renewal	Section 18.3, 18.4 and 18.5 of Franchise Agreement	Item 17
(v) Post-termination obligations	Section 19.4 of Franchise Agreement; Section 5.4 of Development Agreement	Item 17
(w) Non-competition covenants	Article 21 of Franchise Agreement; Article 7 of Development Agreement	Item 17
(x) Dispute resolution	Article 23 of Franchise Agreement; Sections 9.1 and 9.3 of Development Agreement	Item 17

## ITEM 10

### FINANCING

You are eligible for expedited and streamlined Small Business Administration ("SBA") loan processing through the SBA's Franchise Registry Program. See [www.franchiseregistry.com](http://www.franchiseregistry.com). We have also assisted certain financial institutions to develop customized loan applications for SPICY PICKLE Restaurant franchisees.

Except as set forth ~~stated~~ above, neither we, nor any of our agents or affiliates, currently offer, directly or indirectly, any financing arrangements to you, nor do we guarantee any lease or other obligations for you. We do not receive any benefit, monetary or otherwise, from any recommended lender. We cannot estimate whether you will be able to obtain financing for any part or all of your investment and, if so, the terms of the financing, which will depend on your credit worthiness and other characteristics. We do not have any past or present practice or intention to sell, assign or discount to any third party, in whole or in part, any note, contract or other instrument signed by you.

## ITEM 11

### FRANCHISOR'S OBLIGATIONS

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

#### Pre-Opening Assistance.

Before you open your SPICY PICKLE Restaurant, we will:

1. ~~Assist~~Work with you in locating the site for your SPICY PICKLE Restaurant by working with real estate brokers and others who are familiar with the market where your Restaurant will be located and by providing them with written criteria for an acceptable site. We will assist you to obtain information about the site, which may include demographics, traffic flow, pedestrian traffic, ingress and egress, parking, and information regarding other factors that are part of our site selection process. No contractual limit exists on the time it takes us to approve or disapprove a proposed location. However, we typically take no more than 30 days to approve or disapprove a proposed location once a site has been determined, and we will extend your development deadlines when circumstances ~~beyond our reasonable control delay the site selection, approval and development process~~require such extension, including our required approval of a location. You acknowledge that we do not control the time it takes to receive responses from landlords to the letter of intent to lease space or to generate and negotiate leases. (Sections 5.1 and 7.1.a. of the Franchise Agreement.)

2. Provide you with our standards and specifications for the products, inventory, equipment, computer hardware and software, displays and uniforms. (Section 7.1.b of the Franchise Agreement.)

3. We will review, comment, negotiate and approve the lease before you enter into it. (Section 7.1.c. of the Franchise Agreement.)

4. Provide you with information regarding the selection of suppliers of equipment, items and materials used, food and beverage products and merchandise offered for sale, in connection with your SPICY PICKLE Restaurant. We will make available to you a list of approved suppliers, if any, of such equipment, items, materials, food and beverage products, merchandise and, if available, a description of any regional or central purchase and supply agreements offered by such approved suppliers for the benefit of our franchisees. (Sections 7.1.d. and 14.5 of the Franchise Agreement.)

5. Before the Restaurant's opening, we furnish an initial training program described below in this Item. (Sections 6.1, 6.2 and 7.1.e of the Franchise Agreement.)

6. Make available to you via the Intranet or other means one copy of our confidential and proprietary Operations Manual, covering the specifications, standards, recipes and operating procedures that we require in a SPICY PICKLE Restaurant and information about your obligations in this regard. (Section 8.1 of Franchise Agreement.)

7. ~~Provide approximately 12~~If you are opening your first Restaurant, provide up to 11 days of opening assistance from one or more of our representatives to assist you in the opening of your SPICY PICKLE Restaurant, including assistance training employees prior to the opening of the Restaurant. (Section 7.1.g. of the Franchise Agreement.)

8. Assistance in determining your initial grand opening promotion and advertising campaign. (Section 7.1.h. of the Franchise Agreement.)

9. Provide assistance in the development, construction and build-out services of your Restaurant in accordance with the terms and conditions of the Build-Out Addendum. We provide an initial estimate of the total build out costs on a Build-Out Cost Schedule that you will sign and that is an exhibit to the Build-Out Addendum. That schedule will be updated as construction progresses. (Section 7.1.i. of the Franchise Agreement and the Build-out Addendum attached as Exhibit VI to the Franchise Agreement.)

### Continuing Assistance.

During the operation of your SPICY PICKLE Restaurant, we will:

1. Provide you access to advertising and promotional materials that we may but are not required to develop. We may, at our option, pass the cost of the advertising and promotional materials on to you or charge the Advertising Fund. (Section 9.1.a of Franchise Agreement.)

2. Upon your reasonable request, provide consultation by telephone, facsimile or electronic mail regarding the continued operation and management of your SPICY PICKLE Restaurant and information regarding product quality control, menu items, customer relations, product purchase, supply and sale and similar advice. (Section 9.1.b of the Franchise Agreement.)

3. Provide additional seminars or programs, at a frequency that we will determine, on new methods, marketing techniques, equipment and products. (Section 9.1.c of Franchise Agreement.)

4. Provide you with updates of information and programs regarding the Restaurant, the SPICY PICKLE concept or the Licensed Methods, at a frequency which we shall determine, including, without limitation, information about additions and improvements to menu items, products and merchandise or new menu items, products and merchandise which may be developed and made available for sale by franchisees. (Section 9.1.d of Franchise Agreement.)

5. Train replacement or additional Principal Managers during the term of the Franchise Agreement. We reserve the right to charge a tuition or fee, commensurate with our then current published prices for such training, payable in advance. You are responsible for all traveling and living expenses incurred by your personnel during the training program. The availability of the training programs is subject to space considerations and prior commitments to new franchisees. (Sections 6.3 and 9.1.e of the Franchise Agreement.)

### Advertising and Promotion.

Initial Advertising and Follow-Up Local Advertising. SPF and you will decide on the grand opening promotional advertising campaign, to be conducted at or around the time your SPICY PICKLE Restaurant opens for business. The grand opening promotion will typically consist of give-a-ways. ~~Thereafter you~~ You must spend a minimum average per calendar quarter of 1% of your total amount of weekly GrossNet Sales on local advertising that has been pre-approved by us (unless all or a portion of that amount is reallocated to a regional Co-op. See below.). ~~As~~ We reserve the right to require an accounting of your local advertising expenditures ~~is~~ be submitted to us within 15 days after the end of each calendar quarter, showing how you spent the 1% of your GrossNet Sales, averaged over that calendar quarter, for local advertising expenditures.

**Advertising Contribution.** Unless waived by us, you must remit to us an advertising contribution (“**Advertising Contribution**”) of up to 2% of your GrossNet Sales. The Advertising Contribution is due to us along with your Royalty payment, payable weekly on the day of the week we may periodically designate, based on the amount of GrossNet Sales in the previous week. We deposit the Advertising Contributions collected from all SPICY PICKLE Restaurants in a bank account separated from our operating account (“**Advertising Fund**”). All company-owned SPICY PICKLE Restaurants pay into the Advertising Fund on an equal percentage basis with all franchised SPICY PICKLE Restaurants. If we require you to pay us the Advertising Contribution and if you request it in writing, we will send you an annual, unaudited financial statement for the Advertising Fund which indicates how the Advertising Fund has been spent during the previous calendar year. Because we do not have the Fund audited separately, audited financial statements for the Fund are not available to franchisees.

We administer the Advertising Fund in our sole discretion. The Advertising Fund proceeds may be used for the creation, production and placement of commercial advertising, Internet and other electronic advertising, agency costs and commissions, creation and production of video, audio, and written advertisements, including direct mail, radio and other media advertising and employing advertising agencies and in-house staff assistance, supporting public relations, market research, administering and providing access to eCard and eFrequency programs and similar customer loyalty programs and intranet access, brand recognition and other advertising and marketing activities. We do not spend any of the Advertising Fund on soliciting franchisees.

We may reimburse ourselves from the Advertising Fund for administrative costs, salaries and overhead expenses related to the implementation and administration of the Advertising Fund and its marketing programs, including conducting market research, preparing material and collecting and accounting for Advertising Fund contributions. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all SPICY PICKLE Restaurants to the Advertising Fund in that year. The Advertising Fund may borrow from us or other lenders to cover deficits or cause the Advertising Fund to invest any surplus for future use. Any amounts remaining in the Advertising Fund at the end of each year accrue and we apply them toward the next year’s expenses. We do not guarantee that advertising expenditures from the Advertising Fund will benefit you or any other franchisee directly or on a pro rata basis. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account. We reserve the right to terminate the Advertising Fund upon 30 days prior written notice to all franchisees and any remaining monies will be distributed pro rata based on all SPICY PICKLE Restaurants’ contributions within the preceding 12 months.

We may use outside advertising agencies and personnel and in-house personnel to create local and regional advertising, including ad slicks, radio spots, direct mail, billboards and other marketing pieces and programs. We may, in our sole discretion, elicit input on advertising from all or a group of franchisees. You must purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is primarily your responsibility.

You may create your own advertising and promotion materials; however, all advertising and promotion by you must be in such media and of such type and format as we may approve, must be conducted in a dignified manner and must conform to the standards and requirements as we may specify. You may not use any advertising or promotional plans or materials unless and until you have received written approval from us.

In our most recent fiscal year, we spent 100% of the Advertising Funds' proceeds on production, creation and placement of advertising and Restaurant customer loyalty programs, brand packaging and identification, and intranet access costs.

**Regional Advertising Association.** We may, upon 30 days written notice to you, create a regional advertising association ("Co-op") in the market area where you are located, at which time you must become a member of the Co-op. In our sole discretion, we may contribute back to the Co-op for marketing and advertising programs all or a portion of the Advertising Contribution payments received by us from franchisees in the Co-op from your market area. We may make these funds available on a regular basis or intermittently for specific programs selected by the majority of the Co-op members and approved in advance by us. If we form a Co-op, you will be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues, to the extent we approve them. If you fail to participate in the Co-op or pay any Co-op dues, you breach the Franchise Agreement.

In our sole discretion, we may reallocate all or a portion of the 2% paid into the Advertising Fund back to a region for the purpose of Co-op expenditures for regional advertising for the Restaurants in a particular geographic region. Each Co-op has the right, by majority vote, to require its members to make additional contributions to the Co-op on a regular or intermittent basis of up to 1% of the Gross Sales of the member's SPICY PICKLE Restaurant. Therefore, your total advertising commitment of 3% may be paid and used at a regional level, in our sole determination. You receive credit for payments into the Co-op, toward your local advertising commitment or your Advertising Fund payments, as the case may be. If you are contractually bound by your lease or mall regulations to expend a required amount on advertising, the Co-op must factor this in when considering your dues and assessments to be paid to the Co-op.

We must approve all advertising materials before they are used by a Co-op or furnished to its members. Each Co-op must prepare unaudited annual financial statements and send them to you if you request them. We have the right to determine the scope of the geographical areas included in each Co-op. We can form, change and dissolve the Co-op. Each Co-op would operate under a written document which franchisees can view. Either SPF or the Co-op may create the Co-op's advertising, but advertising created by the Co-op would be required to have our written approval before use.

See Item 6 of this Offering Circular for more discussion of the costs and fees related to advertising.

### **Operations Manual.**

Attached as Exhibit G to this Offering Circular is the table of contents of our Operations Manual. The number of pages in the Operations Manual is approximately 175.

### **Point-Of-Sale and Computer Systems.**

As described in Item 8 above, you must utilize software which must have capabilities that are in accordance with our standards and specifications. In addition, you need to purchase or lease computer equipment and an electronic point-of-sale system meeting our specifications (together with the software, referred to as "POS System"). The POS System allows you to record sales and provides you with information necessary to prepare financial statements in accordance with our standards and specifications and to monitor your inventory and labor. The only POS System currently approved by us is called Aloha and is available from BEC, a Denver, Colorado-based company unaffiliated with us, at 5610 Ward Road., Arvada, Colorado 80002, telephone 303-623-1143. The Aloha POS System has been used in the

Restaurants previously owned by SPL since the opening of each Restaurant. The POS System permits us to receive information concerning sales as well as labor and inventory of your SPICY PICKLE Restaurant and we reserve the right to independently access this information. If and when we have our own proprietary software developed specially for the Restaurants and made available, we reserve the right to require that you purchase our proprietary software package. We have no current plans to develop or implement any proprietary system and software. The POS System installation, configuration and integration must be performed in accordance with our standards and specifications.

The POS System includes ~~a P1510 POS XP(E), HD, MAG Card, 256, Resistive touch terminal, with P1500P1510 Radiant terminals preloaded with Microsoft XP, HD, Magnetic Strip Reader, 256 MB RAM, capacitive touch screen and a 2x20 customer display-tilt, thermal receipt printer, remote kitchen printer with cutter, cash drawer, DELL Optix 270 and power conditioning/surge protection. The back office computer, Pentium-IV 2.40 Ghz 512 MB RAM, CD-RW, loaded with Windows 2000 XP software and a 17" monitor, mouse and keyboard, is a Dell Precision 390 that has a Dual Core 2 Duo processor, RAID hard drives, CD-RW, multiple network cards and internal modem. The office computer must be loaded with the following software: XP Pro, Office Basic, pcAnywhere Host Only, Roxio CD burning software and Norton Antivirus/Firewall. Connected to the back office computer is a 15" flat panel monitor, U.S. Robotics credit card modem, a port network switch, patch cable and connector kits and power conditioning/surge protection. The software is and all-in-one printer. The POS System runs the ALOHA Quick Service Software Point of Sale Software, with EDC credit card authorization processing, corporate reporting and data warehousing, and, gift card certificates and customer loyalty modules. We review and consider for approval any compatible equivalent hardware and software. We reserve the right to receive information contained in the computer databases through on-line communication contact with your POS System. We have no contractual limitation on our right to receive information through your POS System. You must have a DSL or other high-speed Internet connection that we approve to facilitate communication between you and SPF and, to upload the POS information, and to provide information about gift and frequency programs among our franchisees. You must also subscribe to and connect your POS System to the web-based enterprise system ("Enterprise System") that we approve. Currently, the Enterprise System is provided by Aloha. The Enterprise System facilitates the exchange of operating information from your POS System to us and between multiple Restaurants operated by a single franchisee. The Enterprise System will also provide a variety of operational reports to assist in the management of your Restaurant, ~~act as provide information about gift cards so we can maintain a clearinghouse for account for the collection and disbursement of gift card and purchases and redemptions, and maintain~~ customer loyalty programs and potentially provide other features. You must also subscribe to our designated Intranet service provider. Currently, we pay the Enterprise System access fee of approximately \$20077 per month per franchisee and the cost of internet access to our Intranet access-out of the Advertising Fund, which is approximately \$400 per month systemwide. We reserve the right to require alternative payment arrangements by franchisees. The Intranet facilitates the exchange of information between SPF and franchisees, among franchisees and, in particular, the dissemination of confidential information by us to all franchisees, such as the Operations Manual. See Items 6, 7 and 8.~~

We may require you to purchase, install and implement updates and revisions to the POS System and back office computer and software. No contractual limitation exists on the frequency and cost of this obligation.

Upon 30 days notice to you, you must participate in any frequency card and customer loyalty programs that we develop. We reserve the right to require that you pay a license fee for use of these programs.

We may make available an on line ordering system which will provide for the electronic transfer of orders to your POS System for pick up and delivery. The cost for participation, which is mandatory, will be billed to each franchisee on a periodic basis or paid from the Advertising Fund.

### **Site Selection Assistance.**

We ~~you~~ will, with ~~your~~our assistance, select and acquire the location for your SPICY PICKLE Restaurant within an area designed by us. Our assistance with the selection and approval of a location consists of providing a real estate broker in the area of the proposed Restaurant location with criteria for a satisfactory SPICY PICKLE Restaurant location, assisting you in obtaining and reviewing demographic information about the location, preparing a letter of intent to lease the location and reviewing and commenting on the lease for the location. The following factors are considered by us when we review a proposed location: location character and desirability; visibility, access to the location, mix of business establishments and number of employees; competition and other food uses; lease terms and rates or purchase terms; and parking. We send our representative to your proposed location for on-site assessment prior to approving a location. Our assistance with the selection of and acceptance of a location and assistance with the negotiation of an approval of a lease does not imply or guarantee the suitability, success, or profitability of the location or the lease. When we assist you in preparing a letter of intent and provide comments to the lease, we are not acting as your counsel or advisor and recommend that you have such counsel or advisor review our work and supplement it as you and they deem appropriate.

### **Schedule For Opening.**

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your SPICY PICKLE Restaurant opens will be no sooner than 150 days and possibly up to a year or more. The factors which may affect this time period are the ability, with our assistance, to locate a site an acceptable site, get delivery and possession of the premises if not yet constructed, secure financing, and obtain a lease or build a facility, as well as the extent to which an existing location must be upgraded or remodeled, the acquisition of a liquor license (if applicable), obtain insurance, the delivery schedule for equipment, product and supplies, and completing your training. If you, with our assistance, are making reasonable and continuing efforts to select a site for your Restaurant but space availability considerations prevent you from meeting the development schedule for the Restaurant, we will extend the development schedule for a reasonable period of time. If you enter into a Development Agreement, the development schedule for multiple SPICY PICKLE Restaurants will be agreed to when we sign the Development Agreement.

### **Training Program.**

Before opening your SPICY PICKLE Restaurant, two individuals that will be operating the Restaurant on a daily basis must complete, to our satisfaction, the initial training program. We do not charge you for training the two individuals, although you pay the travel, living expenses and wages for you and all of your employees who attend the training session. The training program includes verbal and written classroom training and on-the-job training in a SPICY PICKLE Restaurant. Our training program consists of a total of up to ~~three~~four weeks of ~~classroom instruction and on-the-job training in Restaurants at or near our corporate headquarters in Denver, Colorado, or another location that we may designate.~~ In the event that (Regional Training Centers) as well as classroom training. If the SPICY PICKLE Restaurant is located in a state other than Colorado bread is baked fresh in the Restaurants; and we may require ~~a third~~an individual to be specifically trained for that function.

If you are opening your first SPICY PICKLE Restaurant, we provide up to ~~seven~~eleven days of on-site training support, typically 6 days prior and 5 days after opening, to assist you and your staff leading up to your restaurant opening and we will also assist you for up to an additional five days after the opening. We may waive on-site training if you have previously operated or currently operate a SPICY PICKLE Restaurant.

As often as annually, you or your Principal Manager may be required to attend, at your expense, a national convention which may include mandatory training sessions. We may also require you, your Principal Manager and designated employees to attend, at your expense, local or regional seminars or meetings up to two times a year.

Our initial training program is jointly supervised by the Vice President of Operations as well as the Director of Operations and Director of Training. They will coordinate and supervise SPF's various employees and third-party service providers who will provide training. These employees and service providers are experienced in the subjects that they will be training.

We provide the following initial training to franchisees:

Subject <sup>1</sup>	Hours On-The Job Training (approx.)	Instructors <sup>2</sup>
Classroom Training (approximately 16 hours): ➤ Introduction to the Spicy Pickle Team ➤ Leadership ➤ Point of Sale ➤ Advertising and Marketing ➤ Customer Service ➤ Safety and Sanitation ➤ Cost Analysis and Inventory ➤ Staffing	➤ n/a	Lisa Brown Chris Buc
Kitchen Training—Weeks One and Two ➤ Station Training: Slicer, Subs, Panini, Salads/Soup & Wrap	➤ 85	Restaurant Trainers
Front of the House—Week Three ➤ Daily Operations Management ➤ Station Training: Cashier & food runner	➤ 37	Restaurant Trainers
On-Site: <del>Seven Days</del> <u>Six Days</u> ➤ Uphold the opening schedule ➤ Assist in facilitating station training for the staff ➤ Direct and support role-play events ➤ Five Days ➤ Maintain appropriate Spicy Pickle systems, Culture and Philosophy ➤ Support the franchisee and staff in needed areas	➤ 46	Two Operations Personnel

<sup>1</sup> We hold training as and when needed.



<sup>2</sup> ~~Chris Bue has been our Operations Manager since February 2004. Lisa Brown has been our Training Manager since August 2004. Tony Walker is responsible for acting as the liaison to our franchisees and outside advertising agency for development and implementation of local Restaurant marketing as well as maintaining our Intranet for use by our franchisees.~~

<sup>2</sup> Mr. Bue's and Ms. Brown's experience and background are described in Item 2 of this Offering Circular.

## ITEM 12

### TERRITORY

You may operate your Restaurant and use the Marks and the Licensed Methods only at the Franchised Location that has been approved by us. We base our approval of your proposed Franchised Location on a variety of factors including the viability and demographics of the proposed Franchised Location. See Item 11. If, as of the date of execution of your Franchise Agreement, you do not have the Franchised Location chosen and approved by us, we will designate, by Addendum to the Franchise Agreement, a "**Designated Area**" within which to find a Franchised Location. The designation of the Designated Area does not in any manner grant to you any continuing territorial rights in or to such Designated Area.

You will be granted a geographic area around your Franchised Location, within which we will not establish and operate, or franchise anyone else to establish and operate, other SPICY PICKLE Restaurants. The designated area ("**Protected Territory**") for your Restaurant will generally be a one-two block to two mile radius around your Franchised Location that contains sufficient daytime population based on certain demographics, but may be more or less depending on demographic statistics, traffic counts, employment information and other factors we use to determine the radius or area our experience has taught us comprises the approximate necessary population to be included within your Protected Territory. The Protected Territory may be defined by a radius around the Restaurant, zip code boundaries, street boundaries or similar designations. The placement of a SPICY PICKLE Restaurant and the designation of a Protected Territory by us depends on various market conditions around a proposed Franchised Location, including density of population, number of competitors and other food uses in the market, site availability, traffic, access and growth potential. Continuation of your Protected Territory does not depend on the achievement of any specified sales volume, market penetration or other contingency.

You may advertise your SPICY PICKLE Restaurant in any geographic area and you may serve all customers who enter your SPICY PICKLE Restaurant. You may not change the location of your Franchised Location or your Protected Territory without our written consent before making the change. You have no option, right of first refusal or similar contractual right to acquire additional SPICY PICKLE Restaurant franchises, unless you execute a Development Agreement.

You may only offer delivery and catering services for certain menu items, as we determine, under the terms and conditions of the Delivery and Catering Services Addendum. Delivery and catering services may only originate from your Franchised Location. You must at all times provide "adequate delivery and catering services" which will mean that these services must be provided in accordance with our standards for delivery and catering as may be described in the Franchise Agreement and Operations Manual from time to time. These standards may address customer satisfaction as to timeliness, ability to deliver hot food, potential and actual sales volumes achieved through delivery and catering and the physical, geographic or demographic characteristics of the area in which the delivery and catering

services are being provided. Upon 30 days written notice to you, we reserve the right, in our sole discretion, to limit the delivery and catering services to a defined area surrounding a franchisee's Restaurant or otherwise limit the customers and locations to which franchisees are entitled to provide delivery and catering services.

Under the terms of the Development Agreement, we grant to you the right to establish, according to a schedule, a minimum number of SPICY PICKLE Restaurants within a larger geographical territory ("**Development Area**"). A Development Area is usually defined by political boundaries such as street boundaries, a city, county or state limits or by other reasonable boundaries. The number of SPICY PICKLE Restaurants to be developed may be adjusted depending on demographics and other characteristics of a Development Area, including population density, income and other characteristics of the surrounding area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban or rural in nature. During the term of the Development Agreement, after you have completed your scheduled development of Restaurants, we grant you a right of first refusal to develop any additional proposed SPICY PICKLE Restaurants that we decide to develop, in our sole determination, and that are to be located within your Development Area. Except as stated, you have no other option, right of first refusal or similar contractual right to acquire additional SPICY PICKLE Restaurant franchises within your Development Area or in contiguous areas.

Except under the right of first refusal procedure described above, we may not establish or franchise any other person or entity to establish SPICY PICKLE Restaurants using the Marks and Licensed Methods within the Development Area for so long as this Agreement is in effect. The continuation of your right to your Development Area during the term of the Development Agreement is dependent on meeting the Development Schedule set forth in the Development Agreement.

We and our affiliates retain the rights, among others: (1) to use and to license others to use, the Marks and Licensed Methods in connection with the operation of a SPICY PICKLE Restaurant, at any location other than within your Protected Territory and, if applicable, within your Development Area; (2) to use the Marks to identify any type of products and services, promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution (other than SPICY PICKLE Restaurants), at any location, including, but not limited to, wholesale distribution, events, through locations at captive audience facilities such as sports stadiums, delivery and catering through Restaurants by us, affiliates and franchisees, Internet distribution, by mail order, catalog or retail store display; and (3) to use and license the use of different proprietary marks or methods in connection with the sale of products and services similar to those which you sell, whether in alternative channels of distribution or through restaurants which are the same as, or similar to, or different from SPICY PICKLE Restaurants, at any location, and on any terms and conditions as we determine. We have no present plans to establish other related franchises or company-owned businesses selling similar products or services under a different name or trademark, although, as just stated, we reserve the right to do so.

### **ITEM 13**

#### **TRADEMARKS**

We license to you the right to use the Marks, including the service mark "SPICY PICKLE" and other trademarks, service marks and commercial symbols that we may authorize.

We have registered the following trademarks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) for restaurant services:

Mark	Registration Date	Registration No.	Class
SPICY PICKLE	November 30, 2004	2,905,597	43
SPICY PICKLE SUB SHOP and Design	January 18, 2005	2,918,645	43
SPICY PICKLE PANINI SALADS SUBS and Design	December 12, 2006	3,182,753	39 and 43

The Marks are used as identification of a SPICY PICKLE Restaurant and any branded products that may be developed by SPF or companies affiliated with SPF. We require that you identify yourself as an independent owner of a Restaurant, however, in the manner as we may designate. You may not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you), or in any modified form, nor may you use any Mark to identify unauthorized services or products or in any other manner not expressly authorized in writing by us. Except as permitted in the Operations Manual, you may not use any of the Marks as part of an electronic mail address or on any sites on the Internet and you may not use or register any of the Marks as part of a domain name on the Internet. You must modify or discontinue your use of the Marks if we require modification or discontinuance, at your own expense.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or material litigation involving the Marks.

No agreements limit our right to use or license the use of the Marks. We have knowledge of a restaurant located in Kansas City, Missouri using the name Spicy Pickle. The infringer has agreed in writing to change the name of the restaurant. We do not know of any superior or prior rights or infringing uses that could materially affect your use of the Marks in any state.

The Franchise Agreement does not obligate us to protect you against claims of infringement or unfair competition with respect to your use of the Marks, but it is our policy to do so when, in the opinion of our counsel, your rights require protection. We pay all costs, including attorneys’ fees and court costs, associated with any litigation we commence or defend on your behalf to protect the marks and your right to use them. You must cooperate with us in any litigation. Any apparent infringement of or challenge to your use of any Mark should be brought to our attention immediately and you may not communicate with any person other than us or our counsel regarding any such matter. You may not settle any claim without our written consent. We have sole discretion to take any appropriate action. We have the right to control exclusively any litigation, United States Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim relating to any Mark.

#### ITEM 14

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents or copyright registrations which are material to the franchise. We consider our Operations Manual and related materials; training materials, our recipes and food preparation

techniques, our Licensed Methods and any software that we may in the future develop as our proprietary and confidential property. You may use the Operations Manual only as described in the Franchise Agreement. We require that you maintain the confidentiality of our proprietary information and adopt reasonable procedures to prevent unauthorized disclosure of our trade secrets and proprietary information. Although we have not obtained a copyright registration, we own the copyright in our Operations Manual, product packaging and other works.

#### **ITEM 15**

##### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You are not required to participate personally in the direct operation of your SPICY PICKLE Restaurant. If you (or your managing partner or shareholder or other owner) do not participate in the day-to-day operation of the SPICY PICKLE Restaurant, you will need to or, in our reasonable opinion, we determine you will need additional qualified personnel in addition to yourself or your managing partner, shareholder or other owner to manage your SPICY PICKLE Restaurant, you will designate a manager (“Principal Manager”) to be responsible for the direct on-premises supervision of the SPICY PICKLE Restaurant at all times during its hours of operation. The Principal Manager must be acceptable to us based on our reasonable judgment of the Principal Manager’s past experience, demeanor and success as determined during our initial training program which will certify such Principal Manager. If you are a corporation, limited liability company or partnership, we do not require that your Principal Manager own an equity interest in the entity. You or, if applicable, the Principal Manager, must successfully complete our mandatory initial training program for a SPICY PICKLE Restaurant. You and your managers, including your Principal Manager, must enter into a nondisclosure and noncompetition agreement with us (Exhibit H to this Offering Circular). We make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

Each of your officers, directors, shareholders, partners or members may be required to sign an agreement (Exhibit II to Franchise Agreement) personally guaranteeing and agreeing to perform all obligations of the franchisee under the Franchise Agreement.

#### **ITEM 16**

##### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may sell only those products and services approved by us and may not use the SPICY PICKLE Restaurant or the Franchised Location for any purposes other than the operation of a SPICY PICKLE Restaurant. You may not fill “wholesale orders,” sell products or services off-premises, except in accordance with the Delivery and Catering Addendum, by mail order or through catalogs or the Internet, or transship or reship products. You must sell all of the products and services approved by us, including retail items such as caps, T-shirts, jackets and similar sportswear or other items of clothing. You must comply with our standards and specifications. We have the right to approve all items on your menu. We have the right to change or supplement the types of authorized products and services, and there are no limits on our right to do so.

Other than the above, there are no restrictions on goods or services offered by you or on the customers to whom you may sell.

**ITEM 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 18.1	10 years
b. Renewal or extension of the term	Sections 18.3 and 18.4	Term in then current Franchise Agreement.
c. Requirements for you to renew or extend	Section 18.3	Remodel, pay fee, sign new agreement and release.
d. Termination by you	None	N/A
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Sections 19.1 and 19.2	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined-defaults which you can cure	Sections 19.1 and 19.2	30 days for operational defaults, 10 days for monetary defaults.
h. "Cause" defined-defaults which you cannot cure	Section 19.1	Unauthorized disclosure, conviction of a crime, abandonment, unapproved transfers, bankruptcy <sup>1</sup> , assignment for benefit of creditors, unsatisfied judgments, levy, foreclosure, repeated violations, misuse of Marks.
i. Your obligations on termination/nonrenewal	Section 19.4	Pay outstanding amounts, de-identification of SPICY PICKLE Restaurant, return of confidential information, covenant not to compete (see also r. below).
j. Assignment of contract by us	Section 17.6	No restriction on our right to assign.
k. "Transfer" by you – definition	Section 17.1	Includes transfer of Franchise Agreement or SPICY PICKLE Restaurant or any change in ownership of franchisee entity.
l. Our approval of transfer by you	Section 17.3	We have the right to approve all transfers, we may not unreasonably withhold our consent.

<sup>1</sup> This provision may not be enforceable under federal bankruptcy law.

Provision	Section in Franchise Agreement	Summary
m. Conditions for our approval of transfer	Section 17.2	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then current contract signed, franchisee signs general release and noncompetition covenant.
n. Our right of first refusal to acquire your business	Section 17.4	We may match any offer.
o. Our option to purchase your business	Section 19.3	We may buy your SPICY PICKLE Restaurant or a portion of the assets of the SPICY PICKLE Restaurant upon termination or non-renewal.
p. Your death or disability	Section 17.7	Franchise must be assigned to approved buyer within 180 days.
q. Non-competition covenants during the term of the franchise	Section 21.1	No involvement in competing business and no diversion.
r. Non-competition covenants after the franchise is terminated or expires	Section 21.2	No competing business for 2 years within 15 miles of your SPICY PICKLE Restaurant or any other SPICY PICKLE Restaurant.
s. Modification of the agreement	Section <del>25.4</del> 23.1	No modifications generally but Operations Manual subject to change.
t. Integration/merger clause	Section <del>25.2</del> 23.2	Only terms of franchise agreement are binding (subject to state law).
u. Dispute resolution by arbitration or mediation	Article <del>23</del> None	N/A
v. Choice of forum	Section <del>23.3</del> 23.4	Litigation in Colorado (subject to state law).
w. Choice of law	Section <del>23.3</del> 23.4	Colorado law applies (subject to state law).

### DEVELOPMENT AGREEMENT

Provision	Section in Development Agreement	Summary <sup>1</sup>
a. Term of the franchise (Development Agreement)	Section 5.1	10 years
b. Renewal or extension of the term	None	N/A
c. Requirements for you to renew or extend	None	N/A
d. Termination by you	Section 5.2	You may terminate for any reason on 60 days notice.
e. Termination by us without cause	None	N/A

Provision	Section in Development Agreement	Summary <sup>1</sup>
f. Termination by us with cause	Section 5.3	We can terminate if you default on the Development Agreement or any of your Franchise Agreements.
g. "Cause" defined-defaults which can be cured	Section 5.3	30 days notice of breach of Development Agreement or Franchise Agreement.
h. "Cause" defined-defaults which cannot be cured	Section 5.3	See h. of Franchise Agreement chart.
i. Your obligations on termination/nonrenewal	Section 5.4	You remain bound to all Franchise Agreements (see also r.)
j. Assignment of contract by us	Section 6.1	No restriction on our right to assign.
k. "Transfer" by you – definition	Section 6.2	Includes transfer of interest in Development Agreement, or in the franchisee entity.
l. Our approval of transfer by you	Section 6.2	We or our designee have the right to approve all transfers.
m. Conditions for our approval of transfer	Section 6.2	Notice, transferee qualifies.
n. Our right of first refusal to acquire your business	Section 6.4	We can match any offer.
o. Our option to purchase your business	None	N/A
p. Your death or disability	None	N/A
q. Non-competition covenants during the term of the franchise	Section 7.1	You are bound to the same restrictive covenants in the Franchise Agreements.
r. Non-competition covenants after the franchise is terminated or expires	Section 7.1	You are bound to the same restrictive covenants in the Franchise Agreements.
s. Modification of the agreement	Section 9.6	No modification except on execution of a written agreement.
t. Integration/merger clause	Section 9.7	Only terms of Development Agreement and to the extent not inconsistent terms of the Franchise Agreement are binding.
u. Dispute resolution by arbitration or mediation	Section 9.1	N/A
v. Choice of forum	Section 9.1	Litigation in Colorado (subject to state law).
w. Choice of law	Section 9.3	Colorado (subject to state laws).

<sup>1</sup> The Franchise Agreements executed by you under the Development Agreement are incorporated by reference into the Development Agreement. See corresponding sections in the Franchise Agreement as listed in the previous chart.

These states have statutes which may supersede the Franchise Agreement in your relationship with us, including the areas of jurisdiction and venue, governing law, termination and renewal of your franchise: ARKANSAS [Stat. Sections 4-72-201 to 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Ch. 739, Sections 42-133e to 42-133h], DELAWARE [Title 6, Ch. 25, Code Sections 2551-2556], HAWAII [Title 26, Rev. Stat. Section 482E-6], ILLINOIS [ILCS, Ch. 815, Sections 705/1-705/44], INDIANA [Code Section 23-2-2.7-1 to 7], IOWA [Title XX, Code Sections 523H.1-523H.17], MARYLAND [MD. CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2004 Repl. Vol.)], MICHIGAN [1979 Comp. Laws, Section 445.1527], MINNESOTA [1996 Stat. Section 80C.14], MISSISSIPPI [Code Sections 75-24-51 to 75-24-63], MISSOURI [Rev. Stat. Sections 407.400-407.410, 407.413, 407.420], NEBRASKA [Rev. Stat. Sections 87-401 to 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 to 56:10-12], SOUTH DAKOTA [Codif. L. Section 37-5A-51], VIRGINIA [Code Sections 13.1-557-574], WASHINGTON [Rev. Code Sections 19.100.180, 19.100.190], WISCONSIN [Stat. Sections 135.01-135.07], DISTRICT OF COLUMBIA [Code Sections 29-1201 to 29-1208], PUERTO RICO [Ann. Laws, Title 10, Ch. 14, Sections 278-278d], VIRGIN ISLANDS [Code Ann., Title 12A, Ch. 2, Subch. III, Sections 130-139]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of jurisdiction and venue, governing law, termination and renewal of your franchise.

#### **ITEM 18**

#### **PUBLIC FIGURES**

There is no compensation or other benefit given or promised to any public figure arising from either the use of the public figure in the name or symbol of the Franchise or the endorsement or recommendation of the Franchise by the public figure in advertisements. There are no public figures involved in our management.

The Franchise Agreement does not prohibit you from using the name of a public figure or celebrity in your promotional efforts or advertising; however, all advertising requires our approval.

#### **ITEM 19**

#### **EARNINGS CLAIMS**

##### **Range of Annual Net Sales and Gross Sales For SPL-Restaurants**

The seven Restaurants that were open during 2005 and paying royalties had gross sales ranging from \$505,525 to \$815,064. The first SPICY PICKLE Restaurant opened in August of 1999 and was operated by SPL until sold to a franchisee on October 18, 2004. The second Restaurant opened at the beginning of calendar year 2001 and was operated continuously until sold to a franchisee on January 1, 2005. The third Restaurant was opened in November of 2001 and was operated continuously until sold to us by SPL on January 1, 2005. Our franchisees opened two Restaurants in 2003, four Restaurants in 2004 (including one of the purchased Restaurants referenced above), four Restaurants in 2005 (including one of the purchased Restaurants referenced above) and six Restaurants in 2006. Ten Restaurants were open for all of calendar year 2006. Of these ten Restaurants, eight were located in Colorado, one was located in Oregon and one was located in California.



~~Of these seven Restaurants, SPL operated three of them from 1999 through the end of 2004. The first Restaurant opened in August of 1999 and was operated by SPL until sold to a franchisee on October 18, 2004. The second Restaurant opened at the beginning of calendar year 2001 and was operated continuously until sold to a franchisee on January 1, 2005. The third Restaurant was opened in November of 2001 and was operated continuously until sold to us on January 1, 2005. The 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> Restaurants all were opened by franchisees in Colorado in 2003 or 2004. An 8<sup>th</sup> Restaurant that was open during all of 2005 is not included, as required revenue reports were not submitted and the Restaurant has subsequently been closed.~~

The restaurants that were open for all of calendar year 2006 had Gross Sales ranging from \$370,784 to \$814,403.

~~The information that is presented above is the lowest and highest and lowest Annual annual Gross Sales volumes realized by the SPL 10 SPICY PICKLE Restaurants that were in operation for all of calendar year 2005 and paying royalties to us 2006. Gross Sales is the aggregate amount of all sales of products, services or merchandise of every kind or nature sold from, at or in connection with or arising out of the operation or conduct of business by such entity, including sales made at or away from the Restaurant, whether for cash or credit, and any revenues from vending machines and sales of promotional items. Net Sales are Gross Sales less returns for which refunds are made, provided that the refund shall not exceed the sales price including and excluding (i) federal, state or municipal sales or service taxes collected from customers and paid to the appropriate taxing authority; (ii) discounts; and (iii) other exclusions as may be authorized in writing by us.~~

~~The great majority of our Restaurants are open every day of the week, excluding certain holidays. Of the 19 SPICY PICKLE Restaurants opened on or about the date of this Officer Circular, 15 were opened seven days a week, three were opened six days a week and one was opened five days a week. Of the ten Restaurants open for the entire 2006 calendar year, seven were open seven days a week, two were open six days a week and one was open five days a week.~~

~~Of the seven Restaurants opened seven days a week during 2006, excluding certain holidays, the range of Net Sales was from \$477,063 to \$740,889. The range of Gross Sales of these Restaurants was from \$530,736 to \$814,403.~~

#### Information Regarding Statements Statement of the Range of Annual Net Sales and Gross Sales

THESE RESULTS ARE THE ACTUAL NET SALES OR GROSS SALES OF SPECIFIC SPICY PICKLE RESTAURANTS WHICH HAD WERE OPEN ALL OF FISCAL YEAR 2006 AND WHICH HAD (i) THE HIGHEST AND LOWEST GROSS SALES DURING CALENDAR YEAR 2005 AND WERE PAYING ROYALTIES TO US 2006 AND (ii) THE HIGHEST AND LOWEST NET SALES AND GROSS SALES AND WERE OPEN SEVEN DAYS A WEEK, AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR PROBABLE RESULTS THAT WILL BE REALIZED BY YOU. WE DO NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN THESE FINANCIAL RESULTS. YOUR OWN FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THESE RESULTS.

~~As of the date of the Offering Circular, Spicy Pickle Franchising, Inc. had sold 26 franchises to 18 franchisees. Of these franchisees, 10 Restaurants are presently operating, two of which were owned and operated by SPL until sold to franchisees, 6 others of which were opened and operating during the entire calendar year 2005, and two of which opened late in 2005. Of the remaining 16 franchisees, three are under construction, five are in lease negotiations, one is waiting for delivery of the premises, and~~

seven are in the site selection process. Additionally, we operate a company Restaurant which was purchased from SPL on January 1, 2005.

As of the date of the Offering Circular, SPF had sold 42 franchises to 30 franchisees. Of these franchises, 19 Restaurants are presently operating, two of which were owned and operated by SPL until sold to franchisees, two franchises were mutually terminated without Restaurants being built, one franchise was terminated after a Restaurant was closed. Of the remaining 20 franchises, six are under construction, eight have leases signed or in negotiation, four have Letters of Intent for a location, and two are looking for locations. Additionally, we operated a company Restaurant which was purchased from SPL on January 1, 2005 located in Lakewood, Colorado but that Restaurant was closed in November 2006 at the end of its lease and is being relocated to Denver, Colorado as a larger corporate training/operating Restaurant. There is also a bread baking facility being built next to the new Company-owned Restaurant which will deliver bread to the Colorado based Restaurants.

Substantiation of the information used in preparing the Statement of the Range of Annual Gross Sales statement will be made available to you at our headquarters upon reasonable request. However, we will not disclose the identity or sales data of any particular SPICY PICKLE Restaurant without the consent of that owner, except as may be required by law or except in connection with the sale of a particular existing SPICY PICKLE Restaurant that we own.

The ~~Annual~~ annual Net Sales and Gross Sales figures were derived from unaudited financial reports made available from the sales information maintained by our point of sales web-based enterprise system.

Other than the information above, none of our officers or employees are authorized to make any claims or statements as to the earnings, expenses, sales or profits or prospects or chances of success that you can expect or that have been experienced by us or by other SPICY PICKLE Restaurant owners. We have specifically instructed our officers and employees that they are not permitted to make claims or statements as to the earnings, expenses, sales or profits ~~of or~~ the prospects or chances of success, nor are they authorized to represent or estimate dollar figures as to any particular SPICY PICKLE Restaurant or any particular site for a SPICY PICKLE Restaurant.

**ITEM 20**

**LIST OF OUTLETS**

**FRANCHISED RESTAURANT STATUS SUMMARY  
FOR FISCAL YEARS 2006/2005/2004/2003**

State	Transfers	Cancelled or Terminated by Franchisor	Not Renewed by Franchisor	Reacquired by Franchisor	Left the System/ Other	Total from Left Columns <sup>(23)</sup>	Franchisees <del>Rest</del> <u>aurants</u> Operating at year end <sup>(1)</sup>
California	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Colorado	<u>0/0/1/0</u>	0/0/0	0/0/0	0/0/0	0/0/0	<u>0/0/1/0</u>	<u>12/8/6/2</u>
Kentucky <del>Illinoi</del>	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0 <sup>(2)</sup>	1/0/0	0/1/0
Oregon <del>Kentuc</del>	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1/0	0/0/1/0	<u>1/0/0/0</u>

State	Transfers	Cancelled or Terminated by Franchisor	Not Renewed by Franchisor	Reacquired by Franchisor	Left the System/ Other	Total from Left Columns <sup>(23)</sup>	Franchisees Restaurants Operating at year end <sup>(1)</sup>
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/1
South Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0 <sup>(2)</sup>	1/0/0	0/0/0
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
<b>TOTALS</b>	<u>0/0/1/0</u>	0/0/0	0/0/0	0/0/0	<u>2/1/0/0</u>	<u>2/1/0/0</u>	<u>16/10/7/2</u>

(1) All numbers presented above are as of December 31 of each year.

(2) No Restaurant opened.

(23) The numbers in the "Total" column may exceed the number of restaurants affected because several events may have affected the same restaurant. For example, the same restaurant may have had multiple owners.

**STATUS OF COMPANY (AFFILIATE) OWNED RESTAURANTS  
FOR FISCAL YEARS 2006/2005/2004/2003**

STATE	RESTAURANTS CLOSED DURING YEAR	RESTAURANTS OPENED DURING YEAR	TOTAL RESTAURANTS OPERATING AT YEAR END <sup>(1)</sup>
Colorado	0/1/0/0	0/0/0	0/1/2/3
<b>TOTALS</b>	<u>0/1/0/0</u>	0/0/0	<u>0/1/2/3</u>

(1) SPL sold all three Restaurants it was operating, one in November 2004 to a franchisee, a second in January 2005 to a franchisee, and the third to us in January 2005.

**PROJECTED OPENINGS  
OF RESTAURANTS  
IN 2006**

STATE	FRANCHISE AGREEMENTS SIGNED BUT RESTAURANT NOT OPENED AS OF FEBRUARY 28, 2006 <sup>1</sup> 2007 <sup>1</sup>	PROJECTED FRANCHISED NEW RESTAURANTS IN CALENDAR YEAR 2006 <sup>2</sup> 2007	PROJECTED COMPANY OR AFFILIATE-OWNED OPENINGS IN CALENDAR YEAR 2006 <sup>2</sup> 2007
Arizona	1	1	0
California	40	2	0
Colorado	8	58	03
Illinois	1	1	1
Indiana	2	2	0
LouisianaMi	0	1	0
Mississippi	1	1	0
Nevada	1	42	0
New York	01	1	0
South-Dakota	1	1	0
TennesseeOr	1	1	0
Texas	21	2	0
Virginia	42	2	0
<b>TOTALS</b>	<b>4519</b>	<b>4624</b>	<b>04</b>

<sup>(1)</sup> We have also signed Development Agreements granting 1 development right in California, 2 in Colorado, 1 in South Dakota, 2 in Nevada and 6 in Texas.

<sup>(1)</sup> We have also signed Development Agreements granting 32 development rights amongst existing franchisees.

A list of names of all Franchisees and the addresses and telephone numbers of their SPICY PICKLE Restaurants are in the list attached as Exhibit D to this Offering Circular. A list of the name and last known home address and telephone number of every Franchisee who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during fiscal year 20052006 or who has not communicated with us within 10 weeks of the date of this Offering Circular is listed on Exhibit E to this Offering Circular.

## ITEM 21

### **FINANCIAL STATEMENTS**

Attached to this Offering Circular as Exhibit F are our audited financial statements for 2003, 2004 and 2005. Also included in Exhibit F are our unaudited financial statements for January 1, 2006 through August 31, 2004, 2005 and 2006.

## ITEM 22

### **CONTRACTS**

Attached to this Offering Circular are the following franchise-related contracts:

Exhibit B	Franchise Agreement
	<u>Exhibit I Addendum to Franchise Agreement</u>
	<u>Exhibit II Owner's Guaranty and Assumption</u>
	<u>Exhibit III Statement of Ownership</u>
	<u>Exhibit IV Authorization For Direct Payment</u>
	<u>Exhibit V Delivery and Catering Services Addendum</u>
	<u>Exhibit VI Build-Out Addendum</u>
Exhibit C	Development Agreement
Exhibit H	Nondisclosure and Noncompetition Agreement
Exhibit I	Closing Acknowledgement
Exhibit J	<u>State Addenda and Riders to the Franchise Offering Circular, Franchise Agreement, Development Agreement and Other Agreement</u>

## ITEM 23

### RECEIPT

The last page of the Offering Circular (following the exhibits and attachments) is a document acknowledging receipt of the Offering Circular by you (one copy for you and one copy to be signed and returned to us).