

INFORMATION FOR
PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION



SUSHI GO! INTERNATIONAL INC.

* * *

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
SUSHI GO! INTERNATIONAL INC.
a Nevada corporation
2250 E. Tropicana Avenue, Suite 19-667
Las Vegas, Nevada 89119
Phone: (808) 250-2500

The Franchise offered is for a kaiten sushi restaurant concept operating under the name "Hanakai Sushi Bar & Grill" which specializes in the sale of our sushi products and menu items including a limited menu of additional Japanese and American foods, prepared in accordance with 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 \$341,850 to \$692,000. 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 NEVADA. 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 NEVADA 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: _____
FOR USE ONLY IN THE STATE OF CALIFORNIA

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ITEM 1
FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

Franchisor

Sushi Go! International Inc. (referred to in this Offering Circular as “Hanakai”, “We,” “Us,” or “Our” and where the context requires also includes Our Parent and our Affiliates) was filed as a Nevada corporation on February 6, 2004. Our principal place of business is 2250 E. Tropicana Avenue, Suite 19-667, Las Vegas, Nevada 89119, and we do business under Our corporate name and the Marks as described below. 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,” which includes all franchise owners and partners, if franchisee is a corporation, partnership or other entity.

Since February 18, 2000, our affiliate has operated a restaurant which specialize in the kaiten style of dining and the sale of Japanese style foods, including soups, noodles, rice and various dim sum items, as well as a limited menu of American foods, all prepared in accordance with their recipes and specifications (“Hanakai” or “Restaurant”). The Restaurants will generally be located within strip shopping centers, urban locations, and universities, colleges, sports arenas, train stations, airports and other similar non-traditional facilities with a captive market customer base. The Restaurants will operate under the service mark “Hanakai” and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified in Item 13. These principal marks and all other marks which may be designated by Us in the future in writing for use with the System (defined below) are referred to in this Offering Circular as the “Marks”. The Marks and System are owned by Us. We have not offered franchises in any other line of business and We do not engage in any other business activity.

Kaiten-style dining is a restaurant concept where the food passes along a conveyor device in front of the seated customers. The customers help themselves to the dishes they desire and are charged on a per plate basis. This dining style has existed in Japan for over 20 years.

Mr. Jon Miyabuchi, our President and CEO further developed and expanded this dining concept to broaden its appeal to “every-person” and not just sushi lovers. Our entire concept has been tweaked and changed to appeal to a broad audience and to especially cater to families and their budgets. Our restaurant concept was further expanded by the addition of our appetizer menu of American and Japanese dishes. Dishes we added include, but are not limited to, Chicken Nuggets, Sizzling Grilled Steak w/ sautéed mushrooms and onions, Oriental Chicken Wings, Egg Roll Platter, Sashimi Platter, Crab Cakes Platter, Miso Chile Salmon Platter, and our Big Bowl of Ramen. These dishes have expanded our restaurant’s menu and allowed us to gain access to a wider audience and customer base.

We have never offered franchises in this or any other line of business.

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

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 Predecessors and Affiliates

We have no predecessor, but do have one Affiliate, Sushi Go! Investment Group, LLC which operates a Sushi Go! company-owned restaurant in Kahului, Maui, Hawaii. This initial location was used as the prototype for our current franchised concept. Our affiliate's principal business address is P.O. Box 880457, Pukalani, Hawaii 96788 USA.

Except as previously disclosed, Our affiliate has not offered franchises in this or any other line of business.

Description of Franchise

We offer franchises for the right to establish and operate "Hanakai Sushi Bar & Grill" Restaurants to be primarily located in retail shopping centers or urban locations under the Marks and the System in accordance with the terms of the 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 a quick food establishment with a main menu of fresh sushi and sushi related items, and a limited menu of Japanese and American foods served both plated and on a sushi conveyor belt. The conveyor belt occupies the main dining floor and is configured to run throughout the dining room floor. You will operate your Restaurant according to Hanakai's business formats, methods, procedures, recipes, designs, layouts, standards and specifications all of which we may modify from time to time. Hanakai's sushi conveyor belts and style of sushi presentation to the general public is a unique alternative to other casual dining restaurant outlets currently saturating the casual dining food market. Each Restaurant will typically offer a menu of specialty Japanese cuisine and sushi items, including soups, noodles, rice and dim sum, American and Japanese foods prepared in accordance with Our proprietary recipes and ingredients. Restaurants will typically range between 2,500 and 4,000 square feet. Each Restaurant shall offer catering services as well.

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 purchase and 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 right to establish and operate a Restaurant under the terms of a single unit franchise agreement (the "Franchise Agreement"), Exhibit C to this Offering Circular. You may be an individual, corporation, partnership or other form of legal entity. Under the Franchise Agreement, certain parties are characterized as Franchisee's Principals (referred to in this Offering Circular as "Your Principals"). The Franchise 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 Franchise Agreement, Your Controlling Principals agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee Your performance under the Franchise Agreement (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 main 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 Franchise 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 Franchise Agreement and must personally guarantee Your performance under the Franchise Agreement.

In certain circumstances, We will offer to You the right to enter into an area development agreement to develop more than one franchised Restaurant to be located within a specifically described geographic territory (the “Development Agreement”). We will determine the territory before You sign the Development Agreement and it will be included in the Development Agreement (the “Territory”). The Development Agreement requires You to establish more than one Restaurant within the Territory according to a development schedule, and to enter into a separate Franchise Agreement for each Restaurant established under the Development Agreement. The Franchise Agreement for the first Restaurant developed under the Development Agreement will be in the form attached as Exhibit C to this Offering Circular. For each additional Restaurant developed under the Development Agreement, You must sign the form of Franchise Agreement that We are then offering to new franchisees. The size of the Territory will vary depending upon local market conditions and the number of Restaurants to be developed (see Item 12).

The person or entity signing the Development Agreement is referred to as the “Developer.” The Development Agreement contains concepts similar to the Franchise Agreement involving the “Developer’s Principals,” Controlling Principals of Developer, and an Operating Principal of Developer. 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 Japanese style food products and services offered by the Restaurants is highly competitive. 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 both franchised businesses and Restaurants operated by Our Affiliate.

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**

President, CEO, & Chairman: Jon Miyabuchi

Jon Miyabuchi has served as our President, CEO, & Chairman since the company's planning stages from May 23, 1999. He has also served as the President, CEO, & Chairman of Our Affiliate, Sushi Go! Investment Group, LLC, since the company's inception and planning stages from May 23, 1999. From September 1997 to February 2000, he was the Hawaii Retail Channel Manager for Sprint PCS. From September of 1995 to September of 1997, he was the Neighbor Islands Sales & Operations Manager for Bell South, later to be merged with MobileComm. From July of 1989 to August of 1995 he was the President of SBN International, a statewide wholesale food & candy distributor located in Honolulu, Hawaii.

Vice President-Human Resources/Finance: Melanie Miyabuchi

Melanie Miyabuchi has served as our V.P. of Human Resources/Finance since the company's planning stages from May 23, 1999. She also serves as the V.P. of Human Resources/Finance of Our Affiliate Sushi Go! Investment Group, LLC, since the company's inception and planning stages from May 23, 1999. From February of 1996 to April of 2003, she was the HR Benefits Manager and Financial Specialist for the Wailea Marriott Resort. From March of 1992 to January of 1996, she was an HR Benefits Representative with First Hawaiian Bank located in Honolulu, Hawaii.

Vice President-Food & Beverage Operations: Patrick Turner

Patrick Turner is our Executive Chef and V.P. of Food & Beverage. He has served in these positions since the company's planning stages in May 1999. Patrick Turner is also the Executive Chef and V.P. of Food & Beverage of Our Affiliate Sushi Go! Investment Group, LLC since the company's inception and planning stages from May 23, 1999. From 1994 to February 2000, he was a Cook II and Sushi Chef with the Kapalua Bay Hotel in Maui, Hawaii. From 1995 to February 2000 he was a Prep Cook with the Hula Grill Restaurant located in Maui, Hawaii. From 1994 to 1995, he was a Grill Cook with the Beach Barbeque in Kaanapali, Maui, Hawaii.

We currently do not employ any franchise brokers, but may do so in the future.

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

Franchise Agreement: You must pay Us an initial franchise fee of \$25,000 for the right to establish a single Restaurant under a Franchise Agreement. You must pay the initial franchise fee in full when You sign the Franchise Agreement and the initial franchise fee is the same for all franchisees under this offering. This fee is used in part for working capital and in part for profit. 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. Before returning any initial fees, We will require You to demonstrate that You have made a good faith effort to obtain the financing or obtain possession of an approved location for the Restaurant. 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.

Development Agreement: When You sign the Development Agreement, 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 each Restaurant developed after the first, We will apply \$10,000 toward the initial franchise fee due under the Franchise Agreement. The balance of the initial franchise fee due, or \$15,000, is payable immediately upon execution of a lease or purchase agreement for the Restaurant or 90 days prior to the scheduled opening of the Restaurant, whichever occurs first. We also reserve the right to adjust this formula depending upon the size of the area and the financial ability of Our developer. The development fee must be paid in a lump sum and is non-refundable.

Initial Training Fee: We do not charge a training fee for the initial training of Your Operating Principal or General Manager. At Your request, and subject to space availability, We will provide initial training to additional members of Your personnel, but We may charge a fee for that initial training. The initial training fee We currently charge is \$1,500 per person. This fee represents Our cost of providing the training, including Our administrative costs of making personnel available for training purposes, and the cost of materials. You must pay the initial training fee for the additional personnel before training begins and it is nonrefundable. The initial training fee is charged uniformly to all franchisees under this Offering Circular, although actual dollar amounts may vary depending on how many additional persons are trained.

**ITEM 6
OTHER FEES**

Fees (1)	Amount	Due Date	Remarks
Royalty Fee (2)	6% of Gross Sales	Weekly on Wednesday	Amounts due will be withdrawn by EFT from Your designated bank account.
Creative Fund (3)	1% of Gross Sales	Weekly on Wednesday	You must contribute when We establish the Creative Fund. We have the right to increase this amount to 2% upon 30 days notice to you.
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.
Advertising & Promotional Materials	Varies, depending on Your advertising needs	When billed	See Items 7 and 11.
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
Initial Training of additional or replacement and successor personnel	\$1,500 per person	Before Training	No additional charge for initial training for General Manager and Operating Principal (see Item 11).
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 \$500	When billed	We provide opening assistance without additional charge (see Item 11). Any additional assistance You request is billed at the current per diem rate.
Transfer Fee	\$5,000 to 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

Fees (1)	Amount	Due Date	Remarks
			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	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.
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 or fail to submit royalty reports weekly as required, We may charge You \$50 per day until the payment or report is received.
Manual and Videos Replacement Fee	\$500	When billed	If You request additional or replacement copies of the Manual or Videos (see Item 11).
Costs Associated with Dedicated Telephone Lines for Internet Access	\$25 to \$50 per month	When billed	This amount is paid to Your internet or telephone provider and not to Us

Notes:

1. All fees and 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 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.

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 (including income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the electronic cash register system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes the following:

(a) Receipts from the operation of any public telephone installed in the Restaurant or products from pre-approved vending machines located at the Restaurant, except for any amount representing Your share of the revenues;

(b) Sums representing sales taxes collected directly from customers, based on present or future laws of federal, state or local governments, collected by You in the operation of the Restaurant, and any other tax, excise or duty which is levied or assessed against You by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that the taxes are actually transmitted to the appropriate taxing authority; and

(c) Proceeds from isolated sales of trade fixtures not constituting any part of Your products and services offered for resale at the Restaurant nor having any material effect on the ongoing operation of the Restaurant required under the Franchise Agreement.

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 Accounting period (see Section IV.B. of the Franchise Agreement), unless We require otherwise. You are required to maintain a minimum of \$3,000 in Your designated bank account for the Restaurant.

3. We will establish 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 and Restaurants owned by Our affiliate located in designated geographic areas. Each Restaurant has one vote in the cooperative. No Cooperatives have 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	\$25,000	On signing Franchise Agreement	Lump Sum	Non-refundable except as described below	Us
Leasehold Improvements (2)	\$109,000	\$210,000	As Arranged	As Invoiced	No	Independent Contractors
Lease Payments and other rental expenses (3)	\$5,000	\$25,000	Monthly	Per Lease	No	Landlord
Equipment (4)	\$140,000	\$290,000	As Arranged	As Invoiced	No	Designated Vendors
Signage (5)	\$6,000	\$20,000	As Arranged	As Invoiced	No	Designated Vendors
Initial Inventory (6)	\$7,500	\$15,000	As Arranged	As Invoiced	No	Designated Vendors
Architectural/Engineering (7)	\$5,000	\$15,000	As Arranged	As Invoiced	No	Designated Vendor
Electronic Cash Register System with Modem (8)	\$10,000	\$20,000	Lump Sum	As Invoiced	No	Designated Vendor
Facsimile Machine (9)	\$350	\$500	Lump Sum	As Invoiced	No	Designated Independent Vendor
Travel, lodging and meals for initial training (10)	\$1,500	\$10,000	As Incurred	As Incurred	No	Independent Suppliers
Business Supplies (stationery, business cards, brochures, presentation folders, paper and other materials) (11)	\$1,000	\$1,500	Lump Sum	As Invoiced	No	Us or Independent Suppliers
Business licenses, permits, utility deposits, etc. (for first year) (12)	\$2,500	\$10,000	As Arranged	As Incurred	No	Various Agencies

Expenditure	Actual or Estimated (Low)	Estimated High	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Insurance deposits and premiums (for first year) (13)	\$1,500	\$2,500	As Arranged	As Invoiced	No	Independent Carrier
Grand Opening Advertising (14)	\$7,500	\$7,500	As Arranged	As Incurred	No	Suppliers
Ancillary Real Estate Fees (15)	\$5,000	\$10,000	As Arranged	As Incurred	No	Vendors
Additional Funds (16)	\$15,000	\$30,000	As Arranged	As Incurred	No	Various Vendors
TOTAL	\$341,850	\$692,000				

Notes:

(1) You must pay an initial franchise fee of \$25,000 when You sign a Franchise Agreement to obtain a single Restaurant. The initial franchise fee is non-refundable under the terms of the Franchise Agreement, except that We currently have a policy under which We will refund 75% of the initial franchise fee if You are unable to locate an acceptable site (see Item 5). 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 to the Franchise Fee when you sign the Franchise Agreement.

(2) The cost of leasehold improvements will vary 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); and (iii) cost of materials and labor which may vary based on geography and location. These amounts are based on the cost of adapting Our prototypical architectural and design plans to remodel and finish-out of the Restaurant and the cost of leasehold improvements. These figures are Our best estimate based on remodeling/finish-out rates and conditions in the Maui Metropolitan area where Our Affiliate operates a Restaurant and some estimates from US based general contractors. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord.

(3) The figures are for the first month's rent and assume that the premises of the Restaurant will be in a strip shopping center or urban location ranging in size from approximately 3,000 to 4,000 square feet, and that no security deposit is required. Further, the figures assume base annual rental rates ranging from \$20 to \$30 per square foot. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require You to pay common area maintenance charges ("CAM Charges") for the mall and for the food court, Your pro rata share of the real estate taxes and insurance for the mall, and Your pro rata share of other charges. The actual amount You pay under the lease will vary depending on the size of the Restaurant, the types of changes that are allocated to tenants under the lease, Your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

(4) You must purchase equipment meeting Our specifications to be used in the Restaurant, including, the sushi conveyor (3 standard layouts are available—selection of a custom configuration other than the three 3 we have designated may increase your equipment costs), ice machine, work tables, shelving, grill, convection oven, griddles, noodle cookers, deli refrigerators, display refrigerators, walk-in reefers and freezers, and other items including smallwares and Your delivery vehicle if applicable, which can be leased and which can be either a van or a sedan. We have established relationships with equipment vendors for all equipment used in the Restaurant that meet Our specifications.

(5) These amounts represent Your cost for menu boards, menu panels, neon logo and descriptive signs. Your landlord may have different restrictions it places on interior and exterior signage which may affect Your costs.

(6) These amounts represent Your initial inventory of food supplies and paper goods for use in the first month of operating the Franchised Business.

(7) These fees are estimates of Your costs in obtaining any architectural and design services necessary for the construction of the Restaurant. You must adapt Our prototypical plans and specifications for the construction of the Restaurant.

(8) We require that You use in the Restaurant the Positouch computer hardware and software, which includes complete back-office system: 2 flat touch screens, 2 notebooks pc, 2 thermal printers, remote printer, modem, UPS, PC 2.4 GHz, 40GB, 512 MB RAM, Win XP Pro, flat screen monitor, deskjet printer, Positouch software, assembly, testing and installation and training and wiring. Typically, You will use two terminals per Restaurant and three printers, including one remote printer; however, many of Our locations use up to three terminals. We have the right, as described in Item 11, to poll Your system at Our discretion. You must pay the cost for Us to initiate access to Your system through Our monitoring software. We estimate the cost to range from \$500 to \$1,000 per Restaurant.

You will be required to subscribe to Hanakai's Corporate Intranet System.

- o You and your manager(s) will be required to log into our intranet system on a daily basis
- o The intranet provides reports, daily updates, news, information, and training materials. All of our templates and forms are available on the intranet for download.

You will be required to subscribe to Hanakai's online book keeping and accounting systems

- o You and/or your manager(s) will be required to log into Hanakai's online accounting systems on a daily basis
- o Daily sales and end of day reports are required to be inputted into our accounting systems on a daily basis.

(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.

(10) We provide initial training to Your Operating Principal and General Manager at no additional charge. These estimates include only Your out-of-pocket costs associated with the training of the Operating Principal and General Manager (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for two 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. The estimates also include Your utility deposits. Since the availability and expenses of acquiring a liquor license vary substantially from jurisdiction to jurisdiction, you should consult the appropriate governmental authority concerning the availability of such license and the associated expenses for your Restaurant before you sign a Franchise Agreement. The cost of a liquor license can range from \$5,000 to \$10,000, depending on the location and jurisdiction.

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

(14) You must spend \$7,500 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 60 day period comprising 30 days prior to and 30 days following opening of Your Restaurant.

(15) These fees are for miscellaneous real estate costs, such as broker incentives and market analysis studies.

(16) We have relied on Our Affiliate's principal's five years of experience in compiling these estimates. These amounts are Our estimate of the amount needed to cover Your expenses for the start-up phase of Your business including: professional fees in connection with obtaining and establishing the franchise business; two months' lease payments; three months' payroll for a manager, two assistant managers and four hourly employees; utilities and telephone service for three months, Your minimum of \$3,000 required to be in your checking account for EFT purposes and other costs. We estimated the start-up phase to be three months from the date the Restaurant opens for business. 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 electronic cash registers, computer 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 in accordance with 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 in accordance with Our standards and specifications. 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, teas 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 Hanakai memorabilia and promotional products, in amounts sufficient to satisfy Your customer demand. You must also obtain certain upgrades for Your electronic cash register 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 contract of sale or lease for the Restaurant before You execute the contract or lease. We will not approve any lease unless a rider to the lease, prepared by Us, is signed by You, by Us and by the landlord. The rider will contain the following provisions:

1. During the term of the Franchise Agreement, the premises will be used only for the operation of the Restaurant.
2. The landlord consents to Your use of the Marks and signs, décor items, color schemes and related components of the System.
3. The landlord agrees to give Us copies of any and all letters and notices sent to You related to the lease and the premises, at the same time that these letters and notices are sent to You.

4. We may enter the premises to make any modification necessary to protect the System and Marks or to cure any default under the Franchise Agreement or under the lease, without being guilty of trespass or any other crime or tort. The landlord will not be responsible for any expenses or damages owing from Our conduct of those activities.

5. If We exercise Our option to obtain Your lease, You must assign the lease to Us or Our affiliates when the Franchise Agreement expires or terminates, and the landlord will consent to this assignment and will not charge any assignment fee or accelerate rent under the lease.

6. If the lease is assigned, We or any affiliate designated by Us will agree to assume from the date of assignment all of Your obligations remaining under the lease, and We or Our affiliate will assume Your occupancy rights, and the right to sublease the premises, for the remainder of the term of the lease.

7. You will not assign the lease or renew or extend the lease's term without obtaining Our written consent first.

8. The landlord and You will not amend or otherwise modify the lease in any manner that could materially affect any of the above requirements without obtaining Our written consent first.

9. The terms of the lease rider will supersede any conflicting terms of the lease.

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, Our affiliates 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 electronic cash register 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 sauces, soup concentrates, teas, Japanese 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.

Because we did not franchise Hanakai Sushi Bar & Grill Restaurants during the 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 in accordance with Our specifications. We estimate that Your purchases and leases from Us, Our affiliates, approved suppliers and in accordance with 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 II of Franchise Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Sections VI, VII and VIII of Franchise Agreement	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Section II of Franchise Agreement	Items 1, 8 and 11
d. Initial and ongoing training	Section VI of Franchise Agreement	Items 5, 6 and 11
e. Opening	Section VI of Franchise Agreement	Items 5, 6 and 11
f. Fees	Sections IV and VIII of Franchise Agreement and Section II of Development Agreement	Items 5 and 6
g. Compliance with standards and policies/Manuals	Sections II, III, VI, VIII, IX, X, XI and XII of Franchise Agreement	Items 11 and 14
h. Trademarks and proprietary information	Sections IX and X and Attachment D of Franchise Agreement, Attachment B to Development Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Section VII of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section VII of Franchise Agreement	Item 8
k. Territorial development and sales quotas	Section III of Development Agreement	Item 12
l. Ongoing product/service purchases	Section VII of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Sections II, VII and XIV of Franchise Agreement	Items 8 and 11
n. Insurance	Section XII of Franchise Agreement	Items 7 and 8
o. Advertising	Section VIII of Franchise Agreement	Items 6, 8 and 11
p. Indemnification	Section XV of Franchise Agreement and Section X of Development Agreement	Item 6
q. Owner's participation/ management/staffing	Sections VI, XIV, XV and XIX of Franchise Agreement and Section VI of Development Agreement	Items 1, 11 and 15

Obligation	Section in Agreement	Item in Offering Circular
r. Records and Reports	Sections IV, VII and XI of Franchise Agreement	Item 6
s. Inspections and audits	Sections II, VII and XI of Franchise Agreement	Items 6, 8 and 11
t. Transfer	Section XIV of Franchise Agreement and Section VII of Development Agreement	Items 6 and 17
u. Renewal or Extension of Rights	Section III of Franchise Agreement and Section III of Development Agreement	Items 6 and 17
v. Post-termination obligations	Section XVIII of Franchise Agreement and Section VII of Development Agreement	Items 6 and 17
w. Non-competition covenants	Section X and Attachment D of Franchise Agreement, Section IX and Attachment B of Development Agreement	Item 17
x. Dispute Resolution	Section XIX of Franchise Agreement and Section XV of Development Agreement	Items 6 and 17

ITEM 10
FINANCING

We do not offer direct financing. We have established agreements with several financial institutions who are willing to offer you financing packages tailored to our franchisee requirements. We do not guarantee your ability to secure financing, nor do we guarantee you will find the packages offered to your liking. We offer the financial packages to you as a benefit of your affiliation with us and our franchisee network only.

We do not guarantee Your notes, leases or other obligations. We have been accepted by SBA Franchise Registry. It is our understanding that this acceptance may expedite the loan process if you wish to obtain outside financing.

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. (Franchise Agreement, Section V.(1).) 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. (Franchise Agreement, Section V.(2).)

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 V.(3).)

4. On loan, one set of the Manuals and Training Video Series (as described below) which We may revise. (Franchise Agreement, Section V.(4).)

5. A list of Our approved suppliers. (Franchise Agreement, Section V.(9).)

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 V.(10).)

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 V.(11).)

8. Advertising and promotional materials for use in the pre-opening promotion of the Restaurant. (Franchise Agreement, Section V.(6).)

We are not required to provide any other service or assistance to You before the opening of the 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 V.(5).)

2. Advertising and promotional materials for in-store marketing and Local Advertising for the Restaurant at a reasonable cost to You. (Franchise Agreement, Section V.(6).)

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 V.(7).)

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 V.(13).)

5. One week of On-site post-opening assistance at the Restaurant. (Franchise Agreement, Sections V.(11) and VI.F.(3).)

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, Section VI.E(2).)

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 VI.E(4).)

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

We are not required to provide any other service or assistance to You for the continuing operation of the Restaurant.

The above services will be provided to each Area Developer for each Franchise Agreement that the Area Developer signs under the Area Development Agreement.

Grand Opening Advertising: You must spend \$7,500 on a grand opening advertising campaign announcing the grand opening of Your Restaurant. Your grand opening advertising campaign must be conducted in the 60 day period comprising 30 days prior to and 30 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 monthly 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
8. Yellow page advertising.

We also reserve the right to establish and administer a creative fund (the "Creative Fund") to advertise the System on a regional or national basis. When We do establish the Creative Fund, You must contribute to the Creative Fund a specified percentage of the Gross Sales of the Restaurant for each Accounting Period to be paid in the same manner as the royalty payments. Once established, the amount You must pay to the Creative Fund is 1%. We have the right to increase this amount to 2% upon 30 days notice to you. 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, or Our affiliates, We, or Our affiliates, will contribute to the 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 Creative 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, television, radio, the internet, promotions, community outreach programs, and print media. As the number of Restaurants in the System expands, We envision using these and other forms of media, including: television, radio, 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 by affiliates. 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 calendar year ending December 31, 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 Hanakai Sushi Bar & Grill Restaurants, whether operated by Us, Our affiliates 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 in accordance with 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, no Cooperatives exist. Each Cooperative is obligated to prepare an annual financial statement reporting its expenditures for the previous year to its members.

If We establish a Creative Fund and a Cooperative applicable to Your Restaurant, Your total required contribution to the Fund and the Cooperative will not exceed 4% of Your Gross Sales if we effect the 1% increase in the Creative Fund.

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 Yellow Pages trademark or other business listings to be placed by Us on behalf of all Hanakai Restaurants in the Restaurant's local market area. If

You operate the only Hanakai Restaurants 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 Yellow Pages trademark listing or other business listings for the local market area is not economically justified. Any amount You pay for Yellow Pages 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, You, Your Operating Principal and General Manager must attend and complete, to Our satisfaction, Our initial training program. We will conduct this training at Our corporate headquarters and a Restaurant operated by Our Affiliate in Maui, Hawaii 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 by Our affiliate and the timing of the scheduled openings of Restaurants to be operated by Our affiliate and franchisees generally. It is anticipated that the initial training program will be offered five or six times a year. The initial training program will generally last approximately two weeks. We will provide instructors and training materials for the initial training of Your Operating Principal and General Manager 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 Operating Principal and any General Manager have satisfactorily completed initial training. If the Operating Principal or General Manager does not satisfactorily complete the initial training program or if We determine that these persons cannot satisfactorily complete the training program, You will be required to designate a replacement to satisfactorily complete the training. Any Operating Principal or General Manager subsequently designated by You must also receive and complete the initial training. We reserve the right to charge a reasonable fee for the initial training We provide to a replacement or successor Operating Principal, or General Manager if We have not approved You to provide the training. We currently charge \$1,500 per person for 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 one week. 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. Jon Miyabuchi will oversee training (Bio in Management Section). We may also draw on the substantial experience of other Restaurant personnel of Our affiliates in conducting Restaurant operations training. The instructional materials used in the initial training consist of Our Operations Manual, Our Training Video Series (“Videos”), 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 instructions providing the initial training program are described below:

Day	Time	Activities	Location	Trainer(s)*
1	1 Day	Review Training Agenda Review Operating Forms Introduction to Hanakai & Hanakai’s Core Values	Classroom	Training Manager
2	1 Day	Review Operations Manual Review Recipes & Procedures Manual	Classroom	Training Manager
3	1 Day	Review Preparation List Introduction to Kitchen Equipment Cleanliness Procedures Use of Cutting Boards Use of Knife Introduction of Nigiri Style Sushi Introduction of Gunkan Style Sushi Fish Cutting Cutting of all Vegetable Items	Training Restaurant	Training Manager
4	1 Day	Continue on Prep List (Emphasis on Vegetables, Noodles, Proteins and Sauces) Preparation of Sushi Rice Portioning	Training Restaurant	Training Manager
5	1 Day	Continue on Prep List	Training Restaurant	Training Manager
6	1 Day	“Open” the Kitchen (using checklist) Menu Descriptions Exam	Training Restaurant	Training Manager
7	1 Day	Kitchen Open Receiving Orders Preparing Menu Items Product Preparation: All Non-Sushi Items Three P’s: Prep, Production, and Presentation Vegetarian Dishes Sushi Dishes	Training Restaurant	Training Manager

Day	Time	Activities	Location	Trainer(s)*
8	1 Day	Kitchen Open Complete Preparing Menu Items Review Dish Presentations	Training Restaurant	Training Manager
9	1 Day	Review Hanakai POS System (Positouch)	Training Restaurant	Training Manager
10	1 Day	Marketing	Training Restaurant	Training Manager
11	1 Day	Introduction to Hanakai's Core Values for entire restaurant staff Cook Training Franchisee Training - Administration	On Site	Training Manager & Assistant
12	1 Day	Cook Training Franchisee Training - Administration	On Site	Training Manager & Assistant
13	1 Day	Cook Training Franchisee Training - Administration	On Site	Training Manager & Assistant
14	1 Day	Cook Training Server Training	On Site	Training Manager & Assistant
15	1 Day	Cook Training Server Training	On Site	Training Manager & Assistant
16	1 Day	Cook Training Server Training	On Site	Training Manager & Assistant
17	1 Day	Review of Hanakai Core Values for entire restaurant Cook Training Server Training Opening Night – Family & Friends	On Site	Training Manager & Assistant
18	1 Day	Soft Opening - Day 1	On Site	Training Manager & Assistant
19	1 Day	Opening Week - Day 2	On Site	Training Manager & Assistant
20	1 Day	Opening Week - Day 3	On Site	Training Manager & Assistant
21	1 Day	Opening Week - Day 4	On Site	Training Manager & Assistant
22	1 Day	Opening Week - Day 5	On Site	Training Manager & Assistant

Day	Time	Activities	Location	Trainer(s)*
23	1 Day	Opening Week - Day 6	On Site	Training Manager & Assistant
24	1 Day	Opening Week - Day 7 Final Review of Hanakai Core Values for entire staff	On Site	Training Manager & Assistant

* Currently, our training manager is Jon Miyabuchi. Jon's bio is disclosed in Item 2 of this Offering Circular.

During the Practical Training sessions held at the training center, Hanakai Core Values, 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 F. The Manual contains 183 pages, and a breakdown of the total number of pages for each subject is as follows: Introduction and History, 8; Leadership & Management, 19; Skills & Competencies, 7; Restaurant Operations, 28; Food/Product Spec Sheets, 30; Receiving and Loss Prevention, 5; Managing Food Cost, 5; Managing Labor Cost, 4; Energy Management, 9; Staffing Scheduling Guide, 12; Local Store Marketing, 14; Safety, 11; Security and Cash Handling, 12; Repair and Maintenance, 9 Human Resources, 19; Miscellaneous, 5.

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. You must submit information and materials for the proposed site to Us

for approval no later than 30 days after You have signed the Franchise Agreement. We will have 15 days after We receive this information and materials from You to approve or disapprove the proposed site as the location for the Restaurant.

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.

We will also provide You an on-site evaluation of the proposed site, without additional charge. We will not provide an on-site evaluation for any proposed site before receiving from You the materials You must submit to Us as described above. 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, or if the Franchise Agreement does not relate to Your first Restaurant, 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 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. You must open the Restaurant and begin business within 120 days after You obtain possession of the accepted location, unless You obtain a written extension of this time period from Us. If You do not obtain a site that We approve, and construct the Restaurant within the time periods required in Section II of the Franchise Agreement, We may terminate the Franchise Agreement.

If the Franchisor and Franchisee cannot agree on a site, Franchisor retains the right to terminate the Franchise Agreement and refund 75% of the initial franchise fee.

Computer and Electronic Cash Register Systems: As described in Items 6, 7 and 8, You must purchase and use certain electronic cash register 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 in accordance with Our specifications to permit Us to access the electronic cash register (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.

The hardware system You must purchase includes the following: 2 flat touch screens, 3 notebooks p.c., 2 thermal printers, remote printer, modem, UPS, PC 2.4 GHz, 40GB, 512 MB RAM, Win XP Pro, flat screen monitor, deskjet printer, Positouch software, assembly, testing and installation and training and wiring. Typically, Your required computer hardware will use two terminals per Restaurant, two thermal printers, and one remote printer; however, many of Our locations use two or three terminals. 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 OR OUR PARENT OR AFFILIATE
FOR THE ESTABLISHMENT OR OPERATION OF THE RESTAURANT

ITEM 12 **TERRITORY**

Franchise Agreement: The Franchise Agreement grants You the right to operate a Restaurant at a single location that You select within the Assigned Area and that We approve. Attachment A to the Franchise Agreement lists the specific street address of the accepted location. 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 and Our affiliates will not establish a Restaurant or authorize any other person or entity to establish a Restaurant within the Assigned Area. The Assigned Area will be described in Attachment A to the Franchise Agreement. It will generally consist of the contiguous property controlled by the landlord in which the Restaurant is located, such as the shopping mall, airport terminal, university campus or hospital. If Your Restaurant is located in a strip shopping center or other urban location, Your Assigned Area will be a 2 mile radius from the Restaurant. In certain circumstances the Assigned Area will be limited to the specific physical space occupied by the Restaurant. We will determine the

Assigned Area 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. Any delivery or catering business that you engage in shall be limited to Your Assigned Area. You shall not be permitted to solicit catering or delivery business outside of Your Assigned Area.

Our affiliates currently operate, or may in the future operate, restaurants under different marks and with operating systems that are the same or similar to the System, and that any of these restaurants might compete, directly or indirectly, with Your restaurant. We and any of our current or future affiliates may own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks and/or other operating systems, regardless of whether those businesses are the same, similar, or different from the Restaurant. We and any of Our current or future affiliates 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 Hanakai memorabilia, (ii) food and beverage services under the Marks at or through any Hanakai Restaurant or other permanent, temporary or seasonal food service facility providing in whole or in part the products and services offered by a Hanakai Restaurant in any Reserved Area (as defined below), and (iii) any products or food and beverage services under any other names and marks. A "Reserved Area" is defined in the Franchise Agreement as any area of retail sales establishments or food courts (other than in the retail shopping mall in which the Restaurant is located), airports, hospitals, cafeterias, commissaries, schools, hotels and stadiums, arenas, ballparks, festivals, fairs and other mass gathering locations or events, and the premises of certain customers with corporate campus or institutional feeding sites that have an agreement with Us to place a Hanakai Restaurant in more than one of their facilities ("National Accounts").

Under the Franchise Agreement, We will also designate a non-exclusive geographic area known as the Area of Primary Responsibility where You have to conduct Local Advertising activities and use all commercially reasonable efforts to advertise and promote the Restaurant. The Area of Primary Responsibility is not exclusive except to the extent that it includes the Assigned Area.

This offering is generally for a Restaurant of approximately 3,000 to 4,000 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.

Development Agreement: Under the Development Agreement, You are assigned a Territory where You have to develop two or more Restaurants in accordance with a specified development schedule which will be listed in Section III. 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 I.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. The grant of these rights do not affect the rights of Our affiliates which may continue to develop company-owned Hanakai Restaurants located in within the Territory. We, any Hanakai franchisee, and any other authorized person or entity may, at any time, advertise and promote the System, the Territory. We and Our affiliates 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 Hanakai memorabilia, (ii) food and beverage services under the Marks at or through any Hanakai Restaurant or other permanent, temporary or seasonal food service facility providing in whole or in part the products and services offered by a Hanakai Restaurant in any Reserved Area (as defined above) in the Territory; and (iii) any products or food and beverage services under any other names and marks.

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 the first Restaurant You develop under the Development Agreement must be signed and delivered to Us concurrently with the signing and delivery of the Development Agreement and will be in the form of the Franchise Agreement attached to this Offering Circular. All additional Restaurants developed under this Development Agreement must be established and operated under Our form of Franchise Agreement then being used by Us for Restaurants under the System. The then-current form of Franchise Agreement may differ from the form attached to the Offering Circular.

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.

You must open each Restaurant developed and commence business in accordance with 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, subject to Our approval, purchase from Us extensions of the Development Period as may be necessary to complete construction and commence operation of the Restaurant. Each extension will be for an additional 90 day period commencing on the expiration of the applicable Development Period, including any previous extensions ("Extension Date"). No more than two extensions of any Development Period will be permitted. If an extension of a Development Period is granted by Us, 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 obligations. If an extension is requested in the final Development Period, the term of the Development Agreement will be extended to the Extension Date and You will have no further rights under the Development Agreement.

You must notify Us in writing at least 60 days before the Projected Opening Date (as defined in the Development Agreement) for a Restaurant that You will be unable to complete construction and begin operating the Restaurant by the expiration date of the Development Period in which the Restaurant was to have been opened. You must include in the notice a description of the reasons for the failure to develop in a timely manner and the expected date of completion of construction and opening. No extension fee will be charged for any Restaurant for which We have accepted a site in accordance with the Franchise Agreement and You have commenced construction, as defined in the Franchise Agreement.

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 and Our affiliates may 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 no restrictions in either the Franchise Agreement or Development Agreement that would restrict Our ability to do so.

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 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 or any of Our Affiliate's rights in and to, the Marks.

We have applied for registration of the following principal Marks with the U.S. Patent and Trademark Office on the Principal Register:

“Hanakai” and “Hanakai Sushi Bar & Grill”, Serial Number 78443724 on June 30, 2004.

The slogan “Changing the World of Sushi”, Serial Number 78383694 on March 12, 2004.

The slogan “Incredible Sushi at Inexpensive Prices”, Serial Number 78383733 on March 12, 2004.

BY NOT HAVING A PRINCIPAL REGISTER FEDERAL REGISTRATION FOR THE PROPRIETARY MARK, WE DO NOT HAVE CERTAIN PRESUMPTIVE RIGHTS GRANTED BY A REGISTRATION.

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.

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 (including Our Affiliate) 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 and Our Affiliate 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 Hanakai franchise.

Confidential Manuals: You must operate the Restaurant in accordance with 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.

Training Video Series: We will loan You one copy of any Training Videos that We may develop in the future for the term of the Franchise Agreement.

You must treat the Videos and any other videos 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 videos remain Our sole property and must be kept in a secure place on the Restaurant premises.

We may revise the contents of the Videos and You are required to return to Us videos that are replaced by any updates We issue.

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 substantial full time 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, and will individually guarantee all of Your obligations, and will be jointly and severally bound by all of Your obligations and the obligations of the Operating Principal and Your Controlling Principals under the Agreements.

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 in accordance with 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 a married individual, Your Principals also include those of Your business entity’s officers and directors (including the officers and directors of Your general partner, if applicable) whom We designate as Your Principals and all holders of an ownership interest in You and in any entity that 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 and to personally guarantee Your performance under the Agreements. We typically designate Your principal equity owners and executive officers, as well as any other affiliated entities that operate Hanakai 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.

If You employ any individual as General Manager or in a managerial position who is at the time employed in a managerial position by Us or any of Our affiliates, or by another of Our franchisees, You must pay the former employer for the reasonable costs and expenses the employer incurred for the training of the employee.

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 electronic cash register, 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 electronic cash registers, 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 electronic cash registers, 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 or Our affiliate operate have made or are exercising their best efforts to make the improvements or modifications.

We may offer guidance concerning the selling price for the goods, products and services offered from Your Restaurant. Except for maximum prices described below, You are in no way bound to adhere to any such recommended or suggested price. You have the right to sell Your products and provide services at any price that You determine, except that We reserve the right to establish maximum prices for any given product or service nationwide or within an advertising market (as determined by Us). You must not exceed any maximum price We establish, but You at all times remain free to charge any price below the maximum We establish. You must execute any instruments or other writings We require to facilitate the provision of such products and services. If You elect to sell any or all of Your products or merchandise at any price recommended by Us, We make no guarantees or warranties that offering such products or merchandise at the recommended price will enhance Your sales or profits.

We and Our affiliates 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 III.A	Term continues for 10 years from the date of the Franchise Agreement unless terminated earlier
b. Renewal or extension of the term	Section III.B	Agreement may be renewed at Your option for additional five year terms
c. Requirements for franchisee to renew or extend	Section III.B(1) - (8)	You must give at least six months' notice, repair and update equipment and Restaurant premises, not be in breach of any agreement with Us or Our affiliates, 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 XVII.A(1)	Each of Your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination
g. "Cause" defined – curable defaults	Sections XVII.A(3) and XVII.B	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 affiliates or 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 five days after a request, fail to procure and maintain required insurance within seven days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined – defaults which cannot be cured		cure within 30 days after notice 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 XVIII	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 or Our affiliates, 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 Restaurant premises and the equipment and fixtures used in the business
j. Assignment of contract by Franchisor	Section XIV.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, in our good faith judgment, is willing and able to assume our obligations
k. "Transfer" by franchisee – defined	Section XIV.B(1)	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)

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of transfer by franchisee	Section XIV.B(2)	You must obtain Our consent before transferring any interest. We will not unreasonably withhold Our consent
m. Conditions for franchisor approval of transfer	Section XIV.B(2)	Conditions include: You must pay all amounts due Us or Our affiliates, 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 XIV.D	Within 30 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 XVIII.K and XIV.D	Other than assets on termination, non-renewal or right of first refusal, We have not right or obligation to purchase Your business
p. Death or disability of franchisee	Section XIV.E	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 X.C(1)	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 X.C(2)	For a period of two years, 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 a 25-mile radius of any Restaurant in existence or under construction as of the earlier of (i) the expiration or termination of, or the transfer of all of Your interest in, the Franchise Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable
s. Modification of the agreement	Sections X.A(5) and XIX.B	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manuals as amended

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	Section XIX.B	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	Sections XIX.G, H, I, J and K	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 Clark County, Nevada
v. Choice of forum	Section XIX.H	The venue for all proceedings related to or arising out of the Franchise Agreement in Clark County, Nevada, unless otherwise brought by Us (see UFOC Addendum and State Amendments to Agreements)
w. Choice of Law	Section XIX.H	The Franchise Agreement is to be interpreted, governed and construed under Nevada 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 V of Development Agreement	Term continues until You have completed Your development obligations in accordance with the Development Schedule
b. Renewal or extension of the term	Section III.B of Development Agreement	We may extend the term of the Development Agreement to allow You to develop additional Restaurants
c. Requirements for Developer to renew or extend	Sections III.B(2) and (3) of Development Agreement	You must develop the additional Restaurants
d. Termination by Developer	Not applicable	You may terminate the Development Agreement on any grounds available at law
e. Termination by Franchisor without cause	Not applicable	Not applicable

Provision	Section in Development Agreement	Summary
f. Termination by Franchisor with "cause"	Sections VII.A.D of Development Agreement	Following certain defaults, We may terminate the Agreement of modify Your territorial rights or alter Your Development Schedule, rather than terminate the Agreement
g. "Cause" defined - curable defaults	Sections VII.B and C of Development Agreement	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 affiliates or 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 30 days after a request, us the Marks in an unauthorized manner and fail to cure within 24 hours after notice or fail to cure any other default that is susceptible of cure within 30 days after notice. If You have both a Development Agreement, and uncured default under one is also a default under the other
h. "Cause defined - defaults which cannot be cured	Sections VII.A and B of Development Agreement	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 other crime that may have an adverse effect on the System or Marks, or transfer any interest without Our consent

Provision	Section in Development Agreement	Summary
i. Developer's obligations on termination/non-renewal	Sections VII.D and E of Development Agreement	Obligations include: You must cease developing Restaurants or, on a partial termination of territorial or development rights under Section VII.D, must continue to develop only in accordance with any modified Development Schedule, and must comply with all applicable confidentiality and non-competition covenants
j. Assignment of contract by Franchisor	Section VIII.A of Development Agreement	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, in our good faith judgment, is willing and able to assume our obligations
k. "Transfer" by Developer - defined	Section VIII.B(1) of Development Agreement	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 VIII.B(2) of Development Agreement	You must obtain Our consent before transferring any interest. We will not unreasonably withhold Our consent.
m. Conditions for Franchisor approval of transfer	Section VIII.B(2) of Development Agreement	Conditions include: You must pay all amounts due Us and Our affiliates, 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 VIII.D of Development Agreement	Within 30 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 VIII.E of Development Agreement	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 IX.C(2) of Development Agreement	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 IX.D(3) of Development Agreement	Except for Restaurants You operate under Franchise Agreements with Us, and for a period of two years, 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 a 25-mile radius of any Restaurant or food service facility in existence or under construction as of the earlier of (i) the expiration, termination, or the transfer of all of Your interest in the Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable.
s. Modification of the agreement	Sections IX.G and XV of Development Agreement	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 XV.A of Development Agreement	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	Sections XV.B, C, D, E and F of Development Agreement	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 in Clark County, Nevada.
v. Choice of forum	Section XV.C of Development Agreement	The venue for all proceedings related to or arising out of the Agreement is Clark County, Nevada, unless otherwise brought by Us (see UFOC Addendum and State Amendments to Agreements)
w. Choice of law	Section XV.C of Development Agreement	The Agreement is to be interpreted and construed under Nevada 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, except as stated below. Actual results vary from Restaurant to Restaurant and we cannot estimate the results of any particular franchise.

ITEM 20
LIST OF OUTLETS

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

State	Transfer	Cancelled or Terminated	Not Renewed	Reacquired By Franchisor	Otherwise Left the System	Total From Left Columns (1)	Franchises Operating at Year End
Alabama	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Alaska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Arizona	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
California	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Connecticut	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Delaware	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
District of Columbia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Florida	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Indiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Iowa	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Maine	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Massachusetts	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Michigan	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0

State	Transfer	Cancelled or Terminated	Not Renewed	Reacquired By Franchisor	Otherwise Left the System	Total From Left Columns (1)	Franchises Operating at Year End
Montana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Nevada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
New York	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
North Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Oklahoma	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Rhode Island	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
South Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Vermont	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Washington	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
West Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Wyoming	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
TOTAL	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0

1. Note: Year end is December 31.

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

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

* Our affiliate owns one Restaurant in Maui, Hawaii.

**PROJECTED OPENINGS THROUGH
FISCAL YEAR ENDING 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	1	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	0	0	0
District of Columbia	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	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	0	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0

States	Franchise Agreements Signed But Restaurant Not Open	Projected Franchised Restaurant Openings	Projected Company-Owned Restaurant Openings
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	0	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
TOTALS	0	1	0

1. Note: It is anticipated there will be no company-owned units established in this calendar year.

A list of the names of all franchisees and the addresses and telephone numbers of their Restaurants will be provided in Exhibit D to this Offering Circular when applicable.

The name and last known home address and telephone number of every franchisee who has had a Restaurant terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of our application date will be listed on Exhibit E when applicable.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this Offering Circular as Exhibit A is our audited financial statements for the period ending September 7, 2004 and June 7, 2005. Our fiscal year end is December 31.

ITEM 22 **CONTRACTS**

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

1. Development Agreement - Exhibit B
2. Franchise Agreement - 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.