

HYATS, L.L.C.
TERIYAKI STIX® FRANCHISE OFFERING CIRCULAR (CALIFORNIA)

To simplify the reading of this Franchise Offering Circular, "We" ("Our" and "Us") means the Franchisor, HYATS, L.L.C. "We" does not include the individual managers, members or employees of HYATS, L.L.C. "You" ("Your") means the Franchisee, whether an individual, corporation, limited liability company, partnership, trust or other entity, and includes all of the entity-Franchisee's owners and control persons including shareholders, officers, directors, members, managers, partners, employees, trustees and beneficiaries.

ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES:

Teriyaki Stix, L.L.C., ("TS") a Utah limited liability company, was formed March 18, 1998, for the purpose of selling Franchise Licenses to own and operate Teriyaki Stix® Franchise Restaurants serving Japanese-style fast food and related items to the general public. Teriyaki Stix® Franchise Licenses were then offered exclusively by TS between March 18, 1998 and June 30, 1999.

Hogi Yogi Corporation ("HYC"), (formerly SubPlus, Inc.), a Utah corporation, was formed October 1, 1989, and opened the first Hogi Yogi® restaurant in Logan, Utah, in October 1989. Between April 1, 1992, and March 31, 1993, HYC (then SubPlus, Inc.) offered Franchise Licenses to own and operate Hogi Yogi® Franchise Restaurants serving sandwiches, frozen yogurt and related items.

Hogi Yogi Franchise Corporation, ("HYFC") was formed in Utah, March 22, 1993, as a wholly-owned subsidiary of HYC, for the purpose of selling Hogi Yogi® Franchise Licenses. Franchise Licenses were then offered exclusively by HYFC between April 1, 1993 and June 30, 1999.

TS, a Utah limited liability company, was formed March 18, 1998, for the purpose of selling Franchise Licenses to own and operate Teriyaki Stix® Franchise Restaurants serving Japanese-style fast food and related items to the general public. Teriyaki Stix® Franchise Licenses were then offered exclusively by TS between March 18, 1998 and June 30, 1999.

Effective June 30, 1999, the working assets and business of both HYC and HYFC were acquired by TS, and Teriyaki Stix's name was changed to Ours. Since July 1, 1999, We have been the exclusive franchisor of both Hogi Yogi® and Teriyaki Stix® Franchise Licenses.

Teriyaki Stix® Franchise Licenses permit franchisees to use Our Systems in the operation of a Teriyaki Stix® Franchise Restaurant. Our Systems include the use and promotion of Our Proprietary Marks, Our Manuals, training in the preparation of foods and beverage products and in the operation of the Teriyaki Stix® Franchise Restaurant, as well as sourcing for equipment and supplies.

Teriyaki Stix® Franchise Restaurants, may be owned and operated, separate from or combined with Hogi Yogi®, as stand-alone restaurants (the "traditional format") or within another business environment including convenience stores, department stores and schools (the "nontraditional format"). Usually, We sell Franchise License(s) for only one Franchise Restaurant at a time per owner/operator; however, We may require You to purchase Franchise Licenses for more than one Franchise Restaurant in certain markets in order to facilitate more efficient operations.

We maintain Our principal business office at 4833 North Edgewood Drive, Provo, Utah 84604, and the registered agent for service of process at that same address is Michael P. Clayton. Our

agent for service of process in California is the Commissioner of Corporations, 230 West 4th Street, Suite 750, Los Angeles, California 90013.

Neither We nor any predecessor or affiliate has offered franchises in any line of business other than the Teriyaki Stix® and Hogi Yogi® Franchise Restaurant businesses.

ITEM 2. BUSINESS EXPERIENCE:

Michael P. Clayton, Member Manager and CEO

From 1985 to 1989 "Mike" Clayton was employed by the accounting firm Coopers & Lybrand, as a tax supervisor. In 1989 he founded HYC (originally SubPlus, Inc.) and served as its President and as one of its Directors until its working assets and business were sold to Us, June 30, 1999. He also served as President and Director of HYFC since it was formed April 1, 1993 until its assets and business were sold to Us. In March 1998, Mike co-founded Us (originally TS) and has served ever since as one of its Member Managers and as the Chief Executive Officer.

Richard P. Clayton, Member Manager

From April 1992 to October 1993, "Rick" Clayton operated Hogi Yogi® of Provo. Rick served as an officer of HYC from October 1993 until its working assets and business were sold to us June 30, 1999. He also served as an officer and director of HYFC from January 1994 until its assets and business were sold to Us. In March 1998, Rick helped co-found us (originally TS) and has served ever since as one of its Member Managers.

Gary M. Booth, Member Manager

Gary Booth has been a Professor of Zoology at Brigham Young University in Provo, Utah since 1972. He also served as a director of HYC from 1989, and a director of HYFC from April 1, 1993 through June 30, 1999. Since July 1, 1999, Gary has been a member and served as a Member Manager of Ours.

Paul P. Clayton, Member Manager

Paul Clayton co-founded Rocky Mountain Fabrication, a steel manufacturing company located in Salt Lake City, Utah in 1978. He served continuously as an officer and director of Rocky Mountain Fabrication until he retired in April, 2000. Paul served as a director of HYC from October 1989, and director of HYFC from March 1993 through June 30, 1999. Since July 1, 1999, Paul has been a member and served as a Member Manager of Ours.

Dan Grover, Director of Operations

From early 1991 through the Fall of 1996, Dan Grover owned and operated a bicycle shop, the Bike Broker, in Cheyenne, Wyoming. Dan has owned and managed a gun business since 1996, Legendary Commemorative, which buys and sells antique and commemorative guns. Since April 1999, Dan has been the owner/operator of the combination Hogi Yogi®/Teriyaki Stix® Franchise Restaurant in Layton and Ogden, Utah. Dan served as a Regional Manager over a group of Hogi Yogi®/Teriyaki Stix® Franchise Restaurants from November 2000 until June 2001, when he became Director of Operations of Ours.

ITEM 3. LITIGATION:

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

Neither we nor our predecessors, nor any person in Item 2 of this Offering Circular is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

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 required to be disclosed in this item.

ITEM 5. FRANCHISE FEE:

The following table shows the Franchise Fee We charge for the various franchise license arrangements:

| | FIRST LICENSE | ADDITIONAL FRANCHISE LICENSES |
|---|---------------|-------------------------------|
| Teriyaki Stix® Franchise (Traditional format) | \$20,000 | \$10,000 |
| Teriyaki Stix® Franchise (Nontraditional format) | \$15,000 | \$7,500 |
| Combination Hogi Yogi®/Teriyaki Stix® Franchise (Traditional format) | \$30,000* | \$15,000* |
| Combination Hogi Yogi®/Teriyaki Stix® Franchise (Nontraditional format) | \$25,000* | \$12,500* |

* The combination fee for one Hogi Yogi® and one Teriyaki Stix® Franchise License for an approved location.

The Franchise Fee is payable in full in cash or certified funds upon the signing of the Franchise Agreement.

We will refund in whole or in part Your Franchise Fee as follows:

(a) We will refund to You 100% of the Franchise Fee if the Franchise License is terminated prior to Your submitting a proposed restaurant location for Our consideration and approval.

(b) We will refund to You 75% of the Franchise Fee if the Franchise License is terminated after We have approved Your proposed restaurant location but before You or Your Authorized Manager have commenced the Initial Training Program.

(c) We will refund none of the Franchise Fee after You or Your Authorized Manager have commenced the Initial Training Program.

The Franchise Fee is not refundable under any other circumstances.

ITEM 6. OTHER FEES:

In addition to the Franchise Fee, You must make the payments to Us which appear below. All

of these payments are non-refundable.

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|-----------------------------|--|---|--|
| Continuing Franchise Fees | 6% of "Gross Revenues" | Payable when Gross Revenues are earned | "Gross Revenues" equal total revenues less sales taxes |
| Our Business Promotion Fund | Up to 6% of "Gross Revenues" | Payable when Gross Revenues are earned | |
| Late Fees | Lower of 18% interest or highest legal rate | Immediate upon notice | |
| Audit Fees | Reasonable costs if 3% error in reporting | Immediate upon notice | "Reasonable costs" \$100 to \$500 include travel & per diem for auditors |
| Ownership Change Fee | \$5,000 per franchise license; \$7,500 for a combination license | Before sale, transfer or assignment of franchise restaurant | |

ITEM 7. INITIAL INVESTMENT:

| DESCRIPTION | Teriyaki Stix® (ESTIMATED) | COMBINED W/HOGI YOGI® (ESTIMATED) | PAYMENT METHOD | WHEN DUE | TO WHOM PAYABLE |
|--|----------------------------|-----------------------------------|------------------------------|----------------------|--|
| Franchise Fee ¹ | \$15,000 – \$20,000 | \$25,000 – \$30,000 | One payment – Cash or equiv. | Signing of Agreement | Us |
| Premises Lease Deposit ² | \$3,200 – \$10,000 | \$3,200 – \$10,000 | One payment – Cash or equiv. | Before opening | Landlord |
| Architectural and Design ³ | \$2,200 – \$7,500 | \$2,200 – \$7,500 | Per contract | Before opening | Architect |
| Improvements and Decor | \$25,000 – \$150,000 | \$25,000 – \$150,000 | Per contract | Before opening | Contractor |
| Equipment and Furnishings ⁴ | \$40,000 – \$160,000 | \$55,000 – \$175,000 | Cash or equiv. | Before opening | Us or Suppliers |
| Beginning Inventory | \$4,000 – \$10,000 | \$6,000 – \$16,000 | As Incurred | Before opening | Suppliers |
| Initial Business Promotion | \$3,000 – \$12,000 | \$3,000 – \$12,000 | As Incurred | As Incurred | Advertisers and Suppliers |
| Training Costs ⁵ | \$3,000 – \$6,000 | \$3,000 – \$8,000 | As Incurred | Prior to opening | Trainee, Airlines & Hotels |
| Miscellaneous | \$800 – \$8,000 | \$800 – \$8,000 | As Incurred | As Incurred | Insurance, Utilities, Accountant, Attorney, etc. |

| | | | | | |
|---|-----------------------|------------------------------------|-------------|-------------|----------------------------|
| Working Capital (6 months) ⁶ | \$12,000 – \$36,000 | \$12,000 – \$36,000 | As Incurred | As Incurred | Employees, Suppliers, etc. |
| Total⁷ | \$108,200 – \$419,500 | \$135,200 – \$452,500 ⁸ | | | |

Notes:

- (1) See Item 5 above regarding when and how much of this fee is refundable.
- (2) If You do not own commercial real property adequate for Your Franchise Restaurant, You will need to purchase, construct or lease space. The typical Teriyaki Stix® Franchise Restaurant requires 1,200 to 1,800 square feet of floor space. Purchase prices or construction prices for a location will vary and are not included in the figures above. The purchase price, loan payments or net rent for this space is difficult to estimate accurately due to factors as size, condition and location of premises and the terms of any purchase agreement, loan payment schedule, or lease. The figures above represent estimated deposits necessary to lease commercial property. Rent for leased commercial property must be paid in the manner and time provided in the lease.
- (3) Stand-alone buildings could be significantly more expensive. Local conditions may require more extensive architectural involvement.
- (4) Includes electronic cash registers, a computer, components and software, described specifically in Our Manuals, which must be upgraded no more often than every 2 years at a cost of no greater than \$1,500 per upgrade. Equipment and furnishings may be financed or leased in different manner which may reduce the initial investment costs considerably.
- (5) Actual costs of the Initial Training Program are included in the Franchise Fee. These training costs are the estimated expenses of the trainee including travel to attend and per diem while attending the Initial Training Program.
- (6) By definition, "Working Capital" means the funds or resources required to finance current business options. Your particular initial working capital requirements may be greater until restaurant becomes profitable.
- (7) We do not offer financing to Franchisees, directly or indirectly, for new Franchise Licenses or new equipment.
- (8) We have relied on Our 15 years of experience in the restaurant business to compile these estimates.

ITEM 8. RESTRICTION ON SOURCES OF PRODUCTS AND SERVICES:

You must purchase for the setup and continuous operation of Your Teriyaki Stix® Franchise Restaurant, only those brands, types and models of equipment, fixtures, furnishings, signs, food products, paper goods, and supplies from manufacturers, suppliers or distributors We approve and designate, which may include Ourselves, or other sources who can meet Our specifications and standards. You must purchase, exclusively from Us or Our designated sources, all paper products, supplies, and other items used in the operation of a Teriyaki Stix® Franchise Restaurant that incorporates any of Our Proprietary Marks or logos. You must purchase, exclusively from Us or Our designated sources, all teriyaki sauces, yogurt, and certain fruit juice concentrates used in the operation of Your Teriyaki Stix® Franchise Restaurant. You must use Our smoothie machine exclusively to prepare smoothie drinks in your Franchise Restaurant.

Our requirements for equipment, fixtures, furnishings, signs, food products, paper goods, and supplies and a list of manufacturers, suppliers and distributors approved and designated by Us are contained in Our Manuals. We may in Our discretion modify Our specifications and requirements regarding any equipment, fixtures, furnishings, signs, food products, paper goods, and supplies. You will be notified of changes in the lists of approved suppliers and in changes in Our

specifications and standards through up-dates in Our Manuals or other communications issued by Us.

If You desire to obtain equipment, fixtures, furnishings, signs, food products, paper goods, and supplies from manufacturers, suppliers or distributors other than those currently approved by Us, You must, before purchasing, request in writing Our approval of Your proposed new source. To obtain Our written approval, proposed sources must meet Our specifications and standards and adequately demonstrate to Us their ability and capacity to supply Your needs in the quality and quantity, at the time, and with the reliability necessary for efficient restaurant operations. All proposed and previously non-designated manufacturers, suppliers, and distributors, as a condition before approval, must agree to permit Our agents or representatives to regularly inspect their facilities. If We reject Your proposed new source, We will notify You in writing within 60 days of Our reasons for rejection.

We derive income from certain approved manufacturers, suppliers and distributors on account of purchases made by franchisees. Generally this income consists of payments based on a percentage of the amount paid for items purchased by Our franchisees. The percentages vary between 1% and 40%. In 2004, total revenue received by Us from all manufacturing, supply and distribution sources was \$633,372 or approximately 14.1% of Our \$4,419,203 gross revenue.

ITEM 9. FRANCHISEE'S OBLIGATIONS:

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR. FOR PURPOSES OF THIS TABLE THE SECTIONS REFERRED TO ARE THOSE IN THE FRANCHISE AGREEMENT UNLESS OTHERWISE NOTED.

| OBLIGATION | SECTION IN AGREEMENT | ITEM IN THIS CIRCULAR |
|---|---|-----------------------|
| Site selection and acquisition/lease | §§1.2(b) & (c); 3.1; 3.2; 3.3 | Item 11 |
| Pre-opening purchases/leases | §§1.2(f); 9.1(a), (b) & (c) | Items 8 & 11 |
| Site development and other pre-opening requirements | §§1.2(d) & (f); 3.4; 9.1 | Item 11 |
| Initial and ongoing training | §§1.2(e); 4.1; 9.1(d); 9.3(d) | Item 11 |
| Opening | §§6.1; 9.1 | Item 11 |
| Fees | §§5.1; 5.3 | Items 5 & 6 |
| Compliance with standards and policies/Operating Manual | §§4.2; 9.1; 9.2; 9.3; 12.(a) | Item 8 |
| Trademarks and proprietary information | §§9.1(b) & (c); 9.3(l); 11.1 through 11.6; 14.6 | Items 13 & 14 |
| Restrictions on products/services offered | §9.2(b) | Item 16 |
| Warranty and customer service requirements | None | None |
| Territorial development and sales quotas | None | None |

| | | |
|---|---|--------------|
| Ongoing product/service purchases | §§10.1; 10.2 | Item 8 |
| Maintenance, appearance and remodeling requirements | §§2.4; 9.3(e) | Item 11 |
| Insurance | §§7.1 through 7.5; 9.1(e) | Item 7 |
| Advertising | §§6.1 & 6.2; 9.3(f) & (i) | Items 6 & 11 |
| Indemnification | §9.3(j) | None |
| Owner's participation/management/staffing | §§9.1(i); 9.3(a) & (b) | Item 15 |
| Records/reports | §§8.1; 8.3 | None |
| Inspections/Audits | §8.2 | None |
| Ownership Change | §§16.1 through 16.6 | Item 17 |
| Renewal | §§2.1 through 2.4 | Item 17 |
| Post-termination obligations | §§14.4; 14.6; 14.7; 15.2 | Item 17 |
| Non-competition covenants | §§15.1; 15.2 | None |
| Dispute resolution | §§14.1 through 14.7; 17.1 through 17.12 | None |

ITEM 10. FINANCING:

We do not offer financing to Franchisees, directly or indirectly, for new Franchise Licenses or new equipment. We do not place financing with anyone, nor receive any payment for the placement of financing. We do not guarantee Your obligations to third parties.

ITEM 11. FRANCHISOR'S OBLIGATIONS:

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

Before You can open Your Teriyaki Stix® Franchise Restaurant for business You must submit for Our review and approval, Your proposed Business Plan in a format provided by Us [Franchise Agreement, §1.2(a)]. If We determine from Our review of Your proposed Business Plan that You are not likely to be a successful Teriyaki Stix® Franchisee, We will fully refund Your franchise fee [Franchise Agreement, §5.2(a)].

Within 120 days of signing the Franchise Agreement, You must submit for Our review and approval, Your proposed Business Location [Franchise Agreement §§1,2(b) and 3.1]. We will either approve or disapprove the proposed location within 30 days following receipt of the proposal [Ibid.]. We will consider factors as visibility, ingress and egress, size of space, cost of space, competition, residential and business population in one mile radius, average income and other demographic information. If You are unable to find a location acceptable to Us, We will fully refund Your franchise fee [Franchise Agreement, §5.2(a)]. Normally, it will take an average of six months from the time of signing a franchise agreement until the actual opening of the business.

If you intend to lease the Approved Location, You must submit a copy of the lease for Our

review and approval before entering into the lease [Franchise Agreement, §§1.2(c), 3.2 & 3.3]. We will not approve the lease unless and until the Lease Assignment Clause contained in Exhibit 2 of the Franchise Agreement is included or added to the lease [Ibid.]. If You are unable to obtain a lease acceptable to Us and are unable to find another location acceptable to Us, We will refund 75% of Your franchise fee [Franchise Agreement, §5.2(b)].

In addition to the foregoing, We will provide specifications and recommendations for constructing, equipping and furnishing Your Teriyaki Stix® Franchise Restaurant and installing signs [Franchise Agreement, §9.1]. Our equipment specifications include electronic cash registers, a computer, components and software, to facilitate timely and accurate sales reports, which information may be independently accessed by Us at Our discretion. You are required to use electronic cash registers, computer, components and software, described as follows:

(a) Computer requirements (minimum): Windows 98, Me, 2000 or XP, 128 MB Ram, 10 GB Hard Drive, monitor, keyboard, and mouse.

(b) Software: Microsoft Office 2000 for Word and Excel (necessary for office documents and spreadsheets)

(c) Cash register requirements: Sharp A550 (must include RS232 Port, RAH1A and RACE1E Eproms, these make it possible to network the registers together), Sharp UP700, or Sharp UP3301

(d) Other: Internet Access (necessary to send and receive e-mail and access to HYATS' website).

This equipment and software will be upgraded no more often than every 2 years at a cost of no greater than \$1,500 per upgrade. We will have independent access to any electronically collected data from your cash registers as deemed necessary.

We will provide 5 to 9 days Initial Training for You or Your Authorized Manager approved by us at Our headquarters in Provo, Utah, or at any other place as We shall designate [Franchise Agreement, §4.1]. Participants will be instructed and trained in how to use Our Systems in the operation of a Teriyaki Stix® Franchise Restaurant. The Initial Training for operation of a Teriyaki Stix® Franchise Restaurant consists of 36 hours of formal instruction and testing, and 19 hours of "in-restaurant" training. (The Initial Training for operation of a combination Hogi Yogi®/Teriyaki Stix® Franchise Restaurant consists of 45 hours of formal instruction and testing, and 25 hours of "in-restaurant" training.) The "in-restaurant" training is conducted on site intermittently with the classroom instruction.

All initial training is conducted or supervised by Dan Grover, Our Director of Operations. The following table summarizes the subject matter of the Initial Training.

| INSTRUCTION SUBJECT | TERIYAKI STIX® TRAINING | COMBINED WITH HOGI YOGI® TRAINING |
|--------------------------------------|--------------------------------|--|
| Standards and Regulations | 0.5 hr | 0.5 hr |
| Equipment and Maintenance | 1 hrs | 2 hrs |
| Receiving and Handling | 1 hrs | 2 hrs |
| Product Preparation and Presentation | 2 hrs | 4 hrs |
| Cash Registers | 2 hrs | 3 hrs |
| Accounting | 4 hrs | 5 hrs |

| | | |
|-------------------------------|---------------|---------------|
| Customer Service | 3 hrs | 3 hrs |
| Marketing | 3 hrs | 3 hrs |
| Leadership | 2 hrs | 2 hrs |
| Compliance and Safety | 0.5 hrs | 0.5 hrs |
| Recruiting | 2 hrs | 2 hrs |
| Employee Training | 5 hrs | 6 hrs |
| Employee Management | 3 hrs | 4 hrs |
| Employee Evaluations | 2 hrs | 2 hrs |
| Shift Work | 1 hr | 1 hr |
| Scheduling | 2 hr | 2 hr |
| Special Orders | 1 hr | 2 hr |
| Drive-Thru | 1 hr | 1 hr |
| In-restaurant Training | 19 hrs | 25 hrs |
| Total Initial Training | 55 hrs | 70 hrs |

The cost of the Initial Training for You or Your Authorized Manager, including the materials (but not compensation for any Authorized Manager) is included in the Franchise Fee [Franchise Agreement, §5.1]. However, You must pay all other costs incurred in attending the Initial Training Program including, compensation for Your Authorized Manager, travel, meals and lodging expenses. None of the Franchise Fee will be refunded, once You or Your Authorized Manager have commenced the Initial Training [Franchise Agreement, §5.2(c)]. Currently, bi-monthly seminars are held at Our location, usually lasting no more than 3 hours and conventions usually last 2 - 3 days. Travel and lodging costs may apply, but will not exceed \$750 per person. [Franchise Agreement, §4.1(c)].

While You are a Teriyaki Stix® Franchisee, We will lend to You Our Manuals which You will learn to use in the Initial Training [Franchise Agreement, §4.2]. For a Table of Contents for Our Teriyaki Stix® Operations and Resource Manuals, See Exhibit E.

After You open Your Teriyaki Stix® Franchise Restaurant for business, We will regularly provide You with information advising of new developments and techniques in Our Systems [Franchise Agreement, §4.2(b)]. At Our discretion, We may also provide additional training [Franchise Agreement, §4.1(c)].

You must prepare an Initial Marketing Plan, and it must be approved in writing by Us, before You may open for business [Franchise Agreement, §9.1(h)]. We require you to spend an amount equal to at least 10% of the annualized premises lease rate (or rental rate equivalency), but in no case less than \$3,000, for Initial Business Promotion of Your Franchise Restaurant [Franchise Agreement, §6.1].

We currently have no formal advertising program. We have established a Business Promotion Fund which We administer to promote Our Teriyaki Stix® business and Franchise Restaurants

[Franchise Agreement, §6.2]. We may require You to pay up to 6% of gross revenues (less sales tax) into this fund [Ibid.]. This fund is kept separate from Our general funds, but We have absolute discretion as to how this fund is administered [Ibid.].

We cannot require the formation of advertising cooperative or Your participation in them. The franchisees in various regions, have formed committees to make suggestions for how they would like some of Our Business Promotion Funds to be spent. Otherwise, there is no franchisee advertising council. We do take into account suggestions and comments about marketing or advertising made by franchisees, but We are not obligated to do so. You are permitted to use your own advertising materials as long as they have been pre-approved by our Marketing Department, which approval shall not exceed 30 days from receipt of materials. The use of advertising on the internet or worldwide web page is prohibited without written consent.

ITEM 12. TERRITORY:

You must operate Your Teriyaki Stix® Franchise Restaurant exclusively from a single location selected by You but subject to Our approval. If no Approved Location is designated in the Franchise Agreement at the time it is entered into, You must submit in writing for Our approval, a proposed restaurant location, within 120 days following the date of the Franchise Agreement. We shall then either approve or disapprove the location proposed by You within 30 days following receipt of Your proposal. We may use Our own business judgement in reasonably determining whether to approve a location. Once a proposed location has been approved, You may not change the Approved Location without Our express written consent.

You will not receive an exclusive territory. The spacing of Franchise Restaurants is in Our absolute discretion and Our decisions shall be binding on You. Except for the requirement that Your Franchise Restaurant be operated from the Approved Location, You are not limited in any way as to customers You can serve. We are not restricted as to the number or location of Teriyaki Stix® Franchise Restaurants for which We may grant Franchise Licenses. We reserve the right to establish a company owned Restaurant and offer services or products which may be competitive with Your Franchise Restaurant.

ITEM 13. PROPRIETARY MARKS:

As part of the Teriyaki Stix® Franchise Licenses, We grant You the right to use Our Proprietary Marks in connection with the operation of Your Franchise Restaurant. Our Proprietary Marks include the Teriyaki Stix® trade name and service marks together with certain other names, marks and logos used to identify service or products provided by Teriyaki Stix® Restaurants and Franchise Restaurants.

Our principal Proprietary Marks - Teriyaki Stix® - are registered on the United States Patent and Trademark Office's principal register. Most of these marks were first used in interstate commerce in the fall of 1998.

| SERVICE MARK | CLASS | REGISTRATION NUMBER | REGISTRATION DATE |
|-----------------------------|-------------|---------------------|-------------------|
| Teriyaki Stix | Int. Cl. 42 | 2,301,955 | December 21, 1999 |
| Teriyaki Stix & Design | Int. Cl. 42 | 2,301,956 | December 21, 1999 |
| Chop Sticks and Bowl Design | Int. Cl. 42 | 2,328,407 | March 14, 2000 |

In addition to the above, We own twenty federally registered service marks and trademarks used as marketing slogans and identifying smoothie beverages.

You must follow Our rules when You use Our Proprietary Marks. You must not use Our Proprietary Marks as part of Your business entity's name or with modifying words, designs or symbols except for those which We license to You. You must not use Our Proprietary Marks in connection with the sale of any unauthorized product or service or in any manner not authorized in writing by Us.

No agreements limit Our right to use or license the use of Our Proprietary Marks in connection with Teriyaki Stix® Restaurants and Franchise Restaurants. We are not aware of any prior rights or infringing uses that could materially affect Your licensed use of Our proprietary marks.

You must notify Us immediately when You learn about an infringement of, or challenge to Your use of, Our Proprietary Marks. We will take the action We believe appropriate. We are not required to defend You from a claim against Your use of Our Proprietary Marks.

You must modify or discontinue the use of any of Our Proprietary Marks if We modify or discontinue them. If We ask You to modify or discontinue use of a mark, You will have four months to do so, unless We deem a shorter period necessary to avoid claims by third parties. We do not know of any infringing uses that could materially affect Your use of Our Proprietary Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION:

Although We have not filed an application for copyright registration, We claim rights under copyright laws on all advertisements and Our Operations and Resource Manuals, sales tools and other printed material which We have generated, produced or designed. The information in all items is proprietary to Us and must be kept confidential.

You must require each of Your employees or agents to execute Our *Confidentiality and Non-competition Agreement* (Exhibit D) before performing any work at or otherwise having access to proprietary information.

You must promptly tell Us when You learn about unauthorized use of any of HYATS' proprietary information. We need not take any action, but will respond to this information as We believe appropriate.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS:

If You are an individual, You must actively participate in the management and daily operation of Your Teriyaki Stix® Franchise Restaurant on a full-time basis, or designate an "Authorized Manager" approved by Us to do so. If You are a corporation, limited liability company, partnership or trust, full-time supervision must be provided by an "Authorized Manager" approved by Us. Everyone who operates Your Teriyaki Stix® Franchise Restaurant, must first attend and successfully complete the Initial Training Program.

Each owner of a franchise entity must sign a "*Joinder*" (attached to the Franchise Agreement) assuming and agreeing to discharge all obligations of the Franchisee under the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL:

You must sell only the products and services approved by Us. You must offer all the products and services which We designate. You are not limited in the customers to whom You may sell these products and services. You are prohibited from offering or selling any products or services not authorized by Us and from using the Approved Location for any business or other purpose than the operation of a Teriyaki Stix® Franchise Restaurant without Our prior written consent.

We have the right to add authorized products or services from time to time that the Franchisee is then required to offer. There are no limits on Our right to do so.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION:

This table lists important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Offering Circular. All references in this table are to the Franchise Agreement sections unless otherwise noted. The California Franchise Investment Law requires a copy of all proposed agreements relation to the sale of the franchise be delivered together with the Offering Circular.

Neither the franchisor, any person or franchise broker in Item 2 of the UFOC is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

California business and professions code 20000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

We do not have a liquidated damages clause under the California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You need not sign a General Release of Claims if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

| PROVISIONS | SECTION IN AGREEMENT | SUMMARY |
|--|-----------------------------|--|
| Term of the franchise | §2.1 | 5 year initial term |
| Renewal or extension of the term ¹ | §2.2 | 5 year renewal terms, exercise not more than 12 months or less than 6 months before expiration of term |
| Requirements for You to renew or extend ¹ | §§2.3 & 2.4 | You are not in default, operation not unlawful; Refurbishing of restaurant |

| | | |
|---|---------------------|--|
| Termination by You ¹ | None | No provision for Your unilateral termination |
| Termination by Us without cause ¹ | §14.1 | Mutual consent |
| Termination by Us with cause ¹ | §§14.2 through 14.4 | Insolvency ² , felony conviction, repeated breaches, action inconsistent with system, violation of confidential information, wrongful transfer, violation of covenant to not compete, no subfranchise, final unsatisfied judgment, attachment and levy, abandonment, death, disability, violation of insurance requirements, other violation of the Franchise Agreement |
| "Cause" defined - defaults which can be cured | §14.2 | See above |
| "Cause" defined - defaults which cannot be cured | §14.3 | See above |
| Your obligations on termination or non-renewal | §§14.56 & 15.2 | No interest on termination, discontinue use of mark and system, return Manual, materials; Covenant to not compete |
| Assignment of contract by Us | §17.12 | No restrictions |
| "Transfer" by You - definition | §16.5 & 16.6 | No encumbrance, sale, assignment, 50% ownership change without Our pre-approval |
| First right of refusal | §16.1 | You may not sell without first offering franchise to Us |
| Our approval of sale, assignment or transfer by You | §16.2 | No defaults; all debts paid; purchaser, assignee or transferee must assume all obligations and complete training; Change-of-Ownership fee - \$5,000 or \$7,500 |
| Non-competition during franchise term | §15.1 | You may not engage in similar business |
| Non-competition after the franchise is terminated or expires ³ | §15.2 | 3 years, 50 mile radius of any Teriyaki Stix® Restaurant or Franchise Restaurant |
| Franchisee death or disability | §14.3 | 180 days in event of death, 120 days in event of disability, to transfer to qualified buyer |
| Modification of the agreement ⁴ | §17.3 | Writing required |
| Integration/merger clauses | §17.4 | Entire agreement |
| Dispute resolution by arbitration or mediation | None | No provision for arbitration or mediation |
| Choice of Forum ⁵ | §17.10 | Federal or state court, Utah County, Utah |
| Choice of Law ⁵ | §17.10 | Utah law applies |

(1) These states have statutes which may supersede the Franchise Agreement in Your relationship with Us including the areas of termination and renewal of Your franchise: ARKANSAS [Stat. Section 70-807]; CALIFORNIA [Bus. & Prof. Code Sections 20000-20043]; CONNECTICUT [Gen. Stat. Sections 42-133e et seq]; DELAWARE [Code, tit.]; HAWAII [Rev. Stat. Section 482E-1]; ILLINOIS [Rev. Stat. Chapter 121½ par 1719-1720]; INDIANA [Stat. Section 23-2-2.7]; IOWA [Code Sections 523H.1-523H.17]; MICHIGAN [Stat. Section 19.854(27)]; MINNESOTA [Stat. Section 80C.14]; MISSISSIPPI [Code Section 75-24-51]; MISSOURI [Stat. Section 407.400]; NEBRASKA [Rev. Stat. Section 87-401]; NEW JERSEY [Stat. Section 56:10-1]; SOUTH DAKOTA [Codified laws Section 37-5A-51]; VIRGINIA [Code 13.1-557-574-13.1-564]; WASHINGTON [Code Section 19.100.180]; WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede certain provisions in Our Franchise Agreement including the provisions concerning termination and renewal of Your franchise.

(2) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101, et seq).

(3) The Franchise Agreement contains a covenant to not compete which extends beyond the termination of the franchise license. This provision may not be enforceable under California law.

(4) California Corporations Code, Section 31125 requires Us to give You a disclosure document, approved by the Department of corporations before a solicitation of a proposed material modification of an existing franchise.

(5) The Franchise Agreement requires application of the laws and forum of Utah. This provision may not be enforceable under California law.

ITEM 18. PUBLIC FIGURES:

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

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 Teriyaki Stix® Franchise Restaurant. Actual results vary from restaurant to restaurant and We will not estimate the results of any particular Franchise Restaurant.

ITEM 20. LIST OF OUTLETS:

As of December 31, 2004, there were 48 Franchise Restaurants in Our Franchise System: 37 combination Hogi Yogi®/Teriyaki Stix® Franchise Restaurants; 8 Hogi Yogi® only Franchise Restaurants; and 3 Teriyaki Stix® only Franchise Restaurants. A list of all Our Franchisees is attached to this Offering Circular as Exhibit B1. For a list of all franchisees who have left Our system within the last fiscal year see Exhibit B2.

Teriyaki Stix® Franchisee Status Summary for 2002, 2003, and 2004.

| STATE | TRANSFERS | CANCELED OR TERMINATED | NOT RENEWED | RE-ACQUIRED | LEFT THE SYSTEM OTHER | TOTAL LEFT COLUMNS | FRANCHISE RESTAURANTS AT YEAR END |
|-------|-----------|------------------------|-------------|-------------|-----------------------|--------------------|-----------------------------------|
| AZ | 0-0-1 | 0-0-1 | 0-0-0 | 0-0-0 | 0-0-0 | 0-0-1 | 2-2-2 |
| CA | 1-2-1 | 0-3-2 | 0-0-0 | 0-0-0 | 0-0-0 | 0-3-2 | 6-4-3 |

| | | | | | | | |
|-------|-------|-------|-------|-------|-------|--------|----------|
| ID | 1-0-1 | 0-0-1 | 0-0-0 | 0-0-0 | 0-0-0 | 0-0-1 | 6-6-5 |
| NV | 0-2-1 | 0-0-0 | 0-0-0 | 1-0-0 | 0-0-0 | 1-0-0 | 1-2-2 |
| ND | 0-0-0 | 0-1-0 | 0-0-0 | 0-0-0 | 0-0-0 | 0-1-0 | 1-0-0 |
| UT | 6-3-2 | 1-3-0 | 0-0-0 | 0-7-0 | 0-0-0 | 1-10-0 | 39-30-27 |
| Total | 8-7-6 | 1-7-4 | 0-0-0 | 1-7-0 | 0-0-0 | 2-14-4 | 54-44-39 |

As of December 31, 2004, We owned and operated 11 restaurants; - one combination Hogi Yogi®/Teriyaki Stix® Restaurant which also serves as Our training restaurant. The following table contains the status of company-owned Teriyaki Stix® Restaurants as of December 31, 2002, 2003, and 2004.

| STATE | CLOSED DURING YEAR | OPENED DURING YEAR | OPERATING AT YEAR END |
|-------|--------------------|--------------------|-----------------------|
| NV | 0-1-0 | 1-0-0 | 1-0-0 |
| UT | 0-0-0 | 0-7-0 | 1-8-11 |
| Total | 0-1-0 | 1-7-0 | 2-8-11 |

The following table contains the projected openings of Hogi Yogi® Restaurants as of December 31, 2004.

| STATE | AGREEMENTS SIGNED BUT NOT OPEN | PROJECTED NEW FRANCHISEE OWNED RESTAURANTS FOR 2005 | PROJECTED NEW COMPANY OWNED RESTAURANTS FOR 2005 |
|--------|--------------------------------|---|--|
| AZ | 0 | 0 | 0 |
| CA | 0 | 1 | 0 |
| ID | 0 | 1 | 2 |
| UT | 0 | 1 | 8 |
| Totals | 0 | 3 | 10 |

ITEM 21. FINANCIAL STATEMENTS:

For Our audited financial statements, dated as of December 31, 2003 and 2004, see Exhibit "C".

As their successor-in-interest, We have guaranteed the performance of all obligations of HYFC and HYC.

ITEM 22. CONTRACTS:

The California Franchise Investment law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Offering Circular. The following contracts are attached: Franchise Agreement and Non-disclosure Agreement as Exhibits A and D.