

ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

Company

To simplify the language in this Offering Circular, “Company” means THE FLAME BROILER, INC., the franchisor of this business. “You” refers to the franchisee, who buys the franchise and includes an individual or a corporation, partnership, limited liability company or other legal entity. “You” includes each general partner in a partnership but not the limited partners of the partnership. “You” also includes the shareholders, officers or directors of a corporation or member, officer or managing agent of a limited liability company. Company was incorporated in the State of California on June 27, 1996. Company’s principal business address is 1203 E. Chapman Avenue, Fullerton, California 92831. Company does business under the name “THE FLAME BROILER, INC.” Company has no predecessors. A list of company’s agents for service of process in various states is contained in Exhibit A to this Offering Circular. Company does not do business under any other name.

Company’s Business Activities

Company franchises the right to operate a restaurant providing quick counter service featuring family-style Korean food and other food and beverage products, all prepared in accordance with specified recipes and procedures (“Menu Items”) for carry-out and on-premises dining. The Company has developed a proprietary teriyaki sauce (“Trade Secret Food Products”) and certain presentation, packaging and marketing standards and techniques for all Menu Items and Trade Secret Food Products, all of which may be modified (“Franchised Restaurant”).

You will be granted a single Franchised Restaurant. Company provides start-up and ongoing operational assistance to you as described in Item 11 of this Offering Circular. Company operates 1 business similar to the Franchised Restaurant since January, 1995. The restaurant, operating under the name “THE FLAME BROILER,” and the company’s principal place of business are located at 1203 E. Chapman Avenue, Fullerton, California 92831. All Franchised Restaurants operate under the name “The Flame Broiler.”

The Franchised Restaurant and Businesses to be Offered

Each Franchised Restaurant operates in accordance with a System (“System”). The distinguishing characteristics of the System include distinctive exterior and interior layout, design and color scheme; exclusively designed signage, decorations, furnishings and materials; special recipes, formulae, menus and food and beverage designations; the THE FLAME BROILER Confidential Operations Manual (“Manual”); the Proprietary Software Package (“Software”) (if developed); food and beverage storage, preparation, service and delivery procedures and techniques; operating procedures for sanitation and maintenance; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising. Company may change, improve and better develop the System periodically.

The Franchised Restaurant will operate under the service mark “THE FLAME BROILER THE RICE BOWL KING”, associated logos and commercial symbols and other trade names, service marks and trademarks that Company designates as part of the System (“Marks”).

The Franchised Restaurant targets its services to the general public. The Franchised Restaurant will compete with other local businesses, as well as local, regional or national chains of restaurants and other food service businesses offering family-style Korean food and other food and beverage products for on-premises consumption and carry-out.

State, county and local regulations apply, governing the purchasing, handling, storage and preparation of food, and specifically "ready to eat" food and food products, the storage, cleaning and use of food containers, processors and serving items; the labeling and advertising of food/food products for sale, the maintenance and sanitation of business premises and the donation of food to food banks. The regulations require compliance and in the case of food handling, a certificate, effective January 1, 2000. There may be specific laws or regulations in your state or municipality regarding the operation of this business. These may include health and safety regulations, employment regulations and food handling regulations. The laws in your state or municipality may be more or less stringent. You should examine these laws before purchasing a franchise from Company.

Company believes the market for Korean food is developed.

Business History

Company has operated businesses similar to the Franchised Restaurant since 1995. Company has never offered franchises in the business offered above, or in any other business, until registering to do so in June of 1999.

ITEM 2. BUSINESS EXPERIENCE

President: Young R. Lee

From September, 1993 to January, 1995, Mr. Lee co-owned and operated the Gold Coast Dental Studio in Fullerton, California, with his spouse, Sarah J. Lee (formerly Jong S. Lee), below. From January, 1995 to present, Mr. and Mrs. Lee owned and operated THE FLAME BROILER restaurant in Fullerton, California, and incorporated that business in June, 1996.

Secretary: Sarah J. Lee (formerly Jong S. Lee)

From September, 1993 to January, 1995, Mrs. Lee co-owned and operated the Gold Coast Dental Studio in Fullerton, California, with her spouse, Young R. Lee, above. From January, 1995 to present, Mr. and Mrs. Lee owned and operated THE FLAME BROILER restaurant in Fullerton, California, and incorporated that business in June, 1996.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Offering Circular. Neither Company, nor any person or franchise broker in Item 2 of this Uniform Franchise Offering Circular is subject to any currently effective order of a national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 USCA 78a, et seq., suspending or expelling such person(s) from membership in such 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. INITIAL FRANCHISE FEE

When you sign the Franchise Agreement, you must pay Company an initial Franchise Fee in a single, lump sum payment of \$25,000. (Paragraph I.C.)*

The individual Franchise Fee is fully earned and non-refundable under any circumstances except as provided below:

a. If no acceptable site is found, approved, licensed and permitted for architectural/design compliance with Company's specifications within 90 days from the date on which the Franchise Agreement is signed, either Company or you can terminate the Franchise Agreement. From the Franchise Fee paid, Company may deduct the cost of its services to you for location assistance, at the rate of \$350 per day, and will refund the remaining balance to you. (Paragraph III.)

b. If Company determines that you and/or persons you have selected for training are unable to satisfactorily complete the required training program, Company may terminate the Franchise Agreement. From the Franchise Fee paid, Company may deduct the cost of additional training and assistance that you may be obliged to pay, at the rate of \$350 per staff member per day, or any fraction of a day, plus the cost of Company's services for location assistance at the same rate, and refund the remaining balance of the Franchise Fee to you. (Paragraph IV.)

Except as provided above, the Franchise Fee is uniform to all applicants under this offering.

* All citations of Paragraph numbers throughout this Offering Circular are referenced to the Franchise Agreement, attached to the Offering Circular as Exhibit B, unless designated otherwise.

ITEM 6OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fees	5% of Net Sales	Payable weekly	See Definition of Net Sales ¹ (Paragraphs X.A., D.; Items 8, 9)
Grand Opening Advertising	A required minimum of \$1,000	To be spent during the first month of operation	Company provides guidelines to you. Paid to advertisers. (Paragraph IX.B.; Item 9)
Advertising Fund	Up to 1% of Net Sales	Payable weekly at the same time and in the same manner as the Royalty Fees	Contributions required if Company establishes the Advertising Fund. (Paragraph IX.C.; Item 9)
Local Advertising ²	\$1,000 or 1% of Net Sales, whichever is greater	Monthly	You pay directly to advertisers, IAW guidelines. (Paragraphs IX.A., D.; Item 9)
Cooperative Advertising	Pro rata share not to exceed local advertising costs	Monthly	Credited towards your local advertising requirements. (Paragraph IX.E.; Item 9)
Audit	Amount underpaid plus interest; cost of audit	On demand	Payable only if audit by Company shows that you understated Net Sales by at least 2%. (Paragraph XI.E.) Cost of audit and attorney fees in addition, if more than 3%.
Relocation Fee	\$8,500	Once you request to relocate	Company to approve new location. (Paragraphs III.A., F.; Item 9) Refundable, in part, if no site found.
Development of the System	Not to exceed \$10,000 per year or \$25,000 per the first term of agreement, which may be adjusted annually on January 1 st based on the most recently published Consumer Price Index ("CPI"), as published by the United States Department of Labor, Bureau of Labor Statistics	At time of acquisition/incorporation of improvement	You will make these expenditures as Company requires to comply with modifications to the System. Not required during the first year of the first term. (Paragraph VIII.; Item 9) Payable to suppliers.
Late Fees	1.5% per month or highest applicable legal rate for open account business credit, whichever is lower	After due date, on demand	Applies to all Royalty Fees, advertising contributions and amounts due for purchases from Company. (Paragraphs X.B.; XI.E., F.; Item 9) Late payment remains grounds for termination of franchise.
Supplier/Supplies Approval	Reasonable cost of inspection and actual cost of test not to exceed \$1,000 total	Time of inspection/test	Applies to new suppliers or supplies you wish to purchase that Company has not approved. (Paragraph XII.H.; Items 8, 9)
Advisory Council	Cost of expense to attend	On attendance	Amounts may vary. (Paragraph XII.P.; Item 9)

Name of Fee	Amount	Due Date	Remarks
Insurance Policies ³	\$1,500 to \$2,400	Must have the policies within 3 months after signing the Franchise Agreement and not later than time you acquire an interest in the real property on which you will operate the Franchised Restaurant	Minimum amounts required. (See exhibit, page 8; Items 8, 9).
Transfer Fee	50% of the then-current initial Franchise Fee for a start-up Franchised Restaurant	On execution of transfer agreement	This transfer fee does not apply to transfers after your death. (Paragraphs XVIII.B.; XIX.B.; Item 9)
New Manager Training	\$350 per day per trainer	Time of service	You pay for new manager training. (Paragraph IV.E.; Item 9)
Opening Assistance	\$350 per day per staff member	Time of assistance	You pay only for opening assistance beyond that provided for in the agreement.
Location Assistance	\$350 per day per staff member	Time of assistance	Company provides recommendations, analysis, specifications and counseling in location/relocating Franchised Restaurant. You will pay by deduction from fee. (Paragraphs III.E., F.; Item 9)
Continuing Education	You must pay your expenses as well as your employees' expenses in attending these programs	Time of program	Attendance will not be required more than twice a year and will not last more than 5 business days. Paid to provider of travel, lodging, food. (Paragraph IV.D.; Item 9)
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action on demand	You will reimburse Company for all costs in enforcing your obligations or defending any claim concerning the Franchise Agreement. (Paragraphs V.C., D.; VII.C., E.; XVII.G.; XVIII.E.; XXI.C.; XXIV.; Exhibits F, G and H; Item 9)
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	You will defend suits at your own cost and hold Company harmless in suits involving damages from your operation of the Franchised Restaurant. (Paragraphs V.D.; VII.C., E.; XVII.G.; XVIII.E.; XXI.C.; Exhibits F, G and H)
Miscellaneous	Varies	Upon breach of the Franchise Agreement	You must comply with all terms of and will be liable for any breach of the Franchise Agreement. (Exhibit B; Item 9)
Closing/Restoring Restaurant after Termination	Varies	On termination of agreement	Cost dependent on extent of restoration. Applies only if you intend to continue business under other affiliations. (Paragraphs XVII.E., J.; Item 9)

Name of Fee	Amount	Due Date	Remarks
Banking	\$50 to \$160 per month	Monthly	Bank services, EDTA. (Paragraph X.D.; Items 8, 9)
Accounting	\$250 to \$300 per month	As billed	Cost of professional services. (Paragraphs XI.A.-C.; Item 9)
Inventory/Supplies	\$4,000 to \$14,000 per month	On purchase or delivery	Cost of supplies/products required to be used in the restaurant. (Paragraphs XII.I.-M, R., S.; Items 8, 9)
Software/Computers/Registers	\$5,750	On or before opening, as to register. When directed by Company, as to computer	Cost of computers and registers only. This amount does not include cost of proprietary software. (Paragraph XII.Q.; Items 8, 9)

All fees are imposed by and are payable to Company, unless otherwise noted. All fees pertain to Franchised Restaurants established under the Franchise Agreement.

Interest begins to accrue from the date of underpayment. You do not have to pay any other fees to Company, nor does Company impose or collect any other fees or payments for any third party. Any fees paid to Company are non-refundable unless otherwise noted.

Fees payable to third parties are refundable based on your arrangements with those third parties.

Each restaurant, including Company-owned restaurants will contribute a monthly sum not exceeding 1% of Net Sales to the Advertising Fund. Fees to an advertising cooperative, if formed, are in addition to those to the Fund, but are in lieu of local advertising contributions. Company runs the cooperative, but may be run by an Advisory Council if Company elects. The assessments against Company-owned restaurants are based on same formula as assessments against other restaurants in the cooperative (a uniform percentage of local advertising funds from each). Amounts may vary, depending on volume of sales. Company administers both cooperative and advertising funds and retains power to change, merge or dissolve both. (Paragraphs IX.C., E.)

If formed, Company will impose no fees on you through the Regional Advisory Council, only the expenses you incur to attend the meetings. (Paragraph XII.P.)

¹ Net Sales. Net Sales is the total of all revenues and income from the sale of all Menu Items and other food products, beverages and other related merchandise, products and services to your customers, or any other source, whether or not sold or performed at or from the THE FLAME BROILER Franchised Restaurant, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise. The amount of all sales tax receipts which are chargeable to customers that are separately stated when the customer is charged and are paid to the appropriate taxing authority are deducted from Net Sales. All documented refunds, chargebacks, credits and allowances you give in good faith to your customers are also deducted. All barter and/or exchange transactions in which you furnish services and/or products in exchange for goods or services to be provided to you by a vendor, supplier or customer will, for the purpose of determining Net Sales, be valued at the full retail value of the goods and/or services provided to you. (Paragraph X.A.2.)

² Local Advertising. You must spend an amount equal to the greater of \$1,000 or 1% of Net Sales of the Franchised Restaurant on local advertising and promotion each month. You will make all local advertising and promotion expenditures based upon Company's guidelines unless you receive Company's prior written approval. At Company's sole option, Company may require you to contribute up to 100% of the required local advertising expenditures to cooperative advertising. Within 30 days of the end of each calendar month, you must furnish to Company, in a manner Company approves, an accurate accounting of your expenditures on local advertising and promotion for the preceding calendar month just ended. (Paragraph IX.D.)

³ Insurance. The required coverage with their respective minimum limits of coverage is: (Paragraph XIV.B.)

1. All "Risks" coverage insurance on all furniture, fixtures, equipment, supplies, products and other property used in the operation of the Franchised Restaurant (which may include flood and/or earthquake coverage where there are known exposures to either peril and theft insurance) for full repair as well as replacement value without any applicable co-insurance clause, except that an appropriate deductible clause will be permitted not to exceed \$1,000.

2. Workers' Compensation and Employer's Liability insurance and any other insurance required by statute or rule of the state or county in which the Franchised Restaurant is located and operated.

3. Comprehensive General Liability insurance, including a per premises aggregate with the following coverages: broad form contractual liability; personal and advertising injury; products/completed operations; medical payments and fire damage liability; insuring Company and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees for personal injuries or property damage that may result from the operation of the Franchised Restaurant, including General Aggregate coverage in the following limits:

<u>Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate.....	\$1,000,000
Products/Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence.....	\$1,000,000
Automobile Liability Insurance	\$1,000,000
Fire Damage (any one fire).....	\$50,000
Medical Expense (any one person).....	\$5,000
Business Interruption Insurance.....	For Actual Losses Sustained

4. Business interruption insurance for actual losses sustained, including Year 2000 compliance, for a 12 month period.

5. All insurance and types of coverage required by the terms of any lease for the Franchised Restaurant or the Company.

If you fail to obtain and maintain this insurance coverage, Company may get this insurance coverage and charge you. You must pay Company immediately for these charges with a reasonable fee for Company's expenses in obtaining this insurance. (Paragraph XIV.D.)

ITEM 7.INITIAL INVESTMENT

<u>Names of Expenditures</u>	<u>Your Actual Or Estimated Amounts</u>	<u>Method Of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is Made</u>
Initial Franchise Fee ¹	\$ 25,000	Lump Sum	Upon Signing Franchising Agreement	Company
Real Estate ²	2,000 - 9,000	Lump Sum Deposit	Upon Signing Lease	Landlord
Utility Security Deposits ³	0 - 1,500	Lump Sum Deposit	Prior to Connection	Utility Companies
Leasehold Improvements ⁴	80,000 - 100,000	As Arranged	Prior to Opening	Landlord, Approved Suppliers
Furniture, Fixtures & Equipment ⁵	30,000 - 55,000	As Arranged	Prior to Opening	Approved Suppliers
Initial Inventory ⁶	1,500 - 2,500	Lump Sum	Prior to Opening	Company, Approved Suppliers
Insurance ⁷	1,500 - 2,400	As Arranged	Earlier of 90 days After Signing or Acquisition of Premises	Insurance Carrier
Training ⁸	500 - 1,000	As Incurred	As Incurred	Transportation Lines, Hotels and Restaurants
Grand Opening Advertising ⁹	1,000 - 1,500	As Arranged	First 2 Months of Operation	Approved Suppliers
Signage ¹⁰	3,000 - 6,000	Lump Sum	Prior to Opening	Approved Suppliers
Office Equipment / Supplies ¹¹	1,000 - 2,500	As Arranged	Prior to Opening	Approved Suppliers or, if none, You Determine
Additional Funds ¹² (For 3 Months)	36,000 - 50,000	As Arranged	As Incurred	All Providers Above, Employees
Professional Fees, Licenses & Permits ¹³	600 - <u>1,200</u>	As Arranged	As Arranged	Issuer/Provider
TOTAL	\$182,100 - \$257,600			

NOTES

¹ Initial Franchise Fee. The initial Franchise Fee is \$25,000 and is refundable as described in Item 5. Refundability of all remaining initial investment expenses is determined by agreement with the provider of the product/service.

² Real Estate. You must pay a security deposit equal to 1 month's rent and advance the rent for the last month. The high end number represents a lease rate of \$3+ per square foot for 1,500 square feet of space for 2 months. The low end number represents a lease rate of \$2 per square foot for 1,000 square feet of space for 1 month. Location in strip-mall most probable. Monthly rent will probably be between \$2,000 and \$3,000 per month.

³ Utility Deposits. A utility deposit will be required only if you are a new customer of the utility company.

⁴ Leasehold Improvements. The low end assumes the landlord provides a partial build-out allowance. The high end reflects the cash outlay if you do not receive a build-out allowance. No extended payment terms are considered here. Improvements may include structural changes, interior plumbing/electrical reconfigurations, partition, decor, venting, relocation of walls, windows and doors.

⁵ Furniture, Fixtures and Equipment. These numbers represent typical office and restaurant furniture and fixtures.

⁶ Initial Inventory. The initial inventory includes cups, napkins, bowls, sauces, gloves and other Menu Items.

⁷ Insurance. A 25% down payment of the annual premium for general liability insurance, workers' compensation and property and casualty insurance costs is included in the low-end estimate, and the expense of the full annual premium is included in the high estimate.

⁸ Training. You must pay all expenses that you incur to attend any training, including travel, food and lodging and car rental.

⁹ Grand Opening. You must spend a minimum of \$1,000 during the first month of operation for advertising.

¹⁰ Signage. The range of costs represents the expense of acquiring all signage on the franchised location.

¹¹ Office Equipment and Supplies. There is a range of expenses that will be incurred when purchasing office equipment and related supplies. Both the low-end and the high-end numbers represent a straight purchase of all supplies and equipment.

¹² Additional Funds. These additional funds are needed to operate the Franchised Restaurant during the initial period (e.g., 3 months) in addition to those listed in Item 7 and represent expenses over and above opening costs. A reasonable time for the initial phase of this business is at least 3 months. The working capital estimate covers operating expenses, including rent, utilities, insurance, inventory, supplies, advertising and salaries for 3 employees at present minimum wage, and owner at \$3,000 per month, for the first 3 months of operation. However, Company cannot

guarantee that this amount will be sufficient. This amount may vary based on owner's salary and the extent of the actual participation of your shareholders. These figures are estimates based on Company's 10 years of experience and projections of Company's advisors in preparing these forms. YOU SHOULD REVIEW THESE FIGURES CAREFULLY WITH A BUSINESS ADVISOR BEFORE MAKING ANY DECISION TO PURCHASE THE FRANCHISE.

¹³ Professional Fees. These costs cover the expense to acquire the local business permits and attorney/accountant's fees, cost of banking accounts, uniforms, etc..

Company does not offer, either directly or indirectly, financing to you for any items.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approved Supplies and Suppliers

Company gives you a list of suggested manufacturers, suppliers and distributors for the Franchised Restaurant ("Suppliers List") and a list of approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Franchised Restaurant ("Supplies List"). If you would like to sell or use any product, material or supply or purchase any products from a supplier not on either of these lists, you must notify Company and may need to submit samples and other information to Company so that Company can make an informed decision as to whether the product or supplier meets Company's standards. You may be charged for the reasonable costs of inspection and Company's actual cost of testing of a product or supplier, not to exceed \$1,000. Company will approve or disapprove submitted items within a reasonable time. (Paragraph XII.H.) Company reserves the right to periodic retesting and inspection. Specifications are available to you through the Franchise Agreement and the Manual and to selected suppliers of Mark and copyright items. Specifications and standards are formulated on the basis of Company's experience in the fast food Korean style business and projections from its advisors. They are modified as needed, depending on Company's or your improvements on industry practices and changing legal requirements.

Any item used in the Franchised Restaurant which is not specifically required for purchase according to the Suppliers List or the Supplies List must conform to Company's established standards and specifications. (Paragraph XII.I.)

The Franchised Restaurant must at all times maintain an inventory of ingredients, food and beverage products and other products, materials and supplies that will permit operation of the Franchised Restaurant at maximum capacity. (Paragraph XII.M.) Most of your purchases will be made from Company or Supplier's List.

Company applies the following general criteria in approving or revoking a proposed supplier:

1. Ability to provide product;
2. Quality of products and services;

3. Production and delivery capability;
4. Proximity to Franchised Restaurants in order to be able to make timely deliveries of product; and
5. Dependability of the supplier.

Although purchasing arrangements for products, materials and supplies are not yet in place, Company will attempt to negotiate the best possible rates for purchases of products and materials with suppliers. (Paragraph XIII.)

All Continuing Services and Royalty Fees ("Royalty Fees"), advertising contributions, amounts due for your purchases from Company and other amounts which you owe to Company will be paid through an Electronic Depository

Certain suppliers may make payments to Company because of transactions with you, although there are no arrangements in place at the present time. Company expects to derive revenue from leases of software and from sales of Trademarked or Trade Secret Food Products, whether sold by Company or by licensed supplier. Company has no history of such sales. Company projects that eventually, up to 20% of its annual revenue will come from sales of restricted products, depending on who manufactures the product, and the number of franchisees buying it. Company expects to license the manufacture of its software and Trademarked Products, and allow you to manufacture the sauce for your own use. As volume of product reaches levels warranting commercial production, Company plans to license the production of the sauce, to assure uniformity, and any additional food products it may develop. Your purchase of restricted products should cost you less than 2% of your start-up costs, and not more than 5% of ongoing expenses. In the case of Trade Secret Food Products, Company will derive revenues equal to its cost of production plus 2% markup, which funds, and those derived from Software, will be retained by Company. Revenues, if any, derived from the sale of Trademarked Products through suppliers, whether in the form of rebates, commissions, license fees, will be deposited to the Advertising Fund, in addition to Company's share.

There are no purchasing cooperatives in existence at this time.

Software

Company may develop and custom design Software for conducting accounting, inventory control, point-of-sale functions and related activities ("Software"). If developed, the Software will be proprietary to and the confidential information of Company. You must comply with Company's standards and specifications regarding the Software, as provided in the Manual. This proprietary software is in an ongoing development and testing stage and upgrades may be implemented into the System at Company's discretion. Company will lease the Software to you at the then-current rates to be published in the Manual. Because the Software has not yet been developed, COMPANY CANNOT ESTIMATE YOUR INITIAL OR ONGOING COSTS TO PURCHASE OR LEASE THE SOFTWARE. (Paragraph XII.Q.) Company expects to be the only approved supplier.

Trademarked Products

Company may develop certain Trademarked Products ("Trademarked Products") that are specially developed or private labeled merchandise and products bearing the Marks. You must use or carry an adequate supply or representative inventory of these Trademarked Products. You will purchase Trademarked Products only from designated sources which manufacture the Trademarked Products to Company's precise specifications. (Paragraphs XII.H., S.)

Trade Secret Food Products

Company has developed Trade Secret Food Products and will continue to develop and own a proprietary teriyaki sauce and beef marinade for your use in the operation of the Franchised Restaurant. You will use the Trade Secret Food Products at all times in the operation of the franchise. Company will manufacture, supply and sell Trade Secret Food Products to you and disclose the formulae for and methods of preparing the Trade Secret Food Products to a limited number of suppliers who Company will authorize to manufacture the Trade Secret Food Products to Company's precise specifications and to sell the Trade Secret Food Products to you. You must acknowledge that you will purchase and use the Trade Secret Food Products only from Company or a limited number of suppliers Company authorizes. (Paragraphs XII.H., R.)

Insurance

You must obtain, at your expense, and maintain insurance protecting you, Company and Company's officers, directors and employees against any loss, liability, personal injury, death or property damage or expense concerning the Franchised Restaurant as Company may reasonably require for its own and your protection. The insurance policy(ies) will contain certain Company-approved clauses and waivers. Company must be named as an additional insured in each policy or policies. (Paragraph XIV.A.)

The liability insurance may not be limited in any way by reason of any insurance that Company may maintain. Within 90 days of signing the Franchise Agreement, but by the date on which you acquire an interest in the real property on which you will develop and operate the Franchised Restaurant, you must furnish Company with an Accord Form Certificate of Insurance showing compliance with Company's insurance requirements. The certificate will state that the policy or policies will not be cancelled or materially altered without at least 30 days written notice to Company. The certificate will reflect proof of payment of premiums. Maintenance of the insurance and your performance of the obligations under the insurance provisions of the Franchise Agreement will not relieve you of liability under the Franchise Agreement's indemnity provisions. Company may modify the minimum insurance requirements and notify you of the changes in writing. (Paragraph XIV.C.)

Records and Reports

You will maintain during the term of the Franchise Agreement and preserve for the time period specified in the Manual, full, complete and accurate books, records and accounts in accordance with the standard accounting system that Company requires in the Manual. You will retain for 3 years all books and records related to the Franchised

Restaurant including daily sales reports, invoices, payroll records, check stubs, sales tax records and returns, cash receipts and disbursement journals, general ledgers and any other financial records Company designates or required by law. (Paragraph XI.A.)

You will supply to Company on or before the 10th day of each quarter, a profit and loss statement and balance sheet for the preceding quarter just ended and your fiscal year-to-date. Additionally, you will, at your expense, submit to Company within 90 days after the end of each fiscal year a profit and loss statement for that fiscal year and a balance sheet as of the last day of that fiscal year, prepared on an accrual basis, including all adjustments necessary for fair presentation of the financial statements. You will certify the financial statements to be true and correct. Company reserves the right to require that annual financial statements, prepared at your cost and in accordance with generally accepted accounting standards, be reviewed and/or audited by an independent certified public accountant at Company's cost. (Paragraph XI.B.)

You will submit to Company other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manual. (Paragraph XI.C.)

You must buy a computer system meeting the specifications and standards that Company requires. All Net Sales and sales information and related activities will be recorded on this equipment. Company will have full access to all of your data, system and related information by means of direct access whether in person or by telephone/modem. (Paragraph XI.D.)

Insurance, records and computer hardware that meet Company's standards may be purchased at any retail store where these items are sold. You derive no additional benefits for use of any restricted item.

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 THE OFFERING CIRCULAR.

Obligation	Paragraph In the Franchise Agreement; UFOC Exhibit	Item In The Offering Circular
a. Site selection and acquisition/lease	Paragraph III.	Items 5, 6, 7, 11 and 12
b. Pre-opening purchases/leases	Paragraphs III.; XIII.; XIV.	Items 6, 7, 8, 11 and 12

Obligation	Paragraph In the Franchise Agreement; UFOC Exhibit	Item In The Offering Circular
c. Site development and other pre-opening requirements	Paragraphs III., IV., XII., XIII., XIV.	Items 6, 7, 8, 11 and 12
d. Initial and ongoing training	Paragraphs IV., XII., XIII.	Items 6, 7 and 11
e. Opening	Paragraphs III., IV., IX., XII.	Items 6, 7 and 11
f. Fees	Paragraphs I., III., IV., VIII., IX., X., XI., XII., XIV., XVI., XVII., XVIII., XIX., XXI., XXIV.	Items 5, 6, 7, 8, 11 and 12
g. Compliance with standards and policies/Operating Manual	Paragraphs III., IV., V., VI., VII., VIII., IX., X., XI., XII., XIII., XV., XVI., XVII., XVIII., XIX., XX., XXI., XXIV., XXV., XXIX; Exhibits F, G, H	Items 8, 11, 12, 13, 14, 15, 16 and 17
h. Trademarks and proprietary information	Paragraphs V., VI., VII., VIII., XII., XV., XVI., XVII., XVIII., XXIX.; Exhibits F, G, H	Items 11, 13, 14 and 16
i. Restrictions on products/services offered	Paragraphs V., VI., VII., VIII., IX., XII., XIII., XV., XVI.	Items 8, 11, 12, 13, 14, 15 and 16
j. Warranty and customer service requirements	Paragraph XII.	N/A
k. Territorial development and sales quotas	Paragraph I.	Items 11 and 12
l. Ongoing product/service purchases	Paragraphs IV., VI., VIII., IX., X., XII., XIII., XIV., XVI.	Items 6, 8 and 11
m. Maintenance, appearance and remodeling requirements	Paragraphs III., VI., VIII., IX., XII., XIII., XVI., XVII., XXI.	Items 6, 7, 11 and 17
n. Insurance	Paragraph XIV.	Items 6, 7 and 8

Obligation	Paragraph In the Franchise Agreement; UFOC Exhibit	Item In The Offering Circular
o. Advertising	Paragraphs IX., X.	Items 6, 7, 11, 13 and 14
p. Indemnification	Paragraphs V., VI., XVII., XVIII., XXI., XXIV.; Exhibits F, G, H	Items 6, 13, 14, 15 and 17
q. Owner's participation/management/staffing	Paragraphs I., III., IV., IX., XII., XV., XVIII.; Exhibits F, G, H	Items 11, 12, 14 and 15
r. Records and reports	Paragraphs VI., VII., IX., X., XI., XII., XIII., XVII.	Items 8, 11 and 14
s. Inspections and audits	Paragraphs V., IX., XI., XII., XIII.	Items 6, 8, 11 and 13
t. Transfer	Paragraphs XV., XVI., XVIII., XIX., XX.; Exhibits F, G, H	Items 6 and 17
u. Renewal	Paragraph II.	Item 17
v. Post-termination obligations	Paragraphs XV., XVII.; Exhibit H	Item 17
w. Non-competition covenants	Paragraphs XII., XV.; Exhibit H	Item 17
x. Dispute resolution	Paragraphs V., VII., XVII., XXII., XXIV., XXIX., XXX.; Exhibits F, G, H	Item 17
y. Licenses	Paragraphs III., XII.	Item 15

ITEM 10. FINANCING

Company does not offer direct or indirect financing. Company does not guarantee your note, lease or obligation.

ITEM 11. FRANCHISOR'S OBLIGATIONS

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

A. Company's Obligations Before the Franchised Restaurant Opens:

1. Provide you with written notice of approval or disapproval of the proposed restaurant site, within 7 days after notice of your choice of location, and submission of proposed lease to Company. Approval of location is dependent on approval of lease. (Paragraphs III.C., E.)

2. Approve the lease for the premises within 7 days after submission of proposed lease to Company. (Paragraphs III.C., D.)

3. Use reasonable efforts to help analyze your market area, determine site feasibility and to assist in the designation of the franchise location, upon your request, until time for locating a site expires under the Franchise Agreement. Company neither owns nor leases premises, nor negotiates for the purchase or sale of premises. You are responsible for all construction/remodeling, as required, and for obtaining/conforming to all permits, licenses, ordinances and codes. (Paragraphs III.E., G.)

4. Provide you with basic conceptual designs and specifications for the premises at the time you sign the Franchise Agreement. (Paragraph III.G.)

5. Train the candidates selected before beginning operations of the Franchised Restaurant for up to 2 weeks as described in this Item 11.E. below, at a mutually convenient time, set by agreement with Company, within the time limits set in the Franchise Agreement. Company does not hire your employees. (Paragraphs IV.A., B.)

Company does not charge for this training or service unless training is not successfully completed and franchise is terminated. Any expenses for travel, room and board for you and your employees incurred in attending this program, including your employees' salaries are your sole responsibility. All training occurs at Company's headquarters or at a location Company designates. (Paragraphs IV.A.-C.)

6. Loan you 1 copy of the Manual which contains mandatory and suggested specifications, standards and procedures at the time you sign the Franchise Agreement. (Paragraph VI.A.)

7. Provide you with site selection guidelines at the time you sign the Franchise Agreement. (Paragraph XIII.A.)

8. Provide Approved Supplies List and Approved Suppliers List upon signing the Franchise Agreement. Company does not purchase, lease, provide or install equipment, fixtures, signs or inventory. Written specifications are provided, as are suppliers. All supplies except the Trade Secret Food Products may be obtained through suppliers. (Paragraph XIII.A.)

B. Company's Obligations During the Operation of the Franchised Restaurant:

1. Furnish to you, at your premises and at Company's expense for up to 2 weeks immediately before, at, or following the opening of the Franchised Restaurant, a representative to assist in the opening of your Franchised Restaurant. (Paragraph IV.B.; Items 6, 9)

2. Company approves all advertisements and promotional items you pick for local advertising. You pick the media and materials. (Paragraphs IX.A., D.; Items 6, 9)

Rather than paying for local advertising, Company may require that you pay all or a portion of the same funds to an Advertising Coverage Area ("ACA") for advertising in print, radio or TV, on a local, regional or national basis. Any payments to an ACA would be credited towards your local advertising requirement. Company may designate an ACA in which your restaurant and at least 1 other THE FLAME BROILER restaurant is located to develop a cooperative local, regional or national advertising or promotional program ("Cooperative"). An ACA is a geographical area. The geographical area will change in size, depending on the advertising media used. The size of the ACA reached by radio, will be larger than the ACA reached by print advertising. At the time a program is submitted, Company will submit a list to you of all operating THE FLAME BROILER restaurants in your ACA. Company will have the sole power to form, change, merge or dissolve these Cooperatives. The Cooperatives will prepare annual unaudited financial statements which will be made available for your review, or distributed to you, on request. The Company's in-house personnel or an outside advertising agency will provide the advertising material to the ACA. Company will administer the Cooperative, but may form advisory councils to act in an advisory capacity only. The Cooperative shall operate from a written governing document, available for inspection, on request. Your participation in the cooperative for the area covered by the advertising is mandatory. Your participation on the advisory council, if formed, is also mandatory. Your contribution to ACA is a specified, uniform percentage from your local advertising funds. Company reserves the right to require an audit as part of the Cooperative's annual account at Cooperative expense. Company may dissolve the Cooperative only when its funds have been spent. (Paragraph IX.E.; Items 6, 9)

3. Company has established an Advertising Fund. You must contribute an amount not to exceed 1% of your Net Sales. Company will administer all advertising programs with sole discretion over the creative concepts, materials and media used in these programs and their placement and allocation. The media includes print, television or other media and may be local, regional or national in scope. Company is not obligated to make expenditures from the Advertising Fund which are equivalent or proportionate to your contribution, or to ensure that you benefit directly from the placement of advertising in proportion to your contribution, or in your area. For each of its Company-owned restaurants offering products and services similar to the Franchised Restaurant, Company will contribute to the Advertising Fund on the same basis that you do. The Advertising Fund may be used for the cost of creating, producing and distributing advertising and promotion, in any form, in any media of THE FLAME BROILER restaurants, including any related public relations and marketing activities that are reasonable. Company will conduct all advertising in-house, but may use a national or regional advertising agency in the future. Company will not be compensated for providing services to the Advertising Fund. Company's expenses in administering the Advertising Fund and Company's costs in creating, producing and distributing advertising and promotion in-house, including salaries of Company's employees, if any, may be paid from the Advertising Fund. An accounting of the operation of the Advertising Fund will be prepared annually and will be made available to you upon request. Company reserves the right to require that this annual accounting include an audit of the operation of the Advertising Fund prepared by an

independent certified public accountant Company selects and prepared at the expense of the Advertising Fund. It is anticipated that all contributions to the Advertising Fund will be expended during the same calendar year in which the contributions were made. Funds not spent in the year in which they were contributed will be kept in the fund and used for advertising costs in the following year. All expenditures in the following fiscal years will be made first out of any current interest or other earnings of the Advertising Fund, next out of any accumulated earnings and finally from principal. Company may terminate the Advertising Fund at any time once all monies in the Advertising Fund have been expended for advertising and promotional purposes. (Paragraph IX.C.; Items 6, 8, 9) Funds last year were spent 52.4% for television, 22% radio, 23.66% print, and 1.94% apparel – a total of 100%.

4. No part of the Advertising Fund will be used for the purpose of soliciting new franchisees. (Paragraph IX.C.)

5. Periodically update the Approved Supplies List and Approved Suppliers List, as Company deems necessary. (Paragraph XII.H.; Items 6, 8, 9)

6. Modify the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new Menu Items, new products, new equipment or new techniques. (Paragraph VIII.; Items 6, 8, 9)

7. Provide you with the following: (Paragraph XIII.C.)

a. Regulate quality standards and products throughout all Franchised Restaurants, including procedures for the service and sale of Menu Items, other food and beverage items, and related items approved by Company, the proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures, restaurant condition and appearance and updating you on new products/services and improvements to System;

b. Provide continuing education of trained employees and the initial training of new managers;

c. Negotiate best available rates for purchase of products and materials and for their distribution from available suppliers;

d. Remain available for general counsel, advice and guidance in the operation of the Franchised Restaurant, including the determination of prices for the food and other products offered by the restaurant.

8. Make periodic visits to the Franchised Restaurant to consult and guide in all aspects of the operation and management of the Franchised Restaurant and will prepare written reports of these visits outlining any suggested changes or improvements in your operations and identifying any defaults in your operations which become evident to Company. Company will provide you with a copy of each written report. Company will also advise you of any operational problem in your Franchised Restaurant which become evident from your reports to Company or by Company's inspections of your Franchised Restaurant. (Paragraph XIII.C.)

9. You must use a computer-based point of sale cash register. Company has not yet developed software and does not expect to for another year or so. Company will not decide on computer hardware requirements until the development of software.

You must use a Panasonic PANPW5500. Company will consider alternate equipment that meets all specifications of the Panasonic product. Neither Company nor any third party have an obligation to maintain or repair your equipment. Optional service contracts are currently available with a Panasonic distributor for approximately \$280 to \$300 per year. Cost of upgrade is dependent on which upgrade is made.

Company's current distributor for the register is Appel Company, 7039 Valjean Avenue, Van Nuys, California 91406. Phone: (818) 786-7777. Company has used the register for approximately 1 year.

You must maintain all your equipment, including the register at your cost. You must update and upgrade hardware and software when Company requires. There are no contractual limits on cost or frequency of upgrades. Company has no obligation to upgrade or to provide or assist you with obtaining any of the items or services above.

The register will record all sales information. Company may independently access your information and data at any time. See Item 6, Software/Computers and Register. (Paragraphs XI.D.; XII.Q.)

C. Methods Used to Select the Location of the Franchised Restaurant:

You must select the site for the Franchised Restaurant within the area designated in the Franchise Agreement. Company must give its approval of the site. (Paragraphs III.B., C.)

The Company will approve or disapprove a selected site based on high visibility and traffic flow, abundant parking, easily accessible from street, restaurant easily accessible from parking area, close proximity to residential and commercial settings, distance away from competition, terms of lease, size and physical condition of building. Company will have 7 days to approve or disapprove any site you have selected. Failure to agree on a site within 90 days after signing the Franchise Agreement, unless extended by mutual written agreement, gives Company and you and you the right to terminate the Franchise Agreement and a refund of fee, less certain charges. (Paragraphs III.B.-F.)

D. Typical Length of Time Before Operation:

The typical length of time between the signing of the Franchise Agreement and the opening of your business is approximately 6 months after signing the Franchise Agreement.

Date of opening may be extended, provided you and Company agree to do so in writing. Factors which may delay opening are unreasonable failure or refusal of local authorities to issue permits, weather conditions, shortages or delays in procurement or delivery of materials, fixtures, equipment, signs through no fault of yours.

E. Training:

The initial training that Company provides is also described below.

After site selection, Company will train you and 2 candidates of your choice at Company's headquarters, or other Company-designated location. Training, described below, may last up to 2 weeks and must be completed more than 2 weeks before you open your Franchised Restaurant, to Company's satisfaction. (Paragraphs IV.A., C.)

<u>SUBJECT</u>	<u>TIME BEGAN</u>	<u>INSTRUCTIONAL MATERIAL</u>	<u>HOURS OF CLASSROOM TRAINING</u>	<u>HOURS OF ON-THE-JOB TRAINING</u>	<u>INSTRUCTOR</u>
<u>Day 1</u> Operations, Preparation Cooking and Portioning	9:00 a.m.	Manual	4	4	Young Lee/other qualified instructor
<u>Day 2</u> Guidelines on Drafting your IIPP	9:00 a.m.	Manual	4	4	Young Lee/other qualified instructor
<u>Day 3</u> Certified Food Handlers Certificate	9:00 a.m.	Manual	4	4	Young Lee/other qualified instructor
<u>Day 4</u> Bookkeeping, Procedures and Requirements	9:00 a.m.	Materials and Information Collected by The Flame Broiler	2	6	Young Lee/other qualified instructor
<u>Day 5</u> Marketing and Advertising Technique, Customer Service and Sales Technique	9:00 a.m.	Materials and Information Collected by The Flame Broiler	2	6	Young Lee/other qualified instructor

<u>SUBJECT</u>	<u>TIME BEGAN</u>	<u>INSTRUCTIONAL MATERIAL</u>	<u>HOURS OF CLASSROOM TRAINING</u>	<u>HOURS OF ON-THE-JOB TRAINING</u>	<u>INSTRUCTOR</u>
<u>Day 6</u>					
Maintenance Procedures, Labor Development, Recipes (if needed)	9:00 a.m.	Materials and Information Collected by The Flame Broiler	2	6	Young Lee/other qualified instructor
<u>Day 7</u>					
Maintenance of Quality Standards and Sanitation Procedures	9:00 a.m.	Manual and Information Collected by The Flame Broiler	4	4	Young Lee/other qualified instructor
<u>Day 8</u>					
Open					
<u>Day 9</u>					
Open					
<u>Day 10</u>					
Open					

You, your managers and/or employees must attend and successfully complete up to two refresher training programs per year (up to a maximum of 5 days total per year) conducted at Company's restaurant location if Company requires. All previously trained persons must attend at their own expense. Refresher or continuing education programs will include reinforcement of earlier training and new developments. Company will schedule these programs when Company chooses. Principal instructor has 11 years practical experience. Other instructors may have less. Training is not available to anyone who is not required to attend. Your failure to complete the required training is grounds for termination of the Franchise Agreement. (Paragraphs IV.C., D.)

If you designate new or additional managers after the initial training program, Company will provide training to these managers at the then-current published rates, currently up to \$350 per day per trainer. All designated managers must successfully complete the training program provided at Company's headquarters before assuming any managerial responsibilities. You will bear all costs incurred by your employees attending this training program. (Paragraphs IV.E.; XII.N.)

ITEM 12. TERRITORY

You will receive an exclusive territory ("Designated Area") with an area outlined in the map attached to the Franchise Agreement as Exhibit A. You will operate the Franchised Restaurant from a location Company approves and must receive Company's permission before relocating within your Designated Area. You must pay all of your relocation costs plus our reasonable costs and fees incurred in approving your new location. You may relocate the premises if the lease for the site expires or terminates and it is not your fault, or if the site is destroyed, condemned or

otherwise rendered unusable, or if Company and you agree. You have no right to acquire additional franchises within your or any contiguous area. (Paragraphs I.A., B.; III.A.)

Company reserves the right, within and outside of the Designated Area, to offer and sell at wholesale, products and services which are, or may in the future be, a part of the System, and which may be resold at retail or through any other distribution channel to the general public. (Paragraph I.B.)

Company also reserves the right, within and outside the Designated Area, to sell at wholesale and retail, all products and services that are not a part of the System. Company also reserves the right, within and outside the Designated Area, to establish food service units operating under a format, trademarks and service marks distinct from the THE FLAME BROILER System. Company has no right to franchise another THE FLAME BROILER restaurant within your territory, nor may it solicit or accept sales or orders of Menu or System Items at retail within your territory. (Paragraph I.B.)

You may engage only in the retail sale of Menu Items and you cannot wholesale and/or distribute any product offered for sale through the Franchised Restaurant, unless Company authorizes it in writing. You may accept orders at your location from any source or location, but may not solicit orders outside your territory. (Paragraph I.B.)

Company has no present intention to establish any Company-owned similar products or services within your Designated Area. Company has no other product, system, mark or outlet location than that revealed in this Offering Circular.

Continuation of your territorial exclusivity does not depend on the achievement of a certain sales volume, market penetration or other contingency. However, at all times you must use your best efforts to promote and increase the sales and service of THE FLAME BROILER Menu Items and to obtain the widest and best possible distribution throughout your Designated Area. Failure to devote your best efforts is just cause for termination. (Paragraph I.F.)

The Designated Area will be defined by a drawn map attached to the Franchise Agreement. The typical territory will include a population base of 20,000 people.

ITEM 13. TRADEMARKS

Company grants you the right to operate a Franchised Restaurant under the service mark "THE FLAME BROILER THE RICE BOWL KING" (the "Principal Mark") and other Marks Company may authorize you to use.

Company has obtained a Certificate of Registration of the Principal Mark from the United States Patent and Trademark Office for placement on the Principal Register as follows:

Service Mark:	"THE FLAME BROILER THE RICE BOWL KING"	THE FLAME BROILER
Registration Date:	September 25, 2001	THE RICE BOWL KING
Serial No.:	75/611651	Registration No: 2,493,097

Company has filed all applicable affidavits with the United States Patent and Trademark Office in connection with the Principal Mark. At the moment, no applications have been filed/are pending for any other Mark(s) that may be developed for use by the Company in connection with the franchise. The Mark has not been renewed.

BY HAVING A PRINCIPAL REGISTER FEDERAL REGISTRATION FOR THE FLAME BROILER THE RICE BOWL KING, THE COMPANY DOES HAVE CERTAIN PRESUMPTIVE LEGAL RIGHTS TO THE USE OF THE MARK.

There are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Principal Mark.

There are no infringing or prior superior uses actually known to Company that could materially affect the use of the Principal Mark in this state or any other state in which the Franchised Restaurant is to be located.

There are no other agreements currently in effect which significantly limit the rights of Company to use or license the use of the Principal Mark in any manner material to the franchise.

All your usage of the Marks and any goodwill established from your use of these Marks will exclusively benefit Company.

You will not receive any interest in the Marks. You may not at any time contest the validity or ownership of the Marks, including any Marks Company authorizes or licenses to you after you sign the Franchise Agreement. (Paragraph V.A.)

You must notify Company immediately when you learn about an infringement of or challenge to your use of Company's trademark. Company will initiate and control any and all actions taken. You will cooperate with Company in all respects in the proceedings. Company has no responsibility to defend, indemnify or hold you harmless in any claim or action or proceedings against you, arising out of the use of the Mark on any grounds. (Paragraph V.C.)

You must modify or discontinue using any Mark within a reasonable time after receiving notice from Company. You have no recourse against company for the loss, or loss of use of any Mark. You must defend, indemnify and hold Company harmless against any of your unauthorized uses or misuses of any Mark. (Paragraph V.D.)

You must not use any Mark or portion of any Mark as part of any corporate or trade name, in any modified form, in the sale of any unauthorized product or service or in any other manner Company does not authorize in writing. You must give notices of trademark and service mark registration as Company specifies and obtain fictitious or assumed name registrations when required by law. (Paragraph V.B.)

You must not use any merchandising, advertising or promotional practice which is unethical or may be injurious to the business of Company, other Franchised Restaurant or the goodwill associated with the Marks. (Paragraph XII.K.)

Company and its agents will have the right to enter and inspect your Franchised Restaurant to ensure you are complying with Company's standards. (Paragraph V.E.)

You must use the designation [®], TM, SM or other trademark registration notice where applicable or otherwise indicate in your advertising that the names "THE FLAME BROILER" and "THE FLAME BROILER THE RICE BOWL KING" are Company's trade names, trademarks and service marks. (Paragraph IX.F.)

You must not establish a Web site on the Internet using any domain name containing the words "THE FLAME BROILER" or any variation without Company's written consent. Company retains the sole right to advertise on the Internet and create a Web site using the "THE FLAME BROILER" domain name. You must acknowledge that Company is the owner of all right, title and interest in and to such domain names as Company will designate in the Manual. Company retains the right to pre-approve your use of linking and framing between your Web pages and all other Web sites. If Company requests, you will within 5 days dismantle any frames and links between your Web pages and any other Web sites. (Paragraph V.F.)

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. The Company owns, and may in the future own, copyrights in the Manual, any marketing material, Software, other writings, artwork and other copyrightable items Company may permit or require you to use in connection with the Franchised Restaurant. Company has not registered or applied to register any of its proprietary information for federal copyright protection. Company knows of no pending proceedings or current determination of the Copyright Office (Library of Congress) or court regarding any copyrights that Company does have. There are no proceedings pending in the Patent and Trademark Office or Federal Court of Appeals. There is no agreement to, nor any infringement claim known to Company that could restrict or otherwise materially affect your use of Company's copyrights.

You will receive some of Company's proprietary and confidential information. You must maintain the confidentiality of this information unless Company otherwise authorizes in writing. (Paragraphs VI.;VII.A.)

You may divulge confidential information only to employees who must know it to operate the Franchised Restaurant. All information, knowledge and know-how, which Company designates as confidential will be deemed confidential for purposes of the Franchise Agreement. (Paragraphs VI.C.; VII.B.)

You must promptly notify Company when you learn of an unauthorized use of the confidential information or any Copyrighted Work. Company does not have to take any action against any unauthorized user of the confidential information or Manual. Company will control any and all actions taken. You will cooperate with Company in all respects in all proceedings. Company has no obligation to defend, indemnify or hold you harmless against any claim, action or proceedings against you arising out of the use of any copyright or proprietary information belonging to Company on any grounds. You must modify or discontinue using any copyright or proprietary information upon Company's direction to do so within a reasonable time. You have no recourse against Company for the loss or loss of use of any copyright or proprietary information on any grounds. You must defend, indemnify and hold Company

harmless against any loss due to your unauthorized use or misuse of any copyright or proprietary information of Company. (Paragraph VII.E.; Exhibit F)

If you make or acquire any improvements, including any enhancements, adaptations, derivative works or new processes ("Improvements") in the operation of the Franchised Restaurant, you will release any interest in and transfer all your right to these Improvements to Company for the grant of the franchise and without the payment of additional consideration. You will sign or have the creator sign all documents necessary to enable Company to apply for intellectual property rights protection and to secure all rights to these Improvements. You or your shareholders, or members, respectively, and each of your employees, will sign a Release and Assignment of Rights to Improvements Agreement requiring compliance with the above. You must obtain Company's express written consent before making any Improvements. (Paragraph VII.F.; Exhibit G)

The Manual belongs to Company and you must return it to Company when the Franchise Agreement expires or is terminated. (Paragraph VI.B.)

You must keep the Manual updated and in a secure place at the Franchised Restaurant. If there is a dispute with the contents of the Manual, the terms of Company's master copy will control. (Paragraph VI.C.)

You must not use, in advertising or any other form of promotion, Company's copyrighted materials, trademarks, service marks or commercial symbols without the appropriate notices which the law or Company may require, including ^c or other copyright registration notice. (Paragraph IX.F.)

You may not divulge to any person, partnership, corporation or any other entity, at any time, any information, ingredients, recipes, cooking techniques or processes used in the Menu Items and other food and beverage products used in the System or any information stated in the Manual. (Paragraph XV.C.)

You, or your shareholders or members, respectively, and each of your employees, will sign a Proprietary Information Non-Disclosure Agreement protecting the confidential, proprietary nature of Company's copyright and confidential information in a form acceptable to Company. (Paragraph VII.C.)

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED RESTAURANT

You will sign a Proprietary Information Non-Disclosure Agreement protecting Company's copyrights and confidential information and a Release and Assignment of Rights to Improvements Agreement agreeing to give up any rights to Improvements you make to the franchise. (Exhibits F, G)

Anyone to whom you transfer any interest in you, or to whom you transfer the franchise, must sign both agreements. (Paragraphs VII.C., F.; XVIII.B.)

You must find 2 persons acceptable to Company who will sign a Continuing Guaranty of your full performance under the Franchise Agreement. (Paragraph XXXII.; Exhibit B to the Franchise Agreement)

Your shareholders or your members will execute a personal guaranty jointly and severally guaranteeing your performance under the Franchise Agreement. In addition, each shareholder or member will also execute a Proprietary Information Non-Disclosure Agreement and a Release and Assignment of Rights to Improvements Agreement. Any person acquiring an interest in you at any time must sign all 3 agreements as a condition of the purchase. (Paragraphs XXXII.; VII.C., F.; Exhibit B to the Franchise Agreement)

You must obtain the signatures of all employees on the Non-Disclosure and Release Agreements. (Paragraphs VII.C., F.)

Managers will sign the Non-Disclosure and Release and Assignment Agreements and observe all restrictions the Franchise Agreement puts on you as your agent under the Agreement. (Paragraphs VII.C., F.)

Your personal supervision of the restaurant is not required if you are an individual, although it is recommended. However, you must have a manager who has successfully completed the required training and meets all legal requirements imposed on food handlers on premises at all times. No manager need have any interest in you to manage the restaurant. You determine who you want to hire, provided they be lawfully employed. (Paragraphs IV., XII.)

You must devote full-time best efforts to the success of the franchise, at all times. (Paragraphs I.F.; XV.A.; XII.N.)

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services that Company has approved. (Paragraphs XII.F., R., S.)

Goods and services must be sold only at retail to customers in conformity with Company's marketing plan and concept. (Paragraph XII.G.)

Company has the right to add additional authorized services that you must offer. (Paragraph VIII.) There are no restrictions to Company's right to make changes to procedures, or the products and services offered that are consistent with the purpose of quick counter sales of family-style Korean food.

You must use only displays, trays, napkins, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors. (Paragraph XII.L.)

You must adequately supply the Franchised Restaurant with a representative inventory of an assortment of products and supplies of the type, quantity and quality that the Company specifies. (Paragraph XII.M.)

You may not install or maintain on the premises any newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices without Company's written approval. (Paragraph XII.O.)

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Offering Circular. **You should refer to Exhibit I attached to this Offering Circular for exceptions to this Item 17.**

	Provision	Paragraph In The Franchise Agreement; UFOC Exhibit	Summary
a.	Length of the term of the franchise	Paragraph II.A.	5 years, unless purchased from a franchisee for balance of term then remaining.
b.	Renewal or extension of term	Paragraph II.A.	You may renew for up to 4 additional successive terms of 5 years each, or balance of successive terms then remaining, if purchased from a franchisee.
c.	Requirements for you to renew or extend	Paragraphs II.B., D.	The Franchise Agreement will automatically renew unless: Company gives you 180 days prior notice of its intent not to renew, and (i) you may sell the franchise to a qualified buyer, but the Company has a first right of refusal; or (ii) grounds to terminate the franchise exist; or (iii) Company and you agree not to renew; or (iv) Company has withdrawn its goods and services from your area for reasons allowed by law; or (v) you and Company have failed to agree to changes Company may make to the original Franchise Agreement with the proper notice from Company.
d.	Termination by you	Paragraph XVI.A.	You may terminate the Franchise Agreement only for cause if you are in compliance, and Company materially breaches the Franchise Agreement and fails to cure within 30 days of receiving your written notice.
e.	Termination by Company without cause	Paragraphs II.B.; XVI.B., C.	Company may not terminate the Franchise Agreement without cause. Company may

Provision	Paragraph In The Franchise Agreement; UFOC Exhibit	Summary
f. Termination by Company with cause	Paragraphs XVI.B., C.	give you notice of non-renewal. subject to conditions. Company may terminate the Franchise Agreement upon delivery of various notices to you if you default under the terms of the Franchise Agreement.
g. "Cause" defined (defaults which can be cured)	Paragraphs XVI.B.1., 2.	All defaults in any performance under the Franchise Agreement may be cured if done within 30 days after notice, except failure to pay any sum to Company, cured if made within 5 days after notice, and all defaults described in section "h" below.
h. "Cause" defined (defaults which cannot be cured)	Paragraph XVI.B.3.	Defaults which cannot be cured include: written agreement to terminate; the seizure or foreclosure of franchise, premises or property of franchise by government official, lienholder, creditor or lessor or upon levy of execution or entry of judgment after specified time periods; the repeated violation of same term of Agreement, whether or not corrected after notice; the repeated violation of 2 or more requirements of the Franchise Agreement, whether corrected or not; your failure to comply with state, federal or local law within 10 days of notice and failure to cure; any conduct reflecting materially and unfavorably on operation or reputation of franchise, including unauthorized use of the Marks; and abandonment of your restaurant for 5 days in a row including your dissolution or attempted transfer of franchise or its premises; misrepresentation or omission in your purchase of the franchise; conviction or plea of no contest to felony or criminal

Provision	Paragraph In The Franchise Agreement; UFOC Exhibit	Summary
i. Your obligation on termination/non-renewal	Paragraph XVII.; Exhibits F, G	<p>misconduct relevant to the Franchised Restaurant: your operations result in an imminent danger to public health; or you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors.</p> <p>Your obligations on termination or non-renewal of the Franchise Agreement include your: ceasing operations of the Franchised Restaurant; assigning your lease to Company; ceasing use of the Marks and items bearing the Marks; assigning any assumed names to Company; de-identifying the premises from any confusingly similar decoration, design or other imitation of a THE FLAME BROILER restaurant; paying all sums owed to Company; paying all damages and costs Company incurs in enforcing the termination provisions of the Franchise Agreement; returning all manuals and other confidential information to Company; returning all signs to Company; assigning your telephone and facsimile numbers to Company; and complying with the covenants after termination, and sell back all assets of the franchise with Marks to Company at lessor of your cost or fair market value, $\frac{1}{2}$ →</p>
j. Assignment of contract by Company	Paragraph XVIII.A.	<p>There is no restriction on Company's right to assign except that the assignee must be financially responsible and economically capable of performing Company's obligations under the Franchise Agreement and must expressly assume and perform these obligations.</p>

	Paragraph In The Franchise Agreement; UFOC Exhibit	Summary
Provision		
k. "Transfer" by you definition	Paragraph XVIII.B.	Transfer, sale, assignment, gift encumbrance, devise, bequest of franchise or Franchise Agreement or franchise assets, fractionalization of rights, change in business form.
l. Company's approval of transfer	Paragraph XVIII.B.	Company has the right to approve all your transfers, but will not unreasonably withhold approval following Company's first right to acquire your franchise.
m. Conditions for Company's approval of transfer	Paragraph XVIII.B.; Exhibits F, G, H	For a transfer to a third party, the transferee must meet Company's qualifications, successfully complete the training program, pay the transfer fee listed in Item 6 of this Offering Circular and sign the current Franchise Agreement, Non-Disclosure, Assignment of Improvements and Guaranty Agreements. You must first offer franchise to Company. You will pay all sums owed to Company and sign a general release. You will not be in default in any term, you will provide proof to Company of transferee's ability to meet Company standards and will defend, indemnify and hold Company harmless for any claim of transferee if the deal fails.
n. Company's right to acquire your business	Paragraph XX.	Company has the right of first refusal to purchase. Company must receive at least 45 days prior written notice of third party offer and has 30 days after receipt of notice to decide and 90 days more to make payment.
o. Company's option to purchase your business	Paragraphs XVII.K.; XX.	Company may purchase the assets of the Franchised Restaurant bearing the Marks at the lesser of cost or fair market value within

**Paragraph In The
Franchise Agreement;
UFOC Exhibit**

Provision	Paragraph In The Franchise Agreement; UFOC Exhibit	Summary
		30 days after expiration or termination of the Franchise Agreement. (See provision n.)
p. Your death or disability	Paragraphs XIX.A.-D.; Exhibits F, G	Your spouse, heirs or estate, if you are an individual or a majority shareholder, can operate the Franchised Restaurant without breach, and either (i) meet Company's standards to continue operation; or (ii) sell franchise following Company's first refusal, all within 180 days of death. Failure to perform will be a breach of the Franchise Agreement. On your disability, if you are an individual, your spouse or attorney-in-fact have the same rights, but under the same terms and time limits as spouse, heirs or estate of decedent above.
q. Non-competition covenants during the term of the franchise	Paragraphs XV.B., C.; Exhibits F, G	You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the System; employ or seek to employ any person employed by Company or another franchisee of Company or cause that person to leave his or her employment; own or have any interest in any business (including a business you currently operate) specializing in dispensing, promoting or selling family-style Korean food and other prepared food products the same as or similar to any product or service provided through the System; or reveal any trade secrets or proprietary information.
r. Non-competition covenants after the franchise is terminated or expires	Paragraph XV.C.; Exhibits F, G, H	You must not divulge to anyone at anytime, information, trade secrets, ingredients, techniques, processes, or other items of the System or information in the Manual.

Provision	Paragraph In The Franchise Agreement; UFOC Exhibit	Summary
s. Modification of the Franchise Agreement	Paragraphs VI., VIII., XXVI.	The Franchise Agreement can be modified only by written agreement between Company and you in compliance with laws. Company may change operational and administrative procedures, products and services through the Manual.
t. Integration/merger clause	Paragraphs XII., XXVI., XXVII.	The Franchise Agreement, its exhibits and all agreements required to be signed under the terms of the Franchise Agreement constitute the full, entire agreement between you and Company. It is a term of the Agreement that you comply with the Manual and any changes to it.
u. Dispute resolution by arbitration or mediation	Paragraph XXIX.A.	All monetary claims and issues of fair market value must be arbitrated in Orange County, California under the rules of the American Arbitration Association. All other matters may be litigated.
v. Choice of forum	Paragraph XXVIII.B.	Any action will be brought in the appropriate state or federal court in California.
w. Choice of law	Paragraph XXVIII.A.	California law applies to the Franchise Agreement (subject to state law), except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

These states have statutes which may supersede the Franchise Agreement concerning your relationship with Company, including the areas of termination and renewal of the franchise: ARKANSAS (Code, Sections 4-72-201 through 4-72-210); CALIFORNIA (Business and Professions Code, Division 8, Chapter 5.5, Sections 20000 through 20043); CONNECTICUT (General Statutes, Title 42, Chapter 739, Sections 42-133e through 42-133h); DELAWARE (Code Annotated, Title 6, Chapter 25, Sections 2551 through 2556); DISTRICT OF COLUMBIA (Code, Sections 29-1201 through 29-1208); FLORIDA (Statutes, Section 542.335); HAWAII (Revised Statutes, Title 26, Chapter 482E, Section 482E-6); ILLINOIS (Compiled Statutes, Chapter 815, Sections 705/1 through 705/44); INDIANA (Code, Title 23, Article 2, Chapter 2.7, Sections 1 through 7); IOWA (Code, Title XX, Chapter 523H, Sections 523H.1 through 523H.17); KENTUCKY (Revised Statutes, Title XL, Section 436.165); LOUISIANA (Revised Statutes, Title 23, Section 921[E], Revised Statutes, Title 12, Section 1042); MARYLAND (Title 11, Sections 11-1301 through 11-1307, Title 14, Sections 14-20 through 14-23); MICHIGAN (Compiled Laws, Section 445.1527 [M.S.A.19.854(27)]); MINNESOTA (Statutes, Sections 80C.01 through 80C.22); MISSISSIPPI (Code, Sections 75-24-51 through 75-24-63); MISSOURI (Revised Statutes, Sections 407.400 through 407.410 and 407.420); NEBRASKA (Revised Statutes, Sections 87-401 through 87-410); NEW JERSEY (Revised Statutes, Sections 56:10-1 through 56:10-12); NORTH CAROLINA (General Statutes, Chapter 22B, Section 3); NORTH DAKOTA (Century Code, Sections 51-20.2-01 through 51-20.2-03); PUERTO RICO (Laws, Title 10, Chapter 14, Sections 278 through 278d); SOUTH DAKOTA (Codified Laws, Section 37-5A-51); VIRGIN ISLANDS (Code, Title 12A, Chapter 2, Subchapter III, Sections 130-139); VIRGINIA (Code, Sections 13.1-557 through 13.1-574, Code, Section 58.1-612); WASHINGTON (Revised Code, Title 19, Chapter 19.100, Sections 19.100.180 and 19.100.190); WISCONSIN (Statutes, Sections 135.01 through 135.07). These and other states may have court decisions which may supersede the Franchise Agreement concerning your relationship with Company, including the areas of termination and renewal of the franchise.

ITEM 18. PUBLIC FIGURES

THE FLAME BROILER, INC. does not use any public figures to promote its franchise.

ITEM 19. EARNINGS CLAIM

Company does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a THE FLAME BROILER restaurant. Actual results vary from unit to unit and THE FLAME BROILER, INC. cannot estimate results of any particular franchise.

ITEM 20. LIST OF OUTLETS

FRANCHISED RESTAURANT
STATUS SUMMARY
FOR YEARS ENDED DECEMBER 31, 2005/2004/2003

<u>State</u>	<u>Transfers</u>	<u>Cancelled Or Terminated</u>	<u>Not Renewed</u>	<u>Reacquired By Company</u>	<u>Left The System Other</u>	<u>Total From Left Columns</u>	<u>Franchises Operating At Year End</u>
CA	4/1/0	0/0/0	0/0/0	1/0/0	0/0/0	5/1/0	21/16/8

There are no franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not communicated with Company within 10 weeks of the application date. The one restaurant reacquired by company was sold by company the same year.

STATUS OF COMPANY-OWNED RESTAURANTS
FOR YEARS ENDED DECEMBER 31, 2005/2004/2003

<u>STATE</u>	<u>RESTAURANTS CLOSED DURING YEAR</u>	<u>RESTAURANTS OPENED DURING YEAR</u>	<u>TOTAL RESTAURANTS OPERATING AT YEAR END</u>
California	1/0/0	0/0/0	1/2/2

The Company-owned restaurants are located at the following sites:

1203 E. Chapman Avenue
Fullerton, California 92831
Began Operations: January, 1995

STATUS OF AFFILIATE-OWNED RESTAURANTS
FOR YEARS ENDED DECEMBER 31, 2003/2002/2001

<u>STATE</u>	<u>RESTAURANTS CLOSED DURING YEAR</u>	<u>RESTAURANTS OPENED DURING YEAR</u>	<u>TOTAL RESTAURANTS OPERATING AT YEAR END</u>
California	0/0/0	0/0/0	0/0/0

The Franchisor has no affiliate restaurants

PROJECTED OPENINGS
AS OF DECEMBER 31, 2006

<u>STATE</u>	<u>FRANCHISE AGREEMENTS SIGNED BUT RESTAURANT NOT OPEN</u>	<u>PROJECTED NEW FRANCHISED RESTAURANTS IN THE NEXT FISCAL YEAR</u>	<u>PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR</u>
California	1	10	1
Total	1	10	1

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C are Company's audited financial statements as of December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004 and December 31, 2005..

Company's fiscal year end is December 31.

/

ITEM 22. CONTRACTS

The "THE FLAME BROILER" Franchise Agreement (with exhibits) is attached to this Offering Circular as Exhibit B.

The "THE FLAME BROILER" Proprietary Information and Non-Disclosure Agreement is attached to this Offering Circular as Exhibit F.

The "THE FLAME BROILER" Release and Assignment of Rights to Improvements Agreement is attached to this Offering Circular as Exhibit G.

The "THE FLAME BROILER" Release and Waiver of Rights is attached to this Offering Circular as Exhibit H.

Company provides no other contracts or agreements for your signature.

ITEM 23. RECEIPT

The last page of the entire Offering Circular package is the receipt.

RECEIPT

THIS OFFERING CIRCULAR SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.

IF THE FLAME BROILER, INC. OFFERS YOU A FRANCHISE, THE FLAME BROILER, INC. MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR
- (3) TEN BUSINESS DAYS BEFORE A PAYMENT TO THE FLAME BROILER, INC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF THE FLAME BROILER, INC. DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE ADMINISTRATOR LISTED IN EXHIBIT A.

THE FLAME BROILER, INC. AUTHORIZES _____ AND THE AGENT FOR SERVICE OF PROCESS LISTED IN EXHIBIT A TO RECEIVE SERVICE OF PROCESS FOR THE FLAME BROILER, INC.

I HAVE RECEIVED A UNIFORM FRANCHISE OFFERING CIRCULAR DATED _____. THIS OFFERING CIRCULAR INCLUDED THE FOLLOWING EXHIBITS:

- A. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
- B. FRANCHISE AGREEMENT
- C. FINANCIAL STATEMENTS
- D. TABLE OF CONTENTS OF THE CONFIDENTIAL OPERATIONS MANUAL
- E. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- F. PROPRIETARY INFORMATION NON-DISCLOSURE AGREEMENT
- G. RELEASE AND ASSIGNMENT OF RIGHTS TO IMPROVEMENTS AGREEMENT
- H. RELEASE AND WAIVER OF RIGHTS
- I. CALIFORNIA CODE OF REGULATIONS ERRATA

DATED: _____

SIGNED: _____, individually as

an officer, partner or member of _____

(a _____ corporation)

(a _____ partnership)

(a _____ limited liability company)

NAME: _____

ADDRESS: _____

PHONE: _____