

ITEM 5
INITIAL LICENSEE FEE

Initial License Fees

The initial license fee payable under a Master License Agreement for the operation of an LJS Express Unit generally is \$5,000.00. The term of the Master License Agreement is generally 5 years with no right or option to renew. LJS may in certain circumstances and upon request agree to a term of up to 10 years upon payment of an increased initial license fee equal to \$5,000.00 plus an additional \$1,000.00 for each year that the agreed-upon term is increased beyond five (5) years. You must pay to LJS an architectural fee of \$1,500.00 for the first LJS Express Unit that you construct.

Other Fee Information

LJS generally charges a uniform initial franchise fee for LJS Express Units throughout the United States. The initial franchise fee is generally used to offset the cost of recruitment of new licensees, site visit and approval, administrative costs, costs associated with providing standard building plans and expenses for opening shop assistance. Except as may be required by applicable state law, the entire initial franchise fee is payable in a lump sum upon the signing of the Master License Agreement. The initial fee is fully earned upon payment and is nonrefundable.

Pre-Opening Training

You will also be required to pay for training materials, supplies and labor costs provided by LJS for pre-opening training. These costs vary under the circumstances (See Item 6 and Item 7).

ITEM 6
OTHER FEES

NAME OF FEE¹	AMOUNT	DUE DATE
License Fee ²	6.5% to 10% of "Gross Receipts"	On the 10 th of each month (or other accounting period used by you).
Advertising	LJS may use a portion of the 10% license fee to develop and administer advertising programs	
Training Materials and Fees ³	LJS's actual costs	As incurred.
Cost of Testing Products and Equipment ⁴	LJS's actual costs	As incurred
New Restaurant Opening Training Labor Costs	LJS's actual costs	As incurred
Additional Training ⁵	About \$200 per day plus travel costs	As incurred.
Transfer ⁶	A fee determined by LJS in its discretion	Before consummation of transfer.

Audit	Interest on any understated or underpaid amount, at 1.5% per month, and, if understatement or underpayment is 5% or more, costs and expenses of audit, including travel expenses, accounting and legal fees	At time discrepancy is discovered.
Late Fee	The lesser of (i) the maximum permitted by Kentucky law or (ii) 1 ½% per month from the due date until paid.	As incurred.
Indemnification ⁷	Will vary.	As incurred.
Attorney's Fees and Costs	LJS's actual costs	Upon termination of Master License Agreement for licensee's default, as incurred by LJS
Support Services Agreement Fees (Optional)	Varies according to services and one-time charges	Payable as agreed to Yum Restaurant Services Group, Inc. All fees subsequent to the first payment are due and payable in advance on a monthly basis (See Item 11).
Cure Fee	\$1,000	On curing a default that has been noticed in writing

1 All fees described in the above chart are charged by LJS, are payable to LJS or its affiliates, and are nonrefundable. See Item 5 for a description of the circumstances under which an initial franchise fee may be refundable.

2 The payment of this license fee is consideration for the right to use the Proprietary Marks of the Company. LJS shall have the right, upon written notice to Franchisee, to require Franchisee to establish a direct debit or similar form of direct payment arrangement. "Gross Receipts" generally means gross receipts from sales of food, food products, beverages and or items or services sold in or from the Restaurant premises, excluding all sales, use and excise taxes remitted to governmental agencies. LJS DETERMINES AND MODIFIES THE ROYALTY RATE IN ITS SOLE DISCRETION BASED UPON, AMONG OTHER FACTORS, WHETHER LJS' AFFILIATES HAVE A PRIOR RELATIONSHIP WITH THE LICENSEE, THE DISTRIBUTION CHANNEL TO BE DEVELOPED BY THE LICENSEE, THE POTENTIAL FOR MULTI-UNIT DEVELOPMENT AND OTHER DEVELOPMENT OR OPERATIONAL CIRCUMSTANCES.

3 LJS does not currently charge any tuition or registration fees for licensee training, but it may do so in the future. You must pay LJS (at LJS's actual cost) for any training supplies or materials and LJS will require you to compensate or reimburse it for labor costs associated with providing training to you. You or your employees must pay any salaries, wages, benefits, meals and travel expenses incurred by you or your employees during the training process.

4 If you want to use any products, equipment or other items that LJS has not approved, you may request that LJS approve the item. LJS may test the item, and you must pay any costs incurred by LJS in connection with the testing.

5 LJS will furnish you an LJS representative to assist in the opening activities of the first Express Unit that you open; LJS's opening activity assistance for subsequent Restaurants opened by you shall be as determined by LJS upon, if deemed necessary by LJS, consultation with you. If additional training assistance is requested by you or deemed necessary by LJS, you must reimburse LJS (at LJS's actual cost) for its reasonable expenses in providing the LJS representative for an additional period, including the

representative's salary and living and travel expenses. Historically, additional training assistance is requested by the licensee rather than mandated by LJS and the assistance lasts for seven to ten days. The expenses for which you must reimburse LJS would normally amount to about \$200 per day (which includes salary, lodging and meals for one LJS representative) plus travel expenses (airfare or rental car for additional training period). LJS may also establish fees for additional services requested by the licensee per Section 4.3 of the Master License Agreement.

6 This fee is payable if you transfer any interest in yourself or in the Franchise Agreement.

7 You have to reimburse LJS for all costs, including legal fees and court costs incurred in defending claims, suits, proceedings or judgments arising in connection with your operation of the Restaurant.

(END OF ITEM 6)

ITEM 7
INITIAL INVESTMENT - EXPRESS LOCATION¹

Expenditures	Amount or Estimated Range	When Payable	Method of Payment	To Whom Paid
Initial License Fee ²	\$5,000	On Signing Master License Agreement	Lump Sum	LJS
Architectural Fee	\$1,500 per Express Unit	Payable upon signing Master License Agreement	Payment entitles you to one set of criteria plans for an Express Unit.	LJS or Affiliate
Training Expenses ³	\$6,000 - \$25,000	As Incurred	As Agreed	LJS or Third Party
Real Estate ⁴	Not included	As Incurred	As Agreed	Property Owner
Construction Costs ^{1,5}				
Leasehold Improvements	\$41,500 - \$166,500	As Incurred	As Agreed	Third Party
Signage ^{1,5}	\$8,300 - \$26,000	As Incurred	As Agreed	Third Party
Furniture, Fixtures & Equipment ^{1,5}	\$46,800 - \$156,000	As Incurred	As Agreed	Third Party
Start-up Inventory ⁶	\$10,000 - \$15,000	As Incurred	As Agreed	Third Party
Security Deposit, Utilities Deposits, Licenses and Other Prepaid Expenses	\$3,000-\$30,000	As Incurred	As Agreed	Third Parties
Additional Funds (3 months) ⁷	\$50,000-\$175,000	As Incurred	As Incurred	Employees, Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT:^B	\$172,000-\$600,000 (excluding real estate costs)			

- 1 Express Units can include LJS Restaurants located in interior mall locations, zoos, colleges and universities, fairgrounds, stadiums, airports, office buildings, hospitals, entertainment and sports complexes, bus or train stations, in-plant food service facilities, convention centers, department stores, travel plazas, mass merchandisers and military bases. However, since a large number of LJS's Express Units are located in food court-type locations, the above chart represents costs applicable to those types of units and not necessarily to other settings. The estimates in the above chart for Express Units are based on prior year costs incurred. LJS is not presently offering franchises for new restaurants in express locations.
- 2 See Item 5. Initial franchise fees for Express Units are non-refundable. Fees payable to third parties may or may not be refundable, depending upon your contract or arrangement with the third party.
- 3 LJS does not currently charge any tuition or registration fees for licensee training, but it may do so in the future. You must pay LJS for any training supplies or materials and LJS will require you to compensate or reimburse it for labor costs and other related costs associated with providing training to you. You or your employees must pay any salaries, wages, benefits, meals and travel expenses incurred by you or your employees during the training process. The total amount of these expenses varies according to a number of factors, including distance and mode of travel, number of employees trained, etc. LJS will furnish you an LJS representative to assist in the opening activities of the Restaurant. If additional training assistance is requested by you or deemed necessary by LJS, you must reimburse LJS for its reasonable expenses in providing the LJS representative for an additional period, including the representative's salary and living and travel expenses.
- 4 Real estate costs vary significantly depending on numerous factors including whether you purchase for cash, finance your purchase or lease. The real estate costs also vary considerably according to site size, prevailing regional land and rental costs, street access and other factors. Financing costs vary with the amount financed, prevailing interest rates and other terms. Because of significant variations, real estate costs are not included in the Initial Investment estimate in this Item 7.
- 5 Construction costs are for the leasehold improvements comprising the LJS unit only and not for construction of the building within which the LJS unit would be located. The construction costs vary considerably according to local building and zoning ordinances, prevailing construction costs in the geographic region, specialized conditions or requirements and other factors.
- 6 Start-up inventory includes the inventory necessary for the one-week pre-opening training period and the first week of post-opening operations.
- 7 Additional funds include inventory and insurance costs for three months' operations and labor costs (manager's salary and crew wages) for pre-opening training period and first three months' operations. The included insurance costs include only that insurance required by law or the Master License Agreement and related to the operation of the Restaurant: worker's compensation, comprehensive general liability, and building/equipment coverage at replacement cost. These insurance costs will vary depending upon such variables as payroll, size and construction of Restaurant building, and physical location of the Restaurant. In using a three month period as the initial phase of operations, LJS has relied upon its experience in developing and operating company Restaurants and its licensees' reported experiences in developing and operating Restaurants.
- 8 LJS does not finance any part of your initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Express Unit according to LJS's standards. Such standards include, among other things, a uniform method of operating that is described in the Long John Silver's Confidential Standards Reference System and in other communications to you, including without limitation,

bulletins, video and audio tapes, computer disks, on-line and other electronic means (all such other communications and any supplements or additions thereto being hereinafter collectively referred to as the "Reference System"). LJS may regulate, among other things, the selection and location of real estate (whether purchased or leased), and the type, model and brand of furnishings, fixtures, equipment, signs, materials and supplies to be used in constructing and operating your Express Unit. LJS may also specify required or authorized products and product categories, and the approved supplier(s) of each item. LJS has standards and specifications to which you must adhere for menu items, food products, packaging, advertising materials, supplies, ingredients, real estate, equipment, signs, fixtures, furnishings and other items used in the operation of your Express Unit. LJS may require you to maintain an e-mail account and connect your computer system to a telephone line (or other communications medium specified by LJS) at all times and that you be capable of accessing the internet via a designated third party network (such as MSN, Worldnet, Earthlink, AOL, etc.).

In most instances you are required to obtain the various products and services required for your Express Unit from a list of suppliers or brands approved by LJS, or you are required to purchase or lease products and services that conform to LJS's specifications.

LJS Advertising, an LJS affiliate described in Item 1, has been designated by LJS to provide services for system-wide advertising funded by company and franchised Restaurants (See Item 11). A portion of the license fee that you will pay under the Master License Agreement is paid to LJS Advertising for advertising and marketing services for LJS Restaurants, including those operated by licensees. LJS Advertising derives revenue from the services provided by them for the advertising program. LJS provides to the Board of Directors of the Association of LJS Franchisees, Inc. ("LJS Franchise Association") (See Item 11) quarterly profit and loss statements with respect to LJS's marketing programs. LJS also allows the Board to cause LJS's books and records to be audited no more frequently than annually, on the condition, among others, that the Board make the audits available to LJS licensees upon request.

In the fiscal year December 29, 2005 through December 27, 2006, the total amount paid to LJS Advertising as licensee advertising fees was \$22,873,120 (which includes additional incremental media purchases made by licensees on a voluntary basis) and the amount retained by LJS Advertising in consideration for advertising services during the same period was \$541,187. In general, these revenues are used to partially offset administrative, labor and overhead costs. These figures were taken from LJS's internally-prepared financial statements, work papers and other accounting records.

You must purchase from LJS or a source designated by LJS secret recipe items adopted for use in the Express Units. You may not purchase secret recipe items from any other source. The only secret recipe item that you must purchase from LJS or a designated source at the present time is the batter mix that is applied to fish and certain other menu items. Currently, you must purchase that mix from McLane Company, Inc. ("McLane"), a third-party distributor not affiliated with LJS. LJS has transitioned its purchasing programs to the Unified Foodservice Purchasing Co-op, LLC ("UFPC"), an unaffiliated third party. As part of the purchasing program transition to UFPC, UFPC will coordinate distributor approvals.

Prior to the issuance date of this Offering Circular, LJS had an arrangement with McLane to offer to sell the batter mix and certain other approved products and supplies to LJS licensees and LJS-owned Restaurants. Except for the batter mix, you are not required to purchase products or supplies from this distributor. UFPC or an affiliate of UFPC has assumed LJS's rights and obligations under its arrangements with McLane and other suppliers and distributors, as described in more detail below.

LJS will provide you, upon written request and at no cost, written guidelines for Restaurant site

selection. LJS uses these guidelines to determine whether a proposed site is acceptable for the development of a Restaurant. Upon payment of the \$1,500.00 architectural fee described in Items 5 and 6, LJS will provide you one set of customized criteria plans for the Express Unit, including a floor plan, equipment schedule and interior elevation. You must construct the Express Unit in strict compliance with LJS's standard plans and specifications or with specialized plans and specifications approved in advance by LJS. If you lease your Express Unit premises from a third-party landlord, LJS may require you to submit the lease to LJS so that LJS may ensure that it contains or does not contain certain provisions.

LJS will provide you with a list of approved equipment and furnishings that you must use in your Express Unit. You may purchase approved equipment from any approved supplier.

Except for the secret recipe items described above, you may purchase food products, paper and plastic goods and supplies from any source. However, these items must be of a brand approved by LJS and conform to LJS's standards and specifications. The Reference System contains a list of approved brands of food products, paper and plastic goods and supplies.

LJS does not receive rebates from suppliers on sales made directly to LJS franchisees by the supplier. LJS does not negotiate purchase arrangements with suppliers for the exclusive benefit of LJS franchisees.

LJS, through research, testing and field input and experience, may modify or update its Express Unit site selection guidelines and Express Unit construction plans and specifications. LJS will communicate those modifications to you and other licensees in writing in order to allow you to comply with them as necessary. LJS, through research, testing and field input and experience, may modify its standards and specifications and approved items, brands or suppliers of equipment, furnishings, food products, paper and plastic goods and supplies. LJS will communicate those modifications to you by revisions in the Reference System, or through bulletins or other written communications or on-line electronic communications. LJS will not communicate to you its specifications (or modifications) that LJS considers proprietary.

If you want to purchase any item or service that is not listed as an approved brand or item or otherwise has not been approved for use in an Express Unit, you may request that LJS evaluate and approve the item. In some instances, LJS may require that you submit a sample of the item to LJS or an independent laboratory designated by LJS. LJS will charge you for the cost of the testing. The time required for testing and evaluation depends upon a number of factors, including the nature of the item and whether LJS or an independent laboratory will perform the testing. If LJS approves an item for use in an Express Unit, it may then periodically re-test the item. LJS may revoke its prior approval if the item fails to continue to meet LJS' standards and specifications or if the item fails to achieve certain performance levels (for example, in the case of food products, sales levels). LJS will notify you in writing of its revocation of its approval and you may not then use the item for which approval has been revoked.

Between 90% and 95% of your total purchases associated with constructing and establishing your Express Unit and between 90% and 95% of your total purchases associated with the ongoing operation of your Express Unit must be either purchased from LJS, its affiliates or approved suppliers or must conform to LJS's standards.

In addition to the required purchases described above, you must maintain, at your expense, the insurance that LJS requires as described in the Master License Agreement. The insurance required by

the Master License Agreement includes comprehensive general liability insurance, including products liability and completed operations coverage.

UFPC

UFPC is a cooperative that conducts purchasing programs for the A&W National Purchasing Co-op, Inc., the KFC National Purchasing Co-op, Inc., the Long John Silver's National Purchasing Co-op, Inc. (the "LJS Concept Co-op"), the Pizza Hut National Purchasing Co-op, Inc. and the Taco Bell National Purchasing Co-op, Inc. (collectively, the "Concept Co-ops"). UFPC and the Concept Co-ops were organized in accordance with federal tax laws relating to entities operating on a cooperative basis. In accordance with those laws, each Concept Co-op has historically distributed substantially all of its net income not required for working capital or reserves to its stockholder members each year as a "patronage dividend." A&W, KFC, LJS, Taco Bell and Pizza Hut licensees conduct purchasing activities for food, equipment and/or packaging primarily through UFPC. UFPC is not affiliated with us.

The LJS Concept Co-op is a member of UFPC and operates as a cooperative under Subchapter T of the Internal Revenue Code. UFPC and the LJS Concept Co-op are not affiliated with LJS and both are organized and operated independently of LJS. However, LJS is a stockholder member of the LJS Concept Co-op and is entitled to elect two members of the LJS Concept Co-op Board Directors.

LJS has appointed UFPC as the exclusive purchasing agent for the LJS system.

Interested LJS licensees are given the opportunity to purchase stock in and become stockholder members of the LJS Concept Co-op. The LJS Concept Co-op is governed by a Board of Directors consisting of 8 voting members plus the President of UFPC, who is an ex officio member. Franchisees who are stockholder members are entitled to elect 5 members of the LJS Concept Co-op Board of Directors, LJS is entitled to elect 2 members of the Board; and the Association of LJS Franchisees, Inc. is entitled to elect 1 member of the Board.

A director of the LJS Concept Co-op has been appointed as a voting director of the UFPC Board of Directors. Also:

(a) UFPC and the LJS Concept Co-op may collect sourcing fees directly or indirectly (from distributors or suppliers) from each stockholder member to fund the purchasing programs and services of UFPC and the LJS Concept Co-op.

(b) The LJS Concept Co-op may distribute patronage dividends to stockholder members based on the quantity or value of business done by the LJS Concept Co-op or through UFPC with or for each stockholder member.

(c) Each member of the LJS Concept Co-op must purchase one share of Membership Common Stock (at \$10 per share) and that number of shares of Store Common Stock (at \$400 per share) equal to the total number of LJS retail outlets owned and operated by such member in the United States.

(d) The Bylaws of the LJS Concept Co-op require that each stockholder member purchase virtually all goods and equipment used in the stockholder member's LJS retail outlets through the purchasing programs of UFPC and the LJS Concept Co-op. Although UFPC will coordinate supplier and distributor approvals and activities, supplier and distributor approvals are the prerogative and

responsibility of LJS.

LJS will not require that you join the UFPC or the LJS Concept Co-op. Subject to limitations described below, you may purchase through the UFPC and the LJS Concept Co-op's purchasing programs as a non-member (in which case you will have no voting rights in the LJS Concept Co-op and will not be entitled to patronage dividends). The LJS Concept Co-op Bylaws require that the LJS Concept Co-op conduct more than 90% of the value of its business with its stockholder members. In implementation of that rule, UFPC reserves the right to refuse to do business with our licensees that do not become members of the LJS Concept Co-op.

**ITEM 9
LICENSEE'S OBLIGATIONS**

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE MASTER LICENSE AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	Section 6.8 of Master License Agreement	Items 7, 11 & 12
b. Pre-opening purchases/leases	Section 6.8 of Master License Agreement	Items 7, 8 & 11
c. Site development and other pre-opening requirements	Section 6.8 of Master License Agreement	Items 1, 7 & 11
d. Initial and ongoing training	Sections 4.1 and 6.6 of Master License Agreement	Items 7 & 11
e. Opening	Sections 6.2, 6.3, 6.5, 6.7 and 6.8 of Master License Agreement	Items 7 & 11
f. Fees	Sections 6.8, 9.1 and 9.3 of Master License Agreement	Items 5, 6 & 7
g. Compliance with standards and policies/ Reference System	Sections 2.1, 2.3, 5.2, 5.3, 5.4, 5.5 and 6.1 through 6.7 of Master License Agreement	Items 1, 8, 11, 15 and 16
h. Trademarks and proprietary information	Sections 1.9, 3 through 3.4 and 16.1 of Master License Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.7, 2.3, 5.5, 6.4, 6.5, 8 and 8.2 of Master License Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not applicable.	N/A
k. Territorial development and sales quotas	None	Item 12
l. Ongoing product/service purchases	Section 8 of Master License Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Section 5.4 of Master License Agreement	Item 11
n. Insurance	Section 13 of Master License Agreement	Items 7

OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
o. Advertising	Sections 7 through 7.4 of Master License Agreement	Items 6 and 11
p. Indemnification	Section 13 of Master License Agreement	Item 6
q. Owner's participation/management /staffing	Section 6.7 of Master License Agreement	Items 11 and 15
r. Records and reports	Section 10 of Master License Agreement	Items 6 and 11
s. Inspections and audits	Sections 6.1 and 10.1 of Master License Agreement	Items 6 and 11
t. Transfer	Sections 12.1 through 12.3 of Master License Agreement	Items 6 and 17
u. Renewal	Section 1.12 of Master License Agreement	Item 17
v. Post-termination covenants	Sections 16.1 through 16.3 of Master License Agreement	Item 17
w. Non-competition covenants	Section 2.3 of Master License Agreement	Item 17
x. Dispute resolution	Section 17.1 of Master License Agreement	Item 17