

ITEM 11
LICENSOR'S OBLIGATIONS

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

Pre-Opening Obligations

Before you open your Express Unit, LJS will (Section references are references to the Master License Agreement):

1. Offer a training program for the person(s) who will manage the Express Unit (Section 4.1)
2. Make available additional advice and assistance on performance under the Master License Agreement. LJS may establish fees for such services (Section 4.3).
3. Post a copy of their Standards Reference System (formerly know as the Manual) on their franchise web site. (Sections 1.8 and 5).
4. Upon payment of the architectural fee described in Items 5 and 6, provide one set of customized criteria plans for the Express Unit, including a floor plan, equipment schedule and interior elevation (Section 6.8)

Post-Opening Continuing Obligations

After you open your Express Unit, LJS will (Section references are references to the Master License Agreement):

1. Offer such training programs at such locations and facilities (which may include Restaurants) and at such times as LJS may designate from time to time (Section 4.1)
2. Make available additional advice and assistance on performance under the Master License Agreement. LJS may establish fees for such services (Section 4.3).
3. Provide updates to the Reference System (Section 5.2).
4. At LJS's option, inspect your Express Unit to determine whether the business is being conducted under LJS's standards (Section 6.1).
5. Approve or disapprove advertising materials submitted by you under the Master License Agreement (Section 7.1).
6. At LJS's option, provide various channel-specific marketing ideas (Section 4.2).
7. Publish one or more listings of approved equipment, fixtures, signage, supplies and distributors. Upon a licensee's request, LJS will approve or disapprove equipment or supplies that are not then approved (Section 8).

Advertising and Promotion

The Master License Agreement provides that LJS may: (a) use a portion of the licensing fees paid under that Agreement to develop and administer advertising, promotional and marketing programs designed to promote and enhance the collective success of LJS products and services; and (b) require licensees to direct payment of a portion of the licensing fees to LJS's designees to fund those programs.

LJS has recognized an independent franchise association composed of LJS franchisees ("Association"), so long as, among other conditions the association is represented by a board of directors or like body elected by Association members ("Board") and the association has a standing committee ("Audit Committee") whose purpose, among others, is to audit the books and records pertaining to LJS's advertising programs. LJS periodically consults with and advise the Board in planning the Company's advertising programs and budget, and the Board is to act in an advisory capacity only with respect to such matters. LJS does not have the power to form, change or dissolve the Association or the Board, but LJS may refuse to recognize the Association if it does not meet certain criteria.

LJS and its franchisees who operate Restaurants in a given designated market area ("DMA") may meet to discuss and determine how to budget, allocate and spend certain company and franchise advertising contributions in the DMA's. LJS may conduct these DMA meetings according to informal rules which, among other things, outline quorum and voting procedures.

As presently in operation, LJS's advertising programs are administered by LJS Advertising and LJS as follows:

1. The media in which LJS's advertising programs may be disseminated include print, radio, television and miscellaneous point of purchase materials and other promotional materials. The media coverage may be national, regional or local in scope. The source of advertising includes LJS's in-house departments and outside agencies.
2. An LJS representative typically consults with you on an ongoing basis, beginning before the Express Unit opening, to seek your input regarding marketing and advertising.
3. You may conduct, at your separate expense (in addition to the advertising fee described below), advertising in addition to any advertising conducted by LJS. LJS must either prepare those advertising materials or approve them in writing before their use.
4. The Master License Agreement provides that LJS may: (a) use a portion of the licensing fees paid under that Agreement to develop and administer advertising, promotional and marketing programs designed to promote and enhance the collective success of LJS products and services; and (b) require licensees to direct payment of a portion of the licensing fees to LJS's designees to fund those programs. All franchisees currently operating freestanding, non-express unit Restaurants currently pay an advertising fee equal to 5% of gross receipts. Licensees may, at their option, pay additional advertising monies to LJS and LJS Advertising. LJS is not obligated to spend any amounts for advertising in the area or territory where any one franchised Restaurant is located and LJS may choose to spend all of the advertising contributions on national media coverage.
5. LJS makes advertising expenditures for its company-owned Restaurants in the United States in an amount equal to or greater than the expenditure required of comparable franchised Restaurants. Due to the competitive nature of the quick service restaurant industry, LJS has exceeded a 5% advertising spending level for company Restaurants in each of the past three years.
6. LJS and LJS Advertising currently administer all of LJS's advertising programs. LJS and LJS Advertising derive revenue from the services provided by them for the advertising program. LJS causes its books and records to be audited at least annually. LJS provides to the Board quarterly profit and loss statements with respect to LJS's marketing programs. LJS 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. Any net surplus of advertising fees not spent in the fiscal year in which they accrue are carried over to the next fiscal year.
7. In the fiscal year December 29, 2005 through December 27, 2006, the advertising fees collected from LJS's licensees and those expended in respect of LJS company-owned Restaurants were spent as follows: approximately 5.1% was spent on in-house administrative and overhead costs; approximately 13.7% was spent on point of purchase materials production and distribution, television and radio production; approximately 3.2% was spent on outside advertising agency costs and fees and approximately 78.0% was spent on the purchase of local television and radio airtime, print advertising and direct mail advertising. No advertising fees were spent primarily for the solicitation of licensees.

Computer Systems

LJS has installed and currently is utilizing the Compris point of sale (POS) system in its company Restaurants. LJS is currently using a proprietary back of house ("BOH") computer system in its company Restaurants. This proprietary BOH system is used to forecast sales, including related food and labor needs, track employee hours and to fulfill other internal functions. The Compris POS system

and the proprietary BOH system will be collectively referred to as the "Computer System" in this Offering Circular.

There are currently no computer or electronic POS systems that you must use in your LJS outlet. LJS does not have independent access to the information and data that is electronically collected on the computer or electronic POS systems that you use in your LJS outlet. However, LJS may require that a particular computer or electronic POS system, or both, be used at LJS outlets in the future (LJS Master License Agreement Section 8) and it may in the future require that such systems provide LJS with independent access to data collected on franchisee's computer or POS systems. LJS is requesting its franchisees utilizing the Computer System to voluntarily enter into an Access and Polling Agreement to allow LJS independent access to certain data collected by its franchisees. The Access and Polling Agreement is attached to this Offering Circular as Exhibit C-2.

You may acquire and use the Computer System (or another POS system) in the operation of your LJS and LJS/A&W restaurants. If you choose to use the Computer System and desire support services from LJS, you must sign the LJS Support Services Agreement. The LJS Support Services Agreement is Exhibit C-1 to this Offering Circular. Support services under the LJS Support Services Agreement may be performed by LJS or its affiliates, including Yum Restaurants Services Group, Inc.

If you desire to receive support services from LJS, then you must have installed the Computer System in your Restaurant. Otherwise, if you do not desire to receive support services from LJS, then LJS has no functional or other requirements for the POS or BOH systems in your Restaurant.

If you purchase an existing Restaurant from LJS or its affiliates or an existing LJS franchisee, that Restaurant may be utilizing an older POS system (the "Legacy POS System") and the proprietary LJS BOH system. LJS company support for that System is no longer available from LJS or its affiliates. Any POS hardware older than version 2 of the NCR 7454 (primarily NCR 7054) has been retired. You must convert to the Compris POS system by the end of 2006 in order to receive support services from LJS or its affiliates, or you must source and install another POS and BOH system with support available from a third party.

If you choose to convert to or build with the Computer System, you will be required to:

- a) Lease and use a high speed connection provider, either v-sat communications satellite equipment or DSL, which is currently provided by Hughes Systems.
- b) Use approved hardware, the providers of which are IBM and PAR. The hardware provider is also the primary hardware support provider for your site.
- c) LJS or its affiliates will provide menu management services to you; these services are currently priced at \$400 a year (LJS Support Services Agreement Section Exhibit 2).
- d) You will be required to sign the LJS Support Services Agreement for support services for both the Compris POS and the LJS BOH or you may opt out of all LJS support services completely. You may not choose to have LJS support services for just the POS or just the BOH system individually.
- e) You will be required to retain applicable maintenance contracts and remain in good standing with the hardware provider to allow proper support of each system. A franchisee will not be permitted to have Yum support without primary hardware support provided by IBM or PAR.

The Computer System will assist you in order entry, cash out, kitchen production, inventory control,

timekeeping and payroll, cash control reports and menu mix reporting. LJS will have the right, upon twenty-four (24) hours prior notice and during normal operating hours, to access the information on your Computer.

You must keep books and records in a form satisfactory to LJS. You must prepare complete records regarding all sales at your LJS outlet and all financial, operating, marketing and other aspects of your LJS outlet. You must maintain an accounting system that accurately reflects all aspects of the business at your LJS outlet, including books of account, tax returns, daily reports, statements of gross revenues, profit and loss statements and balance sheets. You must also submit to LJS such other reports as may be reasonably requested concerning the business conducted at your LJS outlet.

An LJS franchisee who acquires an LJS company-operated restaurant that has installed Compris software with PAR XP, NCR 7454 or IBM SurePOS hardware systems, may (1) request that LJS de-install the POS systems and the BOH system or (2) purchase the systems at book value at the time of acquisition of the Restaurant, plus pay LJS a monthly fee based upon the costs for internal and external services incurred by LJS for those systems. The LJS BOH is currently the only BOH supported by LJS.

LJS has used the Compris POS system since 2004 and has made it available to franchisees since mid-2004. LJS has used the LJS BOH (or its predecessors) in company operated restaurants since 1991. If you contract for LJS support services and if LJS develops enhancements, upgrades, modifications, or additions to the Computer System, you must acquire them on the schedule announced by LJS to ensure your system remains stable and supportable (LJS Support Services Agreement Section 2.1).

LJS provides software updates/upgrades to System users, as needed, to support business requirements. If you contract for LJS support services, you must install and use any updates/upgrades as published by LJS or its affiliates. No hardware upgrades are required unless necessary for support of the software. You will deal directly with approved equipment vendors for such Computer System upgrades. You must acquire and purchase or lease these upgrades as necessary.

In order to operate the Computer System software, which you license from LJS or its affiliates, you must acquire a variety of hardware components (including but not limited to control processor, memory and storage devices, display units, and printers) in a configuration and of a type approved by LJS or its affiliates. LJS or its affiliates in its sole discretion may change the approved equipment configuration(s) at any. All of the hardware used with the Computer System must be dedicated solely to the operation of the Computer System. LJS attempts to secure commitments for maintenance of the hardware used with the Computer System from LJS's vendors, affording the same pricing and service levels to franchisees as provided to LJS. LJS receives no payment from vendors of approved equipment or maintenance suppliers.

LJS' cost of maintaining the equipment portion of the Computer System currently varies from \$1500-\$3500 per unit, per year. Your maintenance cost will be similar, depending upon the approved equipment you use, its age, and the maintenance vendor. LJS does not currently charge for the LJS BOH system software. The POS software will have an initial charge at installation of \$1100 for Compris and \$275 for QSR Automations (kitchen monitor software). There are pass thru software costs that are invoiced to the franchisee with the LJS support being invoiced on a monthly basis. These software costs are currently \$456 annually, but may be modified based upon potential uplift by providing vendors (LJS Support Services Agreement Exhibit 2).

Site Selection

LJS may review, approve, disapprove or conditionally approve proposed Express Unit sites. You must submit a formal site package for a particular site along with all material and information requested by LJS. In reviewing your proposed site, LJS considers many demographic factors, including the location and neighborhood, nearby businesses and competitive restaurants (including other LJS Restaurants), traffic patterns, population patterns and characteristics and other factors. You must be an approved licensee before LJS will consider your site. There is no time limit for LJS to approve or disapprove your site. If you execute a Master License Agreement and a site is not approved and opened for business within one (1) year from the date of execution of the Agreement, the Agreement will terminate without further notice (See Section 15.4 of Exhibit C to this offering circular).

Typically, the time period between the signing of the Master License Agreement and the opening of your restaurant ranges between 90 and 180 days. The factors that affect this time period include: the ability to obtain a lease, financing or permits; zoning and other ordinances; weather conditions; and the type of Restaurant building to be constructed.

Standards Reference System (formerly Confidential Manual)

The table of contents of the Standards Reference System is Exhibit D of this Offering Circular. As of the date of this offering circular, there are approximately 139 pages in the Standards Reference System. The approximate number of pages devoted to each subject is in the table of contents.

Training – General

1. LJS will maintain training units or training centers at locations determined by LJS for training you and such of your employees as LJS deems necessary (Master License Agreement Section 4.1). LJS currently conducts training at LJS company-owned restaurants and at meeting facilities such as hotels and/or convention centers at various locations throughout the United States. Training centers in LJS Restaurants operated by franchisees may also be available to you.
2. LJS will provide a pre-opening management training program at locations and for periods of time as LJS designates in the Reference System (Master License Agreement Section 4.1). The opening manager for your Express Unit and such other of your employees as LJS deems necessary must be certified by completing training in a certified LJS training restaurant. Training is conducted as needed. There may be additional fees charged for training more managers for the Restaurant opening. LJS may require and provide on-the-job and instructional training for your employees (Master License Agreement Section 4.1).
3. LJS may adopt and implement an "LJS Champion" program; once it is adopted, you are required to participate in the program. Under the program, you must designate an individual as the "LJS Champion" for each Express Unit (the same individual can be designated as the LJS Champion for more than one location). The LJS Champion will be responsible for on-going training of unit-level employees, and generally ensuring that the Express Unit is operated under LJS's standards. As part of these responsibilities, the LJS Champion must visit each location on a regular basis (at least once every week).
4. Richard Ivey, whose biographical information is found in Item 2 above, has primary management responsibility for LJS's training programs.
5. 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 you or your employees incur during the training process.

Training - Summary

The pre-opening and ongoing training programs currently conducted by LJS are described in the following tables. LJS is transitioning to a new Operations training platform, Developing Champions (DC). Training will vary based on the implementation of this new training platform.

PRE-OPENING TRAINING

SUBJECT	TIME BEGUN	COURSE	DAYS OF CLASSROOM TRAINING	WEEKS OF ON THE JOB TRAINING	INSTRUCTORS
Hourly Manager (Team Leader) Training	Immediately Prior to Opening	DC Team Member Training, Essential Management Skills	2 – 3 for DC management programs	6-8	Team Member Trainers & Module Trainers for DC programs, restaurant management or RGM
ARGM and RGM Training	Prior to Opening	DC Team Member Training, Essential Management Skills	2 – 3 for DC management programs	12-16	Team Member Trainers & Module Trainers for DC programs, restaurant management or RGM

ONGOING TRAINING

Additional training classes may be offered or required for restaurant management teams and above store managers.

ITEM 12
TERRITORY

Master License Agreement

The Master License Agreement (Exhibit C in this Offering Circular) will authorize you to operate an Express Unit at a specified address. LJS generally does not grant any protected territory for units located in “captive audience” locations such as interior malls, airports, campuses, educational, industrial or health care institutions, office or business complexes, locations on the rights of way of limited access highways or toll roads, military bases or installations, athletic arenas, expositions, convention centers, theme parks, expositions, fairs, zoos or similar facilities or events.

Your Master License Agreement is for specified Express Unit locations only and LJS may allow more than one Express Unit to be operated under a single Master License Agreement in its sole discretion. A separate additional initial license fee (See Item 5) would be due for each additional Express Unit.

You may not relocate your Express Unit without LJS's prior written approval. LJS usually does not consider requests for relocation unless the Express Unit has been rendered inoperable by casualty, taken in condemnation proceedings or access to the Express Unit has been reduced by roadway relocations or closings or the Express Unit cannot be used for similar reasons beyond your control. LJS may permit a transfer and relocation for economic reasons in its sole discretion.

Co-Brand and Other Programs

In February 2000, LJS offered existing A&W licensees the opportunity to add an LJS Restaurant to their existing A&W restaurant buildings at a reduced initial fee. LJS's initial offer expired by its terms, but LJS subsequently extended that offer. A&W licensees who accepted LJS's initial offer may receive a protected area or territory ("Territory") that exceeds a one and one-half mile radius. Subsequent to the expiration of the initial offer, and for offers made to A&W licensees following the effective date of this offering circular, the Territory generally will be the one and one-half mile radius for freestanding restaurant facilities described above in this Item 12. Prior to the issuance date of this offering circular, LJS granted certain LJS franchisees a 3 mile radius protection against LJS's development of or licensing for co-branded LJS Restaurants or a Restaurant in a convenience and gas store, and LJS will continue to recognize that radius protection. Franchisees participating in the expanded KFCC co-branding program generally will receive a one and one-half mile radius Territory.

Other Information

There are no restrictions on the customers which you or LJS may solicit.

A&W, KFCC, Taco Bell and Pizza Hut (each an affiliate described further in Item 1) operate and grant licenses and franchises for the operation of restaurants that may compete with LJS Restaurants and that may be located in your Territory. These affiliates share no common trademarks or proprietary menu items with us. The restaurants that are operated franchised or licensed by these affiliates will not be permitted to co-brand with an LJS Restaurant or offer LJS products within your Territory or that of any other LJS licensee without the prior authorization of the affected licensee.

Yum! Brands (an affiliate described further in Item 1) is testing the co-branding of Pasta Bravo operations with outlets to be operated by Yum! Brands' affiliates, including KFCC, Pizza Hut and Taco Bell. These co-branded Pasta Bravo operations may compete with LJS Restaurants and may be located in your Territory.