

ITEM 5

INITIAL FRANCHISE FEE

Initial Franchise Fee. You currently must pay an initial franchise fee of \$25,000 for the first Franchise Agreement that you sign for a traditional location (“**Initial Franchise Fee**”). We currently charge \$20,000 for the second and each subsequent effective Franchise Agreement that you sign for a traditional location, although we may at any time change this practice and charge you our standard initial franchise fee for all effective Franchise Agreements signed after the first one. You must sign a separate Franchise Agreement for each Restaurant you operate and pay the Initial Franchise Fee in a lump sum when you sign each Franchise Agreement. You will pay the Initial Franchise Fee upon our execution of the Franchise Agreement. Upon our receipt of payment, we have no obligation to refund the Initial Franchise Fee, except under the ATT Program (as defined below). However, we have from time to time agreed to refund the Initial Franchise Fee and terminate the Franchise Agreement under certain circumstances, including a franchisee’s failure to successfully complete initial training. We may do so again in the future if under circumstances we deem appropriate, but we are not obligated in any way to refund the Initial Franchise Fee. If we do elect, in our sole discretion, to refund the Initial Franchise Fee and terminate the Franchise Agreement, you will be required to sign a general release as a condition to receiving any refund. If a Franchisee refers a prospective Franchisee to us who ultimately purchases a franchise for a QUIZNOS Restaurant, we currently pay the referring Franchisee \$500, although we may stop this practice or change the amount at any time.

We currently have a program pursuant to which we facilitate transfers of certain existing QUIZNOS Restaurants operated by Franchisees who desire to sell their QUIZNOS Restaurants at an accelerated pace by introducing them to prospective Franchisees who desire to purchase an existing QUIZNOS Restaurant (the “ATT Program”). We determine which existing Franchisees qualify for participation in the ATT Program. If you are approved to participate in the ATT Program and purchase a franchise in connection with the purchase of an existing QUIZNOS Restaurant that is participating in the ATT Program, you will pay a reduced Initial Franchise Fee of \$12,500. Such fee is payable when we consent to the transfer of an existing QUIZNOS

Restaurant to you. Under the ATT Program, either we or you may terminate the Franchise Agreement without cause prior to your acquisition of a QUIZNOS Restaurant. The Initial Franchise Fee is nonrefundable. If you desire to participate in the ATT Program, you must execute the First Addendum to Franchise Agreement attached as Exhibit N.

We reserve the right to waive or reduce the Initial Franchise Fee either for our, our affiliates', or Franchisees' employees who have successfully completed our training program or for other franchise candidates. The Initial Franchise Fee during the last fiscal year for a QUIZNOS Restaurant and a Non-Traditional Restaurant franchise ranged from \$0 to \$25,000.

When a franchise is sold through an Area Director, the Area Director will receive a commission equal to 25% of the total Initial Franchise Fee paid by a Franchisee who purchases a QUIZNOS Restaurant franchise within that Area Director's territory, subject to the following conditions: (i) the Franchisee executed a Franchise Agreement with us, and we have received the Initial Franchise Fee, (ii) the sale for which the Initial Franchise Fee was paid is not a resale of any existing QUIZNOS Restaurant, and (iii) the Area Director has complied with all of its other obligations. This commission will be paid to the Area Director within 20 days after the sales conditions have been fulfilled. When an Area Director has performed all of its site services for a Franchisee, the Area Director will be paid a Site Services Commission equal to 25% of the total Initial Franchise Fee paid to us, payable within 20 days after the Franchisee's QUIZNOS Restaurant opens. Within 20 days after completion of a transfer, Area Directors are paid a commission of 50% of any transfer fee we actually receive from the transfer of a franchise within the Area Director's territory. An Area Director also is paid, within 20 days after the end of each 4 or 5-week period, 40% of the royalty fees (excluding certain fees) received from each Franchisee (with some exceptions) located in its territory.

When a franchise is sold through a Green Jacket, the Green Jacket will receive a commission equal to either 50% of the total Initial Franchise Fee paid by the Franchisee (if the Green Jacket performs both sales and site selection services) or 25% of the Initial Franchise Fee paid by the Franchisee (if the Green Jacket performs only sales services). In either case, one-half of the commission is paid when the Franchise Agreement is signed, and the balance is paid when the Restaurant opens for regular business. We do not provide Green Jackets with any other fees or compensation for their services.

Except for the portion of the Initial Franchise Fee paid to an Area Director or Green Jacket, we will pay a significant portion of the Initial Franchise Fee to TQSC, which will perform various franchise sales, site selection, and Restaurant pre-opening services for us (as well as post-opening services). However, as your franchisor, we are contractually responsible for making sure that these services are performed for you as required under the Franchise Agreement and are accountable to you if they are not properly performed.

Non-Traditional Restaurant. If you desire to operate a Non-Traditional Restaurant, you must sign our Franchise Agreement (and, if applicable, the Addendum for a Non-Traditional facility). (See Item 1). You must pay an Initial Franchise Fee of \$10,000 for each Non-Traditional Restaurant ("**Non-Traditional Restaurant Fee**"). You must sign a separate Franchise Agreement for each Non-Traditional Restaurant that you operate. Non-Traditional Restaurant Fees are not refundable under any circumstances. We fully earn Non-Traditional

Restaurant Fees once paid. You must pay the fee in a lump sum when you sign the Franchise Agreement.

Lease Review. After you select a location for your Restaurant, we must approve that location. If approved, our authorized representative (which likely will be TQSC or another affiliate) will review and likely will negotiate certain lease provisions. We do not act as your legal counsel or representative in conducting those negotiations, although our interests, as Franchisor, are usually aligned with yours as the Franchisee and tenant. We encourage you to consult your own attorney if you need legal assistance in negotiating a lease with which you are satisfied. You must pay us or our authorized representative a “**Lease Review Fee**” of \$1,450 for a full lease review or \$500 for a cursory review (if the lease meets certain criteria upon submission of the lease for our review). The Lease Review Fee covers the costs of reviewing and (if applicable) negotiations we conduct with respect to the first lease that we review. You must pay only one Lease Review Fee unless you refuse to sign a lease that we have approved for your Restaurant and we or our authorized representative then must conduct one or more additional lease reviews for the Restaurant. In that case, you must pay a Lease Review Fee for the first lease review and another Lease Review Fee for each additional lease review conducted. We estimate that your monthly rent will be between \$1,000 and \$4,000, although it could be more or less depending on the area in which you lease, your Restaurant’s size, and other factors. You do not have to pay the Lease Review Fee if you operate a Non-Traditional Restaurant and are providing the premises for the Restaurant, although we still have the right to approve the location.

Restaurant Equipment and Certain Construction Materials; Architectural Services.

You must buy from SOD (see Item 1) virtually all of your Restaurant’s equipment (including the point-of-sale and credit card processing systems) and certain construction materials necessary for the Restaurant’s build-out. The total payment to SOD for these items will range from \$82,740 to \$89,240 for a traditional Restaurant and \$48,240 to \$70,240 for a Non-Traditional Restaurant. (Also see Item 8) You must pay SOD a deposit for these items and services when you submit your lease for review. The deposit amount is subject to change but currently is \$40,000 for a traditional Restaurant and ranges from \$0 to \$40,000 for a Non-Traditional Restaurant. This typically will occur after you sign the Franchise Agreement and 2 to 9 months before you open your Restaurant. The balance is due before your equipment is shipped. SOD will credit your account for \$50 for each full 30-day period after your deposit check has cleared, with a maximum \$400 credit. SOD will deduct the credit from the total amount due for the equipment when it sends the final invoice. If the lease you submitted is not approved, SOD will refund your deposit (but excluding the credits described above to which you no longer will have the right).

You also must use architectural services from a firm we designate, which could be one of our affiliates. You must reimburse us for architectural fees, which will range from \$5,000 to \$8,500 and do not include permitting fees. The architectural fee is payable together with the final payment for the equipment (prior to shipment of the equipment).

You must buy from KSS certain uniforms and related accessories (“Teamwear in a Box”) prior to opening your Restaurant. Teamwear in a Box currently costs \$653. You must also purchase from KSS a grand opening marketing kit (“Grand Opening in a Box”) prior to opening your Restaurant. Grand Opening in a Box currently costs \$4,050.

ITEM 6

OTHER FEES

Name of Fee¹	Amount	Due Date	Remarks
Royalty	7% of Gross Sales ²	Payable on the day of the week periodically designated (based on the prior week's Gross Sales)	Your bank account will be debited for Royalties due ³
Late Fee	\$100 per default	On demand, but only if you are delinquent in your payments to us or otherwise violate an obligation under the Franchise Agreement	Payable the day after payment or other event (such as required report) is due
Interest on Late Payments	2% interest per month on any late payment to us, including Royalty and Marketing and Promotion Fee payments	As incurred	Due on late payments
Bookkeeping Services ⁴	\$65-\$75 per week per Traditional Restaurant	Payable on the day of the week periodically designated	Mandatory for first 12 months your first Restaurant is operating or your first 12 months as a Franchisee if purchasing an existing Restaurant from another Franchisee; optional after that time if you meet certain requirements. Your bank account will be debited for the amount due. We may increase the fee after the first 12 months based on market rates for similar services. This is not required for Non-Traditional Restaurants
Marketing and Promotion Fee	1% of Gross Sales	Payable on the day of the week periodically designated (based on the prior week's Gross Sales)	Your bank account will be debited for amount due

Name of Fee ¹	Amount	Due Date	Remarks
Regional Advertising Fee	Currently 3% of Gross Sales, subject to an increase to 4% (for the Las Vegas market, the Regional Advertising Fee has already been increased to 4%)	Weekly	As of the date of this Offering Circular, there are 3 regional advertising programs; you must contribute to the program operating in your region (see Item 11). This Regional Advertising Fee replaces the Local Advertising Fee as long as (and to the extent) the regional advertising program operates
Local Advertising Fee	Currently, 1% of Gross Sales unless the "regional advertising" program ceases to operate in your region, in which case you will have to pay 3% of Gross Sales for local advertising (see Regional Advertising Fee discussion immediately above)	As incurred	Must be expended during each calendar quarter and receipts submitted upon request. All or a portion of the Local Advertising Fee may be collected and designated for either a regional advertising program or for the Marketing and Promotion Fund for the benefit of either the Restaurants within your particular region or all of the Restaurants operating under the QUIZNOS Marks
Local Advertising Cooperative	Percentage of Gross Sales determined by franchisees contributing to the Local Advertising Cooperative	Weekly	If we implement a program to permit QUIZNOS Restaurants to form Local Advertising Cooperatives, franchisees in your geographic area may form such a Local Advertising Cooperative. If a Local Advertising Cooperative is formed, you must contribute the amount determined according to the bylaws which must be approved by us (see Item 11)

Name of Fee¹	Amount	Due Date	Remarks
Transfer	50% of then-current Initial Franchise Fee (or, if applicable, 50% of the then-current Non-Traditional Restaurant Fee)	Before the transfer	Payable when your interest in the Franchise Agreement, a material portion of the Restaurant's assets, or an interest in you is transferred
Renewal Fee	\$1,000	When you renew your franchise and sign the then-current Franchise Agreement	
Inspection and Audit Fee	(1) Interest on past due amount at lesser of 2% per month or maximum commercial contract interest rate allowed by law and (2) costs of audit	On demand	Costs of audit payable only if you understate your Gross Sales by 2% or more; interest payable if you understate your Gross Sales by any amount
Training Program Expenses ⁵	Costs associated with attending mandatory training session	As incurred	We may require additional training occasionally. We may charge a training fee for each Special Product in which you participate
Management Fee	3% of Gross Sales plus direct out-of-pocket costs and expenses	As incurred	Due when we (or a third party) manage your Restaurant after your default or abandonment
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates if any of us are held liable for claims related to your Restaurant's operations

Name of Fee ¹	Amount	Due Date	Remarks
Insurance Premiums/Rent	Varies under circumstances	As incurred	If you do not pay your rent or insurance premiums, we or our affiliates can pay them for you and you must reimburse the payor. Rent includes any payments required under your lease
Product and Service Purchases	See Item 8	See Item 8	You must buy products and services that meet QUIZNOS standards and specifications and, in many cases, from designated suppliers (which may be one or more of our affiliates)
Testing	Cost of Testing (We currently do not charge a fee.)	As incurred	This covers the costs of testing new products or inspecting new suppliers you propose
Noncompetition Violation ⁶	A fee equal to our then-current Initial Franchise Fee for each competitive business and 8% of its Gross Sales	Upon a violation of the noncompetition covenants	
Operations Manual Replacement Fee	Cost of printing and shipping (currently, not to exceed \$50)	Upon receipt of replacement copy of Operations Manual	If you lose, destroy, or damage your copy of the Operations Manual, you must pay for the replacement copy
Estimated Royalty and Advertising Fee Payments	Minimum of \$650 a week for Royalties and \$100 a week for Marketing and Promotion Fees and Local Advertising Fee; greater amount if we reasonably estimate that your Restaurant is generating higher Gross Sales	As incurred	Payable only if you fail to submit timely reports of Gross Sales and your Gross Sales must be estimated in order to debit your account for required payments; these amounts will be reconciled with the actual amounts owed after you submit reports

- 1/ Except as otherwise noted, fees are imposed by us under the Franchise Agreement and collected by and payable to us or our designated affiliates. No fees are refundable. We will pay QFA most of the ongoing amounts that we receive from Franchisees under their Franchise Agreements (not including Initial Franchise Fees) as an intellectual property sublicense fee or a servicing fee. Much of the servicing fee then will be paid over to TQSC as the actual servicer.
- 2/ **“Gross Sales”** are defined as sales of any kind for all services or products from or through your Restaurant, including any sales made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, regardless of whether sales are conducted in compliance with or in violation of the terms of the Franchise Agreement, and regardless of whether sales occur at the site of your Restaurant or off-site, but excluding discounts, sales taxes, or other similar taxes and credits. **“Gross Sales”** also include the fair market value of any services or products you receive in barter or exchange for your services and products and all insurance proceeds that you receive for loss of business due to a casualty to or similar event at the Restaurant. We do not currently offer any Special Products, but we reserve the right to change the Royalty rate for certain Special Products depending on the arrangement with the particular third-party licensor.
- 3/ Before opening, you must sign and deliver all documents needed to permit our designated representative to debit your bank account for each week’s Royalty and Marketing and Promotion Fund payments and other payments due under the Franchise Agreement or otherwise. However, you must pay all amounts due by means other than automatic debit whenever we deem appropriate.
- 4/ You must use a designated vendor (which may be one of our affiliates) to provide bookkeeping services for you for the first 12 months your first Restaurant is operating or for your first 12 months as a Franchisee if you purchase a Restaurant from an existing Franchisee, regardless of the age of the Restaurant. After that, you may discontinue the service 90 days after you retain a full-time professional accountant (approved by us in writing) to provide bookkeeping services and that accountant agrees in writing (on a form acceptable to us) to provide required financial statements when required and in the forms and formats we require. If you fail to provide those financial statements more than 2 times in any 12-month period, we may require you to use our designated bookkeeping services at the then-current fee. We can terminate the services upon 90 days’ notice. Your right to discontinue bookkeeping services after the first 12 months your first Restaurant is operating does not include discontinuing payroll services. If you purchase a franchise for a Traditional Restaurant, you must continue to use our designated vendor for payroll services unless we approve another vendor. You may only propose a new vendor after the first 12 months of operations. You do not pay us or an affiliate for payroll services.
- 5/ Expenses associated with travel, meals, and lodging while you attend initial training sessions, as well as any fees charged by test facilities. All of these expenses are paid to third parties. Although we currently do not do so, we may in the future charge a tuition fee for training additional managers. (See Item 11)

6/ You agree not to engage in certain businesses defined as “Competitive Businesses” during the franchise term; not to engage in a “Branded Business” within ¼ mile of your Restaurant without our consent during the franchise term; and not to engage in any Competitive Business located or operating within a 5-mile radius of your former Restaurant (including at the former Franchised Location) or any other QUIZNOS franchised or company-owned Restaurant for 2 years following the termination or expiration of the Franchise Agreement. These restrictions may be modified if you sign an agreement to operate a Non-Traditional Restaurant.

ITEM 7

INITIAL INVESTMENT

Investment	Lower Cost Traditional Unit ²	Higher Cost Traditional Unit	Lower Cost Non-Traditional Unit ¹	Higher Cost Non-Traditional Unit	When Due	Whether Refundable	To Whom Payment is Made
Initial Franchise Fee	\$25,000	\$25,000	\$10,000	\$10,000	Upon our signing of Franchise Agreement	No	Us
Leasehold Improvements ³	\$60,000	\$105,000	\$15,000	\$200,000	Before opening	No	Landlord; one of our Affiliates; and Contractors
Equipment, Construction Materials and Signs ^{3,4}	\$76,500	\$93,000	\$40,000	\$110,000	Before opening	No	One of our Affiliates or Suppliers
Cash Register & Credit Card Systems	\$6,240	\$6,240	\$6,240	\$6,240	Before opening	No	One of our Affiliates or Suppliers
Phones, Other Miscellaneous Items	\$1,000	\$1,000	\$1,000	\$1,000	Before opening	No	One of our Affiliates or Suppliers
Security Deposits, Utility Deposits, and Business Licenses	\$3,600	\$8,000	\$500	\$1,000	Before opening	Deposits are refundable; business licenses are not	Us, one of our Affiliates, or Landlord; Suppliers; or Government Agencies
Professional and Architect Fees ⁵	\$5,600	\$9,810	\$5,600	\$9,810	Before opening	No	Suppliers such as lawyers and our Affiliates (for architect fees)
Training Expenses ⁶	\$1,200	\$2,000	\$1,200	\$2,000	Before opening	No	Us and outside vendors

Investment	Lower Cost Traditional Unit ²	Higher Cost Traditional Unit	Lower Cost Non-Traditional Unit ¹	Higher Cost Non-Traditional Unit	When Due	Whether Refundable	To Whom Payment is Made
Opening Advertising Campaign	\$6,000	\$6,000	\$3,000	\$3,000	Within 75 days after opening	No	Advertising media we approve
Real Estate	Note ⁷	Note ⁷	Note ⁷	Note ⁷			
Opening Inventory	\$8,000	\$12,000	\$2,000	\$2,000	Before opening	No	Suppliers and Affiliates
Lease Review Fee ⁸	\$500	\$1,450	0	0	Prior to negotiation of a lease for your Franchised Location	No	Our Designated Supplier (which is currently an Affiliate)
Additional Funds — 3 months ⁹	\$10,000	\$10,000	\$1,000	\$5,000	As incurred	No	Suppliers and your Employees
TOTAL ESTIMATED INITIAL INVESTMENT¹⁰ (excluding real estate costs)	\$203,640	\$279,500	\$85,540	\$350,050			

^{1/} These figures represent approximate costs for purchasing, installing, and equipping a Non-Traditional Restaurant. Because they are located in a host facility, these Non-Traditional Restaurants require fewer leasehold improvements and equipment expenditures than traditional QUIZNOS Restaurants. Opening inventory expenditures usually are lower as well, but the initial investment in a Non-Traditional Restaurant depends on the type, location, and configuration of the host facility and the type of Non-Traditional Restaurant established.

^{2/} Investment figures represent approximate costs based on the size of your traditional QUIZNOS Restaurant, location, and the extent of renovations required. A lower cost Restaurant is one that would require fewer leasehold improvements, less seating, and fewer equipment expenditures. A higher cost Restaurant might require extensive interior renovations, extensive seating, and additional equipment. It might not be possible to build a Restaurant for the lower total investment cost listed.

^{3/} These amounts might be reduced if the landlord contributes any tenant finish allowance. The amounts do not include any applicable sales taxes (which are your responsibility).

^{4/} Included in the equipment and construction materials are HVAC, electrical panel, and one sign.

- 5/ These amounts do not include plan review fees assessed by the municipality in which the Restaurant will be located.
- 6/ You are responsible for arranging transportation and paying the expenses for meals and lodging for any persons attending the training program. The amount expended will depend on the distance you travel and the type of accommodations you choose. The estimate contemplates attendance by 1 person. Your expenses will be higher if more than 1 individual attends the training program.
- 7/ Real estate costs depend on whether you owned the Franchised Location before signing the Franchise Agreement or instead purchase or lease your Franchised Location. A traditional Restaurant typically is located in an outdoor or enclosed mall or a strip shopping center and generally is from 1,200 to 1,600 square feet. Regardless of the amount of space covered by the lease, we will not approve the build-out of more than 1,600 square feet of space. Leasehold improvement costs, including floor covering, wall treatment, counters, ceilings, painting, window coverings, electrical, carpentry and similar work, and contractor's fees, depend on the site's condition, location, and size; the demand for the site among prospective lessees; the site's previous use; the build-out required to conform the site for your Restaurant; and any construction or other allowances the landlord grants. If you lease your Franchised Location, the amount of rent depends on the market, Restaurant size, and common area expenses passed through to tenants. Rent for enclosed mall locations generally will be higher.
- 8/ Once you select a proposed location that we approve, we (or our designated supplier) review the lease. The standard lease review fee is \$1,450. However, if your lease meets certain criteria, we (or the designated supplier) will perform a cursory review and charge you only a \$500 lease review fee.
- 9/ This estimates the funds needed to cover your initial expenses for the first 3 months of operation. It includes payroll costs (but not any draw or salary for you), utilities, and miscellaneous supplies. However, this is only an estimate, and it is possible that you will need additional working capital during the first 3 months you operate your Non-Traditional Restaurant or Restaurant and for a longer time period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Non-Traditional Restaurant or Restaurant will break even. We cannot guarantee when or if your Non-Traditional Restaurant or Restaurant will break even. Your costs will depend on your management skill, experience, and business acumen; local economic conditions; the prevailing wage rate; competition; and your Restaurant's sales during the initial period. This also includes expenses associated with travel, meals, and lodging while you attend initial training sessions. All of these expenses are paid to third parties.
- 10/ This amount does not include real estate costs (other than the Lease Review Fee). We have relied on our affiliates' (including QF and TQFC) and our principals' many collective years of experience in this business to compile these estimates. Because these figures are only estimates, it is possible both to reduce and to exceed costs in any of the areas listed above. Actual costs will vary depending on physical size and current condition of the premises. In addition, actual costs may substantially exceed these

estimates in a few major metropolitan markets. To avoid excessive construction costs, we strongly recommend that you pick contractors carefully by obtaining several competitive bids beforehand. These estimates do not include extensive exterior renovations. You should review all figures in this Item 7 carefully with a business advisor before you decide to purchase the franchise. Except as noted in Item 10, neither we nor our affiliates offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions. The estimate does not include any finance charge, interest, or debt service obligation.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

For certain products and services, Franchisees are required to use designated or approved vendors (which may be us or our affiliates) and are required to enroll in certain mandatory service programs, as set forth below. Except as noted in this Item, we and our affiliates currently are not approved suppliers of any item, although our affiliates may become approved suppliers at any time in the future and may even be the designated or sole suppliers of one or more items, in which case you would have to buy the items from our affiliates at their then current prices.

If you desire to purchase equipment, products, services, supplies, or materials from manufacturers, suppliers, or distributors other than those previously approved, you first must submit a written request to change the supplier. Presently, AFD and KSS review these requests on our behalf (depending on the type of supplier), and either AFD or KSS will notify you in writing of its approval or rejection of the proposed supplier within a reasonable time after completing its investigation. AFD or KSS may withhold approval of the manufacturer, supplier, or distributor for any reason. In order to make its decision, AFD may require that samples of a proposed new product first be delivered for testing. Permission for inspection will be a condition of the continued approval of any manufacturer, supplier, or distributor. You will pay a charge not to exceed the actual cost of the test. We and our affiliates reserve the right periodically to inspect the facilities and products of any approved supplier and to revoke approval upon the supplier's failure to continue to meet any of the then current QUIZNOS criteria. If an exclusive supplier already has been designated for the equipment, products, services, supplies, or materials proposed to be offered by a new supplier, your request for a new supplier likely will be rejected without further review or investigation.

Lease Review. TQSC or another designated supplier reviews (and typically negotiates, for our benefit) your lease. The Lease Review Fee (see Item 5) pays the cost for the lease review and (if applicable) negotiations we conduct for our purposes. This lease review and certification are for our benefit and designed to satisfy us that the proposed lease complies with minimum QUIZNOS requirements, based on the assumption that the lease has not previously been reviewed by counsel. It is important that you review the lease closely and understand all of the terms and conditions before signing it. You might want to have your own attorney review the lease on your behalf before signing it. These fees are paid to either us or QFA, depending on

which entity is the franchisor with respect to the particular site. During fiscal year ended December 31, 2005, we received \$321,575 from Franchisees in Lease Review Fees which represents 2.7% of our total revenue of \$11,944,835. During fiscal year ended December 31, 2005, QFA received \$496,750 from Franchisees in Lease Review Fees based on QFA's audited financial statement for such fiscal year.

Architectural and Construction Services. As described in Item 5, you must use architectural services from a firm we designate, which could be one of our affiliates. You must reimburse us for fees charged us by the architectural firms. Our affiliates received revenue from franchisees for these architectural fees. You must also use contractors who are approved by us. Neither we nor our affiliates receive any compensation from approved contractors. Our internal construction department may provide assistance and guidance to you during the construction process, but we do not retain your contractor and do not act as your general contractor. Neither we nor our affiliates will provide construction services directly to you or eliminate your need to employ construction contractors. However, the construction department might provide an indirect benefit to you in the form of shorter construction times.

Equipment and Fixtures. You must follow all QUIZNOS standards and specifications for construction, design, and remodeling of your Restaurant premises, food products, packaging, advertising materials, supplies, ingredients, equipment, computerized cash register, fixtures, furnishings, and other items used in operating your Restaurant. You must purchase or lease (as designated) these items only from suppliers or other sources approved and/or designated for the QUIZNOS System. We and our affiliates may designate a single approved supplier for certain items, and our affiliates may be an approved or the designated supplier for certain items. If there is no approved or designated supplier for a particular item, you must obtain all products and services from suppliers who meet QUIZNOS specifications and standards as to quality, composition, appearance, and service and adequately demonstrate their capacity to supply your needs in the quantities, at the times, and with the reliability required for an efficient operation. AFD, one of our affiliates, is the sole wholesale supplier of virtually all proprietary and branded items manufactured specially for the QUIZNOS System. AFD sells these items to unaffiliated suppliers, who then resell the items to QUIZNOS Franchisees. AFD also has the right (delegated from QFA and us) to choose the suppliers to the QUIZNOS System. AFD will pay license fees directly to QFA and indirectly to us for those product designation rights and for the right to use the QUIZNOS IP.

Ba-Bing!, one of our affiliates, is the sole supplier of the point-of-sale system and credit card processing terminals, although another affiliate may supply these systems and terminals in the future.

SOD is the sole supplier of certain restaurant equipment and building materials for your Restaurant. QUIZNOS standards and specifications will be formulated and modified based on our affiliates' and Franchisees' experience in operating Restaurants. The QUIZNOS Operations Manual or other communications will identify QUIZNOS standards and specifications and names of approved or designated suppliers. QFH, one of our affiliates, or another affiliate we designate, will lease to you at no cost certain beverage dispensing equipment, including fountain equipment for carbonated beverages and bubbler equipment for fruit drinks. You must sign the Equipment Lease Agreement (Exhibit M). You may use this equipment only while operating

your Restaurant and must return the equipment to our affiliate when the Franchise Agreement expires or is terminated.

Bookkeeping. As described in Item 6, you must use our designated vendor to provide all bookkeeping services for your first Traditional Restaurant for the first 12 months of operation or for your first 12 months as a Franchisee if purchasing your Restaurant from an existing Franchisee. Our affiliates received revenue from the participation of franchisees in required bookkeeping services programs in fiscal year 2005.

Payroll. During your first 12 months of operation of a Traditional Restaurant or for your first 12 months as a Franchisee if purchasing your Traditional Restaurant from an existing Franchisee, you must use our designated vendor to provide payroll services. Thereafter, you may submit another vendor for our prior approval. Our affiliates received revenue from the participation of franchisees in required payroll services programs in fiscal year 2005.

Facilities Services. During your first 12 months of operation or for your first 12 months as a Franchisee if purchasing your Restaurant from an existing Franchisee, you must use our designated vendor of certain facilities services (for example, mats, mops, and towels). Our affiliates received revenue from the participation of franchisees in required facilities services programs in fiscal year 2005.

Music Services. In order to standardize and enhance the customers' experience in Quizno's Restaurants, we require that franchisees subscribe to music services provided by Muzak LLC, which is currently the sole approved supplier of music services. Our affiliates received revenue from the participation of franchisees in required music services programs in fiscal year 2005.

Insurance. You are required throughout the term of the Franchise Agreement to maintain certain minimum amounts and types of insurance coverage as we specify in the Operations Manual from time to time. Currently, we require that, at a minimum, you must maintain the following types and minimum amounts of insurance coverage, described in greater detail in the Operations Manual: comprehensive general liability — bodily injury and property damage (\$1 million per occurrence), including products/completed operations (\$2 million general aggregate); automobile liability — any owned vehicles, hired and non-owned auto liability (\$1 million per accident, which is a separate limit from the comprehensive general liability limit); workers' compensation — comply with state and local laws. The minimum coverages we specify are for our benefit and are not intended to be relied upon by you as a recommendation as to the types of coverages and coverage limits which are or might be appropriate for your particular business. Additional coverages and limits might be appropriate based, for example, on the location of your Restaurant, and we encourage you to consult your insurance advisor regarding such additional coverages. If you fail to purchase this insurance, our affiliates may obtain insurance for you, and you must reimburse them for its cost, which might be higher than the cost of insurance you could obtain for yourself. All insurance policies must name us and any affiliates that we designate as additional insureds and give all of us at least 30 days' prior written notice of termination, amendment, or cancellation. You also must provide certificates of insurance evidencing your insurance coverage in compliance with these minimums no later than 10 days before your Restaurant opens and each year when your policies renew. Our

affiliate, CLG, received revenue from the participation of franchisees in required insurance carriers in fiscal year 2005.

Marketing. All marketing and promotion of your Restaurant must conform to QUIZNOS standards and specifications. You must submit (through the mail, return receipt requested) for prior approval samples of all advertising and promotional materials that you want to use that we or our affiliates have not prepared or previously approved. Any proposed uses not previously approved by us or our affiliates must be submitted to us or our affiliates at least 10 days prior to use.

As noted above, our affiliates receive revenue directly from sales to franchisees of required products or services. In addition, we and our affiliates have the right to receive payments from unaffiliated suppliers on account of their actual or prospective dealings with you and other Franchisees and to use the amounts received without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate. Our affiliates negotiate purchase arrangements with suppliers for the benefit of the QUIZNOS System, which often include volume discounts. Some suppliers pay fees to us and/or our affiliates for products purchased through these negotiated agreements, and willingness to pay us and/or our affiliates fees may be a condition for approving a supplier. These fees are usually based on an amount per case of product ordered and generally range from \$1 to \$3 per case or, in the case of equipment suppliers, 2% to 5% of equipment sales. Revenues received from equipment suppliers are used, in part, to fund an in-house construction department primarily responsible for overseeing all aspects of designing and constructing Franchisees' Restaurants and facilitating openings in as short a period and as cost-effectively as possible. Following is a list of our affiliates and the revenue received from sales to Franchisees and from approved suppliers based on Franchisee purchases based on internally prepared unaudited financial statements of each affiliate:

AFD: For fiscal year ended December 31, 2005, AFD received revenue of \$93,324,012 from the sale of food products to franchisees. AFD received payments from approved suppliers totaling \$33,353,377 (AFD contributed \$17,500,000 to the National Marketing Fund).

SOD: For the fiscal year ended December 31, 2005, the Quizno's affiliate's portion of SOD's revenue from selling and providing certain restaurant equipment, building materials, architectural and design services to Franchisees was \$60,365,204 (note: revenue numbers represent gross revenue before cost of goods and operating expenses and do not represent profits or net income to our affiliate). The Quizno's affiliate's portion of SOD's payments received from approved suppliers was \$4,809,233.

CLG Leasing LLC: For fiscal year ended December 31, 2005, CLG had revenue of \$460,400 from leasing point-of-sale and credit card processing terminals to Franchisees. (Note: revenue numbers represent gross revenue before cost of goods and operating expenses and do not represent profits or net income to our affiliate.)

Ba-Bing!: For fiscal year ended December 31, 2005, the Quizno's affiliate's portion of Ba-Bing!'s revenue from selling and servicing point-of-sale terminals, credit card processing terminals, and in-store music to franchisees was \$8,920,230 (note: revenue numbers represent

gross revenue before cost of goods and operating expenses and do not represent profits or net income to our affiliate). The Quizno's affiliate's portion of payments received by Ba-Bing! from approved suppliers was \$165,194.

KSS: For fiscal year ended December 31, 2005, KSS received revenue of \$2,149,833 from the sale to Franchisees of certain branded items like logowear, uniforms and printed items and from managing relationships with certain other approved or designated vendors such as payroll and facilities services (note: revenue numbers represent gross revenue before cost of goods and operating expenses and do not represent profits or net income to our affiliate). KSS received payments from approved suppliers totaling \$1,114,421.

CLG: For fiscal year ended December 31, 2005, CLG received payments from approved insurance suppliers totaling \$415,992.

TQRC: For fiscal year ended December 31, 2005, TQRC received payments from franchisees of \$9,139, representing fees associated with the former Lease Assistance Program pursuant to which TQRC would execute a master lease then sublease the premises to the franchisee. That program has been discontinued, but a few Franchisees will continue to pay fees pursuant to the program until their subleases expire.

TQSC II LLC: For fiscal year ended December 31, 2005, TQSCII received payments from approved suppliers in the amount of \$1,852,752.

Currently, our affiliates are the only suppliers for lease review, architectural services, virtually all proprietary and branded items, point-of-sale systems, credit card processing terminals, and certain restaurant equipment and building materials. Our affiliates also currently derive revenue from approved suppliers of bookkeeping services, payroll services, facilities services, music services and insurance carriers.

We do not provide any other material benefits to Franchisees for using designated or approved suppliers. We estimate that the cost of your purchases from designated or approved suppliers, or according to QUIZNOS standards and specifications, will range from 80% to 100% of the total cost of establishing, and approximately 35% to 45% of the total cost of operating, your Restaurant. These estimates are the same for Franchisees operating under the Development Program and any Special Product Program. There currently are no purchasing or distribution cooperatives within the QUIZNOS System.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Offering Circular
(a) Site selection and acquisition/lease	Sections 3.1, 3.2, 6.1, 6.2, and 6.3 of Franchise Agreement; Sections 2 and 4 of Non-Traditional Addendum; and Section 1 of Sublease	5, 7, 8, and 11
(b) Pre-opening purchases/leases	Sections 6.1 through 6.8 of Franchise Agreement; Sections 5 and 6 of Non-Traditional Addendum; and Equipment Lease Agreement	7, 8, and 10
(c) Site development and other pre-opening requirements	Sections 6.1 through 6.8 of Franchise Agreement	7, 8, 11, and 12
(d) Initial and ongoing training	Sections 7.1 and 7.2 of Franchise Agreement	11
(e) Opening	Section 6.8 of Franchise Agreement	11
(f) Fees	Sections 4.1, 5.1, 5.2, 5.3, 6.2, 10.1(d), 11.1(k), 12.2, 12.3, 12.4, 12.5, 13.5, 15.1, 15.4, 16.2, 17.3, 18.4, 18.5, 18.9, 19.3, 20.4, 21.3, and 23.6 of Franchise Agreement; Section 8 of Non-Traditional Addendum; Sections 3 and 15 of Sublease; and Sections 2.1, 2.3, 2.4, 8.3, and 9.10 of Asset Purchase Agreement	5, 6, 7, and 10
(g) Compliance with standards and policies/Operations Manual	Sections 2.2, 8.1, 8.2, 11.1, 12.1, 13.1, 13.3, 13.4, and 13.5 of Franchise Agreement and Sections 7 and 9 of Non-Traditional Addendum	8 and 11
(h) Trademarks and proprietary information	Sections 14.1 through 14.5, 20.5, and 20.6 of Franchise Agreement and Section 20 of Non-Traditional Addendum	13 and 14
(i) Restrictions on products/services offered	Sections 3.3, 3.4, 11.1, 13.3 and 15.1 of Franchise Agreement and Sections 9 and 10 of Non-Traditional Addendum	8, 11, and 16
(j) Warranty and customer service requirements	None	
(k) Territorial development and sales quotas	None	
(l) On-going product/service purchases	Sections 6.6, 11.1, 13.3, 13.4, and 13.5 of Franchise Agreement and Section 9 of Non-Traditional Addendum	8

Obligation	Section in Agreement	Item in Offering Circular
(m) Maintenance, appearance and remodeling requirements	Sections 11.1 and 17.2 of Franchise Agreement and Sections 5 and 16 of Sublease	11
(n) Insurance	Sections 11.1(j) and (k) of Franchise Agreement and Section 6 of Sublease	6, 7, and 8
(o) Advertising	Sections 12.1 through 12.5 of Franchise Agreement and Section 8 of Non-Traditional Addendum	6, 7, and 11
(p) Indemnification	Section 19.3 of Franchise Agreement; Section 17 of Sublease; and Section 8.3 of Asset Purchase Agreement	6
(q) Owner's participation/management/staffing	Sections 7.1, 7.2, and 11.1(c) of Franchise Agreement	11 and 15
(r) Records/reports	Sections 5.3, 11.1(h), 12.4, 15.1, 15.2, 15.3, 15.4, and 18.5 of Franchise Agreement and Section 10 of Non-Traditional Addendum	11
(s) Inspections/audits	Sections 13.2 and 15.4 of Franchise Agreement	6
(t) Transfer	Section 16.1 through 16.7 of Franchise Agreement; Sections 7 and 13 of Sublease; and Section 9.5 of Asset Purchase Agreement	17
(u) Renewal	Sections 17.2 and 17.3 of Franchise Agreement; Section 13 of Non-Traditional Addendum; and Section 9 of Sublease	17
(v) Post-termination obligations	Sections 18.6, 18.7, 18.9, and 20.3 of Franchise Agreement; Sections 15 and 18 of the Non-Traditional Addendum; and Section 8 of Sublease	17
(w) Non-competition covenants	Sections 20.1 through 20.4 of Franchise Agreement and Sections 16 and 18 of Non-Traditional Addendum	17
(x) Dispute resolution	Section 21 of Franchise Agreement; Section 17 of Sublease; and Sections 9.8 and 9.9 of Asset Purchase Agreement	17
(y) Other (Security Interest)	Section 22 of Franchise Agreement	17