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FRANCHISE OFFERING CIRCULAR

BOBBY SALAZAR'S MEXICAN RESTAURANT AND CANTINA

a California corporation
2810 San Antonio Drive
Fowler, CA 93625

Franchisee will operate a "Bobby Salazar's Mexican Restaurant and Cantina"® or "Bobby Salazar's Taqueria" restaurant facility ("Franchised Restaurant(s)") featuring a wide assortment of fresh Mexican menu items, related food products and beverages, for on-premises consumption and carry-out, delivery and catering.

The initial franchise fee is ~~\$20,000~~ \$40,000 per Franchised Restaurant. Your required estimated initial investment ranges from ~~\$150,000 to \$300,000~~: \$300,000 to \$600,000

Risk Factors:

THE FRANCHISE AGREEMENT PERMITS YOU TO ARBITRATE WITH US ONLY IN FRESNO COUNTY, CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN FRESNO COUNTY, CALIFORNIA, THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information about comparing franchisors is available. Call the California Department of Corporations or your public library for sources of information. Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in the offering circular is untrue, contact the Federal Trade commission and the California Department of Corporations.

The effective date of this Offering Circular is _____.

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EXHIBITS:

- A. Franchise Agreement
- B. Financial Statements
- C. Offering Circular Receipts.

BOBBY SALAZAR'S MEXICAN RESTAURANT AND CANTINA

**INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION**

* * * * *

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

**FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580**

ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

The Franchisor is Bobby Salazar's Mexican Restaurant and Cantina, a California corporation, and will be referred to in this Offering Circular as "us", "our" or "we" and includes all predecessors and affiliates, unless otherwise indicated. We will refer to the person who buys a franchise from us as "you" or "your" throughout this Offering Circular. If you are a privately-held corporation, partnership or other entity, certain provisions of our Franchise Agreement also will apply to your principal owner(s) or partners(s). We will indicate when your owners are also covered by a specific provision of the Franchise Agreement.

In 1993 we incorporated under the laws of the State of California as Sal's Mexican Restaurant. In May of 1998 we changed our corporate name to Bobby Salazar's Mexican Restaurant and Cantina. Our principal offices are located at 2810 San Antonio Drive, Fowler, CA 93625. Our president and agent for service of process is Mr. Robert Salazar. We have no predecessors.

We are the founder and creator of the Bobby Salazar's Mexican Restaurant and Cantina® and Bobby Salazar's Taqueria" concepts. We created, developed and used a number of trademarks, service marks, logotypes and symbols to advertise and promote Bobby Salazar's Mexican Restaurants and Cantinas and Bobby Salazar's Taquerias. See item 13 for a more detailed description of these proprietary marks. We have not offered franchises in any other lines of business.

Our primary business is the development, operation and sale of franchises which operate Mexican restaurants known as Bobby Salazar's Mexican Restaurant and Cantina® and Bobby Salazar's Taqueria". These restaurants serve Mexican food, soft drinks, coffee and alcoholic beverages. The food is prepared and served according to our specifications and can either be consumed on the premises or taken out. We may supply enchilada sauce, refried beans, Mexican rice, chili verde, chili colorado, salsa, chopped salsa, shredded beef, shredded chicken, chili beans, tamales and proprietary spice packs to our franchisees. Our products are enjoyed by a multi-diverse consumer base. We offer you the right to establish and operate a single Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria.

We are also affiliated with Bobby Salazar's Mexican Food Products, Inc. Bobby Salazar's Mexican Food Products, Inc., does business as Bobby Salazar's Mexican Food. **BOBBY SALAZAR'S MEXICAN FOOD PRODUCTS, INC., MAY WHOLESALE ITS FROZEN DINNERS TO COMMERCIAL ESTABLISHMENTS WITHIN THE PROPOSED TERRITORY CONTEMPLATED BY YOU.**

We are also affiliated with Bobby Salazar's Express, Inc., a California corporation ("Our Affiliate"). Our Affiliate has established franchises under the name Bobby Salazar's Express. **OUR AFFILIATE MAY OPERATE ITS CORPORATE OWNED EXPRESSES WITHIN A ONE MILE RADIUS OF OUR FRANCHISED RESTAURANTS.** Our Affiliate will not permit its existing or potential franchisees to operate an Express within a one mile radius of a Franchised

Restaurant.

The restaurant business is a very competitive marketplace and likely to become more competitive as dining habits change and discretionary income increases. You will compete with other restaurants and stores that offer the same products that You do, including restaurants that specialize in one or more of the products that You will offer.

During Your franchise operation, You will purchase products either from Us, Our Parent Corporation and/or unaffiliated food distributors that carry products You are required to offer at Your Franchised Restaurant.

There are no regulations specific to the services and products offered by Us, although You must comply with all local, state and federal business, health, sanitation and liquor laws that apply to restaurant operations.

ITEM 2

BUSINESS EXPERIENCE

Chairman, Director, President and Secretary: Robert Salazar

Robert Salazar graduated from Selma High School. He has twenty-six years of restaurant cooking and operations. From 1990 to the present, Mr. Salazar has managed and owned seven (7) successful restaurants, one processing plant and twelve franchised restaurants in Fresno County, California. The restaurants employ approximately 300 people, including 60 in the kitchen. At age ten (10) Mr. Salazar began working with his father, cutting meat and preparing food in the family owned restaurant. In 1986, Mr. Salazar supervised the expansion of the family owned restaurant adding twenty-five (25) seats. The sales increased from approximately \$500,000 in 1978 to \$1,500,000 in 1992. Employees increased during the same period from fifteen (15) to thirty-five (35). In October of 2000, Mr. Salazar opened a centralized kitchen consisting of approximately 18,500 square feet. His annual sales are \$5,000,000. Mr. Salazar is also the President of Bobby Salazar's Express, Inc., and Bobby Salazar's Mexican Food Products, Inc.

Treasurer: Denise Dominguez

Ms. Dominguez is the Treasurer of Bobby Salazar's Mexican Restaurant, Inc., and Bobby Salazar's Express, Inc.

Secretary: Linda Gonzales

Ms. Gonzales is the Secretary of Bobby Salazar's Mexican Restaurant, Inc., and Bobby Salazar's Express, Inc..

ITEM 3

LITIGATION

There is no pending litigation involving the Franchisor. No person previously identified in Items 1 and 2 of this offering circular is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

ITEM 4

BANKRUPTCY

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy code required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

You must pay an initial franchise fee of ~~-\$20,000.00~~ \$40,000 when you sign the Franchise Agreement. We apply the entire amount of the ~~\$20,000.00~~ \$40,000 to effect the opening of your Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria (collectively and alternatively, "Franchised Restaurant").

You must open your Franchised Restaurant within nine (9) months of the date that you sign the Franchise Agreement. If, after nine (9) months, you have not been able to locate a restaurant site acceptable to us to open and operate your Franchised Restaurant after really trying, either we or you may terminate the Franchise Agreement by written notice. If the Franchise Agreement is terminated for the above referenced cause, we will refund to you all of the initial franchise fee. If, however, you have either failed, without cause, to submit any sites to us or submitted a minimum of two (2) or more sites which are acceptable to us but which you have refused, then we will refund to seventy-five percent (75%) of the then initial franchise fee and retain twenty-five percent of the then initial franchise fee as compensation for our expenses in processing your application and performing services for you. We may agree to provide additional extensions at our sole discretion.

In our sole discretion, the amount of the franchise fee may be reduced if, in our opinion, you meet the following conditions:

- (1) You are an existing franchisee;

- (2) You have demonstrated your ability to perform a substantial portion of the functions and duties normally performed by us in connection with the opening of a new restaurant; and
- (3) You have adequate and competent personnel to operate your existing restaurant(s) while you are devoting your time and effort in preparing the new restaurant for its opening.

ITEM 6

OTHER FEES

Name of Fee ¹	Amount	Due Date	Remarks
Continuing Royalty	Percentage ² of total gross sales ³	See below ⁴	These royalties are due from the date your Franchised Restaurant is open. If Your Franchised Restaurant temporarily closed for more than 5 days, you must pay us based upon the average monthly conti continuing royalty fees paid during the previous 12 month.
National Advertising Fee ⁵	Percentage of total gross sales.	Tenth day of each month.	See below ⁵ .
Product Purchases ⁶	Will vary under circumstances	Upon receipt of invoice	Payable to us for products/supplies you must use at Your Franchised Restaurant.
Transfer Fee	Twenty-five percent (25%) of the then initial franchise fee.	Before final approval of the proposed transferee	Payable when the Franchise Agreement or an interest in you is transferred. No charge under certain circumstances.
Reimbursement Fee	Twenty-five percent (25%) of the then initial franchise fee	Upon demand	If you fail to commence operations after we have approved at least two of your potential sites.
Initial Training	No charge	N/A	No charge but you will be responsible for the travel, living expenses and salaries of the trainees.
Consultation Fees ⁷	\$35.00 per day per representative	As Incurred	See Note 7

Operations Seminars ⁸	No charge	N/A	You are responsible for the living and travel expenses of those who attend on your behalf. We are not bound to offer these refresher courses.
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement or other claims related to our relationship including our obtaining an injunction against you.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if you are held liable for claims, damages or lawsuits arising from your operation of your Franchise including acquiring the property where the Restaurant will be located and construction of the Restaurant. ⁹
Injunctive Relief	Will vary under circumstances	Upon receipt of invoice	You must pay us for all damages, costs and expenses, including reasonable attorneys' fees, that we spend in obtaining injunctive or other relief for making sure you comply with the terms of the Franchise Agreement regarding the termination or expiration of the Franchise Agreement.

(See Following Page for Explanatory Notes).

Explanatory Notes:

1. Unless otherwise specifically noted, all fees are imposed by and payable to us or our affiliates via electronic transfer of funds. Electronic transfers of Your funds for payment of Your fees and royalties shall be made pursuant to that agreement attached as Exhibit "C" to the Franchise Agreement. All fees are non-refundable unless we specify otherwise.
2. "Percentage" means that you will owe us a continuing royalty based upon four percent (4%) of your total gross monthly sales.
3. "Gross Sales" includes all revenue accrued from the sale of all products and performance of service in relation to your Franchise, whether for cash or credit and regardless of collection in the case of credit, and income of every kind related to your Franchise, including insurance proceeds and condemnation awards for loss of sales, profits or business. But Gross Sales does not include revenue from any sales taxes or other add-on taxes collected from customers for submission to the appropriate taxing authority. You may deduct

(i) the retail value of any complimentary service or trade-outs or credit card discounts from Gross Sales up to a maximum of two percent (2%) of Gross Sales, and (ii) the amount of cash refunds to your customers and coupons used by customers, if these amounts have been included in Gross Sales. The sale and delivery of Franchisor's products and services away from Your Franchised Restaurant without our approval is strictly prohibited, but if we approve these sales, revenue generated must be included in calculating Gross Sales.

4. The Royalty payment will be due on the tenth (10th) day of each month. You must provide the sales journal records on or before the fourth (4th) day of each month.
5. You are also required to pay into a trust account an amount equal to three percent (3%) per month of Your Gross Sales by the tenth of the following month for a national advertising program. The payments are kept by Us in a separate trust account and are used for advertising and promotion.
6. There are several food items that you must purchase from us. These items may include enchilada sauce, refried beans, Mexican rice, chili verde, chili colorado, salsa, chopped salsa, shredded beef, shredded chicken, chili beans, and tamales and/or proprietary spice packs from us.
7. We will provide qualified representatives at such times and places as are reasonably necessary and mutually convenient should you require additional assistance in order to facilitate the opening of the Franchised Restaurant. The qualified representatives will provide consultation and assistance regarding the operation and management of your business. You shall pay all reasonable personal expenses plus \$35.00 per day for each such representative.
8. We may offer refresher courses. Course attendance is mandatory for franchisees or their main principals and their managers. There is no fee for the course but you are responsible for the living and travel expenses of those who attend on your behalf. We are not bound to offer these refresher courses.
9. The Franchise Agreement requires you to include a provision in any real property, equipment or trade fixture lease or financing document that you have in connection with Your Franchised Restaurant, approving us as a transferee under the lease or financing document and requiring the lessor or lender to send notice of any default by you to us. While we have no obligation or duty to cure the default, if we elect to do so, you agree to repay and indemnify us for any costs and expenses we pay in curing the default.

ITEM 7

INITIAL INVESTMENT

EXPENDITURE	ESTIMATED AMOUNT OR ESTIMATED RANGE	METHOD OF PAYMENT	WHEN DUE	REFUNDABLE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee (Note 1)	\$20,000 <u>\$40,000</u>	Lump Sum	Upon signing Franchise Agreement	No	Us
Real Estate Lease/Mortgage Payments (Note 2)	\$8,100 to \$10,500	As Arranged	Monthly	No	Landlord
Liquor License (Note 3)	\$10,000 to \$12,000	As Arranged	Before Opening	No	ABC

Improvements, Signage, Equipment Furniture, Fixtures, Supplies and Smallwares (Note 4)	\$150,000 to \$300,000 <u>\$300,000 to \$600,000</u>	As Arranged	Before Opening	No	Suppliers, Tradesmen
Initial Inventory (Note 5)	\$15,000 to \$30,000	As Arranged	Before Opening	No	Suppliers, Tradesmen
Initial Advertising (Note 6)	\$3,000 minimum	As Arranged	Before Opening	No	Suppliers, Tradesmen
Insurance (Note 7)	\$14,000 to \$32,000	As Arranged	Before Opening		Third Party Insurers
Professional Fees (Note 8)	\$10,000 to \$20,000	As Arranged	Before Opening		Your attorneys and accountants
Deposits, Licenses and other prepaid Expenses (Note 9)	\$8,600 to \$11,000	As Arranged	Before Opening		Suppliers, Utilities, Governmental Agencies, Landlord
Additional Funds - 3 months (Note 10)	\$30,000 to \$100,000	As incurred	As Incurred		Suppliers, Utilities, Employees, Tradesmen
Estimated Total	\$268,700 - \$538,000				

Explanatory Notes:

1. This chart assumes that you will locate a mutually acceptable Franchised Restaurant site.
2. You are required to provide sufficient funds for your lease or purchase of the premises and for any deposits required under the lease since we do not provide any financing for your initial investment in the franchise nor do we purchase or lease facilities for your franchise use. The total amount of funds necessary to lease suitable franchise premises varies depending on the following nonexclusive factors: location, age of facility, size, term of the lease, vacancy rate, the extent of new construction or remodeling, the extent to which the landlord will build or remodel and tenant creditworthiness. However, based on the recent average lease costs of our other restaurants in California, you should be prepared to pay monthly, triple net rental rates from anywhere from \$1.35 to \$1.75 per square foot for a five year lease. After we have approved the site, you may purchase or lease an approved site on whatever terms you can negotiate with the owner, lessor or holder of the prime lease. You will contract directly with such persons and/or entities and make whatever financial and credit arrangements are necessary with whatever sources of funds or credit you choose. You will have to construct and/or remodel improvements on the site consistent with plans we have approved.

3. The amount necessary to obtain a liquor license varies depending upon whether you apply for a new license or purchase one from an existing licensee.
4. Before constructing or remodeling the restaurant, you must submit a site plan to us including a footprint of the proposed building and architectural elevations of the exterior building shell and the kitchen, dining, banquet and bar areas, as applicable. You may use any architect or engineer currently used by us to prepare detailed plans and specifications for construction and/or remodeling of Your Franchised Restaurant. In constructing or renovating the premises, you must enter into a building contract with a general contractor and you must pay the general contractor directly for the build-out of your Franchised Restaurant including all labor and material costs, unless the landlord has agreed to perform this work. You must inform us of your qualified general contractor prior to construction. Finally, you must construct and/or remodel the restaurant in accordance with the site plan and plans and specifications approved by us and no changes may be made to approved plans and specifications, the design of the restaurant or any of the materials used, or the interior and exterior colors associated with the restaurant without our consent. Costs to construct your Franchised Restaurant, whether as part of a new building or part of a remodeling of an existing build, will vary depending upon the condition of the takeover location, local building and zoning laws, local construction and labor (union or non-union) costs and the amount of any landlord contribution. The figure shown includes estimated costs of construction using an architect and/or engineer we approve to prepare site layout plans and specifications which conform to our plans and specification, furnishing us with these materials, obtaining approval of your plans and specification from the landlord and local building authorities, and employing a qualified representative to supervise construction of the restaurant. You are required to provide sufficient funds for the preparation of plans, for the construction or remodeling of the premises, for equipment, and for the installation of fixtures and equipment. You will contract directly with the contractors, the purveyors and the suppliers and makes whatever financial and credit arrangements are necessary directly with them or with whatever sources of funds or credit you choose. We do not provide any financing for your initial investment in the franchise

You must also acquire all equipment, smallwares, supplies and fixtures necessary to operate a Franchised Restaurant including the cost of cash registers and back office computer hardware and software. You may obtain the necessary equipment, furniture, fixtures and restaurant decor package from approved suppliers or other vendors you choose, but we reserve the right to approve any vendor who is not one of our approved suppliers. All equipment, furniture, fixtures and the decor package must meet our approved standards and specifications (see item 8). The cost of fixtures and furniture will vary depending upon the size, configuration and location of Your Franchised Restaurant. We will provide you with a list of pre-opening supplies that you should have available and a list of equipment and fixtures that are necessary for operating Your Franchised Restaurant.

5. The estimated range shown should be sufficient to stock Your Franchised Restaurant with all food, beverage and merchandise inventory. We will help you plan your initial inventory. The cost of your initial inventory will depend upon Your Franchised Restaurant size, type of products purchased, whether or not Your Franchised Restaurant is first open during a busy season and other similar variables. You are required to provide sufficient funds for the initial inventory necessary to commence operation. You will contract directly with the purveyors and suppliers and makes whatever financial and credit arrangements are necessary directly with them or with whatever sources of funds or credit you choose. We will provide you with a list of pre-opening supplies that you should have available and a list of equipment and fixtures that are necessary for operating Your Franchised Restaurant.
6. You shall expend a minimum of Three Thousand Dollars (\$3,000.00) on Franchisor's printed, grand opening package materials, during your initial six (6) weeks of operating the Franchised Restaurant. You may spend the balance at your discretion on any media or promotion, with Franchisor's prior approval.
7. Under the Franchise Agreement, you must have the following insurance coverages:

<u>Type of Insurance</u>	<u>Amount</u>
Commercial General Liability Insurance	Combined single limit for bodily injury and property damage of \$1 million per occurrence and \$2 million in the aggregate.
Automobile Liability Coverage for Owner, non-owed.	Bodily injuries – Scheduled and Hired Vehicles-- \$100,000 per person and \$300,000 per accident. Property damage – \$50,000 per occurrence
Excess Liability Umbrella Coverage	\$5 million per occurrence and aggregate.
Comprehensive Crime and Blanket Employee Dishonesty Insurance.	\$100,000
All-risk Property Insurance	At least 80% of the replacement of the building and 100% of the replacement cost of the contents of the building.
Employer’s Liability and Workers’ Compensation Insurance	As prescribed by law.
Business Interruption Insurance	\$50,000 per month with a limit of not less than 6 months of coverage.

You must list us as an additional insured, and all insurance policies must be written by an insurance company rated A-minus or better, in Class 10 or higher, by Best Insurance Ratings Service and satisfactory to us. Your insurance costs may not be uniform since insurance premiums differ depending upon your location, insurance company’s assessment of the risk of insuring you, amounts of insurance needed, your insurance history, applicable law within the location of Your Franchised Restaurant and general economic terms. The amount shown in the chart offers the estimated annual premiums for the above-described insurance.

8. This range is for the professional services need in order for you to commence business which we believe will include accounting services by an accountant able to process your financial data using “Real World” accounting software and your attorneys’ fees for setting up your business, reviewing documents such as our Franchise Agreement, your prospective lease/real property purchase contract and loan documents, if any.
9. These costs include deposits for real property leases, business licenses, utilities, prepaid expenses and other miscellaneous costs necessary to open Your Franchised Restaurant. Food sale licenses and sales tax permit are estimated at \$500.00. Licensing fees may vary depending on the location and size of the franchise.
10. These limits are estimated funds needed for the typical restaurant’s first 3 months’ operation. The figures do not include your personal living expenses. These expenses include payroll costs (but do not include any draw or salary for the owners of the Franchise unless they are acting in the capacity of a restaurant manager), health insurance cost and office support services. The variables affecting these limits will include the number of employees working, rates of pay, initial sales volume, frequency of reordering merchandise and supplies, utility bills, etc. The range given is based on the assumption that non-food merchandise inventory turns at a rate of 6-12 times per year and you replace the entire inventory one time (the first month of operation) before cash flow is sufficient to cover operating expenses and merchandise purchases. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your business. Other variables affecting you costs include your business experience, local

economic conditions, competition, your management team's capabilities, the amount of time you invest in the Franchise, your marketing and sales skills and capabilities and those of your employees.

The amount of working capital required will vary depending on a number of factors including location and size of the franchise, but the amount of working capital necessary to commence operation of a Franchised Restaurant in California during the recent history of the restaurant has ranged from a high of \$50,000.00 to a low of \$30,000.00.

In compiling this chart, we relied on our experience as the owner of a number of restaurants and information received from our Franchisees. The amount shown are estimates only and may vary for many reasons including the size of Four Franchised Restaurant, the capabilities of your management team, where you locate Your Franchised Restaurant and your business experience and acumen. For planning purposes, please note that most costs and expenses listed in this Item 7 are not within our control and are affected more by general economic conditions than our actions. You should review these estimates carefully with a business advisor or accountant before making any decision to buy a Franchise. We do not offer direct or indirect financing to you for any item. All or part of your investment may be financed by a bank or other lending institution on terms we cannot estimate, however, we expect you to have a minimum level of unrestricted cash holding of at least \$500,000 per restaurant available for your investment in a Franchised Restaurant before we will sign a Franchise Agreement with you. Once you sign our Franchise Agreement, no payment you make to us are refundable except as stated so in the Franchise Agreement.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the highest degree of quality and service is maintained at each Franchised Restaurant, you must operate Your Franchised Restaurant according to the methods, standards, and specifications we dictate from time to time in our instructions we provide to you ("Manuals"). The specifications will include types of equipment, furniture, fixtures, signs, decor package, smallwares and supplies used in operating a Franchised Restaurant. The specifications will also regulate authorized products and designated or approved suppliers for these items.

By way of example, in operating Your Franchised Restaurant, you will have to (i) prepare all food items consistent with our specifications; (ii) control the sanitation and health aspects of Your Franchised Restaurant to meet our minimum acceptable standards; (iii) use only ingredients for food items that we approve; (iv) sell all menu items that we dictate and not offer any food item that we have not previously designated as acceptable for sale at a Franchised Restaurant; (v) use only those decor items that we have approved; (vi) use equipment and fixtures that meet our design requirements, fit the overall look and feel of a promotional material that we direct to be used and only those that we otherwise approve, (vii) use only those records in your jukebox that we designate or otherwise approve and (viii) play only that prerecorded, ambient music that we designate or otherwise approve. Because it is necessary to have all restaurants look the same and to ensure customers' experience will be the same at all Bobby Salazar's Mexican Restaurants and

Cantinas or Bobby Salazar's Taqueria, we have the right to require that certain equipment, fixtures, non-food inventory, furnishing, sign, supplies, and other products and materials required for the operation of Your Franchised Restaurant be purchased solely from suppliers (including manufacturers, distributors and other sources) who demonstrate, to our satisfaction, the ability to meet our then-current standards and specifications for those items; who possess adequate quality controls and capacity to supply your needs promptly and reliably; and who are approved in writing by us. These items will include custom-made products and other promotional items which bear the Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria trademark and insignia (such as t-shirts and other apparel and paraphernalia).

As noted in Items 5 and 7, You must purchase your requirements of enchilada sauce, refried beans, Mexican rice, chili verde, chili colorado, salsa, chopped salsa, shredded beef, shredded chicken, chili beans, and tamales and/or proprietary spice packs from Us. You are further required to purchase Your other requirements of food, beverages, materials and supplies from Us, or from suppliers designated by Us, or from any other supplier meeting Our standards and requirements. We will derive income from the sale of these items and/or proprietary spice packs, but this income will be limited to the extent that they will be sold to You at current fair market prices.

The suppliers designated by Us and any other supplier meeting the standards and requirements set by Us will derive income from the sale of their products to You. It is estimated by Us that You, in the establishment of the franchise business, will be required to purchase approximately 50% of all items from Us or from suppliers We designate.

ITEM 9

FRANCHISEE'S OBLIGATION

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN OFFERING CIRCULAR
a) Site selection acquisition / lease	Section 1.5 and 5.6 of the Franchise Agreement	Items 7 and 11
b) Pre-opening purchases / leases	Section 5 of the Franchise Agreement	Item 7
c) Site development and other pre-opening requirements	Sections 1.5, 1.9 and 5.6 of the Franchise Agreement	Items 6 and 7
d) Initial and ongoing training	Sections 3.4, 5.8 and 5.9 of the Franchise Agreement	Item 11
e) Opening	Section 1.3 of the Franchise Agreement	Item 5
f) Fees	Sections 3.5, 4, 5.18, 8.3, 12.3.11 and 25 of the Franchise Agreement	Items 5, 6, and 11
g) Compliance with standards and policies / Manual	Section 5.15 of the Franchise Agreement	Item 8

h) Trademarks and proprietary information	Sections 14.4 and 6.2.7 of the Franchise Agreement	Items 13 and 14
i) Restrictions on products / services offered	Sections 5.15.1, 5.18, 5.19, 7.1 and 14	Items 8 and 16
j) Warranty and customer service requirements	None	None
k) Territorial development and sale quotas	Section 1.2 of the Franchise Agreement	Item 12
l) Ongoing Product /service purchases	Sections 5.15.1 and 5.15.2 of the Franchise Agreement	Items 1, 6, 8 and 9
m) Maintenance, appearance and remodeling requirements	Section 5.14 of the Franchise Agreement	Item 8 and 9
n) Insurance	Sections 11 and 16.3 of the Franchise Agreement	Items 6, 7, and 9
o) Advertising	Sections 3.7, 4.3, 5.1, 5.25, 10, 12.3.6, 13.2.1 of the Franchise Agreement	Items 6,7, 11 and 14
p) Indemnification	Section 18 of the Franchise Agreement	Item 6 and 7
q) Owners participation / management / staffing	Sections 5 and 15 of the Franchise Agreement	Items 11 and 15
r) Records / reports	Section 9 of the Franchise Agreement	Items 6 and 11
s) Inspections / audits	Sections 5, 9, and 13.3 of the Franchise Agreement	Items 6 and 11
t) Transfer	Sections 5 and 12 of the Franchise Agreement	Item 17
u) Extension (Renewal)	Section 2.2 of the Franchise Agreement	Item 17
v) Post-termination obligations	Section 14 of the Franchise Agreement	Item 17
w) Non-competition covenants	Section 15 of the Franchise Agreement	Item 17
x) Dispute resolution	Section 25 of the Franchise Agreement	Item 17
y) Appointment and Franchise Fee	Sections 1 and 4 of the Franchise Agreement	Items 5 and 7
z) Continuing Services and Royalty Fee	Sections 4 and 9 of the Franchise Agreement	Item 9
aa) Default and Termination	Sections 13, 14 and 19 of the Franchise Agreement	Item 9 and 17
ab) Death or Incapacity of Franchise	Sections 11.1, 12.8, 12.9, and 13.1.15 of the Franchise Agreement	Item 9 and 17
ac) Right of First Refusal	Section 12.7 of the Franchise Agreement	Items 9 and 17
ad) Independent Contractor	Section 17 of the Franchise Agreement	Item 9

ae) Non-waiver	Section 12.10 of the Franchise Agreement	Item 17
af) Notice	Sections: 1.5, 1.6.3, 1.10, 2.4, 2.5, 5.6, 5.19, 5.21, 5.23, 11.4, 12.7, 13.2, 13.3, 13.4, 14.5, 20 and 25.01 of the Franchise Agreement	Items 5, 9 and 17
ag) Entire agreement / severability / construction	Sections 21 and 22 of the Franchise Agreement	Item 17
ah) Definitions	Page one and the Recitals of the Franchise agreement; Sections 1, s 4, 5, 6, 7, 8, 12, 14, 18 and 26 of the Franchise Agreement	Item 17
ai) Acknowledgments	Recitals of the Franchise Agreement; Sections 2.6, 3.3, 4.1, 5.1, 5.6, 5.16, 5.18, 6.3, 6.4, 7.1, 8.3, 10.4, 12.2, 12.4, 14.5, 14.7, 15.2, 15.6, 15.8 and 26 of the Franchise Agreement	Item 17

The fixtures and decoration of the franchise premises shall be in accordance with our specifications as stated in Section 1.9 of the Franchise Agreement.

All other foods (other than proprietary spice packs), beverages, materials and supplies shall be purchased from suppliers who meet our standards and requirements.

We issue specifications for the purpose of maintaining the uniformity and quality standards of Bobby Salazar's Mexican Restaurant and Cantina® and Bobby Salazar's Taqueria restaurants, and for the purpose of presenting a unique product, served in a unique manner, which the public can identify as being a Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria. All of our specifications regarding uniforms, goods, services, supplies, fixtures, equipment and inventory are stated in the Franchise Agreement. We reserve the right to modify the specifications at any time. All Franchisees will be notified, in writing, as far in advance as possible, of the nature of the modification and its effective date. In the case of modifications of fixtures, equipment, architectural design or decoration of the franchise premises, such modifications will not be applicable to existing franchises or to franchises which are in the process of being constructed or remodeled, unless such modifications can be implemented without additional cost to you. In the case of modifications in the specifications for goods, services and supplies, you will have three months from the effective date of the modification in which to implement the modification(s).

We have or will designate an approved supplier based on the supplier's demonstration that it is able to supply a commodity to you which meets our specifications for such commodity and that the supplier is of good standing in the business community with respect to its financial soundness and the reliability of its product and service. You may submit a written request to us for approval of a supplier of your choice, and the supplier will be approved if it meets our above referenced standards.

We reserve the right to grant or revoke approval of suppliers at any time. We will notify all Franchisees in writing if and when we approve a new supplier and the effective date of such approval. We will likewise notify all Franchisees if and when a supplier's approval is revoked and the effective date of such revocation.

WE ARE THE ONLY APPROVED SUPPLIER OF THE PROPRIETARY SPICE PACKS.

ITEM 10

FINANCING ARRANGEMENTS

We do not offer any financing arrangements, directly or indirectly, or through any agent or affiliate. Franchisees normally make their own financial arrangements with their bank, or with suppliers of equipment and services or with other persons.

ITEM 11

FRANCHISOR'S OBLIGATIONS

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

Before and after you open your Franchised Restaurant, we will:

- (1) provide you with advice in locating and opening a completed restaurant, including, but not limited to, providing approved supplier lists, acceptable site criteria, approved renovation criteria and, at our option, a set of architectural plans of an existing Bobby Salazar's Mexican Restaurant and Cantina® Restaurant or Bobby Salazar's Taqueria. (Franchise Agreement, Section 3.1) See "Site Selection" below in this Item 11 for more information.
- (2) We will make a training and familiarization course available to You and up to two (2) additional managers/employees. You, and at least one (1) of Your employees designated as Your manager, are required to attend and successfully complete to our satisfaction prior to opening for business, a training and familiarization course of at least ten (10) days in duration which shall be conducted at Our headquarters or at such other place as We shall designate. Said training program shall cover all material aspects of the operation of a Franchised Restaurant, including, inventory control, food preparation service and operational techniques, marketing and advertising techniques, sanitation and maintenance procedures, deployment of labor, and maintenance of quality standards. All expenses incurred by You and Your employees in attending such program, including without limitation, travel, room and board expense, shall be Your sole responsibility. (Franchise Agreement, Section 3.2.)

- (3) For a minimum of two days not to exceed five (5) days during the first month of operation of Your Franchised Restaurant will furnish to you, at your premises and at our expense, one of our representatives (“Representative”) for the purpose of facilitating the opening of Your Franchised Restaurant. During this period, the Representative will also assist you in establishing and standardizing procedures and techniques essential to the operation of a Franchised Restaurant and shall assist in training personnel. Should you request additional assistance from us in order to facilitate the opening of the Franchised Restaurant and should we deem it necessary and appropriate, you shall reimburse us for our expense of providing such additional assistance. You acknowledge and agree that you will pay us the sum of \$35.00 for each hour the Representative is on the premises of the Franchised Restaurant. (Franchise Agreement, Section 3.3)
- (4) We may, from time to time, provide and require that you and other previously trained and experienced franchisees, or their managers or employees, attend and successfully complete refresher training programs or seminars to be conducted within your Area of Dominant Influence and at such location as may be designated by us, and at your expense; provided, however, that attendance will not be required at more than two (2) such programs in any calendar year and which shall not collectively exceed two (2) business days in duration during any calendar year. (Franchise Agreement, Section 3.6)
- (5) We may, from time to time, provide to you at your expense, such advertising and promotional plans and materials for local advertising as described in Section 10.1 of the Franchise Agreement and may direct the discontinuance of such plans and materials, from time to time. (Franchise Agreement, Section 3.7)
- (6) We shall provide You manuals to assist in operations (Franchise Agreement Section 3.8)
- (7) We may provide you, from time to time, as we deem appropriate, such merchandising, marketing and other data and advice as may from time to time be developed by and deemed by us to be helpful in the managing and operation of the Franchised Restaurant. (Franchise Agreement, Section 3.9)
- (8) We may provide such periodic individual or group advice, consultation and assistance, rendered by personal visit or telephone, or by newsletter or bulletins made available from time to time to all of our franchisees as we may deem necessary or appropriate. (Franchise Agreement, Section 3.10)
- (9) We may provide such bulletins, brochures, manuals and reports, if any, as may from time to time be published by or on our behalf regarding our plans, policies, developments and activities. In addition, we may provide such communication concerning new developments, techniques and improvements in the food

preparation, equipment, food products, packaging and restaurant management which we feel are relevant to the operation of the Restaurant. (Franchise Agreement, Section 3.11)

- (10) We shall provide the information for menu item specifications, and inventory control. (Franchise Agreement, Section 3.12)
- (11) We shall seek to maintain the high standards of quality, appearance, and service of our franchise system and to that end shall conduct, as we deem advisable, inspections and evaluations of Your Franchised Restaurant and its products and services. (Franchise Agreement, Section 3.13)
- (12) We are obligated to take any appropriate action to preserve the Proprietary Marks (as that term is defined in Item 13, below) against unauthorized operations which infringe on such Proprietary Marks; however, we are not obligated to protect the rights granted to you to use the Proprietary Marks or to protect you from against claims of infringement or unfair competition arising from your use of the Proprietary Marks. (Franchise Agreement, Section 3.14)
- (13) All of our obligations under the Franchise Agreement shall be for your benefit only and no other party is entitled to rely on, enforce, benefit from or obtain relief for breach of such obligations, either directly or by subrogation. (Franchise Agreement, Section 3.15)

Point of Sale System

You must purchase a point of sale system which will permit you to track and store sales, product and payroll information. These products and their built-in proprietary software are available to the general public. We do not provide maintenance, support, upgrades or updates for this product; however, these items may be obtained, if at all, from the manufacturer or dealer. Depending upon which brand name point of sale system you purchase, you will probably have to pay a licensing fee for the software incorporated into the system.

You must also purchase an in-store computer system with excel & word programs, compatible with your register, including an IBM compatible computer, printer, software, modem and modem line in order to transfer all sales data to generate sales reports and breakdown, trends and product usage. You may be required to upgrade such computer system on an annual basis not to exceed one thousand dollars (\$1,000.00).

Site Selection

We will provide advice to you in locating the site of the Franchised Restaurant, but you select the site. We evaluate each proposed restaurant location according to population density and income per capita within a five mile radius, the area's commercial development, traffic, competition,

parking and other criteria. You must find the location and submit the proposed location for our approval.

We estimate the time from signing the Franchise Agreement to beginning operation of Your Franchised Restaurant will be approximately nine months. This time will vary depending upon your ability and speed in completing the lease or purchase of the restaurant, the financing of improvements and renovations, the renovations, procedures and requirements for obtaining all necessary governmental licenses and permits including a liquor license, and other factors.

ITEM 12-TERRITORY

Each Franchisee receives the exclusive right to establish and operate a Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria restaurant and the non-exclusive right to use the name, service mark, logo and trademark Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria. We have not established and will not establish another Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria franchise and/or company-operated restaurant outlet of the same name within a two mile distance of Your Franchised Restaurant. This two mile distance shall be measured by beginning at Your Franchised Restaurant and continuing along any "expressway", "arterial street" and/or "collector street", but not "local residential streets" (as those terms are defined by the National Committee on Urban Transportation) to the terminating point which shall consist of any existing or proposed Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria franchise and/or company operated restaurant outlet of the same names.

Continuation of your area or territorial exclusivity is not dependent upon achievement of a certain sales volume, market penetration or any other contingency. You may alter your area or territory only with our written permission.

ITEM 13

TRADEMARKS

Pursuant to the terms and conditions contained within the Franchise Agreement, you will receive the non-exclusive right to use the name, service mark, and trademark of "Bobby Salazar's Mexican Restaurant and Cantina®" or "Bobby Salazar's Taqueria".

- A. The trade name "Bobby Salazar's Mexican Restaurant and Cantina®" and Bobby Salazar's Taqueria are registered with the United States Patent Office on the principal register.

Registration Date: Pending.

- B. The trade name, trademark and service mark of "Bobby Salazar's Mexican Restaurant and Cantina®" and "Bobby Salazar's Taqueria" were registered in California on the following date: Pending.

- C. There are no presently effective determinations of the Patent Office, the trademark administrator of California or any court, and there is no pending interference, opposition or cancellation proceeding or any pending material litigation involving the Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria trademarks, trade names or service marks which is relevant to their use in California.
- D. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria trademarks, trade names or service marks in any manner material to this franchise.

We are not obligated by the Franchise Agreement to protect any and all rights granted to you to use the Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria trade names, trademarks and service marks (collectively the "Proprietary Marks") or to protect you against claims of infringement or unfair competition because you use the Proprietary Marks. Under the Franchise Agreement, however, we represent that we have taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks when it is in our best interests to do so.

In the event that litigation involving our marks is stated or threatened against you, you must promptly notify us and, if we take the case over, although we are not required to do so, you must cooperate fully in defending or settling the litigation. There are no infringing uses actually known to us which could material affect your use of the Proprietary Marks.

In using the Proprietary Marks, you must strictly follow our specification, requirements and instructions. You may use the Proprietary Marks only in connection with your operation of the restaurant. When the Franchise Agreement ends, all rights to the Proprietary Marks cease automatically without any payment to you and you keep no rights in the Proprietary Marks. Under the Franchise Agreement, you agree not to take any action to question or contest our rights to license the Proprietary Marks. You may not use our Proprietary Marks with the sale of any unauthorized product or service or in any other way not authorized by the Franchise Agreement or otherwise approved by us in writing. You may not use all or any portion of the Proprietary Marks as part of your company name and you must comply with our instructions in filing and maintaining the required trade name or fictitious name registrations and must execute any documents we believe are necessary to obtain protection for our Proprietary Marks or to maintain their continue validity and enforceability.

The right and license to the Proprietary Marks granted to you under the Franchise Agreement is non-exclusive. We have and retain the rights to do the following:

1. To use the Proprietary Marks in connection with selling products and services;
2. To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing Franchisees;

3. To develop and establish other systems using the same or similar Proprietary Marks, or any other Proprietary Marks, and to grant licenses or franchises without providing any additional rights to you;
4. The unrestricted right to produce, distribute and sell products bearing our Proprietary Marks including selling products through wholesale or retail non-restaurant outlets, even if the non-restaurant outlets are located in a Franchisee's Territory; and
5. This right to assign, transfer, lien, pledge and/or hypothecate our Proprietary Marks.

You should be aware that we also reserve the right to substitute different Proprietary Marks for use identifying our system and restaurant should we in our sole discretion determine that substituting a different mark will be beneficial to our franchise system. If we do so, you will have to make the substitution and bear the expense of making the necessary changes in Your Franchised Restaurant to reflect the new Proprietary Mark. We will not have to reimburse you for any loss of revenue because of the change. We have no plans at this time to change our Proprietary Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any rights in or to any patents or copyrights which are material to the franchise, other than the Bobby Salazar's Mexican Restaurant and Cantina® and Bobby Salazar's Taqueria trade names and trademarks which are registered with the United States Patent office. You have the exclusive right to use the Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria trade name and trademark in connection with the operation of your business during the term of Your Franchised Restaurant.

We claim common law rights and copyright protection for the marketing material, forms, manuals and other printed materials (collectively, the "Materials") designed by us for your use, but we do not intend to file any copyright registrations with the Copyright Office (Library of congress) for any of these Materials.

We claim proprietary rights in the contents of our manuals and in all other materials and information created or used by us in the development and operation of the Bobby Salazar's Mexican Restaurant and Cantina® and Bobby Salazar's Taqueria franchise system ("Franchisor's System" or "System") including, but not limited to, training manuals; marketing programs, site selection criteria; plans and specification for our restaurant; newsletters; inventory policies and strategies; our expansion plans; supplier list; prices offered by our suppliers; buying strategies; advertising strategies; and all other materials, goods and information created or used by us and designated as confidential (the "Confidential Information").

We claim trade secret protection for the recipes which are part of the System. You must not, during the term of the Franchise Agreement and after, communicate, divulge, or use for the benefit of any

other party any confidential information, knowledge, or know-how concerning our secret recipes or methods of operation of the Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria restaurant which you learned while being our franchisee. You may divulge the confidential Information only to your employees who need the information to operate your Franchise. Any and all information, knowledge, know-how, and techniques which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, except information which you demonstrate come to your attention prior to disclosure by us; or which, at or after the time of disclosure by us to you, had become or later becomes a part of the public domain, through publication or communication by others. You must not at any time, without our prior written consent, make available in any way any of these materials or information to any unauthorized person. You must execute the Confidentiality Agreement included in the Franchise Agreement, and cause your principal officers and managers also to sign. You are not required under the Franchise Agreement to notify us of any unauthorized use of our confidential Information, although we hope you will. We may or may not take legal action where there has been an unauthorized use of our confidential Information. We do not have to participate in your defense or indemnify you for damages or expenses you pay if you are a party to any judicial or administrative proceeding involving your use of our Confidential Information.

Pursuant to this Item and Item 11, above, you must at all times treat the manuals, and any other manual or videotape and material created for or approved for use in the operation of your Franchise and the information contained therein (collectively, the "Manuals") as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. The Manuals will at all times remain our sole property and must be kept in a safe place on the premises of Your Franchised Restaurant. You must keep your copy of the manual current and up to date.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement specifically requires you and/or your designated manager to participate personally in the management and operation of the Franchised Restaurant by devoting your full time, energy and best efforts. We believe your substantial attention to the daily operation of the Restaurant is an important element for the operation of your Franchised Restaurant. On-premises supervision of your employees and business activities is a mainstay of our Franchise System. Your Franchised Restaurant can only be operated directly by designated individuals who have successfully completed our training programs. Your supervisors are not required (but your designated manager is) to satisfactorily complete our training program. Your designated manager is not required to have any equity interest in your business.

If you are a corporation, partnership or limited liability company, our Franchise Agreement requires all those holding a ten percent (10%) or greater ownership (including beneficial ownership) interest in you (including each individual having a 50% or greater interest in any partnership, limited liability company or corporation having a controlling interest in you), to sign the Guaranty which is attached

to the Franchise Agreement as Exhibit "A". The Guaranty requires those who sign it to assure us that you will pay all monetary obligations under the Franchise Agreement and will perform and fulfill all other promises and duties you must perform under the Franchise Agreement.

At our request, your principal owners, partners or members, if you are a corporation, partnership or limited liability company, respectively, must sign our Confidentiality Agreement attached to the Franchise Agreement. In part, the Confidentiality Agreement prohibits you from reproducing or distributing our confidential information and it requires you to maintain at least the same level of security for our confidential information as you maintain for your own. The Confidentiality Agreement will remain in force for the lesser of five (5) years or the longest time permitted by applicable law. Confidential information about our food and beverage recipes, list of ingredients and preparation and serving instruction will remain secret and confidential forever. Individuals who are managers or have access to our confidential information will also sign a confidentiality agreement which is attached as an Exhibit to the previously mentioned Confidentiality Agreement. Those managers and employees will be required to acknowledge that the confidential information remains our property and that the confidential information may only be used to further your business activities as a Franchisee.

The Franchise Agreement contains several restrictions which apply to you, your owners and your managers and employees. These covenants include: (i) nonsolicitation of our employees and the employees of other Franchisees; and (ii) a prohibition against owning, maintaining, operating, being employed by or having an interest in any restaurant featuring Mexican cuisine with similar decor or similar menu items of a Bobby Salazar's Mexican Restaurant and Cantina or Bobby Salazar's Taqueria within a ten (10) mile radius of Your Franchised Restaurant or within a ten (10) mile radius of any other Bobby Salazar's Mexican Restaurant and Cantina or Bobby Salazar's Taqueria. These restrictions apply to all holders of a beneficial interest of five percent (5%) or more of an ownership interest in you or of any corporation directly or indirectly controlling you, if you are a corporation, the general partners in any limited partnership if you are a limited partnership, the members in any limited liability company if you are a limited liability company, all of your managers and any other personnel employed by you who have received or will receive training in our franchise system, and all officers and directors. At our request, you will be required to obtain a written confirmation from these persons that they understand and agree to these covenants.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Under the Franchise Agreement, you must offer to customers those products and services that we have approved (see Item 8). If you desire to purchase, license, or market any products or services that we have not previously approved, you must submit a written request to us for approval. You must conduct the business operated at the Franchised Restaurant as required in the Manuals which includes using the restaurant premises only for the operation of a Bobby Salazar's Mexican Restaurant and Cantina of Bobby Salazar's Taqueria franchise. You may not permit slot machines or gambling devices or any coin-operated vending machine to be located at the Franchised

Restaurant. Additionally, unless our Manual permits you, you may not install any games (electronic or manual) at the Franchised Restaurant.

You must offer products and services that we designate as required for all franchisees and you must use only approved in-store decor items. We have the right to change or add additional food items that you are required to offer. There are no limits on our right to do so.

As a franchisee, you are not limited in the customers to whom you may sell your goods and services. You may solicit any customer, no matter who they are or where they are located, although all sales of products or services must be at Your Franchised Restaurant.

You may not engage in any trade practice or other activity or sell any product or offer any service which is harmful to the good will or reflects unfavorably upon the reputation of our franchise system, us or you or would be considered deceptive or unfair competition or is otherwise in violation of any applicable law. These limitation are tied closely to our image, purpose and marketing strategy and if you were to change any of these, you would fundamentally change the nature of the business conducted at all of our Bobby Salazar's Mexican Restaurant and Cantina or Bobby Salazar's Taqueria restaurants.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENT ATTACHED TO THIS OFFERING CIRCULAR.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a) Term of the franchise	Section 2.1 of the Franchise Agreement	Term is 10 years.
b) Renewal or extension of term	Section 2.2 of the Franchise Agreement	Provided sections 2.2.1-2.2.7 of the Franchise Agreement are satisfied, term may be renewed or extended for a maximum period of ten (10) years at our sole discretion.
c) Requirements for you to renew or extend	Section 2.2.1-2.2.7	Complied with terms of Agreement; maintains possession of premises of Franchised Restaurant for entire initial term; timely notice of extension given; satisfied all monetary obligations of Agreement; sign new Franchise Agreement; complied with qualification and training requirements; sign a general release

d) Termination by you	Sections 1.8 and 13 of the Franchise Agreement	If you materially breach the Agreement and/or fail to cure breach within a reasonable time. If an acceptable site is not found and approved within nine (9) months from date of Agreement, Agreement can be terminated upon written application by either party.
e) Termination by Us without cause	None	
f) Termination by Us with "cause"	Section 13 of the Franchise Agreement	Agreement shall terminate automatically upon notice from us if you fail to comply with all provisions of Agreement.
g) "Cause" defined - defaults which can be cured	Sections 13.2-13.4 of the Franchise Agreement	You have between 5 and 30 business days after receipt of "Notice to Cure" to cure any default
h) "Cause" defined - defaults which cannot be cured	Sections 13.1.1-13.1.18 of the Franchise Agreement	Failure to successfully complete the training program is one of the breaches of this variety
i) Your obligation on termination / non-renewal	Sections 14 of the Franchise Agreement	Obligations include, among other things, complete de-identification and payment of all amounts due, (also see r, below)
j) Assignment of contract by us	Section 12.1 of the Franchise Agreement	No restrictions on our right to assign
k) "Transfer" by you - defined	Section 12.2 of the Franchise Agreement	Includes your transfer of any interest
l) Our approval of your prospective transfer	Section 12 of the Franchise Agreement	We must approve all transfers but will not unreasonably withhold approval.
m) Conditions for our approval of your transfer	Sections 12.3.1-12.3.13 of the Franchise Agreement	You remain the owner of the majority stock interest of transferee or a partner; transferee assumes all of your obligations under Agreement; shareholders of transferee sign a written guarantee; transferee pays transfer fee of \$5,000.00; see remaining requirements in Section 12.3 of the Franchise Agreement.
n) Our right of first refusal to acquire Your Franchised Restaurant	Section 12.7 of the Franchise Agreement	We have the right of first refusal prior to transfer or assignment by you
o) Our option to purchase your business	Sections 12.7 and 12.8 of the Franchise Agreement	We have the right of first refusal prior to sale, transfer or assignment by you
p) Your Death or disability	Sections 12.8 and 12.9 of the Franchise Agreement	Your heirs, beneficiaries must apply to us within 180 days of death or incapacity for right to continue to operate franchise. We may charge you or the personal representative of your estate for running franchise during your period of absence, disability or death.

q) Non-competition covenants during the term of the franchise	Section 15.3 of the Franchise Agreement	You shall not maintain or have an interest in competing business anywhere in U.S. nor use any proprietary information in any other business not specifically authorized by us.
r) Non-competition covenants after the franchise is terminated or expires	Sections 15.3 of the Franchise Agreement	You shall not directly or indirectly own, maintain, engage in or have any interest in any business specializing in the sale of prepared Mexican food or food products similar to those offered within the System for a period of five (5) years after termination of Agreement, nor divulge or use any proprietary information after the term of the Franchise Agreement without our authorization.
s) Modification of the Agreement	Section 21.1 of the Franchise Agreement	None allowed except by subsequent writing between the parties.
t) Integration / merger clause	Section 21 of the Franchise Agreement	Only terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable; if one provision is found void, the determination that one provision is void or not enforceable does not affect the other provisions.
u) Dispute resolution by arbitration or mediation	Section 25 of the Franchise Agreement	Except for certain claims, all disputes must be arbitrated in accordance with rules of the American Arbitration Association; Arbitration to take place in Fresno County, California. We shall recover from you all legal costs incurred in enforcing our rights under the Agreement
v) Choice of forum	Section 25 of the Franchise Agreement	Litigation commenced must be in either the United States District Court for California, the Superior Court of California for the County of Fresno, or United States District Court of general jurisdiction. We have the sole option to choose which court.
w) Choice of Law	Section 24 of the Franchise Agreement	California law applies.

ITEM 18

ARRANGEMENTS WITH PUBLIC FIGURES

We do use any public figure to promote our franchise.

ITEM 19

EARNINGS CLAIMS

We do not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income, or profits of Bobby Salazar's Mexican Restaurant and Cantina® and Bobby Salazar's Taqueria franchises. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

ITEM 20

LIST OF OUTLETS

- A. There are a total of ~~five (5)~~ four (4) Bobby Salazar's Mexican Restaurant and Cantina® or Bobby Salazar's Taqueria franchises, exclusive of company-owned or operated distribution outlets, in California which are of a type substantially similar to those offered herein, and of these franchises, all ~~five (5)~~ four (4) were operational as of the date of this offering circular.
- B. There are a total of zero (-0-) Bobby Salazar's Mexican Restaurant and Cantina® franchises which are substantially similar to those offered herein for which a business is not yet operational although a Franchise Agreement has been signed.
- C. The following is a list of the names, addresses and telephone numbers of all the Franchisees under Franchise Agreements with the us:

Name	Address	Telephone No.
Olive/Broadway Enterprises, Inc.	1954 High St. Selma CA 93662	559-891-0938
Chema and Tonia, Inc.	2839 N. Blackstone Ave. Fresno, CA 93726	559-227-1686
Mary Suzanne Riofrio	1129 E. Champlain Drive Fresno, CA 93720	559 433-9980
Chema and Tonia, Inc.	434 Clovis Ave. Clovis, Ca 93612	559-298-7898

- D. We estimate that there will be a total of three (3) franchises sold or granted during the one-year period following the date of this offering circular.
- E. It is undetermined at this time how many franchises we will sell or grant in California during the one-year period following the date of this offering circular.

- F. Within the three-year period immediately preceding the close of our most recent fiscal year we have not renewed any franchises or reacquired any franchises through purchase.
- G. No franchises in California under a franchise agreement with us within the 12 month period immediately preceding the effective date of this offering circular have been terminated, canceled, not renewed, or who have, during the same time period, otherwise voluntarily or involuntarily ceased to do business pursuant to the franchise agreement.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit "B" are our most recent, unaudited, income statements dated June 30, 2003 including balance sheets, statements of income, stockholders' equity and cash flows.

ITEM 22

CONTRACTS

The Bobby Salazar's Mexican Restaurant and Cantina/Bobby Salazar's Taqueria Franchise Agreement is attached as Exhibit "A" to this Offering Circular. The following additional contracts or agreements are attached to the Franchise Agreement:

Guarantee

Confidentiality Agreement

ITEM 23

RECEIPT

The last two pages of this Offering Circular are detachable documents acknowledging your receipt of this Offering Circular. You must sign each Receipt. If you are missing these Receipts, please contact us at this address: 2810 San Antonio Drive, Fowler, California 93625.

A P P E N D I X

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 20000 THROUGH 20043 PROVIDE RIGHTS TO YOU CONCERNING TERMINATION OR NON-RENEWAL OF A FRANCHISE. IF THE FRANCHISE AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THE LAW, THE LAW WILL CONTROL.

Page 25 of the franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Page 38 of the franchise agreement requires application of the laws of the State of California. This provision may not be enforceable under California law.

Page 39 of the franchise agreement requires binding arbitration. The arbitration will occur at Fresno County, California with costs of the arbitration, including the reasonable fees of the arbitrators and reasonable attorneys' fees, against either or both parties, in such proportions as the arbitrator(s) shall agree. This provision may not be enforceable under California law.

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