

1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

Franchisor

"Elephant & Castle" means Elephant & Castle International, Inc., the Franchisor. "You" means the person or entity who buys the franchise from Elephant & Castle or becomes an area developer, including your owners. Elephant & Castle sells Elephant & Castle® Restaurant franchises in the United States, and does not offer franchises in any other lines of business. The restaurant franchise offered in this Offering Circular is an "Elephant & Castle® Restaurant" or a "Restaurant." Elephant & Castle is a Texas corporation formed on September 4, 1997. The principal business address of Elephant & Castle is 1190 Hornby Street, 12th Floor, Vancouver, British Columbia, Canada V6Z 2K5. Elephant & Castle lists its agent for service of process in the State Agency Exhibit attached to this Offering Circular.

Predecessors and Affiliates of Elephant & Castle

Elephant & Castle, Inc. ("ECI"), a Texas corporation with its principal business address at 3007 Teague, Houston, Texas 77033, is the parent corporation of Elephant & Castle. ECI or a subsidiary currently owns six Elephant & Castle® Restaurants in the United States. ECI is a wholly-owned subsidiary of Elephant & Castle Group, Inc. ("ECGI"), 1190 Hornby Street, 12th Floor, Vancouver, British Columbia, Canada V6Z 2K5. A wholly-owned subsidiary of ECGI owns, operates and franchises Elephant & Castle® Restaurants in Canada. There are currently ~~ten~~seven company-owned and three franchised Elephant & Castle® Restaurants in Canada. Elephant & Castle has no affiliates which offer franchises in any lines of business in the United States or provide products or services to you.

Franchised Business

Elephant & Castle franchises casual full service restaurants which incorporate a distinctive and novel Anglo/British style pub restaurant with Tudor/Victorian decor. Elephant & Castle® Restaurants serve a wide variety of high-quality food and beverages items at moderate prices and feature American favorites and English-style dishes, including fish and chips, shepherd's pie, "bangers and mash," Old Country soups and desserts. Elephant & Castle® Restaurants serve cocktails, mixed drinks and a large selection of international beers and wines in keeping with its Anglo/British pub atmosphere.

Elephant & Castle® Restaurants operate in a developed market and the restaurants you will compete with include local, regional and national full-service casual restaurant chains, locally-owned full service restaurants and taverns, and other similar eating establishments.

Area Development Agreement

If you meet the managerial, financial and business qualifications established by Elephant & Castle for area developers, you may enter into an Area Development Agreement for the development of Elephant & Castle® Restaurants in a designated geographic area called a "Territory." Under the Area Development Agreement, you must develop an agreed upon number of Elephant & Castle® Restaurants within an agreed upon period of time. You must sign a separate Franchise Agreement for each Elephant & Castle® Restaurant you develop under an Area Development Agreement.

Regulations Specific to Restaurant Industry

The restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply to businesses generally have particular applicability to restaurants, especially restaurants that offer full bar service. All Elephant & Castle® Restaurants must comply with federal, state and local laws applicable to the operation and licensing of a restaurant business, including obtaining all applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food and liquor service operations. Your Elephant & Castle® Restaurant must also meet applicable municipal, county, state and federal building codes and handicap access codes. You should consider these laws and regulations when evaluating your purchase of an Elephant & Castle® Restaurant franchise.

You must serve beer, wine and liquor at your Elephant & Castle® Restaurant. You must have a liquor license before you can sell alcoholic beverages at your Restaurant. The difficulty and cost of obtaining a liquor license, and the procedures for securing the license, vary greatly from area to area. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. State dram shop laws may result in liability for injuries that directly or indirectly relate to the sale and consumption of alcohol.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service, and restaurant sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles, including caps on emissions from commercial food preparation. Some state and local governments have also adopted proposals that regulate indoor air quality, including the limitation of smoking tobacco products in public places such as restaurants.

Prior Business Experience of Elephant & Castle During Last Ten Years

Elephant & Castle initiated its Elephant & Castle franchise program in October 1997 and, as of December 31, ~~2004~~, 2005, had ~~four~~ five operational franchised Elephant & Castle® Restaurants in the United States (see Item 20). As of December 31, ~~2004~~, 2005, Elephant & Castle did not operate any company-owned Elephant & Castle® Restaurants. However, ECI or a subsidiary of ECI currently owns ~~six~~ eight operational Elephant & Castle® Restaurants in the United States:

Location	Opening Date
Philadelphia, Pennsylvania	February 1995
San Diego, California	July 1996
Seattle, Washington	August 1997
Boston, Massachusetts	October 1997
Chicago, Illinois	April 2001
San Francisco, California	March 2003
<u>Washington, D.C.</u>	<u>May 2005</u>
<u>Chicago, Illinois</u>	<u>May 2005</u>

The following is a list of the Elephant & Castle® Restaurants in Canada:

Location	Opening Date
Ottawa, Ontario	March 1983
City Centre, Edmonton, Alberta	May 1988
Victoria, British Columbia	June 1989
Saskatoon, Saskatchewan	October 1990
Calgary, Alberta	December 1990
Winnipeg, Manitoba	May 1994
Robson Street, Vancouver, British Columbia	August 1995
Vancouver Airport, Richmond, British Columbia (franchised)	November 1995
King Street, Toronto, Ontario	October 1996
London, Ontario (franchised)	October 1996
Whyte Ave., Edmonton, Alberta	November 1997
Yonge Street, Toronto, Ontario	December 1999
Delta Vancouver Hotel, Richmond, British Columbia (franchised)	June 2001

Elephant & Castle franchised Alamo Steakhouse & Grill™ Restaurants from December 1998 until December 2002. During that time period, Elephant & Castle sold three franchised Alamo Steakhouse & Grill™ Restaurants, all in the United States. Elephant & Castle no longer offers or sells Alamo Steakhouse & Grill™ Restaurant franchises. Elephant & Castle did not operate any company-owned Alamo Steakhouse & Grill™ Restaurants.

ECI has never offered Elephant & Castle® or Alamo Steakhouse & Grill™ Restaurant franchises, or franchises in any other lines of business.

2. BUSINESS EXPERIENCE

Richard H. Bryant: President, Chief Executive Officer and Director

Mr. Bryant has been President of Elephant & Castle since October 1999, Chief Executive Officer since August 1999, and a Director since April 1999. He was Treasurer of Elephant & Castle from December 1998 until December 2000. He has been Chief Executive Officer of ECGI since August 1999 and Chief Financial Officer of ECGI since November 1997. Before that, he was Chief Financial Officer of Keg Restaurants, Limited, Richmond, British Columbia, from August 1993 until June 1997.

Peter W. Laurie: Chief Operating Officer and Director

Mr. Laurie has been Chief Operating Officer and a Director of Elephant & Castle since September 2002. Before joining Elephant & Castle, he was the owner/operator of Farside Hospitality d/b/a Cactus Club Cafes, Nanaimo, British Columbia, from 1997 until September 2002.

Roger Sexton; Vice President of Finance

Mr. Sexton has been Vice President of Finance and a Director of Elephant & Castle since November 2002. He was Controller of Houwelings Nurseries, Ltd., Delta, British Columbia, from October 2002 until November 2002. Before that, Mr. Sexton was employed by Regus Business Centres, PLC, Staines, United Kingdom, as its Group Financial Controller from October 1996 until November 1999.

John Luvison; Director of Operations - Eastern Region

Mr. Luvison has been Director of Operations - Eastern Region of Elephant & Castle and ECGI since May 2000. Before that, he was Director of Operations for Canadian Rainforest Restaurants, Inc., Vancouver, British Columbia, from March 1998 until May 2000, and for Mövenpick Restaurants of Canada, Toronto, Ontario, from September 1997 until March 1998. Mr. Luvison was Director of Operations for Grisanti's Restaurants of Canada, South Brampton, Ontario, from March 1992 until September 1997.

Michael Henkenhaf; Steven Meeker; Director of Operations - Western Region

Mr. Henkenhaf ~~Meeker~~ has been Director of Operations — Western Region of Elephant & Castle and ECGI since ~~February 2004~~ May 2005. Before that, he was Director of Operations for ~~Booster Juice (AW Holdings, Inc.), Edmonton, Alberta, from July 2002 until January 2004. From June 1998 until July 2001, Mr. Henkenhaf was the owner/operator of a Beetnix Grill, Vancouver, British Columbia employed by ECGI as the General Manager of the Elephant & Castle® Restaurant located on King Street, Toronto, Ontario, from September 1999 until May 2005.~~

Richard Bourgea; Regional Manager - Northeast Region

Mr. Bourgea has been Regional Manager - Northeast Region USA of Elephant & Castle since May 2004. Before that, he was a General Manager for ECGI in Boston, Massachusetts, from May 1999 until May 2004.

3. LITIGATION

No litigation is required to be disclosed in this Offering Circular.

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.

5. INITIAL FRANCHISE FEE

Initial Fee

You must pay Elephant & Castle an Initial Fee of \$35,000 when you sign the Franchise Agreement.

Elephant & Castle may terminate the Franchise Agreement within 120 days if: (1) any required or other financial, personal or other information you provide is materially false, misleading, incomplete or inaccurate; (2) you fail to purchase or lease a site for your Franchised Location or

do so in a manner that is not in compliance with the Franchise Agreement; (3) you fail to apply for and obtain a valid liquor license and a valid license to serve food for your Elephant & Castle® Restaurant; or (4) your Management Team fails to successfully complete the training program.

If Elephant & Castle terminates your Franchise Agreement for any of the reasons listed above, Elephant & Castle will refund half of the Initial Fee. Elephant & Castle will retain half of the Initial Fee as payment for the administrative and out-of-pocket expenses that Elephant & Castle incurs, including salaries, training costs, salespersons' commissions, attorneys' fees, accountants' fees, travel expenses and long distance telephone call costs. Otherwise, Elephant & Castle will not refund the Initial Fee.

Development Fee

If you sign an Area Development Agreement, you must pay Elephant & Castle a nonrefundable Development Fee equal to \$10,000 multiplied by the number of Elephant & Castle® Restaurants you agree to develop. You must pay the Development Fee in full when you sign the Area Development Agreement. The Development Fee is payable for the reservation of future development rights and is not refundable under any circumstances. You must sign a separate Franchise Agreement for each Elephant & Castle® Restaurant you develop under the Area Development Agreement, and you must pay an Initial Fee of \$25,000 for each Franchise Agreement you sign. You will pay the Initial Fee each time you sign a Franchise Agreement for a Restaurant you develop according to the development schedule in the Area Development Agreement. You must sign your first Franchise Agreement when you sign the Area Development Agreement.

Opening Assistance Fee

Elephant & Castle will assist you with the opening of your Elephant & Castle® Restaurant as more fully described below in Item 11. You must pay Elephant & Castle an Opening Assistance Fee of \$10,000 within five days after the opening of your Restaurant. Elephant & Castle will not refund the Opening Assistance Fee.

6. OTHER FEES

Name of Fee	Amount	Date Due	Remarks (1)(2)
Continuing Fees	The greater of 5% of monthly Gross Sales or \$4,000 (3)	By the 10th of each month for the preceding month by electronic transfer of funds	Gross Sales includes the total dollar sales from your Elephant & Castle® Restaurant. It does not include sales, use or gross receipts taxes, coupons, discounts or employee meals.
Audit Fees	Amount Elephant & Castle incurred to audit your Elephant & Castle® Restaurant business; estimated to range from \$1,000 to \$5,000	Within 15 days after receipt of an invoice	Payable only if an audit shows that you understated your Gross Sales by more than 1% in any month or any year.
Transfer Fee	\$5,000	On or before the date of the transfer	You must obtain Elephant & Castle's approval for a transfer;

Name of Fee	Amount	Date Due	Remarks (1)(2)
			includes training of the transferee.
Administrative Fee	\$75	Within 10 days after each Continuing Fee was due if not timely paid	Payable only if any Continuing Fee is not paid when due.
Collection Costs	Amount Elephant & Castle incurred to collect unpaid fees	On demand	Includes the amount of attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees and travel expenses.
Interest Charges	The lesser of 18% per annum or the maximum legal rate allowable by applicable law	On demand	Applies to past due payments payable to Elephant & Castle
New Personnel Training	If Elephant & Castle conducts the training at the Franchised Location, then you must pay the then-current Training Fee (currently \$200 per day) and reimburse Elephant & Castle for its expenses	On demand after completion of the training	Payable if you hire a new General Manager, Kitchen Manager or Assistant Manager who Elephant & Castle has not yet trained and certified
Advisory Assistance Costs	If Elephant & Castle provides advisory assistance at the Franchised Location, you must pay the then-current per diem fee (currently \$200 per day) and reimburse Elephant & Castle for its expenses	Within five days after receipt of an invoice	Payable if Elephant & Castle provides advisory management, operations or other assistance to you at your Franchised Location
Relocation Fee	\$5,000	Within 10 days after you receive approval from Elephant & Castle	Payable only if you request and receive approval from Elephant & Castle to relocate the Franchised Location
Reacquisition Fee	25% of the Initial Fee in the then-current standard Elephant & Castle Franchise Agreement	When you sign a new Franchise Agreement if you reacquire the franchise for your Elephant & Castle® Restaurant	Payable only if after the expiration of your Franchise Agreement, you meet all requirements and reacquire the franchise for your Elephant & Castle® Restaurant
Public Offering Costs	\$20,000	Within 30 days after you inform Elephant & Castle of the	If you are a corporation and intend to offer stock to the public, you must pay Elephant & Castle

Name of Fee	Amount	Date Due	Remarks (1)(2)
		intended public offering	the costs it incurs for the intended public offering
Rescheduling Fee	\$5,000 (if 21 days to 30 days advance notice); \$10,000 (if less than 21 days advance notice)	Within five days after the actual opening date	Payable only if you reschedule the opening date of your Restaurant less than 30 days before the scheduled opening date
Local Advertising Expenditures	2% of quarterly Gross Sales (3)	Payable to suppliers as incurred	You must spend at least 2% of your quarterly Gross Sales on approved local advertising
Review of Unapproved Supplier	You must reimburse Elephant & Castle for the expenses it incurs reviewing an unapproved supplier; estimated to range from \$0 to \$5,000	Within 30 days after you receive an invoice from Elephant & Castle	Payable only if you request that Elephant & Castle review and approve an unapproved supplier
Remodeling Costs	The amount you incur to remodel your Franchised Location; generally will not exceed \$200,000	Payable to suppliers as incurred	You may have to remodel your Franchised Location in accordance with Elephant & Castle's requirements once every five years

Footnotes:

- (1) Elephant & Castle imposes each fee. You pay each fee to Elephant & Castle unless otherwise noted.
- (2) Elephant & Castle will not refund these fees.
- (3) If you sign an Area Development Agreement, then for the second and each subsequent Franchise Agreement you sign for the Restaurants you agree to develop under the Area Development Agreement, you will pay the Continuing Fees and make Local Advertising Expenditures as set forth in the Franchise Agreement for your first Restaurant, even if the amounts in subsequent Franchise Agreements differ. You will pay all other fees in the amounts specified in each Franchise Agreement that you sign for the Restaurants you develop under the Area Development Agreement

7. INITIAL INVESTMENT

Your estimated initial investment to open an Elephant & Castle® Restaurant is:

DESCRIPTION OF EXPENSE	ESTIMATED RANGE OF COST (1)		PAYMENT METHOD (2)	WHEN DUE	TO WHOM OWED
	LOW	HIGH			
Initial Fee	\$35,000	\$35,000	Lump Sum	See Item 5 of this Offering Circular	Elephant & Castle
Leasehold	\$150,000	\$900,000	Lump Sum	Before	Suppliers or

DESCRIPTION OF EXPENSE	ESTIMATED RANGE OF COST (1) LOW - HIGH		PAYMENT METHOD (2)	WHEN DUE	TO WHOM OWED
Improvements (3)				Opening	Financing Company
Wages, Travel and Living Expenses During Training (4)	\$10,000	\$40,000	As Incurred	During Training	Employees, Airlines, Hotels and Restaurants
Furniture, Fixtures and Equipment	\$150,000	\$500,000	Lump Sum	Before Opening	Suppliers or Financing Company
Architectural and Engineering Fees	\$5,000	\$100,000	As Arranged	Before Opening	Suppliers
Signs	\$10,000	\$40,000	Lump Sum	Before Opening	Suppliers or Financing Company
Opening Assistance Fee	\$10,000	\$10,000	Lump Sum	See Item 5 of this Offering Circular	Elephant & Castle
Lodging and Food for Training Staff During Opening Assistance	\$4,000	\$8,500	As Incurred	As Incurred	Hotels and Restaurants
Grand Opening Advertising	\$5,000	\$5,000	As Arranged	Before Opening	Suppliers
Telephone Directory Listings	\$150	\$2,000	Lump Sum	Before Opening	Telephone Utility
Liquor License Costs	\$500	\$100,000	Lump Sum	Before Opening	Governmental Agencies and Professional Service Providers
Security, Utility and License Deposits; Impact Fees (5)	0	\$25,000	As Incurred	Before Opening	Landlord, Utilities and Government Agencies
Insurance - 3 months (6)	\$2,000	\$20,000	As Incurred	As Arranged	Insurance Companies
Restaurant Lease Payments - 3 Months (7)	\$18,000	\$45,000	As Incurred	As Incurred	Landlord
Employee Salaries - 3 Months (8)	\$40,000	\$70,000	As Incurred	As Incurred	Employees
Professional Services	\$500	\$5,000	As Incurred	As Arranged	Attorneys, Accountants and Other Professionals
Additional Funds - 3 Months (9)	\$10,000	\$100,000	As Incurred	As Incurred	Elephant & Castle, Employees, Suppliers and

DESCRIPTION OF EXPENSE	ESTIMATED RANGE OF COST (1) LOW - HIGH		PAYMENT METHOD (2)	WHEN DUE	TO WHOM OWED
					Utilities
TOTAL (10)(11)	\$450,150	\$2,005,500			

Footnotes:

- (1) For the estimated range of costs, Elephant & Castle relied on its experience in the restaurant business, as discussed in Item 1 of this Offering Circular. You should carefully review these figures with your business advisor before making any decision to purchase an Elephant & Castle® Restaurant franchise.
- (2) Elephant & Castle will not refund these payments unless otherwise noted. Elephant & Castle does not offer direct or indirect financing.
- (3) These figures represent the estimated cost to remodel an existing restaurant building to an Elephant & Castle® Restaurant. Elephant & Castle® Restaurants are generally located in hotels, regional malls, office towers, strip center end caps, airports and universities, and require from 5,000 square feet to 7,000 square feet of floor space. If you purchase and construct your Restaurant premises, this amount will be substantially higher, and will vary greatly depending upon the geographical area in which you locate your Restaurant.
- (4) You must pay for salaries, fringe benefits, travel costs, lodging, food, automobile rental and other expenses while your Management Team attends Elephant & Castle's training program.
- (5) You should check with the local agency that issues building permits to determine the impact, connection, or other site development fees for the specific site for your Restaurant.
- (6) You must maintain general liability insurance with coverage of at least \$2,000,000 per occurrence, liquor liability insurance with coverage of at least \$2,000,000 per occurrence, automobile insurance with coverage of at least \$1,000,000 per occurrence, property insurance with replacement cost coverage, building insurance of at least replacement cost if you or your owners own the building or the business premises of the Franchised Location, business interruption insurance, umbrella liability insurance with coverage of at least \$1,000,000 per occurrence, and all insurance required by law, such as workers' compensation insurance.
- (7) The monthly rental for your Franchised Location may include common area maintenance fees and real estate taxes. The amount indicated also includes a one month advanced rental payment, security deposit and prepaid expenses. If you own the Franchised Location, you will not incur rental expenses.
- (8) This estimate does not include the salaries for your Management Team during training.
- (9) During your first three months of operation you will need additional funds to cover your expenditures for supplies, food and beverage inventories, payments for financed items, Continuing Fees, utilities, local advertising and other miscellaneous operating costs.

Your working capital requirements may increase or decrease depending upon your geographic area, number of employees, labor rates, minimum wage laws, operating revenues and other economic factors.

- (10) If you sign an Area Development Agreement, you must also pay Elephant & Castle a nonrefundable Development Fee equal to \$10,000 multiplied by the number of Elephant & Castle® Restaurants that you agree to develop under the Area Development Agreement. You must sign a separate Franchise Agreement for each Elephant & Castle® Restaurant you develop under the Area Development Agreement, and you must pay an Initial Fee of \$25,000 (rather than \$35,000) for each Franchise Agreement you sign. You will pay the Initial Fees as required by the Franchise Agreements for the Restaurants you develop according to the development schedule in the Area Development Agreement. You must sign your first Franchise Agreement when you sign the Area Development Agreement (see Item 5).
- (11) These figures are estimates only, and it is possible that you may have additional or greater expenses during this period. Your costs will vary depending on the size of your Restaurant, economic and market conditions, competition, wage rates, sales levels attained, and other economic factors.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Obligation to Purchase or Lease Products or Services from Elephant & Castle

You do not have to purchase or lease any products or services from Elephant & Castle or any affiliate of Elephant & Castle.

Obligation to Purchase or Lease Products or Services from Designated or Approved Suppliers

You do not currently have to purchase any items from designated suppliers. However, you may have to purchase or lease some products and services required for your Elephant & Castle® Restaurant from suppliers that Elephant & Castle has approved. Elephant & Castle will provide a written list of approved suppliers for these products and services. Elephant & Castle will also notify you of any additions to or deletions from this list. Requiring you to purchase or lease certain products and services only from approved suppliers is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all Elephant & Castle® Restaurants. Elephant & Castle does not currently derive any revenue or other material consideration based upon your purchases from approved suppliers, but may do so in the future. Elephant & Castle estimates that purchases of these products and services from approved suppliers will constitute approximately 40% of your initial investment and approximately 25% of the annual ongoing expenses to operate your Elephant & Castle® Restaurant.

If you want to purchase products or services subject to Elephant & Castle's approved supplier requirements from an unapproved supplier, then you must, at your expense, send representative samples or specifications of that supplier's goods or services, and certain information about the supplier's products and business, to Elephant & Castle. Elephant & Castle can inspect the supplier's facilities and you must reimburse Elephant & Castle for the expenses it incurs if it conducts an inspection. Within 45 days after receiving the necessary samples and information, Elephant & Castle will notify you in writing whether the products or services of the supplier comply with Elephant & Castle's uniformity requirements, quality

standards and specifications, and whether the supplier's business reputation, delivery performance, credit rating and other relevant information are satisfactory. Elephant & Castle's criteria for supplier approval is available to you upon request.

You must purchase and use in your Elephant & Castle® Restaurant certain brand name products. You may purchase these brand name products from any supplier.

Elephant & Castle may, in the future, receive income in the form of rebates, volume discounts, advertising and marketing allowances, or other payments or credits from designated or approved suppliers that sell products or services to franchisees. In some cases, prices charged by suppliers to company-owned restaurants may be less than prices charged to franchised restaurants based on volume, credits, administrative costs or other factors. If Elephant & Castle receives any rebates or other payments from a supplier as a result of your purchases from the supplier, Elephant & Castle may use the payments for the creation, development and production of advertising and promotional materials, marketing or related research and development, advertising and marketing expenses, product and food research and development, advertising materials, production costs, brochures, ad slicks, radio, film and television commercials, videotapes, newspaper, magazine and other print advertising, direct mail pieces, photographer costs, photographs, pictures, designs, services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies, market research and marketing surveys, menu design and graphics, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of Home Pages on the Internet, Internet access provider costs, Internet/World Wide Web programming and advertising, subscriptions to industry newsletters or magazines, marketing or industry studies, books and research materials, administrative costs and salaries for marketing support personnel.

Neither Elephant & Castle nor any affiliate currently sells or leases products or services to you. Elephant & Castle has not negotiated purchasing arrangements with suppliers of food products and equipment. Elephant & Castle has not established purchasing or distribution cooperatives. Elephant & Castle does not provide any material benefits to you based upon your use of approved suppliers.

Obligation to Purchase or Lease Products or Services that Meet Elephant & Castle's Standards and Specifications

You must purchase or lease certain products and services which satisfy Elephant & Castle's written standards and specifications. This will ensure that you adhere to the uniformity requirements and quality standards associated with all Elephant & Castle® Restaurants. Elephant & Castle will provide you with written standards and specifications for the layout of your Restaurant premises, the decor of your Restaurant, your equipment and signs, telecommunications and computer equipment, food items and insurance. Elephant & Castle formulates its standards and specifications at its sole discretion. Elephant & Castle may modify its written standards and specifications and you must comply with any modifications. You must ensure that all products and services you select conform to Elephant & Castle's standards and specifications throughout the term of the Franchise Agreement.

Otherwise, you need not purchase any goods or services from designated or approved suppliers or according to Elephant & Castle's written standards and specifications.

9. FRANCHISEE'S OBLIGATIONS

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

Obligation	Article in Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	Article 11 of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Articles 9, 12 and 13 of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Article 11 of Franchise Agreement	Items 7 and 11
d. Initial and ongoing training	Article 16 of Franchise Agreement	Item 11
e. Opening	Article 16 of Franchise Agreement	Item 11
f. Fees	Articles 4, 5 and 16.5 of Franchise Agreement; Article 4 of Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/ Operating Manual	Articles 8 and 10 of Franchise Agreement; Article 6 of Area Development Agreement	Items 8 and 11
h. Trademarks and proprietary information	Article 15 of Franchise Agreement; Article 2 of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Article 9 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Article 8.11 of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Article 5 of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Article 9 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Article 11 of Franchise Agreement	Item 11
n. Insurance	Article 14 of Franchise Agreement	Items 7 and 8
o. Advertising	Articles 6 and 8.19 of Franchise Agreement; Article 6 of Area Development Agreement	Items 6 and 11
p. Indemnification	Article 22 of Franchise	Item 9

Obligation	Article in Agreement	Item in Offering Circular
	Agreement; Article 11 of Area Development Agreement	
q. Owner's participation/management/staffing	Article 8.10 of Franchise Agreement	Items 5, 11 and 15
r. Records/reports	Article 7 of Franchise Agreement	Item 6
s. Inspections/audits	Articles 7, 8.25 and 11.5 of Franchise Agreement	Items 6 and 11
t. Transfer	Article 17 of Franchise Agreement; Article 7 of Area Development Agreement	Items 6 and 17
u. Renewal	Article 3 of Franchise Agreement; Article 3 of Area Development Agreement	Item 17
v. Post-termination obligations	Article 20 of Franchise Agreement; Article 9 of Area Development Agreement	Item 17
w. Non-competition covenants	Article 21 of Franchise Agreement; Article 10 of Area Development Agreement	Item 17
x. Dispute resolution	Article 23 of Franchise Agreement; Article 12 of Area Development Agreement	Item 17

10. FINANCING

Elephant & Castle does not offer direct or indirect financing. Elephant & Castle does not guarantee your notes, leases or other obligations.

11. FRANCHISOR'S OBLIGATIONS

Except as listed below, Elephant & Castle need not provide any assistance to you.

Assistance Before Opening - before you open your Elephant & Castle® Restaurant:

1. Elephant & Castle may review site information about the proposed site for the Franchised Location (see Article 11.2 of the Franchise Agreement). Elephant & Castle will consider accessibility, visibility, potential traffic flows, population trends, household income and financial statistics, lease terms and other demographic information. Elephant & Castle's review of a proposed site is not a warranty, representation or guaranty by Elephant & Castle that an Elephant & Castle® Restaurant opened at that site will be a financial success. You must purchase or lease a site for your Restaurant within 120 days after the date of the Franchise Agreement (the date inserted on the cover page and page F-1 of the Franchise Agreement) or Elephant & Castle can terminate your Franchise Agreement. Elephant & Castle can also terminate your Franchise Agreement if you do not open your Restaurant within 12 months after the date of the Franchise Agreement, or when the Franchised Location is ready for your occupancy, whichever comes first.

2. Elephant & Castle will train your "Management Team" which includes you (or your Operating Partner) for five consecutive days, your General Manager and your Kitchen Manager for 30 consecutive days, and up to three Assistant Managers for 14 consecutive days (see Article 16 of the Franchise Agreement). Elephant & Castle will offer all courses as often as Elephant & Castle deems necessary at one of the Elephant & Castle® Restaurants listed in Item 1 of this Offering Circular. Elephant & Castle's training program for you (or your Operating Partner) will include on-the-job instruction on topics applicable to the position, such as basic business procedures, implementation of the Restaurant System, and other topics that Elephant & Castle selects. Elephant & Castle's training program for your General Manager, Kitchen Manager and Assistant Managers will include on-the-job instruction on topics applicable to the position, such as basic business procedures, equipment operation, hiring and training of employees, scheduling, advertising and promotion, purchasing procedures, food preparation, food presentation, food safety, food quality, food portions, liquor service, food and beverage inventory and cost control, customer service, janitorial service, general maintenance and other selected topics.

The following chart summarizes Elephant & Castle's current training program for your General Manager and your Kitchen Manager:

Subject	Instructional Materials	General Manager On-The-Job Training	Kitchen Manager On-The-Job Training
Orientation	Manuals Lectures Group Participation	1 day	1 day
Staffing for Service - Heart of House	Manuals Lectures	10 days	19 days
Staffing for Service - Front of House	Manuals Lectures	7 days	3 days
Kitchen Management	Manuals Lectures	2 days	3 days
Front of House Management	Manuals Lectures	5 days	
Bar Management	Manuals Lectures	1 day	
Marketing / Promotions	Manuals Lectures	Included	
Financial Analysis / Administrative Practices	Manuals Lectures	Included	Included
Revision of Training Materials	Manuals	4 days	4 days

Mr. Peter Laurie, whose employment history is described in Item 2 of this Offering Circular, will supervise the training. Instructors who have experience with Elephant & Castle and with restaurant operations will conduct the training.

Elephant & Castle provides training to your Management Team at no additional cost to you. However, you must pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, lodging, food, automobile rental, travel costs and all other expenses for all persons who attend training on your behalf. Any person who does not successfully complete the required training cannot participate in the operations of your Restaurant. If any member of your Management Team fails to successfully complete the

required training within 120 days after the date of the Franchise Agreement, Elephant & Castle may terminate your Franchise Agreement.

3. After your Management Team has successfully completed the training program, Elephant & Castle will arrange for a training coordinator, a corporate chef, a bar trainer, a kitchen trainer, and a service trainer (the "Training Staff") to provide opening assistance at your Restaurant for a period of at least 12 consecutive days. The Training Staff will provide opening assistance with implementing internal controls, recruiting and training employees and implementing your pre-opening plan and initial business operations (see Article 16 of the Franchise Agreement). You must pay Elephant & Castle an Opening Assistance Fee of \$10,000 within five days after the opening of your Restaurant.

4. Elephant & Castle will loan you a copy of the Standard Operations Manual (see Article 10 of the Franchise Agreement). You will review a copy of the Standard Operations Manual before you sign the Franchise Agreement.

5. Elephant & Castle will provide a sample of the standard Elephant & Castle® menu (see Article 8.5 of the Franchise Agreement).

6. Elephant & Castle will provide a list of the approved suppliers and distributors for the goods and services that Elephant & Castle requires for use in your Elephant & Castle® Restaurant (see Article 9 of the Franchise Agreement).

7. Elephant & Castle will provide a written schedule of all foods, beverages, food products, clothing, furniture, fixtures, supplies and equipment required for your Elephant & Castle® Restaurant (see Article 9 of the Franchise Agreement).

8. Elephant & Castle will establish standards for the telecommunications and computer hardware, peripherals and software you must use in your Elephant & Castle® Restaurant (see Article 13 of the Franchise Agreement). You must purchase or lease the telecommunications and fax equipment that Elephant & Castle requires. You must also purchase or lease the required computer hardware and peripherals to serve as your point-of-sale cash register and maintain certain sales, financial, marketing, management and other business information, and you must purchase an on-site maintenance agreement for your point-of-sale cash register. You also must purchase certain computer software and operating systems, and use the Internet provider that Elephant & Castle designates. You may currently use an the HSI, Micros or Squirrel point-of-sale system. The model and software you choose will depend on the size of your business and the functions your system will perform. Elephant & Castle will include the requirements for these items in the Standard Operations Manual when available. The fax and telecommunications equipment, computer hardware and peripherals, maintenance agreement, and computer software and operating systems are all available through commercial telecommunications and computer hardware and software vendors. You must upgrade your telecommunications equipment and computer hardware and software to comply with Elephant & Castle's then-current standards during the term of the Franchise Agreement. ~~Elephant & Castle is unable at this time to estimate the amount you may spend for upgrades of your computer equipment.~~ There is no contractual limitation on the frequency or cost of this obligation. Elephant & Castle estimates that expenditures to upgrade your computer system may range from \$300 to \$10,000 per year. Elephant & Castle may directly access all sales, financial, marketing, management and other business information maintained on your computer system. There is no contractual limitation on this right.

You must have access to the Internet through the Microsoft Network, America Online, Prodigy, CompuServe or other Internet access provider designated or approved by Elephant & Castle. The costs associated with this requirement are included in Item 7 of this Offering Circular.

Generally, the opening of your Elephant & Castle® Restaurant will take place within four to eight months after you sign the Franchise Agreement. Factors which will affect your opening date include selecting your Franchised Location, the delivery of your furniture, fixtures, signs and equipment, acquiring inventory and supplies, obtaining financing (if applicable), hiring and training your employees, and completing Elephant & Castle's training program. You must have Elephant & Castle's approval to open your Elephant & Castle® Restaurant.

Assistance During Operation of Restaurant - after the opening of your Elephant & Castle® Restaurant:

1. Elephant & Castle will provide additional training if, during the term of the Franchise Agreement, you hire a new General Manager, Kitchen Manager or Assistant Manager who has not attended and successfully completed Elephant & Castle's training program. Your new General Manager, Kitchen Manager or Assistant Manager must begin Elephant & Castle's training program within 30 days after being hired, and must attend and successfully complete the training program. Elephant & Castle will conduct the training program at one of the Elephant & Castle® Restaurants listed in Item 1 of this Offering Circular or at your Restaurant. If Elephant & Castle conducts the training at your Restaurant, then you must pay the then-current per day on-site Training Fee and reimburse Elephant & Castle for the expenses it incurs in conducting the training, including travel, lodging, food and automobile rental costs. Elephant & Castle's current per day on-site Training Fee is \$200 per day. You must also pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, lodging, food, automobile rental, travel costs and all other expenses for each new General Manager, Kitchen Manager and Assistant Manager who attends Elephant & Castle's training program on your behalf (see Article 16 of the Franchise Agreement).

2. Elephant & Castle will furnish all supplements and modifications to the Standard Operations Manual that Elephant & Castle may publish (see Article 10 of the Franchise Agreement).

3. Elephant & Castle will provide samples of all modifications to the standard Elephant & Castle® menu (see Article 8.5 of the Franchise Agreement).

4. Elephant & Castle will provide the names and addresses of newly approved suppliers for the products and services that you must use in your Elephant & Castle® Restaurant (see Article 9 of the Franchise Agreement).

5. Elephant & Castle will review the content, materials and media for the advertising and promotion of your Restaurant (see Article 8.19 of the Franchise Agreement). You will create your own advertising, marketing or public relations materials with Elephant & Castle's approval, and disseminate them via print, radio or television. You do not pay advertising fees to Elephant & Castle and you do not have to participate in local or regional advertising cooperatives.

If you enter into an Area Development Agreement, the information disclosed in this Item will be applicable to each Restaurant you open pursuant to the Area Development Agreement.

12. TERRITORY

You will operate out of a single "Franchised Location" within an "Exclusive Area." Your Exclusive Area will be the area within a three-mile radius from your Franchised Location. If, however, you locate your Elephant & Castle® Restaurant in any of the top 40 Metropolitan Statistical Areas in the United States, then your Exclusive Area will be the area within a one-half mile radius from your Franchised Location. Metropolitan Statistical Areas are determined by the U.S. Department of Commerce, U.S. Census Bureau.

You may not alter or relocate your Exclusive Area during the term of the Franchise Agreement, except with Elephant & Castle's prior written approval. You can solicit or accept orders outside your Exclusive Area, but you may not sell any of the products or services offered by your Restaurant on a wholesale basis, at any location other than your Franchised Location, or through the Internet, catalogue, mail order, telemarketing, e-commerce or any other means of sales or distribution. The continuation of your Exclusive Area is not dependent upon the achievement of a certain sales volume, market penetration or any other contingency. The Franchise Agreement does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional franchises within your Exclusive Area or contiguous areas.

You may relocate your Restaurant if: (1) the proposed new location does not compete with any other Elephant & Castle® Restaurant; (2) the proposed new location is within your Exclusive Area; (3) the proposed new location does not infringe upon and is not in an exclusive area granted by Elephant & Castle; and (4) you pay Elephant & Castle a Relocation Fee of \$5,000.

If you enter into an Area Development Agreement with Elephant & Castle, you will receive the right to develop and operate Elephant & Castle® Restaurants in a specified geographic area called a "Territory." The Territory typically consists of one or more cities or market areas and will be delineated by specifying the streets or highways, or the county lines, which form the boundaries of the Territory. Before you sign the Area Development Agreement, a description of the Territory will be placed in the Area Development Agreement and a map of the Territory may also be attached. The size of the Territory and the number of Elephant & Castle® Restaurants you will develop within the Territory are determined by the population of the Territory and its market potential, taking into account demographics, economics, business climate, competition and other relevant factors. Your Territory may not be altered or relocated during the term of the Area Development Agreement. You must meet the development schedule in the Area Development Agreement or you will lose your right to continue to develop Elephant & Castle® Restaurants in the Territory. The Area Development Agreement does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional development rights in your Territory.

Elephant & Castle will not franchise, license, develop, own or operate an Elephant & Castle® Restaurant in your Exclusive Area or your Territory. However, Elephant & Castle can: (1) develop other restaurant business concepts under other brand names even if the locations for the concepts are within your Exclusive Area or your Territory; (2) develop Elephant & Castle® Restaurants in the Exclusive Area or the Territory if they are at or within an airport terminal, a stadium or arena or other venue for semi-professional or professional sports, or a college or university campus; (3) market, distribute and sell, on a wholesale or retail basis, clothing, goods, foods, products or any other items sold under any of the Marks, by direct sale, mail order, infomercials, telemarketing or by any other marketing or distribution method, even if the sales take place in, or are to distributors, retailers, or consumers in your Exclusive Area or your Territory; and, (4) advertise, promote and participate in special events and promotional activities

which take place in your Exclusive Area or your Territory, including parades, holiday celebrations, cooking, recipe or restaurant competitions, sporting events, and fund-raising and charitable events, and sell any product or service, including any product or service sold under any of the Marks, resulting from these events and activities. See Item 17 for additional information on your exclusivity rights.

Alamo® Restaurants address different markets and are not competitive with Elephant & Castle® Restaurants. Except as restricted by the terms of the Franchise Agreements with its Alamo® franchisees, Elephant & Castle has the right to develop, own, manage, license and franchise Alamo® Restaurants anywhere in the world, including locations in, near or adjacent to your Exclusive Area, your Territory or your Elephant & Castle® Restaurant.

13. TRADEMARKS

Under the Franchise Agreement, Elephant & Castle grants you a license to operate your Restaurant under the name "Elephant & Castle®," to use the logo which appears on the cover page of this Offering Circular and to use certain of its other current and future Marks. You may only use the Marks in the manner that Elephant & Castle authorizes in writing. You may not use any of the Marks as part of your corporate or other name. You must follow Elephant & Castle's instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations.

The following chart lists the service mark registration of the primary Mark on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	International Class	Registration No.	Registration Date
Elephant & Castle®	42	1,110,274	December 26, 1978

Elephant & Castle uses and licenses this Mark pursuant to a license agreement with ECGI. The license agreement, dated September 4, 1997, is for a perpetual term unless the parties terminate the license agreement. Elephant & Castle also intends to file an application for registration on the Principal Register of the USPTO for the Elephant & Castle logo. By not having a Principal Register federal registration for unregistered Marks, Elephant & Castle does not have certain presumptive legal rights granted by a federal registration. No agreements currently in effect significantly limit the rights of Elephant & Castle to use or license the use of the Marks in any manner material to you.

There are no currently effective material determinations of the USPTO, the Trademark and Appeal Board, the trademark administrator in any state or any court, no pending infringement, opposition or cancellation proceeding, and no pending material litigation involving the Marks.

To the knowledge of Elephant & Castle, there are no infringing uses which could materially affect your use of the licensed Marks or other related rights in any state. You must provide Elephant & Castle with written notice of any claims made against or associated with the Marks. Elephant & Castle will under the Franchise Agreement protect your right to use the Marks and other related rights and protect you against claims of infringement and unfair competition. However, if anyone establishes to Elephant & Castle's satisfaction that its rights are, for any legal reason, superior as to any of the Marks, then you must use the variances or other service marks, trademarks or trade names that Elephant & Castle requires to avoid conflicts with superior rights.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Elephant & Castle does not own any patents. Elephant & Castle has copyrighted or will copyright advertising copy and design, menus, training videotapes, workbooks, the Standard Operations Manual, and other written materials and items. Elephant & Castle has not applied to the United States Copyright Office to register these copyrights.

You must keep confidential the Standard Operations Manual, any supplements to the Manual and any other manuals or written materials used in your Elephant & Castle® Restaurant. The Standard Operations Manual contains information about the Restaurant System and Elephant & Castle's recipes and food preparation techniques. Elephant & Castle considers this information a trade secret and extremely confidential. You must use all reasonable means to keep this information confidential and to prevent any unauthorized duplication or reproduction of this information.

You should immediately inform Elephant & Castle if you learn of any unauthorized use, infringement or challenge to the copyrighted materials or proprietary or confidential information. Elephant & Castle will take the action it deems appropriate, in its sole discretion. If anyone establishes to Elephant & Castle's satisfaction that its rights to these materials are superior, then you must modify or discontinue your use of these materials as Elephant & Castle requires.

15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You do not have to participate in the operation of your Elephant & Castle® Restaurant. However, a General Manager who has successfully completed Elephant & Castle's training program must supervise the operations of your Elephant & Castle® Restaurant. Your General Manager need not own an equity interest in your Elephant & Castle® Restaurant.

If you sign the Franchise Agreement as an entity, you must personally guarantee all of your obligations to Elephant & Castle under the Franchise Agreement. You must also agree that during the term of the Franchise Agreement, you will not participate in any competitive restaurant business that is in any way similar to or competitive with an Elephant & Castle® Restaurant, and that for 12 months after the expiration or termination of the Franchise Agreement, you will not participate in any competitive restaurant business, as defined above, located within 10 miles of the Franchised Location or any other Elephant & Castle® Restaurant, or within any exclusive area that Elephant & Castle or an affiliate of Elephant & Castle grants. These covenants not to compete apply to the personal guarantors and, if you are an entity, to your owners.

If you sign an Area Development Agreement as an entity, you must personally guarantee all of your obligations to Elephant & Castle under the Area Development Agreement. You must also agree that during the term of the Area Development Agreement, you will not participate in any competitive restaurant business and that for 12 months after the expiration or termination of the Area Development Agreement, you will not participate in any competitive restaurant business located within the Territory, within 10 miles of the Territory, within 10 miles of any Elephant & Castle® Restaurant or within any exclusive area granted by Elephant & Castle. These covenants not to compete also apply to the personal guarantors and, if you are an entity, to your owners.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell the products and services that Elephant & Castle specify or approve in writing. You must sell the products and services that Elephant & Castle requires. Elephant & Castle can change the products and services that you must offer. There is no limitation on Elephant & Castle's right to change the products and services that Elephant & Castle® Restaurants offer. Elephant & Castle does not limit the customers to whom you may sell your products and services, but you may not sell any of the products or services offered by your Restaurant on a wholesale basis, at any location other than your Restaurant, or through the Internet, catalogue, mail order, telemarketing or any other means of sales or distribution.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Offering Circular.

Provision	Article in Franchise Agreement	Summary
a. Term of the franchise	3.1	20 years
b. Renewal or extension of the term	3.3	10 years
c. Requirements for you to renew or extend	3.3 and 3.4	You must give one year notice; comply with all material terms and conditions of your current Franchise Agreement; timely pay all monetary obligations owed to Elephant & Castle and meet all your obligations to Elephant & Castle during the term of the Franchise Agreement; agree in writing to remodel, modernize and redecorate your Franchised Location; have the right to continue to occupy the Franchised Location; your Management Team completes retraining; sign the then-current standard Franchise Agreement; pay the Reacquisition Fee.
d. Termination by you	19	If Elephant & Castle violates any material provision, term or condition of the Franchise Agreement or fails to timely pay any material uncontested obligation due or owing to you.
e. Termination by Elephant & Castle without cause	Not applicable	
f. Termination by Elephant & Castle with cause	18	If you breach the Franchise Agreement.
g. "Cause" defined - defaults which can be cured	18.1	You will have 30 days to cure if you: fail to open your Elephant & Castle® Restaurant within 12 months after signing the Franchise Agreement or when the Franchised Location is ready for occupancy, whichever is earlier; violate any material provision of the Franchise Agreement; fail to timely pay any monetary obligation or fee due to Elephant & Castle under the Franchise Agreement; are convicted of or

Provision	Article in Franchise Agreement	Summary
		plead guilty or no contest to any law covering your Elephant & Castle® Restaurant or a felony; fail to pay any uncontested fee to anyone; are insolvent; make an assignment for the benefit of creditors; issue any dishonored check; abandon the Franchised Location; materially impair the Marks or the Restaurant System; lose possession of the Franchised Location; lose your food service license or liquor license for any reason; fail to timely file and/or pay any federal or state income or sales tax return; fail to provide, or permit Elephant & Castle to audit, your financial records. You have 10 days to cure a failure to pay any fees due to Elephant & Castle.
h. "Cause" defined - defaults which cannot be cured	18.5	Elephant & Castle can (subject to applicable state law) terminate the Franchise Agreement immediately upon notice if you: are convicted of or plead guilty or no contest to any law covering your Elephant & Castle® Restaurant or a felony; are insolvent; make an assignment for the benefit of creditors; abandon the Franchised Location; fail to provide or permit Elephant & Castle to audit your financial records; materially impair the Marks or the Restaurant System; violate any material provision three or more times during a 12 month period.
i. Your obligations on termination or nonrenewal	20	You must pay what you owe under the Franchise Agreement within five days of termination; immediately return all printed materials for the Elephant & Castle® Restaurant; cease using the Marks and the Restaurant System; alter the appearance of your Franchised Location; transfer your telephone directory listings to Elephant & Castle.
j. Assignment of the contract by Elephant & Castle	17.1	No restrictions on the right of Elephant & Castle to assign the Franchise Agreement.
k. "Transfer" by you – definition	17.2, 17.3, 17.4 and 17.6	Includes assignment to owned or controlled corporation, assignment upon your death or disability, sale of an Ownership Interest, and transfer of rights under the Franchise Agreement.
l. Approval of Elephant & Castle of a transfer by you	17.6	Elephant & Castle will approve or deny any transfer but will not unreasonably withhold its approval.
m. Conditions for approval by Elephant & Castle of a transfer by you	17.6	You must provide Elephant & Castle with 90 days written notice of the transfer; pay all money owed to Elephant & Castle; sign a transfer agreement between you and Elephant & Castle; sign a joint and mutual release between you and Elephant & Castle; pay the Transfer Fee. The transferee must meet the standards that Elephant & Castle establishes for franchisees; sign a transfer and assignment

Provision	Article in Franchise Agreement	Summary
		agreement between the transferee and Elephant & Castle; acquire the right to occupy the Franchised Location; acquire a valid food service and liquor license; successfully complete training. You may not transfer the Franchise Agreement to any entity that is competitive with Elephant & Castle. If you offer any ownership interest for sale to the public, then you must grant Elephant & Castle certain warrants to purchase 5% of the ownership interests purchased in the offering.
n. Right of first refusal of Elephant & Castle to acquire your business	Not applicable	
o. Option of Elephant & Castle to purchase your business	Not applicable	
p. Your death or disability	17.3	If you are an individual, you or your personal representative may transfer the Franchise Agreement to your beneficiary without paying a Transfer Fee to Elephant & Castle, subject to the requirements described in "m" above.
q. Noncompetition covenants during the term of the Franchise Agreement	21.2	You may not participate in any Anglo/British style pub restaurant concept that is in any way similar to or competitive with an Elephant & Castle® Restaurant.
r. Noncompetition covenants after the Franchise Agreement is terminated or expires	21.3	For a period of 12 months after the termination of your Franchise Agreement, you may not participate in any Anglo/British style pub restaurant concept that is in any way similar to or competitive with an Elephant & Castle® Restaurant, located within 10 miles of the Franchised Location or any other Elephant & Castle® Restaurant, or within any exclusive area that Elephant & Castle or an affiliate of Elephant & Castle grants.
s. Modification of the agreement	24.9	Only by written agreement between you and Elephant & Castle.
t. Integration/merger clauses	24.10	The Franchise Agreement constitutes the entire and complete agreement between you and Elephant & Castle (subject to applicable state law).
u. Dispute resolution by arbitration or mediation	23	Except for certain claims, you must submit all disputes to non-binding mediation and binding arbitration. If an arbitration hearing results in an award greater than \$100,000, then the party held liable may seek a court hearing.
v. Choice of forum	24.12	County and state of Elephant & Castle's general offices in the United States or Hennepin County, Minnesota (subject to applicable state law; see below).

Provision	Article in Franchise Agreement	Summary
w. Choice of law	28.1	The laws of the state in which the Franchised Location is located (subject to applicable state law; see below)

This table lists certain important provisions in the Area Development Agreement. You should read these provisions in the Area Development Agreement attached to this Offering Circular.

Provision	Article in Area Development Agreement	Summary
a. Term of the Area Development Agreement	3	To be determined by you and Elephant & Castle, depending upon the size and location of your Territory, the number of Restaurants to be opened in your Territory, the availability of suitable sites in your Territory, your financial resources and other relevant factors.
b. Renewal or extension of the term	Not applicable	
c. Requirements for you to renew or extend	Not applicable	
d. Termination by you	Not applicable	
e. Termination by Elephant & Castle without cause	Not applicable	
f. Termination by Elephant & Castle with cause	8.1	If you breach the Area Development Agreement.
g. "Cause" defined - defaults which can be cured	8.1	You will have 30 days to cure if you: fail to comply with the development schedule in the Area Development Agreement; violate any material provision of the Area Development Agreement; are convicted of or plead guilty or no contest to any law relating to your Elephant & Castle® Restaurant businesses or a felony; fail to conform to the Restaurant System and the standards of uniformity and quality specified by Elephant & Castle; fail to pay any uncontested obligation or liability to anyone; are deemed to be insolvent or are adjudicated bankrupt; make an assignment for the benefit of creditors; issue any dishonored check; fail to timely file and/or pay any federal or state income or sales tax return; materially impair the Marks or the Restaurant System; or if any Franchise Agreement between you and Elephant & Castle is terminated for any reason. You have 10 days to cure a failure to pay any fees due to Elephant & Castle.
h. "Cause" defined - defaults which cannot	8.5	Elephant & Castle can (subject to applicable state law) terminate the Area Development Agreement

Provision	Article in Area Development Agreement	Summary
be cured		immediately upon notice if you: fail to comply with the development schedule in the Area Development Agreement; are convicted of or plead guilty or no contest to any law relating to your Elephant & Castle® Restaurant businesses or a felony; are deemed insolvent or are adjudicated bankrupt; make an assignment for the benefit of creditors; materially impair the Marks or the Restaurant System and fail to cure such violation within 24 hours; violate any provision(s) of the Area Development Agreement three or more times in a 12 month period.
i. Your obligations on termination or nonrenewal	9	Your rights under the Area Development Agreement revert to Elephant & Castle; you must pay what you owe under the Area Development Agreement and all Franchise Agreements; you must continue to operate the Restaurants you opened before termination of the Area Development Agreement.
j. Assignment of the contract by Elephant & Castle	7.1	No restrictions on the right of Elephant & Castle to assign the Area Development Agreement.
k. "Transfer" by you – definition	7.2, 7.3, 7.4, 7.5	Includes assignment to owned or controlled corporations, assignment in the event of death or disability, sale of ownership interests, and transfer of rights under the Area Development Agreement.
l. Approval of Elephant & Castle of a transfer by you	7.6	Elephant & Castle has the right to approve any transfer made by you but will not unreasonably withhold its consent.
m. Conditions for approval by Elephant & Castle of a transfer by you	7.5, 7.6, 7.8, 7.9	You must provide Elephant & Castle with 90 days written notice of the transfer; pay all money owed to Elephant & Castle and not be in default of the Area Development Agreement; sign a transfer agreement between you and Elephant & Castle; sign a joint and mutual release between you and Elephant & Castle; pay the Transfer Fee. The transferee must meet the standards established by Elephant & Castle for area developers; sign a transfer and assignment agreement between the transferee and Elephant & Castle; acquire all applicable food service and liquor licenses; successfully complete training. You may not transfer the Area Development Agreement to any entity that is competitive with Elephant & Castle. If you offer any ownership interest for sale to the public, then you must grant Elephant & Castle certain warrants to purchase 5% of the ownership interests purchased in the offering.
n. Right of first refusal of Elephant & Castle to acquire your business	Not applicable	
o. Option of Elephant &	Not applicable	

	Provision	Article in Area Development Agreement	Summary
	Castle to purchase your business		
p.	Your death or disability	7.3	If you are an individual, your Area Development Agreement may be transferred to your beneficiary without paying a Transfer Fee to Elephant & Castle, subject to the requirements described in "m" above.
q.	Noncompetition covenants during the term of the Area Development Agreement	10.2	You may not participate in any Anglo-British style pub restaurant concept that is similar to or competitive with Elephant & Castle.
r.	Noncompetition covenants after the Area Development Agreement is terminated or expires	10.3	For a period of 12 months after the termination of the Area Development Agreement, you may not participate in any Anglo-British style pub restaurant concept that is similar to or competitive with Elephant & Castle that is within 10 miles of the Territory or any other Elephant & Castle® Restaurant, or within any exclusive area granted by Elephant & Castle.
s.	Modification of the agreement	13.9	Only by written agreement between you and Elephant & Castle.
t.	Integration/merger clauses	13.10	The Area Development Agreement constitutes the entire and complete agreement between you and Elephant & Castle (subject to applicable state law).
u.	Dispute resolution by arbitration or mediation	12	Except for certain claims, all disputes must be submitted to non-binding mediation and binding arbitration. If an arbitration hearing results in an award greater than \$100,000, then the party held liable may seek a court hearing.
v.	Choice of forum	12.5,13.12	County and state of Elephant & Castle's general offices in the United States or Hennepin County, Minnesota (subject to applicable state law; see below).
w.	Choice of law	17	The laws of the state in which the Territory is located (subject to applicable state law; see below).

The following states have statutes which may supersede the provisions of the Franchise Agreement or the Area Development Agreement in the areas of termination and renewal of the Franchise: **Arkansas** [Stat. Section 70-807], **California** [Bus. & Prof. Code Sections 20000-20043], **Connecticut** [Gen. Stat. Section 42-133e, et seq.], **Delaware** [Code Section 2552], **Hawaii** [Rev. Stat. Section 482E-1], **Illinois** [815 ILCS 705/19 and 705/20], **Indiana** [Stat. Section 23-2-2.7], **Michigan** [Stat. Section 19.854(27)], **Minnesota** [Stat. Section 80C.14], **Mississippi** [Code Section 75-24-51], **Missouri** [Stat. Section 407.400], **Nebraska** [Rev. Stat. Section 87-401], **New Jersey** [Stat. Section 56:10-1], **South Dakota** [Codified Laws Section 37-5A-51], **Virginia** [Code 13.1-557-574-13.1-564], **Washington** [Code Section 19.100.180], **Wisconsin** [Stat. Section 135.03]. These and other states may have court decisions which may

supersede the provisions of the Franchise Agreement or the Area Development Agreement in your relationship with Elephant & Castle.

Provisions of the Franchise Agreement or the Area Development Agreement giving Elephant & Castle the right to terminate upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101, et seq.).

Note to California franchisees: THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THIS OFFERING CIRCULAR.

Neither Elephant & Castle nor any person identified in Item 2 of the 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. Sec. 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to California franchisees concerning termination or nonrenewal of a franchise. If the Franchise Agreement or the Area Development Agreement contains a provision that is inconsistent with California law, California law will control.

You must sign a joint and mutual release of claims if you transfer your Franchise. California Corporations Code, Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Consequently, California Corporations Code, Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516), and California Business and Professions Code, Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The provisions of the Franchise Agreement or the Area Development Agreement containing post-term covenants not to compete may not be enforceable under California law.

California Corporations Code, Section 31125 requires franchisors to give California franchisees a disclosure document, approved by the California Department of Corporations, before the solicitation of a proposed material modification of an existing franchise.

The Franchise Agreement and the Area Development Agreement require binding arbitration. The arbitration will occur at Elephant & Castle's general offices in the United States, or in Hennepin County, Minnesota, with the costs being borne by the parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

Neither the Franchise Agreement nor the Area Development Agreement contains a liquidated damage clause.

Note to Illinois franchisees: Section 4 of the Illinois Franchise Disclosure Act of ~~1987~~1987, 815 ILCS 705/1-44 (the "Illinois Act") provides that the provisions of the Franchise Agreement and the Area Development Agreement which designate jurisdiction or venue in a forum outside

of Illinois are void. Section 4 of the Illinois Act and the regulations promulgated under the Illinois Act require that the choice of law provisions of the Franchise Agreement and the Area Development Agreement cannot provide for a choice of law other than Illinois.

Note to Indiana franchisees: If you locate your Elephant & Castle® Restaurant or your Territory in Indiana, applicable law limits the scope of the joint and mutual release that you execute as a condition of transfer of the Franchise. Indiana Code Section 23-2-2.7-1(9) requires that the post termination noncompetition covenant be limited to within the Exclusive Area or the Territory. Indiana Code Section 23-2-2.7-1(2) and Indiana Code Section 23-2-2.7-2(4) prohibit Elephant & Castle from establishing a franchisor-owned restaurant that is substantially identical to an Elephant & Castle® Restaurant within an exclusive territory granted to you by Elephant & Castle. Under Indiana law, you do not waive any right afforded by Indiana statutes with regard to prior representations made by Elephant & Castle. Indiana Code Section 23-2-2.7-1(10) requires that litigation between an Indiana franchisee and Elephant & Castle will be conducted in Indiana or at a site mutually agreed upon by the parties.

Note to Maryland franchisees: Section 14-226 of the Maryland Franchise Registration and Disclosure Law (the "Maryland Law") prohibits Elephant & Castle from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability under the Maryland Law as a condition of purchasing a franchise. Nothing in this Offering Circular, the Franchise Agreement and the Area Development Agreement will act as a release, estoppel or waiver or any liability under the Maryland Law. The Uniform Consent to Service of Process which Elephant & Castle must file pursuant to Section 14-216(25) of the Maryland Law requires that Elephant & Castle be available for suit in Maryland. Any claims arising under the Maryland Law must be brought within three years after the grant of the Franchise. You do not have to sign a general release to reacquire or transfer the Franchise.

Note to Minnesota franchisees: If you locate your Elephant & Castle® Restaurant or your Territory in Minnesota, Elephant & Castle will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you receive 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise. In Minnesota, applicable law limits the scope of the joint and mutual release that you execute as a condition of transfer of the Franchise.

Note to North Dakota franchisees: Covenants not to compete are generally unenforceable in North Dakota, except in limited circumstances provided by law. The North Dakota Securities Commissioner has held that requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota is unenforceable.

Note to Rhode Island franchisees: Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that any provision of the Franchise Agreement or the Area Development Agreement which restricts jurisdiction or venue to a forum outside Rhode Island is void if the claim is otherwise enforceable under the Rhode Island Franchise Investment Act.

Note to South Dakota franchisees: Covenants not to compete are generally unenforceable in South Dakota, except in limited circumstances provided by law. Any provision of the Franchise Agreement or the Area Development Agreement which designates jurisdiction or venue outside South Dakota or requires jurisdiction or venue in a forum outside of South Dakota is void if the cause of action is otherwise enforceable in South Dakota.

Note to Washington franchisees: In the event of a conflict of laws, the provision of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the "Washington Act") will prevail. The scope of the joint and mutual release signed by you as a condition of transfer of the Franchise will be limited by applicable law. A release or waiver or rights executed by a Washington franchisee will not include rights under the Washington Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Act, rights or remedies under the Washington Act such as a right to a jury trial may not be enforceable. Assignment fees are collectable to the extent that they reflect Elephant & Castle's reasonable estimated or actual costs in effecting an assignment. In any Arbitration involving a franchise purchased in Washington, the Arbitration site will either be in Washington, a place mutually agreed upon at the time of the Arbitration, or as determined by the Arbitrator(s).

18. PUBLIC FIGURES

Elephant & Castle does not use any public figure to promote its franchise. No public figure is involved in the management of Elephant & Castle.

19. EARNINGS CLAIMS

Elephant & Castle does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of an Elephant & Castle® Restaurant. Actual results may vary from unit to unit, and Elephant & Castle cannot estimate the results of any particular franchise.

20. LIST OF OUTLETS

Franchised Restaurant Status Summary for Fiscal Years ~~2002/2003/2004~~/2005 (1)

State	Transfers	Cancelled or Terminated	Not Renewed	Reacquired by Elephant & Castle	Left System/Other	Total from Left Columns	Franchises Operating at Year End
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	42/2/2
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/23
Totals	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	34/4/45 (2)

Footnotes:

- (1) As of December 31 of each year in the United States.
- (2) As of December 31, ~~2004, 2005~~, Elephant & Castle had ~~four~~five operational franchised Elephant & Castle® Restaurants in the United States:

NEW JERSEY

Growth Properties
Clarion Hotel & Conference Center
I-285 & Route 70 East

B&S Limited, Inc.
792 Route 10 West
Randolph, NJ 07869

Cherry Hill, NJ 08034
(856) 427-0427

(973) 328-8600

PENNSYLVANIA

Jelin Corporation
1923 Leeseburg
Grove City Road
Grove City, PA 16127
(724) 748-1010

Hersha Hospitality
Holiday Inn & Conference Center
PA Turnpike & I-83
New Cumberland, PA 17070
(717) 774-5435

Jelin Corporation
12599 Perry Highway
Wexford, PA 15090
(724) 933-6160

No Elephant & Castle® franchisee had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business during the last fiscal year or failed to communicate with Elephant & Castle within the last 10 weeks.

**Status of Company-Owned Restaurants (1)
for Fiscal Years ~~2002/2003/2004~~/2005 (2)**

State	Restaurants Closed During Year	Restaurants Opened During Year	Total Restaurants Operating at Year End
California	0/0/0	0 /1/0/0	4 2/2/2 (3)
Illinois	0/0/0	0/0/0 <u>1</u>	1/1/4 <u>2</u>
Massachusetts	0/0/0	0/0/0	1/1/1
Pennsylvania	0/0/0	0/0/0	1/1/1
Washington	4 0/0/0	0/0/0	1/1/1
<u>Washington, D.C.</u>	<u>0/0/0</u>	<u>0/0/1</u>	<u>0/0/1</u>
Totals	4 0/0/0	0 1/0/2	5 6/6/6 <u>8</u>

Footnotes:

- (1) Owned and operated by ECI or a subsidiary of ECI in the United States. As of December 31, ~~2004-2005~~, Elephant & Castle had no operational company-owned Elephant & Castle® Restaurants in the United States.
- (2) As of December 31 of each year in the United States.
- (3) ECI owns 1/3 of the equity in and operates the Elephant & Castle® Restaurant in San Francisco, California.

State	Franchise Agreements Signed But Restaurants Not Yet Operational	Projected New Franchised Restaurants in Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year

State	Franchise Agreements Signed But Restaurants Not Yet Operational	Projected New Franchised Restaurants in Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year
Illinois	0	0	1
Pennsylvania	<u>40</u>	0	1
Washington, D.C.	0	0	1
Totals	<u>40</u>	0	3

21. FINANCIAL STATEMENTS

The audited Financial Statements for Elephant & Castle as of December 29, 2002, December 28, 2003, December 26, 2004 and December 26, 2004~~25, 2005~~ are Exhibit A.

22. CONTRACTS

The Franchise Agreement is Exhibit B. The Area Development Agreement is Exhibit C.

23. RECEIPT

The last page of this Offering Circular is a detachable Receipt.

**ADDENDUM TO
ELEPHANT & CASTLE INTERNATIONAL, INC.
OFFERING CIRCULAR
FOR THE STATE OF NEW YORK**

Item 3 of this Offering Circular is hereby amended by the addition of the following language:

Except as set forth in Item 3 of this Offering Circular, Elephant & Castle, any predecessor or affiliate and the individuals identified in Item 2 of this Offering Circular (a) do not have any pending administrative, criminal or civil action alleging a felony, a violation of a franchise, antitrust or securities law, or fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations, or other than routine litigation incidental to the business of Elephant & Castle which is significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations; (b) have not been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, been convicted of or pleaded nolo contendere to a misdemeanor charge or been the subject of a civil action alleging violation of a franchise, antifraud or securities law, or fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations; (c) are not subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4 of this Offering Circular is hereby amended by the addition of the following language:

Except as set forth in Item 4 of this Offering Circular, during the ten-year period immediately preceding the date of this Offering Circular, neither Elephant & Castle nor any predecessor, affiliate, officer or general partner of Elephant & Castle has (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of Elephant & Castle held this position in the company or partnership.