

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. **REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER THE RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND THE TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. AS OF DECEMBER 31, 2012, THE FRANCHISOR HAD \$91,199 IN CURRENT ASSETS AND \$104,692 IN CURRENT LIABILITIES. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITIES DUE WITHIN ONE YEAR, THE FRANCHISOR HAD \$0.87 IN CURRENT ASSETS. THE FRANCHISOR HAS A DEFICIT NET WORTH OF (\$13,493). FRANCHISOR'S WORKING CAPITAL IS (\$13,493).
2. THE FRANCHISE AND AREA DEVELOPMENT AGREEMENTS REQUIRE YOU TO RESOLVE DISPUTES WITH US BY EITHER NON-BINDING MEDIATION AT A MUTUALLY AGREED UPON LOCATION, OR BY ARBITRATION OR LITIGATION IN TEXAS. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE OR LITIGATE WITH US IN TEXAS THAN IN YOUR OWN STATE.
3. THE FRANCHISE AND AREA DEVELOPMENT AGREEMENTS STATE THAT TEXAS LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
4. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$395,000 - \$705,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S MEMBERS' EQUITY AS OF DECEMBER 31, 2012 WHICH IS REPORTED AS (\$13,493).
5. THE TERRITORY RIGHTS PROVIDED UNDER THE AREA DEVELOPMENT AGREEMENT AND FRANCHISE AGREEMENT ARE NOT EXCLUSIVE.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See the next page entitled State Effective Dates

**HISTORICAL INFORMATION FOR THE SIX
TRADITIONAL SONNY BRYAN'S SMOKEHOUSE® RESTAURANTS OWNED BY
SMOKEHOUSE IN OPERATION
FOR THE 52 WEEKS ENDING DECEMBER 31, 2012**

	Restaurant	Restaurant	Restaurant	Restaurant	Restaurant	Restaurant	Restaurant
Gross Sales	\$1,820,536	\$1,466,566	\$1,332,014	\$1,184,592	\$845,151	\$822,151	\$1,245,168
Cost of Sales	29.00%	29.53%	33.31%	30.27%	30.64%	28.27%	30.18%
Labor Cost	26.03%	29.05%	27.01%	27.46%	32.18%	32.19%	28.40%
Prime Cost	55.03%	58.57%	60.32%	57.72%	62.82%	60.46%	58.58%
Supply Cost	2.97%	2.70%	3.13%	3.22%	3.68%	3.61%	3.14%
Utility Cost	2.17%	1.34%	1.83%	3.50%	4.00%	4.93%	2.67%
R&M	.70%	1.43%	.50%	1.19%	2.03%	1.71%	1.15%
Other Operating Costs	7.92%	4.81%	4.32%	7.40%	9.16%	7.17%	6.64%
Advertising	1.00%	.84%	.55%	1.10%	1.00%	1.25%	.93%
CSP	30.21%	30.30%	29.34%	25.87%	17.30%	20.87%	26.90%
Occupancy	6.91%	10.25%	2.87%	9.75%	12.56%	15.57%	8.89%
G&A	.52%	1.04%	.63%	1.02%	.93%	1.44%	.87%
EBITDA	22.78%	19.01%	25.85%	15.10%	3.81%	3.86%	17.14%

Notes:

Note 1. The six traditional Restaurants range in size from 942 to 5,299 square feet, with an average of 3,580 square feet per restaurant. The opening dates for these Restaurants were between 1958 and 2004, with an average length of operations at 19 years.

Note 2. The food court Restaurant is 2,697 square feet and originally opened in 1998. Selected results of this unit in 2012: Gross Sales - \$348,566; Prime Cost: 58.59%; CSP: 25.52%; Occupancy: 17.31%; EBITDA: 7.38%.

Note 3. The cost percentage for each category was calculated by dividing the total of each cost by Gross Sales for that Restaurant.

Note 4. Sales results for a SONNY BRYAN'S SMOKEHOUSE® Restaurant are affected by a number of factors such as local demographics, including access to daytime business districts and retail centers, residential population, site characteristics (*i.e.*, visibility, signage, traffic count, ease of ingress and egress, parking availability), local competition, brand awareness in the geographic area in which the restaurant is located, and marketing efforts. Sales also may be affected by other factors, such as weather events and road construction affecting traffic patterns.

Three (50%) of the SMOKEHOUSE owned Restaurants exceeded the \$1,245,168 average of gross sales, and three (50%) were below the average. Your individual results may differ. There is no assurance that you will sell as much.

Additional Definitions:

Gross Sales: Gross Sales includes all cash, accounts receivable, and credit sales of the Restaurants, including, but not limited to, all sales, revenues, and income from: (1) all foods, food products, and food items; (2) alcoholic and non-alcoholic drinks and beverages; (3) sauces, hats, T-shirts and other clothing; (4) catering services; and (5) carry-out items. Gross Revenues will not include (a) any sales, use, or gross receipts tax imposed by any federal, state, municipal, or governmental authority directly on sales, if the amount of the tax is added to the selling price and charged to the customer, a specific record is made at the time of each sale of the amount of such tax, and the amount of such tax is paid to the appropriate

STATE ADDENDA

CALIFORNIA

1. Item 3 is supplemented by the following:

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. Item 5 is supplemented by the following:

WeIf you are developing a single Restaurant, we will defer payment of the initial franchise fee and other initial payments owed by franchiseesyou to us until we have completed our pre-opening obligations under the Franchise Agreement and the Restaurant opens for business. If you are developing multiple locations under an Area Development Agreement-, we will defer payment of the initial development fee and other initial payments owed by you to us until we have completed our pre-opening obligations and the first Restaurant opens for business.

3. Item 17 is supplemented by the following:

The Franchise Agreement requires you to sign a general release of claims on renewal or transfer of the Franchise Agreement. 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 thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees 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.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

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 but we will enforce it to the extent enforceable.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the State of Texas, County of Dallas, with the costs being borne by either or both parties as determined by the arbitrator. 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 a franchise agreement restricting venue to a forum outside the State of California.

California Corporations Code, Section 31125 requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

The Franchise Agreement requires the application of the laws of Texas. This provision may be unenforceable under California law.

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

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