

**Item 7: Estimated Initial Investment**

**YOUR ESTIMATED INITIAL INVESTMENT**

| <b>Type of Expenditure</b>                 | <b>Amount</b>                | <b>Method of Payment</b> | <b>Due Date</b>                   | <b>To Whom Payment is to be Made</b>         |
|--|------------------------------|--------------------------|-----------------------------------|--|
| Franchise Fee                              | \$12,500 - \$25,000          | Lump Sum                 | At signing of Franchise Agreement | Us   |
| Franchise Grand Opening Fee                | \$15,000                     | Lump Sum                 | On the date the Lease is signed   | Paid to us for various media and direct mail |
| Real Estate                                | \$1,600 - \$3,350 per month  | Note 1                   | Note 1                            | Note 1                                       |
| Security Deposits                          | \$1,100 - \$4,650            | Lump Sum                 | Prior to Opening                  | Note 1                                       |
| Leasehold Improvements                     | \$79,400 - \$183,000 Note 2  | Lump Sum                 | Prior to Opening                  | Contractors                                  |
| Architectural Drawings                     | \$6,100 - \$9,300 Note 3     | Lump Sum                 | Prior to Opening                  | Designated Supplier - Licensed Architect     |
| Equipment and Fixtures                     | \$99,100 - \$156,750 Note 4  | Lump Sum                 | Prior to Opening                  | Us and Designated Suppliers/Vendors          |
| Point of Sale System                       | \$21,500 - \$28,600          | Lump Sum                 | Prior to Opening                  | Designated Suppliers/Vendors                 |
| Opening Inventory                          | \$8,600 - \$18,900           | Lump Sum                 | Prior to Opening                  | Distributing or other Designated Suppliers   |
| Insurance                                  | \$1,200 - \$7,900 Note 5     | Lump Sum                 | Prior to Opening                  | Insurance companies Note 5                   |
| Security Deposits - Utilities              | \$375 - \$3,850              | Lump Sum                 | Prior to Opening                  | Utility companies                            |
| Signs                                      | \$3,700 - \$13,200           | Lump Sum                 | Prior to Opening                  | Contractors                                  |
| Travel and Living Expenses During Training | \$1,200 - \$6,350            | As Incurred              | Prior to Opening                  | Motels, restaurants, etc.                    |
| Additional Funds - 3 Months                | \$0 - \$20,000 Note 6        | As Incurred              | As Incurred                       | Employees, vendors, landlord, utilities      |
| <b>TOTAL</b><br>Notes 7, 8, 9 & 10         | <b>\$251,375 - \$495,850</b> |                          |                                   |  |

Note 1. You must secure suitable real estate for your Restaurant. Typical locations for Restaurants are between 1,200 and 1,600 square feet. Ordinarily, the real estate is leased and located in strip centers within metropolitan and suburban areas. Less typically, the real estate is a free-standing building. The amounts indicated assume that the real estate is leased and reflect a typical range of monthly rentals. The amount of your rent is dependent upon such factors as size, condition and location. Neither Hungry Howie's nor its affiliates will lease real estate to you. The amount of rent, the time at which the rent is due and to whom the rent must be paid is subject

to negotiation by you and the landlord. Ordinarily, you will not pay rent until you open your Restaurant. However, there are instances in which you may have to pay rent for 1-2 months prior to opening your Restaurant, due to your unique lease negotiations and construction schedule. Security deposits are payable to landlords and utility companies. This estimate contemplates a security deposit equal to one month's rent. You may be required to pay a larger security deposit. The space and monthly rent for a Non-Traditional Restaurant will be dependent upon the venue in which the Non-Traditional Restaurant is located and varies significantly.

Note 2. The amount of leasehold improvements is before any landlord-provided tenant improvements or allowances.

Note 3. The amount shown does not include the \$2,500.00 fee that you must pay to our designated architect if you utilize an Alternate Architect. The use of an Alternate Architect is not typical. The amount shown also does not include additional services such as additional on-site visits, engineering fees and reimbursable expenses; Your cost will vary depending on the type of build-out of the Restaurant, such as in-line strip centers, conversion of free standing buildings, or stand-alone shells.

Note 4. The amount shown is for the purchase of equipment and fixtures for a Restaurant. Equipment and fixtures for a Non-Traditional Restaurant will vary depending on space and menu limitations, but are generally less than a Restaurant. If you lease these items, your initial investment will be less than the amount shown but there will be a monthly lease payment.

Prior to opening the Restaurant, you must purchase from us a conveyor oven and hood system. We are the only designated supplier for the sale of the conveyor oven and hood system which you are required to install in the Restaurant. The cost of the conveyor oven and hood system will be between \$42,700-\$58,900, depending on the number and size of the ovens and hood system required, installation charges and shipping/freight charges. You will be required to pay a deposit of 50% of the total costs at the time you place an order with us. The balance must be paid prior to delivery and installation.

Note 5. The amount shown includes an initial deposit and the first required insurance payment. Your initial payment may vary depending on the period of time your insurance policy covers and the amount of time over which it is paid. You must maintain the following insurance coverage: workers' compensation and occupational disease; general liability, including products liability with a limit of not less than \$1,000,000.00 per occurrence; non-owned and hired auto liability with the highest attainable limit available in the state in which your Restaurant is located; business interruption insurance; business property insurance; employment practices liability insurance; and umbrella or excess liability insurance. We may require you to purchase other types of insurance and we may require you to increase coverage limits.

Note 6. This line-item estimates the funds needed to cover your initial expenses during the first 3 months of operation (other than the items identified separately in the table). These expenses do not include any draw or salary for you or an Owner Operator. However, this is only an estimate, and it is possible you will need additional working capital during the first 3 months you operate your Restaurant and for a longer time period afterward. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. We cannot guarantee when or if your Restaurant will break even. Your costs will depend on whether you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and your Restaurant's sales during the initial period.

Note 7. We have relied on our numerous years of experience franchising, and our principals' and affiliates' numerous years of experience developing and operating, Hungry Howie's® Restaurants to complete these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Note 8. We do not offer direct financing to franchisees for any items. Upon request, we will provide you with a list of lenders or persons that may be of assistance to you in securing financing.

Note 9. The expenditures are non-refundable unless otherwise provided in your agreement with the third party providing the goods and/or services.

Note 10. Your Estimated Initial Investment also includes Non-Traditional Restaurants. Any known variations between Restaurants and Non-Traditional Restaurants are stated in the notes above. We describe the Development Fee in Item 5. No separate initial investment is required when you sign the ADMUA.