

data storage and archiving. If instituted, we shall have complete discretion as to the use and allocation of the Technology Fee funds, which may be used for payment of salaries, wages and benefits, direct program costs and/or overhead expenses related to the above-described activities. The Technology Fee is not intended to cover your costs of acquiring and maintaining required or suggested Technology Systems and other support services you need to support Technology Systems, which would be in addition to the Technology Fee.

Item 7: Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	Due Date	To Whom Payment is to be Made
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	\$1,800 - \$4,300 per month	Note 1	Note 1	Note 1
Security Deposits	\$2,000 – \$8,500	Lump Sum	Prior to Opening	Note 1
Leasehold Improvements	\$120,600 - \$222,800 Note 2	Lump Sum	Prior to Opening	Contractors
Architectural Drawings & Local Plan Review Fees	\$6,800 - \$10,400 Note 3	Lump Sum	Prior to Opening	Designated Supplier - Licensed Architect
Equipment and Fixtures	\$93,300 - \$146,500 Note 4	Lump Sum	Prior to Opening	Us and Designated Suppliers/Vendors
Point of Sale System	\$22,200 - \$29,800 Note 5	Lump Sum	Prior to Opening	Designated Suppliers/Vendors
Opening Inventory	\$7,100 – \$20,000	Lump Sum	Prior to Opening	Distributing or other Designated Suppliers
Insurance	\$3,500 - \$5,300 Note 6	Lump Sum	Prior to Opening	Insurance companies Note 5
Security Deposits - Utilities	\$0 – \$2,000	Lump Sum	Prior to Opening	Utility companies
Signs	\$5,000 - \$16,200	Lump Sum	Prior to Opening	Contractors
Travel and Living Expenses During Training	\$800 - \$12,600	As Incurred	Prior to Opening	Hotels, restaurants, etc.
Additional Funds - 3 Months	\$0 - \$20,000	As Incurred	As Incurred	Employees, vendors, landlord, utilities
TOTAL Notes 9, 10, 11 & 12	\$290,600 and \$538,400			

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 includes the fees assessed by various local municipalities, which vary. 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 \$41,300 and \$47,600, 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 does not include a \$140 monthly software maintenance fee which you must pay to our Designated Supplier. Additionally, the amount shown does not include a \$79 monthly online ordering fee or a \$54 monthly loyalty program fee, which are both currently paid for by the National Marketing Fund (defined in Item 8) to our Designated Supplier. These fees are subject to change by our Designated Supplier.

Note 6. The amount shown includes an initial deposit (if applicable) 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: "all risk" business property for the restaurant build-out and contents for full replacement cost value; business interruption equal to actual loss sustained; general liability (including products liability); owned, non-owned, and hired auto liability; employment practices liability; workers' compensation and occupational disease; umbrella or excess liability. We may require you to purchase other types of insurance and we may require you to increase coverage limits.

Note 7. The amount you spend during training will differ depending on a variety of factors, including your choice of accommodations, the rental car you select, the number of people who attend training on behalf of the Restaurant, etc.

Note 8. Estimated funds needed to cover your initial expenses during the first 3 months of operation (other than the items identified separately in the table), not including any draw or salary for you or an Owner Operator. You may 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 9. 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 10. 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 11. The expenditures are non-refundable unless otherwise provided in your agreement with the third party providing the goods and/or services.

Note 12. 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.

Item 8: Restrictions on Sources of Products and Services

Required and Approved Suppliers

If we name one or more Designated Suppliers now or in the future for certain products or services, (1) such information will be made available to you in the Manual and (2) you are not granted the right to use alternative suppliers for such products or services unless otherwise stated in this disclosure document. Our criteria for approving suppliers are not available to you.

You must purchase all your Products from Distributing or a Designated Supplier. Distributing is not the only approved supplier of Products for franchisees. You may only use the Products at your Restaurant and you are prohibited from re-selling, transferring or sharing the Products with any other person or entity. You must purchase all equipment, supplies and materials, uniforms, signage, menu boards, printed materials, posters and menus only from us or from a Designated Supplier. You are required to promptly and fully pay any Designated Supplier.

An officer of ours owns an interest in Distributing. Hungry Howie's is not a Designated Supplier of the Products but is a Designated Supplier for conveyor ovens and hood systems and may in the future be a Designated Supplier of equipment used in the Restaurant. Distributing does not supply Products west of the Mississippi River. Franchisees in states west of the Mississippi River and areas of the Northeast and Mid-Atlantic states, must purchase products from another distributor designated by us. Designated Suppliers are selected based on their ability to supply you with the same Products as Distributing on a regularly scheduled basis. We retain the right to substitute, add or delete Designated Suppliers at any time in our discretion. Distributing does not supply packaged