

ITEM 5

INITIAL FEES

Initial Franchise Fees. Fazoli's Restaurant franchisees must sign a Franchise Agreement for each Fazoli's Restaurant to be owned and operated. You must pay \$40,000 as an initial franchise fee (the "Franchise Fee") for each restaurant that you develop. Normally, one half of the Franchise Fee, or \$20,000, is due upon execution of your signed Franchise Agreement, and one half is payable one week prior to the opening date of your Fazoli's Restaurant for business. However, in Minnesota, the entire Franchise Fee is due upon the opening of your Restaurant for business. The Franchise Fee is fully earned by us upon payment. We have no obligation to refund the Franchise Fee for any reason, including if you fail to find an acceptable site.

Except as noted in previous Franchise Disclosure Documents through past Franchise Growth Incentive Programs, the initial Franchise Fee is uniform in all cases. In the past, we have also waived the renewal fee (See Item 6) for a small number of existing franchisees in isolated and special circumstances, and we have offered existing franchisees the opportunity to renew their Franchise Agreements with varying terms and a reduced renewal fee. These terms may not be available to you as a new franchisee.

Pre-opening and Opening Advertising. You must pay us an additional sum of \$5,000 for pre-opening and opening advertising that we arrange for and place, payable to us in cash upon our request. This fee will be requested no later than 30 days before your restaurant's projected opening date, is uniform in all cases and not refundable. Any monies not used will be credited to your advertising fund or, in the event the restaurant does not open, retained by us.

Training Expenses. We have the right to require you to pay us for any training supplies or materials, and we have the right to require you to compensate or reimburse us for labor and other related costs associated with providing training to you. We currently do not require payment for these items.

Fazoli's Administrative Back Office System ("FABOS"). For each Fazoli's Restaurant you develop, you must purchase the required FABOS computer operating system and sign our FABOS Support and Service Agreement prior to the opening of the Fazoli's Restaurant, which is annexed to the Franchise Agreement attached to this Disclosure Document as Exhibit C. Payment for the FABOS system is required prior to, and as a condition for, its installation. The range cost of FABOS, which includes point of sale ("POS") and back office hardware and software components, is \$47,000 to \$51,000 (excluding taxes and freight) for a freestanding unit and \$31,200 to \$51,000 (excluding taxes and freight) for an in-line facility. This cost is non-refundable and is paid directly to vendors that we specify. These fees do not include ongoing software license fees that vendors may charge. There are also various other programs that are not required that you may purchase to assist you in the operation of the Fazoli's Restaurant, if you so desire. The costs for these programs would also be paid directly to vendors that we specify.

Type of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment is to be Made
Inventory & Uniforms (See Note 8)	\$10,000 to \$20,000	As Arranged	As Arranged	Suppliers
Security Deposits, Utilities and Insurance (See Note 9)	\$5,000 to \$27,000	As Arranged	As Arranged	Landlord, Utilities, Insurance Company
Pre-opening and Opening Advertising (See Note 10)	\$5,000	Lump Sum	As Requested, but no later than 30 days before Restaurant opens	Us
Additional Funds- 3 Months (See Note 11)	\$60,000 to \$120,000	As Arranged	As Incurred	Miscellaneous
TOTAL	<u>\$646,200 to \$1,058,000</u>			

NOTES:

- (1) See Item 5 concerning the payment of the Franchise Fee for each Fazoli's Restaurant. One half of the Franchise Fee, or \$20,000 for each Fazoli's Restaurant, is due upon execution of your signed Development Agreement or Franchise Agreement, and one half is payable one week prior to the opening date of each of your Fazoli's Restaurants for business. In Minnesota, the entire Franchise Fee is due upon the opening of your Restaurant. We have no obligation to refund any costs paid to us. Whether any third party will refund any costs will depend on the third party involved.
- (2) (a) We estimate that the cost of site preparation will vary between a low of \$80,000 and a high of \$305,000. The precise amount will depend upon a number of variables, including the condition of the land to be improved, the size of the property and construction costs prevailing in the area where the restaurant will be constructed.
- (b) Because the location of the Fazoli's Restaurant will be a strip shopping center in-line end cap space, there generally will be no site preparation costs. However, you may have to trench for utilities, and add drive-thru menu board.
- (3) You will incur architectural services, which may include Civil Engineering costs, to complete the plans and other documents required by Section 3.02 of the Franchise Agreement at your expense. Architectural expenses will be more for a freestanding building than they will be for an in-line or end-cap completion, but there will be architectural expenses regardless of the type of development.
- (4) (a) A freestanding Fazoli's Restaurant premises typically consists of a building located on a developmental outparcel or a commercial building lot with direct road frontage. All of the figures given above assume you will lease the land on which the restaurant is situated. The high estimate assumes you will construct a new 120+ seat building and the low estimate assumes a smaller 70 - 120 seat restaurant. The price of land is not included in the range of total expenditures disclosed in the above chart. If land is purchased rather than leased, you will incur

Minnesota

~~Franchise Examiner~~Commissioner of
Commerce
Minnesota Department of Commerce
~~Market Assurance Division~~Securities Unit
85 7th Place East, Suite ~~500~~280
St. Paul, Minnesota 55101-2198
651-~~296-6328~~539-1600

New York

Assistant Attorney General
Investor Protection and Securities Bureau
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271
212-416-8211

North Dakota

North Dakota Securities Department
600 Boulevard Avenue, State Capitol
Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Rhode Island

Department of Business Regulation
Securities Division, Bldg 69, First Floor
John O. Pastore Center
1511 Pontaic Avenue
Cranston, Rhode Island 02920
(401) 462-9527

South Dakota

Department of Labor and Regulation
Division of Securities
124 South Euclid Suite 104
Pierre, South Dakota 57501
605-773-4823

Virginia

State Corporation Commission
1300 E. Main St., 9th Floor
Richmond, Virginia 23219
804-371-9051

Washington

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
360-902-8760

Wisconsin

Franchise Administrator
Division of Securities

This is a document preview downloaded from FranchisePanda.com. The full document is available for free by visiting: <https://franchisepanda.com/franchises/fazolis>