

Analysis of Average Sales and Expenses for Calendar Year 2014 of Top Five of Reporting Franchised Sub Shops Open before 1/1/2013

Top 5		
Restaurant Count ⁽¹⁾	5	
# Inside / Outside the Greater Memphis Area	2	3
	Average	% of Sales
Sales	\$ 1,049,346.91	
Total Labor (including payroll taxes) ⁽²⁾	\$ 256,383.00	24.4%
Cost of Sales (food, beverage, paper & chemical) ⁽³⁾	\$ 356,923.00	34.0%
Total Rent (including property taxes, insurance & maintenance)	\$ 50,368.65	4.8%
Utilities (electricity, gas, & water)	\$ 49,965.00	4.8%
All Other Expenses ⁽⁴⁾	\$ 174,191.58	16.6%
Total Expense	\$ 887,831.23	84.6%
EBITDA ⁽⁵⁾	\$ 161,515.70	15.4%

⁽¹⁾ Of the 5 Shops in this group, 2 shops or 40% exceeded the average sales volume for the Top 5 Sub Shops.

⁽²⁾ Often includes restaurant management salary, payroll taxes and benefits. Excludes any reported compensation and benefits for the owner. The average salary, payroll taxes and benefits for restaurants owned by affiliates of Lenny's Franchise Systems, LLC was approximately \$41,000 for 2014.

⁽³⁾ Coupons, discounts, and giveaways may not have been reclassified to the proper expense category and could be included in this line.

⁽⁴⁾ Includes Royalty and Brand Marketing Fund and every other expense that a franchisee chooses to classify as a business expense except principal and interest repayment, income tax, depreciation, and amortization. May include a franchisee's corporate expenditures not specifically related to the operation of an individual restaurant. Excludes any items reported by owners utilized to calculate owners' discretionary cash flow prior to debt service and taxes.

⁽⁵⁾ Earnings before interest, tax, depreciation and amortization. All references to EBITDA in this financial performance representation means the owners' reported discretionary cash flow prior to debt service and taxes.

**Analysis of Average Sales and Expenses for Calendar Year 2014 of
Top Fifty Percent (50%) of Reporting Franchised Sub Shops Open before 1/1/2013**

Top 50%		
Restaurant Count ⁽¹⁾	31	
# Inside / Outside the Greater Memphis Area	14	17
	Average	% of Sales
Sales	\$ 729,895.94	
Total Labor (including payroll taxes) ⁽²⁾	\$ 194,152.32	26.6%
Cost of Sales (food, beverage, paper & chemical) ⁽³⁾	\$ 239,405.87	32.8%
Total Rent (including property taxes, insurance & maintenance)	\$ 49,632.92	6.8%
Utilities (electricity, gas, & water)	\$ 37,954.59	5.2%
All Other Expenses ⁽⁴⁾	\$ 98,535.95	13.5%
Total Expense	\$ 648,147.59	88.8%
EBITDA ⁽⁵⁾	\$ 81,748.35	11.2%

⁽¹⁾ Of the 31 Shops in this group, 14 shops or 45% exceeded the average sales volume for the Top 50%.

⁽²⁾ Often includes restaurant management salary, payroll taxes and benefits. Excludes any reported compensation and benefits for the owner. The average salary, payroll taxes and benefits for restaurants owned by affiliates of Lenny's Franchise Systems, LLC was approximately \$41,000 for 2014.

⁽³⁾ Coupons, discounts, and giveaways may not have been reclassified to the proper expense category and could be included in this line.

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⁽⁵⁾ Earnings before interest, tax, depreciation and amortization. All references to EBITDA in this financial performance representation means the owners' reported discretionary cash flow prior to debt service and taxes.

**Analysis of Average Sales and Expenses for Calendar Year 2014 of
Bottom Fifty Percent (50%) of Reporting Franchised Sub Shops Open before 1/1/2013**

Bottom 50%		
Restaurant Count ⁽¹⁾	30	
# Inside / Outside the Greater Memphis Area	5	25
	Average	% of Sales
Sales	\$ 388,398.91	
Total Labor (including payroll taxes) ⁽²⁾	\$ 109,843.11	29.2%
Cost of Sales (food, beverage, paper & chemical) ⁽³⁾	\$ 127,499.39	34.2%
Total Rent (including property taxes, insurance & maintenance)	\$ 46,002.36	12.0%
Utilities (electricity, gas, & water)	\$ 27,889.46	7.4%
All Other Expenses ⁽⁴⁾	\$ 51,339.10	15.3%
Total Expense	\$ 377,868.56	97.3%
EBITDA ⁽⁵⁾	\$ 10,530.35	2.7%

⁽¹⁾ Of the 31 Shops in this group, 17 shops or 55% exceeded the average sales volume for the Bottom 50%.

⁽²⁾ Often includes restaurant management salary, payroll taxes and benefits. Excludes any reported compensation and benefits for the owner. The average salary, payroll taxes and benefits for restaurants owned by affiliates of Lenny's Franchise Systems, LLC was approximately \$41,000 for 2014.

⁽³⁾ Coupons, discounts, and giveaways may not have been reclassified to the proper expense category and could be included in this line.

⁽⁴⁾ Includes Royalty and Brand Marketing Fund and every other expense that a franchisee chooses to classify as a business expense except principal and interest repayment, income tax, depreciation, and amortization. May include a franchisee's corporate expenditures not specifically related to the operation of an individual restaurant. Excludes any items reported by owners utilized to calculate owners' discretionary cash flow prior to debt service and taxes.

⁽⁵⁾ Earnings before interest, tax, depreciation and amortization. All references to EBITDA in this financial performance representation means the owners' reported discretionary cash flow prior to debt service and taxes.

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