



FRANCHISE DISCLOSURE DOCUMENT - 2020



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ITEM 6
OTHER FEES

Table with 4 columns: Type of Fee, Amount, Due Date, Remarks. Rows include: Royalty, Advertising Fees, Transfer Fee (Franchise Agreement), Transfer Fee (Development Agreement), Renewal Fee, Attorneys' Fees and Costs, Indemnification.

Type of Fee	Amount	Due Date	Remarks
Insurance	Reimbursement of our expenses.	On demand	Payable if we procure insurance for you, after you fail to do so.
Training Fees	Fee not yet established; will vary depending upon the program offered.	On demand	Payable to us but not currently charged. We reserve the right to charge for special or remedial training we may require.
Telephone Program Fee	Undetermined.	On demand	Payable to us if we establish a local, regional or national telephone number to facilitate the direction of customers' orders and improving service to the public relating to delivery and catering services. (See Item 11.)
Offering Fee	Reimbursement of our expenses.	Before offering	Payable to us to reimburse us for our reasonable costs and expenses associated with reviewing your offering.
Relocation	Reimbursement of our expenses.	On demand	Payable to us to reimburse us for our reasonable costs and expenses associated with reviewing new location and lease terms.
Administration Fee ⁽⁸⁾	1% of Franchisee Gross Revenues	Weekly	Payable to us or an affiliate if we or our affiliate provide administrative services for your Golden Chick Restaurant
Management Fee ⁽⁹⁾	2%-5% of Franchisee Gross Revenues.	Weekly	Payable to us or an affiliate if we or our affiliate manage your Golden Chick Restaurant
Gift Card Services ⁽¹⁰⁾	Varies.	On demand	Payable to third-party vendors as expenses are incurred.
Termination Fee ⁽¹¹⁾	Liquidated damages based upon royalties for 24 months.	Lump sum	Payable to us, in addition to any other legal remedies, if we terminate the Franchise Agreement due to your default.
Post-Termination and Post-Expiration Expenses ⁽¹²⁾	Reimbursement.	On demand	Payable to us as expenses are incurred.
Intranet Fees	A reasonable undetermined amount.	Monthly	See Item 11.
Internet Site Fees	Up to \$100 per month.	Monthly	See Item 11.
Late Charge	10% of Royalty (for late Weekly Royalty Fee payment); \$25 (for late Weekly Royalty Fee report).	On demand	Payable to us and nonrefundable.
Interest	Up to 18% per annum on overdue payments.	On demand	Payable to us if we discover a deficiency after auditing your books. Payable in addition to the late charge described above.
Audit Expenses	Reimbursement.	On demand	Payable to us only if audit reveals that you have understated Franchisee Gross Revenues by more than 2%.

Notes:

(1) You must pay us a Weekly Royalty Fee equal to 4% of your weekly Franchisee Gross Revenues. If your Golden Chick Restaurant is located in the Houston Area and San Antonio Area, the Area Representatives will receive a portion of your Weekly Royalty Fee from us as its fee for services rendered. The Houston Area is comprised of the counties in and around the Houston, Texas area, including the following counties: Austin, Brazoria, Calhoun, Chambers, Colorado, Fort Bend, Galveston, Grimes, Harris,

Jackson, Liberty, Matagorda, Montgomery, Polk, Refugio, San Jacinto, Trinity, Victoria, Walker, Waller, Washington, and Wharton. The San Antonio Area is comprised of the counties in and around the San Antonio, Texas area, including the following counties: Atascosa, Bandera, Bexar, Comal, Dewitt, Dimmit, Edwards, Frio, Goliad, Gonzales, Guadalupe, Karnes, Kendall, Kerr, Kinney, La Salle, Lavaca, Maverick, McMullen, Medina, Real, Uvalde, Val Verde, Wilson, and Zavala.

(2) “Franchisee Gross Revenues” means the total amount of all sales (exclusive of sales, excise, use, value added, gross receipt and other similar taxes imposed by any governmental authority added to the sales price and required to be collected by the seller from the purchaser) of products and services for cash or on credit, whether or not payment is ultimately made for such sales, which are made in, on, out of, through or from, all and every part of Franchisee Location including, without limitation, all such sales (whether or not such sales are included in the price of menu items) from dining-in, delivery, carry-out, drive-through and catering, any delivery charges and other related fees, as well as Franchisee’s share of sales from vending machines, racks and displays, maintained or otherwise located in Franchisee Location or on such premises, and proceeds from gift certificates, gift cards, or stored value cards redeemed at Franchisee Location, and proceeds from business interruption insurance. In addition, all sales promotions, contributions, donations, and giveaways prescribed or approved by Franchisor shall not be deducted from Franchisee Gross Revenues. Franchisee Gross Revenues do not include: (i) proceeds from isolated sales of the trade fixtures that are not part of the products or services offered at any of Franchisor Restaurants; (ii) proceeds received from returns to shippers or manufacturers; (iii) proceeds from the sale of gift cards, gift certificates, or other stored value cards sold through one of Franchisor Restaurants, which proceeds are deposited into accounts maintained by Franchisor or its designee; and (iv) other items authorized by Franchisor in writing to be excluded from Franchisee Gross Revenues; provided, however, any such authorization may be revoked or withdrawn at any time in writing by Franchisor in its sole and absolute option. In the event of cash shortages, the amount of sales shall be determined from cash register tapes (non-resettable totals) or other sales recording devices and cash shortages shall be disregarded.

(3) The Weekly Royalty Fee and all other payments due to us will be collected via our electronic funds transfer program (“Direct Payment Program”). You must sign the ACH authorization form attached to the Franchise Agreement, and any forms your bank may require implementing the Direct Payment Program. Payments are presently due to us or to our bank no later than Thursday of each week, and you must have sufficient funds in your designated bank account to support the draft of funds. You must submit a Weekly Royalty Fee report in the form and manner we specify. You must submit or deliver to us all other reports, statements and/or other information on a timely basis. Failing to deliver an ACH authorization form or maintain sufficient funds in your bank account is an event of default under the Franchise Agreement. We have the right to change the method of payments at any time, with written notice to you.

(4) We have established a national advertising fund (“National Ad Fund”) for promoting Golden Chick Restaurants and the food and beverage items and catering services offered by Golden Chick Restaurants. You must contribute up to 2% of your weekly Franchisee Gross Revenues to the National Ad Fund, at the same time and in the same manner as the Weekly Royalty Fee.

(5) We may also establish local, regional and/or national advertising cooperatives (each a “Co-op”) and designate one or more Co-ops for your Golden Chick Restaurant. Currently, we have three Co-ops in the Dallas-Ft. Worth, Austin and San Antonio areas. The contribution requirement will be determined by the members, in accordance with rules we establish for the Co-op. Your contributions for the local, regional and/or national Co-op will not exceed 2% of your Franchisee Gross Revenues for each Co-op.

(6) You must pay all costs and expenses we incur to enforce our rights under the Franchise Agreement and/or Development Agreement (as applicable), or to defend against any claim, demand, action or

proceeding arising out of your failure to perform your obligations under the Franchise Agreement or Development Agreement.

(7) You must indemnify us, our subsidiaries and affiliates, successors and assigns and their respective directors, officers, shareholders, partners, agents, representatives, employees and contractors for all loss or damage including court costs and reasonable attorneys' fees, which such person may incur arising out of or relating to your establishment or operation of Golden Chick Restaurant(s), or any act or omission or failure to act on the part of you, any of your subsidiaries and affiliates, and any of your owners and the officers, directors, shareholders, partners, agents, independent contractors, servants, employees, and representatives of you and your subsidiaries and affiliates in connection with the establishment and operation of the Golden Chick Restaurant, including any acts, errors, or omissions of any of the above in the operation of any delivery motor vehicle and for all claims for damage to property or for the injury or death of any person or persons, directly or indirectly resulting from the establishment or operation of the Golden Chick Restaurant. You are also required to indemnify and hold us harmless as to any liability and/or costs incurred because of any mechanic's or materialman's lien due or claimed for material furnished or claimed to be furnished, or labor performed or claimed to be performed at the instruction or request of you, your agents and employees, or under contract with, or on behalf of, you.

(8) If you retain services for administrative, accounting and payroll services from us or one of our affiliates then either we or our affiliate will charge an administration fee of 1% of the weekly Franchisee Gross Revenues of the Golden Chick Restaurant, which will be in addition to the Weekly Royalty Fee and advertising contribution(s), and any other fees or payments due and owing to us.

(9) In the event of the death or permanent disability of any person with a 25% or more interest in the Franchise Agreement, in the Golden Chick Restaurant, or in you, or any person with an interest less than 25% if we determine, in our sole and absolute option, that the person had substantial control or supervision over the management of the Golden Chick Restaurant, we, at our sole and absolute option, may elect to operate the Golden Chick Restaurant ourselves or through an affiliate during the interim 12 months following the death or the interim six-month period following the permanent disability, as applicable, until the interest of that person is transferred in accordance with the terms of the Franchise Agreement or until the applicable interim period expires, whichever comes first. As compensation for managing the Golden Chick Restaurant, either we or our affiliate will charge a management fee of 2% of the weekly Franchisee Gross Revenues of the Golden Chick Restaurant, which will be in addition to the Weekly Royalty Fee and advertising contribution(s), and any other fees or payments due and owing to us.

In addition, one of our affiliates, GFC Leasing, has entered into limited partnerships for the development of some of our Golden Chick Restaurants under GC Partnerships, and may do so in the future. Also, one of our affiliates, Golden Operating Corporation, has entered into management agreements for some of our Golden Chick Restaurants. Golden Operating Corporation charges a management fee of 5% of the monthly Franchisee Gross Revenues of the Golden Chick Restaurant, which will be in addition to the Weekly Royalty Fee and advertising contribution(s), and any other fees or payments due and owing to us.

(10) We have implemented a gift card program throughout the Golden Chick Restaurants in which you must participate. You must purchase the cards from our approved suppliers and must sell the cards to guests, and redeem those cards submitted by guests. In addition, you will pay a set-up fee and per transaction fee to an approved third-party you retain to process the gift card transactions.

(11) If we terminate the Franchise Agreement due to your default, we will be entitled to a lump sum payment of liquidated damages equal to the total sum of average Weekly Royalty Fees multiplied by the number of then-unexpired weeks in the term of this Franchise Agreement. Average Weekly Royalty Fees means the total sum of all Weekly Royalty Fees due by you under Section 4.2 for the 24 calendar months of

operation of the Golden Chick Restaurant preceding the termination of the Franchise Agreement (or 24 times the average of such amounts for all previous months if the Golden Chick Restaurant has not been in operation for 24 months), divided by 104 weeks.

(12) If your lease of the Franchisee Location is not assigned to us or another Golden Chick Restaurant franchisee upon the termination or expiration of your Franchise Agreement and if you do not (A) remove the Golden Chick signage, sign enclosures, and menu boards or (B) remove and change our identification markings, color schemes, building fixtures, apparatus, equipment, and furnishings, as we direct, so as to eliminate the design, decor, style and other characteristics which are associated with a retail fast-food location which is a part of Franchisor System; then we may make such modifications or cause to be made such modifications or alterations at your expense.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Below are estimates of your initial investment with respect to three prototypical Restaurants. These estimates are subject to modification based upon the Restaurant's location, our cost of providing services, and any future policy changes. In addition, if you do not already own space adequate for a Restaurant, you will have to purchase or lease land and/or space for the Restaurant. We cannot estimate your initial investment for any particular Restaurant which is not prototypical.

Prototypical Free-Standing Restaurant

Free-Standing Ground-Up Construction

Typical free-standing restaurants will require from 25,000 to 36,000 square feet of land for the restaurant and sufficient parking facilities (including average setback requirements) designed to accommodate approximately 22 to 30 motor vehicles. Typical land costs could range between \$5.00 to \$20.00 per square foot of land. However, a free-standing site in a shopping center or on a major highway or thoroughfare will cost more than an end-cap in a shopping center or a building in a smaller community. Typical site preparation costs (including paving) could range between \$5.50 to \$9.00 per square foot of the land. Accordingly, typical land costs could range between \$125,000 to \$720,000, and site preparation costs could range between \$137,500 to \$324,000. Finally, free-standing restaurants are generally around 2,186 square feet. Typical construction costs of the building could range between \$220.00 to \$250.00 per square foot of the building. Accordingly, typical construction and finish-out costs for this type of construction could range between \$480,920 to \$546,500.

Type of Expenditure ⁽¹⁾	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fees ⁽²⁾	\$30,000	Lump Sum	When you sign Franchise Agreement	Us
Site Evaluation Fee ⁽³⁾	\$0 to \$2,500	As Arranged	As Arranged	Us
Other Site Selection Assistance	\$0 to \$1,000	As Arranged	As Arranged	Approved Suppliers
Furniture, Fixtures, and Equipment ⁽⁴⁾	\$163,000 to \$205,000	As Arranged	As Arranged	Approved Suppliers
Signs and Menu Boards ⁽⁴⁾	\$40,000 to \$90,000	As Arranged	As Arranged	Approved Suppliers
Delivery and/or Catering Vehicle(s) ⁽⁵⁾	Variable	As Arranged	As Arranged	Approved Suppliers
Initial Training Costs (travel and living expenses) ⁽⁶⁾	\$7,500 to \$15,000	As Arranged	As Invoiced	Airlines, Hotels and Restaurants
Computer & POS Systems ⁽⁷⁾	\$5,200 to \$40,000	As Arranged	As Arranged	Approved Suppliers
Initial Inventory/Supplies ⁽⁸⁾	\$5,000 to \$8,000	As Arranged	As Arranged	Approved Suppliers

Type of Expenditure ⁽¹⁾	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Architect/Engineer Fees ⁽⁹⁾	\$12,000 to \$42,000	As Arranged	As Arranged	Architect, Engineer
Cost of Real Estate ⁽¹⁰⁾	Variable	As Arranged	As Arranged	Seller
Cost of Lease ⁽¹¹⁾	N/A	--	--	--
Site Preparations ⁽¹²⁾	\$137,000 to \$324,000	As Arranged	As Arranged	Contractors, Vendors
Construction and Finish-Out Cost ⁽¹³⁾	\$480,920 to \$546,500	As Arranged	As Arranged	Contractors, Vendors
Professional Services ⁽¹⁴⁾	\$2,500 to \$7,000	As Arranged	As Arranged	Accountants, Lawyers, Others.
Insurance ⁽¹⁵⁾	\$750 to \$7,500	As Arranged	As Arranged	Insurance Broker
Additional Funds ⁽¹⁶⁾	\$10,000 to \$30,000			
TOTAL	\$893,870 to \$1,348,500			

Free-Standing Conversion

You may purchase an existing facility if such facility can be adequately modified in accordance with our design and layout plans and specifications for a prototypical Restaurant. Typical free-standing restaurants to be converted are generally 2,000 to 2,400 square feet and have access to sufficient parking facilities to accommodate approximately 22 to 30 motor vehicles. Typical construction improvement costs could range between \$130.00 to \$155.00 per square foot of restaurant. These improvement costs are based upon adapting our prototypical architectural and design plans (including architect fees) to a facility containing approximately 2,000 to 2,400 square feet. In addition, you will be paying the higher amount if you are responsible for providing connections to adequate electrical, gas, water, and sewage services. Accordingly, typical construction and finish-out costs for this type of construction could range between \$260,000 to \$372,000.

Type of Expenditure ⁽¹⁾	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fees ⁽²⁾	\$30,000	Lump Sum	When you sign Franchise Agreement	Us
Site Evaluation Fee ⁽³⁾	\$0 to \$2,500	As Arranged	As Arranged	Us
Other Site Selection Assistance	\$0 to \$1,000	As Arranged	As Arranged	Approved Suppliers
Furniture, Fixtures, and Equipment ⁽⁴⁾	\$80,000 to \$205,000	As Arranged	As Arranged	Approved Suppliers
Signs and Menu Boards ⁽⁴⁾	\$30,000 to \$80,000	As Arranged	As Arranged	Approved Suppliers

Type of Expenditure ⁽¹⁾	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Delivery and/or Catering Vehicle(s) ⁽⁵⁾	Variable	As Arranged	As Arranged	Approved Suppliers
Initial Training Costs (travel and living expenses) ⁽⁶⁾	\$7,500 to \$15,000	As Arranged	As Invoiced	Airlines, Hotels and Restaurants
Computer & POS Systems ⁽⁷⁾	\$5,200 to \$40,000	As Arranged	As Arranged	Approved Suppliers
Initial Inventory/Supplies ⁽⁸⁾	\$5,000 to \$8,000	As Arranged	As Arranged	Approved Suppliers
Architect/Engineer Fees ⁽⁹⁾	\$10,000 to \$15,000	As Arranged	As Arranged	Architect, Engineer
Cost of Real Estate ⁽¹⁰⁾	Variable	As Arranged	As Arranged	Seller
Cost of Lease ⁽¹¹⁾	N/A	--	--	--
Site Preparations ⁽¹²⁾	\$0 to \$25,000	As Arranged	As Arranged	Contractors, Vendors
Construction and Finish-Out Cost ⁽¹³⁾	\$260,000 to \$372,000	As Arranged	As Arranged	Contractors, Vendors
Professional Services ⁽¹⁴⁾	\$2,500 to \$7,000	As Arranged	As Arranged	Accountants, Lawyers, Others.
Insurance ⁽¹⁵⁾	\$750 to \$7,500	As Arranged	As Arranged	Insurance Broker
Additional Funds ⁽¹⁶⁾	\$10,000 to \$30,000			
TOTAL	\$440,950 to \$838,000			

Prototypical End-cap Restaurant

Typical end-cap restaurants are generally 2,000 to 2,400 square feet and have access to sufficient parking facilities to accommodate approximately 22 to 30 motor vehicles. Typical leasehold improvement costs could range between \$130.00 to \$155.00 per square foot of restaurant. These leasehold improvement costs are based upon adapting our prototypical architectural and design plans (including architect fees) to a facility containing approximately 2,000 to 2,400 square feet. In addition, you will be paying the higher amount if you are a first-generation tenant who is responsible for providing connections to adequate electrical, gas, water, and sewage services. Also, your landlord may provide an allowance for tenant improvements, but you cannot assume that you will be receiving any amount. Accordingly, typical construction and finish-out costs for this type of construction could range between \$256,000 to \$367,200. In addition, you will be responsible for rent and a security deposit. Your annual rent for leased space will vary based upon a variety of factors such as whether the Restaurant is located within an existing retail business (e.g., shopping mall), the quality of the retail business, the quality of the site and the surrounding trade area and market factors such as availability of land and comparable sale price and lease rates. Although the amounts will vary significantly due to your negotiations with your landlord, your typical first month's rent and security deposit could range between \$10,000 to \$18,900.

Type of Expenditure ⁽¹⁾	End-Cap Conversion	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fees ⁽²⁾	\$30,000	Lump Sum	When you sign Franchise Agreement	Us
Site Evaluation Fee ⁽³⁾	\$0 to \$2,500	As Arranged	As Arranged	Us
Other Site Selection Assistance	\$0 to \$1,000	As Arranged	As Arranged	Approved Suppliers
Furniture, Fixtures, and Equipment ⁽⁴⁾	\$75,000 to \$205,000	As Arranged	As Arranged	Approved Suppliers
Signs and Menu Boards ⁽⁴⁾	\$30,000 to \$70,000	As Arranged	As Arranged	Approved Suppliers
Delivery and/or Catering Vehicle(s) ⁽⁵⁾	Variable	As Arranged	As Arranged	Approved Suppliers
Initial Training Costs (travel and living expenses) ⁽⁶⁾	\$7,500 to \$15,000	As Arranged	As Invoiced	Airlines, Hotels and Restaurants
Computer & POS Systems ⁽⁷⁾	\$5,200 to \$40,000	As Arranged	As Arranged	Approved Suppliers
Initial Inventory/Supplies ⁽⁸⁾	\$5,000 to \$8,000	As Arranged	As Arranged	Approved Suppliers
Architect/Engineer Fees ⁽⁹⁾	\$10,000 to \$15,000	As Arranged	As Arranged	Architect, Engineer
Cost of Real Estate ⁽¹⁰⁾	N/A	--	--	--
Cost of Lease ⁽¹¹⁾	\$10,000 to \$18,900	As Arranged	As Arranged	Landlord
Site Preparations ⁽¹²⁾	\$0 to \$25,000	As Arranged	As Arranged	Contractors, Vendors
Construction and Finish-Out Cost ⁽¹³⁾	\$260,000 to \$372,000	As Arranged	As Arranged	Contractors, Vendors
Professional Services ⁽¹⁴⁾	\$2,500 to \$7,000	As Arranged	As Arranged	Accountants, Lawyers, Others.
Insurance ⁽¹⁵⁾	\$750 to \$7,500	As Arranged	As Arranged	Insurance Broker
Additional Funds ⁽¹⁶⁾	\$10,000 to \$30,000	--	--	--
TOTAL	\$445,950 to \$846,900			

Notes:

(1) The cost of land, site preparation, leasehold improvements, finish-out costs, and remodeling a Restaurant vary substantially, depending upon the lot size, geographic area, previous use and condition, market conditions, the amount of site preparation necessary (including paving), and type and quality of site preparation materials utilized. Your costs may or may not include site preparation and finish-out costs, depending on the arrangements you negotiate with your seller or landlord. In addition, labor and material

costs may vary significantly due to variations in wage rates, labor efficiency, union restrictions, and availability, type, and price of materials.

(2) The initial franchise fee in all areas is \$30,000. See Item 5 for more information about the initial franchise fee. If you are a VetFran Participant, the initial franchise fee for your first Golden Chick Restaurant shall be reduced by 33.33% of our then-current initial franchise fee. See Items 1 and 5 for more information about being a VetFran Participant.

(3) If you have not located and obtained our approval for a site prior to the execution of the Franchise Agreement, then you may be required to pay us a non-refundable Site Evaluation Fee totaling \$2,500 prior to our conducting a preliminary site evaluation.

(4) These amounts include the cost of the furniture, fixtures, equipment, smallwares, decor items, interior graphics, sound system, and building signage required for your Golden Chick Restaurant. The cost of signage will vary depending on the restrictions as to size and specifications imposed by your landlord and local ordinances.

(5) Any vehicles you utilize for delivery and/or catering services must be equipped per our specifications. We cannot estimate your cost for these vehicles due to a variety of factors including which services you offer, the use of third-party vendors for those services, the number of vehicles used, whether you purchase or lease the vehicles, and the size and market conditions of your Assigned Area (as defined in Item 12 below).

(6) These amounts represent your estimated training-related, out of pocket costs to send these individuals to our training program; wages are not included. You must pay all expenses you or your employees incur in the initial training program, like travel, lodging, meals, and wages. These costs will vary depending upon a variety of factors including salaries, wage rates, choice of hotels and dining facilities, and airfare or other transportation costs. The low amount assumes that all trainees are owner/operators who draw no salary and who reside in the greater Dallas/Fort Worth area.

(7) The low amount assumes that you will lease or finance payment of the computer system and reflects the cost of installation and three months of estimated lease or finance payments. The high amount assumes that you will purchase the computer system. The average amount paid if you purchase the computer system ranges from \$5,200 to \$40,000.

(8) This estimate includes the cost of food, beverages, condiments, packaging, and other supplies for approximately the first two to ten days of operations.

(9) This estimate includes the cost to hire an architect approved by us to adapt our standard plans and specifications to site and to local and state laws, regulations and ordinances. An engineer ordinarily will be required only for new construction, conversions, surveying, soil tests, environmental studies, and electrical and mechanical engineering. An architect or engineer also will be required to supervise the construction and improvements of the restaurant premises. The amount of architect/engineer fees may be lower if a developer or landlord is assuming some of these charges. Because of numerous variables affecting whether a developer or landlord assumes some of these charges, these initial investment tables do not reflect any potential reduction in these charges.

(10) The cost of purchasing real estate for a Restaurant will depend upon factors such as location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of numerous variables affecting the value of a particular piece of real estate, these initial investment tables do not reflect the potential purchase cost of real estate.

(11) The cost of leasing commercial space for the Restaurant depends upon location, size, visibility, economic conditions, accessibility, competitive market conditions, and other factors including whether the Restaurant is an in-line or freestanding unit.

(12) Site preparations includes site improvement costs such as sewer, electrical, water, storm water, paving, striping, concrete, landscaping, grading and excavation, and site accessories.

(13) Construction and finish-out costs includes improvements to the location where you will operate your Restaurant. Among other things, you will need to arrange for proper wiring and plumbing, floor covering, wall covering, partitions, heat, air conditioning, lighting installation, storefront modifications, painting, cabinetry, bathroom facilities, etc. as outlined in your architectural drawings.

(14) This estimate covers professional and state filing fees for forming a business entity, and professional fees for engaging an attorney and an accountant to assist you with your franchise purchase. The cost of professional services can vary widely, depending upon factors such as locality, the extent of the assistance you require and other local circumstances (i.e., zoning, permits, and licenses).

(15) This amount represents an estimated down payment of your annual insurance premiums, equal to two months' payment. See Item 8 for a description of your minimum insurance requirements. Your cost of insurance will vary depending on the insurer, the location of your Restaurant, your claims history, and other factors, including if you provide delivery services. The amounts given do not include estimates for the automobile liability insurance required under the Franchise Agreement. If you offer delivery and catering services under the terms of the Franchise Agreement, we estimate that the annual premiums for each motor vehicle which you utilize will range from \$1,300 to \$1,800. Automobile insurance rates may vary substantially as described above.

(16) You will need capital to support ongoing expenses, such as employee wages, utilities, payroll taxes, legal and accounting fees, travel, advertising, promotion, outside services, linen, operating supplies, small equipment, maintenance and repair, office supplies, cash shortages, insurance, debt service, and non-product purchases, as well as additional opening capital for other variable costs. These figures are estimates of the first three months of operation and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how well you follow our methods and procedures; the sales volume of your restaurant; your management skill, experience, and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; your rent or debt structure; and whether your restaurant is not a typical location.

We relied on the experience of our affiliates' company-owned Golden Chick Restaurant to compile these estimates. Restaurants opening in cold weather months may be more likely to need capital in the initial 3-month period because restaurant sales are typically lower. You should review these figures carefully with your business advisor.

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As your primary obligation under the Development Agreement is to open and operate multiple Golden Chick Restaurants under separate Franchise Agreements and in accordance with the Development Schedule, we anticipate that your initial investment relating to the Development Agreement will be comparable to that described above. Please note however that, as described in Item 5, at the time you sign a Development Agreement, you must pay a development fee of \$9,000 for each Golden Chick Restaurant to be developed, sign a Franchise Agreement and pay an initial franchise fee of \$30,000 for the first restaurant to be developed. You will pay an initial franchise fee equal to 60% of our then-current initial franchise fee upon signing a

Franchise Agreement for each additional restaurant to be developed. You will receive a \$9,000 commission for each of the first twenty (20) Franchise Agreements executed under a Development Agreement; provided, however: (i) you must not be in default under the Development Agreement; and (ii) the commission is not fully earned until we receive the initial franchise fees for each Franchise Agreement.