

Nature's Way Café Franchising

Our Costs

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty ¹	4% of Gross Sales	Payable monthly 15 days after the end of each month	Gross sales include all revenues from the Franchised Unit excluding sales, use, service or excise taxes and customer refunds and adjustments.
Advertising Fee ¹	1% of Gross Sales (2% when System has at least 100 units in operation)	Same as Royalty Fee.	
Cooperative Advertising Fee ¹	2% of Gross Sales	Same as Royalty Fee.	You are required to directly spend the stated amount for monthly local advertising requirements or to contribute the stated amount to a required regional cooperative advertising fund.
Additional Training and Seminars ¹			Franchisor may require you to undertake additional training at its expense. You will be responsible for any travel and lodging expenses.
Transfer Fee ¹	50% of then current initial franchise fee.	Prior to transfer.	Payable when you sell your franchise. No charge if franchise transferred to a corporation which you control.
Audit ¹	Cost of audit and interest ² at highest rate permitted by law (not to exceed 1.5% per month) on underpayment.	15 days after receipt of audit report.	Payable only if audit reveals an under statement of at least 2% of Gross Sales for, at least, a 3 month period.
Successor Franchise Fee	25% of the then initial franchise fee.	Prior to termination of	

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
		term.	
Refurbishing	Approximately \$12,500 to \$17,000	As incurred.	You must refurbish your restaurant at least once every ten years in accordance with Franchisor's standards.
Insurance	Approximately \$750-\$1,900 annually for general liability and property insurance. \$3,000-\$5,000 for workman's compensation insurance.		You must obtain, prior to commencing your business, comprehensive general liability insurance and other types of insurance required by Franchisor and by law.

¹ Fees imposed by and payable to Franchisor. All such fees are non-refundable, except as otherwise provided.

² Interest begins from the date of the underpayment.

ITEM VII

INITIAL INVESTMENT

The Franchisor's current estimate of the Franchisee's initial investment is set forth below. These amounts are the Franchisor's best estimates of these costs. However, these amounts may be higher for a given Franchised Unit based upon the particular circumstances applicable to the location selected. These amounts are generally non-refundable except as otherwise noted.

YOUR ESTIMATED INITIAL INVESTMENT			
FEES AND EXPENSES	ESTIMATED AMOUNT LOW-HIGH	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee ¹	\$20,000-\$20,000	Upon signing	Franchisor
Permit & Fees; Architectural Design	\$2,500-\$5,000	As needed	Third party and/or Franchisor
Insurance	\$3,750-\$6,900	Upon receipt	Third parties
Leasehold Improvements ²	\$25,000-\$75,000	As contracted	Third parties and/or Franchisor
Rent Deposits ³	\$1,500-\$5,000	As contracted	Third parties and/or Franchisor
Furniture & Fixtures & Equipment	\$24,750-\$40,000	Prior to shipment	Third parties and/or Franchisor
Signage	\$2,000-\$3,000	Prior to shipment	Third parties and/or Franchisor

YOUR ESTIMATED INITIAL INVESTMENT			
FEES AND EXPENSES	ESTIMATED AMOUNT LOW-HIGH	WHEN DUE	TO WHOM PAYMENT IS MADE
Training Expenses	\$4,000-\$5,000	As incurred	Third parties
Opening Inventory	\$5,000-\$7,500	Upon Receipt	Third parties and/or Franchisor.
Pre-Opening Labor	\$1,500-\$3,000	As needed	Third parties
Opening Advertising	\$2,500-\$3,500	As contracted	Third parties and/or Franchisor
Leased Equipment Deposits	\$500-\$1,500	As contracted	Third parties and/or Franchisor
Utility Deposits	\$1,000-\$2,000	As contracted	Third parties and/or Franchisor
Attorney's Fees	\$1,000-\$2,000	As contracted	Third parties
Additional Funds: ⁴ 3-9 months	\$10,000-\$25,000	Employees, suppliers, landlord	Third parties
Total Investment Range ⁵	\$104,000-\$204,400		

¹ Except as otherwise indicated, the figures set forth above assume no equipment leasing or financing is obtained. Franchisees with a good credit history may be able to obtain bank and/or equipment financing, thereby substantially reducing the initial cost of the investment, although increasing the operating costs of the Franchised Unit in order to fund the debt service. These figures do not include the cost of acquiring real estate or building a building thereon. It is assumed that the real estate facility will be leased.

² The cost of leasehold improvements will vary depending upon geographic location, site conditions, current condition of leasehold improvements and the amount of the leasehold improvements that will be funded by the landlord. The leasehold improvement numbers for the high estimate are gross figures and do not account for any tenant improvement allowance that may be provided by the landlord/developer which would reduce this amount.

³ The typical Franchised Unit has 1,000 to 2,000 square feet and will be located in a shopping center. Rent is estimated to be between \$12,000 and \$60,000 per year, depending on a variety of market factors. In addition, some landlords may require a percentage rent above a certain minimum volume.

⁴ This estimates your initial start-up expenses. These expenses include payroll expenses and initial inventory. These figures are estimates and Franchisor cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on such factors as: how much you follow Franchisor's methods and procedures; your management skills; experience and business acumen; local economic conditions; the local market for our products; the prevailing wage rate; competition; and the sales level reached during the initial phase.

⁵ Franchisor relied on the 16 years of experience running Nature's Ways restaurants possessed by its principals, predecessor, and affiliates and from reviewing the economic performance of its franchisees.

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Franchisor does not offer direct or indirect financing to franchisees for any items.