

**Item 7.**

**INITIAL INVESTMENT**

**Franchise Agreement**

The following is an estimated investment summary for development of a Sonny's Restaurant. This is an estimate only and is subject to many factors which could vary from place to place. Sonny's makes no representation as to the accuracy of these figures or their applicability to your individual circumstance, other than the amount of the Franchise Fee. Sonny's does not offer direct or indirect financing to you for any of these items. Except as expressly indicated, none of the following costs are wholly or partially refundable.

<b><u>ITEM</u></b>	<b><u>AMOUNT</u></b> <sup>(1)</sup>	<b><u>METHOD OF PAYMENT</u></b>	<b><u>WHEN DUE</u></b>	<b><u>TO WHOM PAID</u></b>
Initial Deposit <sup>(2)</sup>	\$ 5,000	Deposit	Initial Approval	Sonny's
Initial Franchise Fee	\$ 20,000	Lump Sum	Upon signing Franchise Agreement	Sonny's
Land	Note (3)	Note (3)	Note (3)	Note (3)
Architectural Fees	\$ 5,000 – 25,000	As Incurred	As Incurred	Architects/Engineers/etc.
Leasehold Improvements <sup>(4)</sup> / Renovation Costs or Building Costs	\$ 170,000 – 950,000	As Incurred	As Incurred/ Before Opening	Contractor
Equipment/Smallwares <sup>(5)</sup>	\$ 250,000 – 300,000	Lump Sum	As Incurred	Suppliers
Pre-Opening Advertising	\$ 1,000 – 5,000	As Incurred	Pre-Opening	Newspaper Television, etc.
Insurance	\$ 12,500 - 30,000	Lump Sum/ Monthly Payment	Before Opening/ Upon obtaining Insurance	Insurance Agent
Miscellaneous <sup>(6)</sup>	\$ 15,000 - 30,000	As Incurred	Before Opening	Professionals
Opening Inventory	\$ 10,000 - 20,000	As Incurred	Before Opening	Suppliers
Site Work	\$ 125,000 – 300,000	As Incurred	As Incurred	Site Contractor
Trademark Signage	\$ 20,000 – 40,000	Lump Sum	Upon signing Franchise Agreement	Supplier
Additional Funds <sup>(7)</sup>	\$ 20,000 - 50,000	As Incurred	As Incurred	Training, Payroll, Utilities, Suppliers
<b>TOTAL INVESTMENT:</b>	<b>\$ 648,500 – \$ 1,770,000</b> <sup>(1)</sup>			

### Explanatory Notes:

- (1) These amounts are estimates only and are expressed in ranges. The actual amounts could be more or less than the amounts noted. The amounts do not include the cost you will have to pay to acquire the land for your Restaurant, which cost will vary as set forth in footnote (3), depending on your location, whether you purchase or lease, and other similar factors. You should review these figures carefully with the business advisor before making any decision to purchase the Franchise. Sonny's does not offer direct or indirect financing to Franchisees for any items.
- (2) This payment is not refundable. \$5,000.00 must be paid in advance before the preparation of the Franchise Documents. See Item 5. If you should enter into an agreement with Sonny's to develop more than one Sonny's Restaurant, Sonny's may charge what is referred to as a development fee for those development rights. Sonny's does not currently have a method for determining a development fee, and determines any development fee on a case by case basis and, in some instances, charges no development fee or, if charged, may provide credits back against franchise fees.
- (3) You must obtain the land and building for your Sonny's Restaurant facility. You may use property which you already own or lease, and an existing building may be renovated, provided each are suitable. Sonny's must approve the site you propose for your Restaurant. See Item 11. The size of a typical Restaurant building is approximately 6,300 square feet of conditioned space, and the size of the land on which the typical Sonny's Restaurant building is located, in order to accommodate the parking of approximately 100 automobiles, should be a minimum of 1.5 acres, which may vary dependent upon local codes and/or requirements. Land and building costs will vary by location. A Sonny's Restaurant should be a stand alone facility and not, for example, a unit in a shopping center. If you elect to lease the land, then you will incur periodic rent payments and may be required to pay a security deposit and other pre-paid rents at the beginning of the lease.
- (4) If you lease your Sonny's Restaurant, you will be required to either construct a new building or modify an existing building to meet the specifications of a Sonny's Restaurant. Typically, these lease arrangements require you to submit monthly rent payments as well as a minimum percentage of your sales over a certain amount. Leases also provide for various conditions of default which, if they occur, would entitle the landlord to terminate the lease in which a case you would be evicted from the Sonny's Restaurant. Therefore, Sonny's must approve your lease and your landlord must agree to give notice to Sonny's if you default and allow Sonny's to take over your rights under the lease in certain states. This amount represents an estimate of what you may be required to pay to renovate an existing building for use as a Sonny's Restaurant.
- (5) You must purchase equipment according to Sonny's specifications. In addition, in your catering business (See Item 1), you will also need to purchase a catering van, portable cooker and miscellaneous items for the catering business, which additional expenses should not exceed \$40,000 (which costs have been included in this estimated range of costs).
- (6) These figures are estimates and Sonny's cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow Sonny's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Sonny's products; the prevailing wage rates; competition; and the sales level reached during the initial period. You must also acquire any licenses and pay any impact fees as required by local laws and make any necessary utility deposits. Recently, there has been an increase in laws relating to real estate development and the imposition of additional fees such as transportation impact fees, school impact fees, etc. These fees vary from location to location and can be substantial. In addition, certain governmental jurisdictions require that certain infrastructure (e.g., adequate road capacity, sewers, parks, etc.) be in place before any building permits will be issued, and governmental regulation of site plans such as road access ways, retention/detention, etc. can have a substantial effect and cost of any such development.
- (7) This estimates your initial start-up expenses, including payroll costs but excludes any salary for you. This amount also includes, training expenses, uniforms, and deposits. Sonny's relies on its eighteen years of experience of opening and operating Sonny's Restaurants to arrive at these amounts.

*\*The above information was taken directly from the Sonny's Franchise Company Uniform Franchise Offering Circular ("UFOC"), dated March 30, 2007. Other portions of the UFOC referenced above (such as "Item 1, Item 5, Item 11".....) have not been included in the Franchise Information.*