

FAQ ABOUT BADBOBS FRANCHISE AGREEMENT

ISSUES PERTAINING TO BADBOBS FRANCHISE COST TERMS

1. What is the initial franchise fee?
The initial store franchise fee is \$20,000.00 (based on type)
2. Does it include any opening inventory, products or supplies?
The initial store franchise fee does not include inventory or products. We believe the fee is reasonably priced.
3. What are the payment terms?
Payable in full with signed contract.
4. Is any part of the initial fee refundable?
No part of the fee is refundable, nor is the deposit if one is made.
5. Are accounting or bookkeeping services available?
Bookkeeping services should be obtained by an accounting firm. We do offer some limited services with reports, which are part of the royalty fees.
6. Is a specified amount of working capital required to cover operating costs until profits can be made?
Yes usually around \$ 20,000.00-40,000 but this can vary with larger locations.
7. Are there periodic royalties? If so how much and how are they determined?
Yes, the commission is based on gross sales, commission rate is 6% paid weekly VIA a automatic bank draft. They are determined with the POS system (required), which is polled to central office. A sample report can be obtained by the store also.
8. How and when are sales reported, and how are royalties paid?
The sales are reported on the Tuesday following the previous week. The royalties are then debited from the stores checking account.
9. How are advertising and promotional cost divided?
At present all advertising and promotional cost are paid by store. There are no ad campaigns that require the stores to pay a percentage of their gross sales toward advertising.
10. Must premises be purchased or rented, and are there further conditions on either

of these?

*Either, however all premises, leases or other plans have to be approved by **BADBOBSLLC**.*

ISSUES PERTAINING TO FRANCHISE LOCATION TERMS

11. Does the franchise apply to specific geographical area? If so are boundaries clearly defined?
As of this date contracts are secured for geographical areas for small counties only. All other contracts are secured based on population density. Asking for an evaluation of a potential site and its geographical boundaries can provide further information.

12. Who has the right to select the site?
It your right to select the area or site for your store location. However, all sites must be approved by BADBOBSLLC before any leases or construction begins. This is approved in writing.

13. Will other franchise stores be permitted to compete in the same area, now or later?
Once an area is defined you have a no compete with other BadBobs BBQ & Grills within your assigned geographical area.

14. Does the franchisee have a first right of refusal option as to any additional franchisees in the territory?
Only if it is within the same city limits. Store will be given 30 days notice.

15. Does the franchisee have a contractual right to Badbobsllc latest products or innovations?
BADBOBS Stores will be the first with new products. However, some products are sold to the general retail market in grocery stores, etc. These usually are later arrivals.

16. Who is responsible for obtaining zoning variances, if required?
Store Franchisee.

ISSUES PERTAINING TO THE BUILDINGS, EQUIPMENT, AND SUPPLIES TERMS

17. Are plans and specifications of the building determined by BADBOBSLLC? If so, does this control extend to selection of contractor and supervision of the

construction?

BADBOBSLLC will aid with your plans for your store location. However, we do not recommend contractors or participate in the supervision of your site build.

18. Are there any restrictions on remodeling or redecorating?

YES, BADBOBSLLC will help you with your décor and remodeling giving you guidance on the requirements set forth for a store location.

19. Must equipment and supplies be purchased from BADBOBSLLC or approved supplier, or is the franchisee free to make its own purchases?

Absolutely, products used in the sale and production of menu items must be purchased from the following approved vendors. BADBOBSLLC, SYSCO AND UNITED FOODS and other approved vendors. A list of the products that must be used is available. All products not on the list can be purchased from other vendors.

20. When the store must buy from BADBOBSLLC what are the terms?

Terms from BADBOBSLLC ARE NET 10. All items purchased during the current month are due the 10th of the next month.

21. Does the franchise agreement bind the franchise to a minimum purchase quota?

Although a minimum quota is not required, weekly reviews of a stores progress are discussed with managers and owners to help with the proper growth of the store.

22. What controls are spelled out concerning facility appearance, equipment, fixtures and furnishings, and maintenance of the same?

Complete manuals are provided and onsite inspections occur to verify the appearance and maintenance of stores equipment.

23. Does BADBOBSLLC require that it be named as an insured party in the Franchisee liability agreement?

Yes, please see contract for further information.

ISSUES PERTAINING TO THE OPERATING PRACTICES TERMS

24. Must the franchisee participate personally in conducting the business?

We recommend that everyone involved spend some time at his or her store, however it is possible to use trained personnel to meet the requirements for conducting business.

25. What degree of control does BADBOBSLLC have over store operations, particularly in maintaining store identity and product quality?

BADBOBSLLC has the right to inspect stores on a random basis. These inspections will provide owners and managers important information about the

- quality and consistency of their stores functionality.*
26. What continuing management aid, training and assistance will be provided by BADBOBSLLC, and do royalty fees cover these?
Pre opening training is provided for 1 week at a specified location. Post training occurs during the 1st week of operation. Additional time can be obtained for a fee.
27. Will advertising be local and what will be the cost sharing arrangements, if any?
All advertising is made by the store with local vendors. Line art and sample ads are available for radio and newspaper. The franchisee is responsible for advertising cost.
28. Does BADBOBSLLC provide various promotional materials point of sale purchase, etc, and at what cost?
BADBOBSLLC is constantly producing new and exciting promotional materials. Stores are notified by mail. Cost varies with items. Most items are wholesaled to store for resale.
29. What are the bookkeeping, accounting and reporting requirements?
Proper bookkeeping is a must. Stores are required to send copies of sales tax documents and other health and business franchises to BADBOBSLLC on a regular basis.
30. Are sales quotas established? If so, what are the penalties for not meeting them?
At present no sales quotas are established which penalties are based on. However quotas will be established so the storeowner has something to judge the success of his business by.
31. Are operating hours and days set forth in the store agreement?
The current operating hours for a BADBOBS BBQ & Grill is Monday thru Saturday 10:00am until 8:00pm. Some store stay open to 9:00pm on Friday and Saturday.
32. Are there any limits as to what can be sold?
Yes, BADBOBSLLC will provide you a sample menu and list of approved retail items.
33. Who established hiring procedures initially?
The Storeowner establishes this.

SIGNATURE _____ DATE _____

SIGNATURE _____ DATE _____