

**Roberto Chang**

**Strategic Business Plan**

**10/15/2019**

**Paul Cicchetti**

**Long Island, NY**

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# OVERVIEW

This document summarizes the Roberto Chang franchise program structure. It is based on the following information:

* Team Conference calls held with Big Sky Franchise Team and Roberto Chang’s Founder and Owner, Paul Cicchetti
* Review of Roberto Chang Structure Questionnaire responses.
* Big Sky Franchise Team’s research and analysis of the food service segment of franchising.
* Additional information provided to Big Sky Franchise Team through meetings, correspondence, and telephone conversations.

Big Sky Franchise Team has reviewed this information, the comments from Roberto Chang management, and the information and analysis drawn from the restaurant business segment of the franchise marketplace. All of this has been incorporated throughout this plan. This document will be used as a basis from which the legal documents and other pertinent franchise documentation will be developed.

The map below color-codes the states that we will need to register in so that we will be registered to market and sell franchise opportunities. Being based in New York, we will need to register the franchise with the state of New York initially to sell the first franchise.



We will handle all state filings and registrations as we have candidates come to us for the franchise in order to save time and capital. In addition to assisting Management in the creation of the Roberto Chang program structure, franchise documentation, registrations, or filings, Big Sky Franchise Team will be providing the following services:

* Write the Roberto Chang operations manual.
* Prepare the franchise-marketing plan for Roberto Chang in order to attract franchisees to the system.
* Develop the franchise sales brochure and collateral materials needed for effective representation of Roberto Chang.
* Oversee the Roberto Chang franchise marketing program.
* Oversee franchise roll out of Roberto Chang franchising.

# THE MISSION

The Roberto Chang mission is to provide Latin and Asian street foods to bring cultures together in a fully engaged trendy and non-traditional food service model.

The mission of the Franchise Company is to provide the highest levels of initial training and on-going support to franchisees while offering guidance and innovation to the growing number of highly qualified franchisees.

# CONCEPT REVIEW

Roberto Chang is an urban food service operation specializing in unique and customizable Asian and Latin street food. The company will have a back of the house storage, refrigeration, and prep area to reheat the food and could potentially use a commissary to ensure quality and consistency between locations. There will be no tables or bathrooms and the whole look and feel of the space will be trendy and urban. The menu will include empanadas that are prepared off site that will be great for a grab and go snack and a late night/after hours crowd.

Roberto Chang intends to create a nationally branded franchise concept by establishing consistent methods of operation, protected intellectual property and recipes, a standardized list of equipment, and policies and procedures that ensure high quality product and customer service, and a strong franchise support structure.

Beginning in Long Island, Roberto Chang will jumpstart expansion across the United States within targeted and defined regional markets.  In order to ensure the success of its franchisees, the Franchise Company intends to provide its franchisees with:

* Initial hands-on training at its Long Island, NY headquarters;
* Local on-site training and support during each franchisee’s initial start-up; and
* Ongoing training and support to ensure the quality of its franchise units.

The franchise will be priced competitively with the franchisee paying a percentage based royalty fee (to be defined later in this document).  A completely defined franchise framework will guide and direct all aspects of franchisor/ franchisee relationship with the roles and responsibilities of both the franchisee and franchisor (presumably, Roberto Chang Franchising, LLC) clearly outlined within the disclosure document (UFDD) and the franchise agreement (FA).

Regular supplier reporting via the computer system, Square POS, will enable Roberto Chang’s to monitor the activity of each franchisee so that further mentoring and development of their local market can take place.

## Concept

Roberto Chang is a concept that is still being defined. We have a back story for Roberto Chang – the fictional company namesake who is of Latin and Asain descent. The presentation itself is designed to attract attention with a vibrant but compact design. We expect locations to range from 450 to 550 square feet, depending on the market.

The crux of the business is the delicious Latin and Asian fusion of delicious empanadas and other street food. We offer a predetermined set of menu items and dishes to keep the ticket time down.

As he was creating the model that will eventually launch as the prototype location, Roberto Chang founder, Paul Cicchetti, realized that the true business was in franchising, rather than selling dishes one by one. This business is well suited to operate as a low investment business that has minimal need for a hands-on manager. The team is looking into ordering software to further minimize human error and labor costs.

Each franchisee will be trained in all aspects of the business including sales, marketing, operations, staffing, food preparation, food safety, growth, social networking, and more.

# THE ORGANIZATION

Roberto Chang’s will franchise based on the future operating model that will owned by Roberto Chang, LLC. Roberto Chang, LLC will be used as the affiliate organization to Roberto Chang Franchising, LLC which will be the franchise entity offering the Roberto Chang franchise model.

# Roberto Chang’s, LLC

Roberto Chang, LLC is the affiliate organization to the franchise company and offers the business model to be used in selling and developing the franchise model for duplication through the franchise system. This is the corporate business which is controlled by Paul Cicchetti. The current operating model is currently in development and, upon its completion and launch, will be used in the development of the franchise organization and will be the prototype for the business development program.

# Roberto Chang’s Franchising, LLC

Roberto Chang Franchising, LLC is the franchise entity, which will offer the business model of Roberto Chang through franchising to other independent business people. This entity is formed for several reasons:

1. Protects from additional liability;
2. Auditing and financial record keeping is simpler when kept separate from the affiliate organization; and
3. Allows the Franchisor to form the entity in any state for tax or other purposes.

Roberto Chang, LLC will own the rights to the trademark of Roberto Chang; this trademark will be licensed to Roberto Chang Franchising, LLC in order to be used in the franchise relationship.

# Roberto Chang Franchisees

Roberto Chang franchisees will file their own entity and will then do business as (d/b/a) Roberto Chang’s (e.g. Joe Smith, Inc. d/b/a – Roberto Chang of Jersey City).

By having independent ownership, there is decreased liability and increased efficiencies in the operating structure. It also segments and leverages the debt structure, each operation will be financed independently of one another allowing for larger expansion in a shorter time frame.

# Competitive Franchise Systems

A key element in designing and developing this strategic plan for the implementation and roll out of the Roberto Chang franchise program is the analysis and evaluation of the competitive landscape for similar franchises. There are not very many that could be qualified as direct competition for Roberto Chang, but when we look at the business from a wider perspective of potential franchise buyers, there are many more to draw comparable companies. We have compiled what we consider the most relevant from a competitive standpoint.

**Roberto Chang Competitive Summary**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Company** | **Inv. Lo (000)** | **Inv. Hi (000)** | **Fran Fee** | **Royalty** | **# of Units** | **Fran Since** |
| America's Taco Shop | $230  | $708  | $30,000  | 6.00% | 10 | 2011 |
| Burritobox | $55  | $62  | $19,900  | 6.00% | 15 | 2014 |
| Calexico | $90  | $1,300  | $30,000  | 6.00% | 4 | 2011 |
| Chronic Tacos | $294  | $774  | $35,000  | 6.00% | 36 | 2006 |
| Del Taco | $960  | $1,866  | $35,000  | 5.00% | 544 | 1967 |
| Fuzzy's Taco Shop | $329  | $1,068  | $35,000  | 5.00% | 90 | 2009 |
| Genghis Grill | $346  | $973  | $35,000  | 6.00% | 110 | 2001 |
| Gyu-Kaku | $781  | $2,100  | $50,000  | 5.00% | 689 | 1997 |
| How Do You Roll? | $317  | $518  | $35,000  | 7.00% | 9 | 2010 |
| HuHot Mongolian Grills | $777  | $977  | $35,000  | 5.00% | 56 | 2002 |
| LemonShark Poke | $232  | $473  | $35,000  | 6.00% | 17 | 2017 |
| Manchu Wok | $396  | $589  | $30,000  | 7.00% | 132 | 1989 |
| Moe's Southwest Grill | $368  | $915  | $30,000  | 5.00% | 666 | 2001 |
| Mucho Burrito | $282  | $649  | $25,000  | 6.00% | 104 | 2006 |
| Pancheros | $394  | $931  | $30,000  | 5.00% | 68 | 1995 |
| Pedro's Tacos | $376  | $542  | $10,000  | 3.00% | 5 | 2015 |
| PokeWorks | $250  | $850  | $35,000  | 6.00% | 38 | 2016 |
| Qdoba | $851  | $1,131  | $30,000  | 5.00% | 689 | 1997 |
| Quesada Burritos - Tacos | $180  | $280  | $25,000  | 6.00% | 85 | 2010 |
| R Taco | $512  | $782  | $25,000  | 5.00% | 14 | 2010 |
| Salsarita's | $484  | $684  | $30,000  | 5.00% | 72 | 2000 |
| Samurai Sam's Teriyaki Grill | $115  | $548  | $30,000  | 6.00% | 30 | 1995 |
| Sansai Fresh Grill | $440  | $801  | $35,000  | 5.50% | 22 | 2002 |
| Taco Bell | $1,177  | $2,620  | $45,000  | 5.50% | 6468 | 1964 |
| Taco Bueno | $1,039  | $2,342  | $35,000  | 5.00% | 179 | 2004 |
| Taco Casa | $615  | $2,127  | $35,000  | 7.00% | 72 | 1972 |
| Taco John's | $768  | $1,105  | $25,000  | 4.00% | 401 | 1969 |
| Taco Rico Tex-Mex | $129  | $285  | $24,900  | 5.00% | 7 | 2014 |
| TacoTime | $201  | $817  | $30,000  | 6.00% | 268 | 1961 |
| Teriyaki Experience | $235  | $491  | $25,000  | 6.00% | 140 | 1987 |
| Teriyaki Madness | $227  | $441  | $40,000  | 6.00% | 15 | 2005 |
| **Averages** | **$434**  | **$960**  | **$31,284**  | **5.55%** | **357** | **1999** |

The industry average initial investment is $697,000, which is similar to the Roberto Chang franchise investment. The average franchise fee is $31,284, royalty is 5.5% and the average number of units is 357 per company.

# ADAPTABILITY OF FRANCHISING

One of the very first steps in the process of developing a specific business through franchising involves determining the franchise feasibility of that particular business concept. We make this determination by taking an in-depth look at all aspects of the business and comparing those to what has been accomplished in the franchise industry and in the business’ particular industry as it pertains to franchising. This review includes the business processes, along with the experience and attitudes of the business owner and operators.

The following points are the individual aspects of Roberto Chang, which demonstrate a strong potential for duplication of the current business model through franchising:

* **Operating prototype** – By the franchise launch, Roberto Chang should have an operating prototype up and running out of the Long Island, NY area, which will be run and operated by the management and owners of Roberto Chang Franchising, LLC. The operating prototype will be very accessible for new potential franchisees to visit and will show well to potential franchise buyers.

* **Profitable business** – Roberto Chang has a strong potential ROI for a franchise owner. With reasonable overhead, a low start up cost for a business and applicability in just about any market, the concept is financially sound. A franchise owner after five years in business is projected to do approximately $1.1 million with EBITDA of over $171,000. These numbers will help make the Roberto Chang franchise model marketable and sustainable. We of course will not be guaranteeing any success or levels of profitability, but with a decent margin for error, a franchisee can be much less effective than we have projected and still have a successful business.
* **15 percent ROI –** The benchmark for a new franchisee in any industry is to return 15 percent on their invested capital at the end of the second year. The Roberto Chang model easily surpasses this number by projecting a 71% ROI to a franchisee in that timeframe. Due to the lower than average investment, a franchisee has the ability to fully recover their investment within the second year of operation.
* **Operationally sound** – The Roberto Chang model is operationally simple for this industry and runs smoothly with very few employees and a reasonable workload for an owner operator. This is a big benefit for franchising in that Roberto Chang franchise management does not need to be concerned with operational complexities and the length of time needed to train and get a franchisee to the point of operational independence. Almost anyone can do it with proper training!
* **Adaptable nationally –** The Roberto Chang model is certainly adaptable nationally. In areas with a vibrant night life, revenue is generated by foot traffic and customers who see the inviting sign.
* **Point of difference** – The Roberto Chang model is one of several food service models in the franchise market place. The concept is differentiated by providing a unique Mexican and Asian fusion and perfecting a product that customers love (empanadas) and bringing it to a captive audience or high foot traffic area. The menu will be very focused on a few major products which helps reduce cost as well as scope of ingredients.
* **Teachable to others** – The key benefit of the Roberto Chang model is the structure of the operation itself. A Roberto Chang franchisee would benefit enormously from an operating system that requires very little training and a simple operating structure.
* **Integrity and commitment** – Roberto Chang operates with a high level of integrity and a commitment to strong customer service. Franchisees will be required to follow in this same core philosophy for the operation of their business.
* **Must work at three levels**

1. **Customer** – Roberto Chang provides great product and atmosphere. The customers enjoy the experience from a clean and trendy space that offers a delicious product and delivers a smile every time.

2. **Franchisee** – The business model is well structured and offers a fantastic ROI for the operating unit. This allows for a quick and effective return on the initial investment along with a strong likelihood of success with operating systems and a proven business approach.

3. **Franchisor** – The franchisor will be able to expand quickly and efficiently into new markets allowing for the Roberto Chang name and business model to be established in many new markets in a short amount of time. Through franchising, this leverages the operating system while putting the financial commitments and operating responsibilities on the shoulders of the franchise partner.

# GOALS AND OBJECTIVES

## Franchise Sales Goals

Roberto Chang management has indicated it would like to grow at a rate that does not exceed its ability to replicate the factors that have contributed to its own success. Thus, in looking at the next five years, Roberto Chang Franchising, LLC expects to award 51 franchises according to the following schedule.

**Year Single Unit**

**1**

**FRANCHISE SALES GRAPH**

**4 24**

**5 24**

**TOTAL Units 79**

The average level of growth achieved by new franchisors in the U.S. is about 55 units over the first five years in the franchise marketplace. Our projections constitute a similar amount sold over the same time period. We have used these projections because we are entering the market with a lower-level initial investment concept when compared to the food service industry as a whole while providing a strong return to the franchisees. We feel that we may be able to exceed these sales goals because of the unique marketing, complete business package, and applicability in most markets but would like to maintain conservative projections. Based on research and industry experience, it is common practice to see franchise systems pick up speed in franchise sales as the system creates brand awareness and marketing power.

## Required Business Opening Schedule

It is expected that a typical franchisee will require about six months to open for business. Unless there are some specific and unique circumstances in place, starting a Roberto Chang franchise should be extremely straightforward to get started.

In the franchise agreement, we will give the franchisee a **twelve-month limitation for operation.** This time frame will be initiated when they sign the franchise agreement. This is a big benefit to both the franchisee and the franchisor in that once a franchisee has signed the documents and is ready to commence operations; it will be a relatively short time before they are productive and generating revenue. The Franchisor will reasonably extend this time limit based on individual circumstances.

# Market Focus

The Franchisor intends to sell units all across the United States and ideally in adjacent areas from its current base in the Northeastern United States. The areas that will be targeted should be very close to New York and should have a rich saturation of affluent young professionals in order to be valid as a potential Roberto Chang territory. The specific states include:

* New York
* Pennsylvania
* Maryland
* New Jersey
* New England

Due to the very limited need for ongoing support, the Franchisor need not worry about expensive travel and/or support costs while the franchisees build a revenue stream. This is an enormous growth advantage as other franchise companies are dealing with limitations of support while Roberto Chang removes most of the labor out of the franchisee and franchisor side of the business! Roberto Chang can reach a greater scope of markets in a shorter period of time.

# Franchise Strategies

There are a variety of strategies that can be applied by an enterprise, growing through the combination of company-owned and franchised units. The primary approaches are:

## Target Market Strategy:

The target market strategy can include both company owned location openings or franchised operation openings. This strategy will be used when a particular market is seen to have the ideal demographics or market potential and franchise marketing strategies are targeted specifically to lead generation in a zip code, county or state. Target markets will be determined by a market’s population base, demographics and characteristics in how they match up with the ideal market traits.

## Spiking Strategy:

The use of company-owned units to develop a presence in specific markets for the purpose of creating a franchise demand. This strategy will incorporate the use of franchise expansion in certain markets and with company-owned units in other, more profitable markets. This is a usual strategy for the expansion into international markets of those companies that do not grant franchises in the market of origin. Sometimes this strategy is also used in domestic U.S. expansion, where a strong local or regional company wishes to expand in remote U.S. markets and create brand recognition through a unit opening.

## Opportunistic Strategy:

Sell franchises at the moment and at the place the opportunity arises. Let the franchise operators suggest potential business locations and open new units when good franchisees in strong markets have been identified. This approach will keep lead generation expenses lower, but is not the fastest method of growth.

## Projected Performance Strategy:

Explore each market by searching for favorable locations and develop a portfolio of potential target territories. The franchise organization would develop only the most promising sites.

Roberto Chang’s will be utilizing a combination of the approaches in that the marketing will be opportunistic and the market development will be more targeted and specific. With an economical budget for lead generation, this means that the opportunistic strategy will be the most effective from a budget standpoint. Projected Performance will be used when we have candidates that fall closer to a particular market and we can direct them to a specific area.

# FRANCHISE OWNER PROFILE

Although there may be a number of viable franchisee profiles, Roberto Chang Management believes that it should try to attract franchisees that meet the following criteria:

* **Strong sales and social media presence.** The Roberto Chang model is successful because the owner/operator will be energetic and compassionate in marketing the business. The owner/operator for a franchise must have a marketing savvy with the ability to curate great pictures, content for social media and influencer outreach.
* **Strong customer service abilities.** The owner/operator for a Roberto Chang franchise must be comfortable with face-to-face customer service work and should be able to relate to a customer. A franchisee must be outgoing and enthusiastic and should be great at networking.
* **High personal standards:** Excellence, honesty, integrity, etc. It is critical that the franchisees are genuinely good people. They should pay attention to details of the business and should be highly committed to doing what ever it takes, as it is important to the success of the business.
* **Able to meet initial investment requirements.** The Roberto Chang franchisee should have $110,000 minimum in investment capital to account for initial working capital (this is a must), start up costs for the buildout and equipment, and initial franchise fees to get their Roberto Chang off the ground. The total investment for a Roberto Chang’s franchise averages around $152,042 (although some of this may be financed).

# Potential Candidates for Roberto Chang

The potential franchisee list includes anyone who enjoys being involved with people. The business can be taught to people who have very little experience, although ideally, the franchisee will have some experience working in the food service industry. They should certainly love the concept, enjoy serving people, and should welcome the hours that working in the food service industry demands.

## Franchisee's Requirement to Participate in the Business

The Franchisor will typically suggest that all franchisees to participate in the day-to-day activities of the business and passive ownership will be heavily discouraged with the exception of multiple unit buyers.

# TERRITORY

An exclusive franchise territory is generally considered a major selling point. Roberto Chang will be offering exclusive territories to their franchisees as one of the key benefits to early adopters. Down the road, this could be altered and Roberto Chang might switch to an Area of Primary Responsibility in which the franchisees would not have exclusive rights to their areas of business. This would not affect existing franchisees who have already signed on under an exclusive agreement.

Exclusive territories can offer a competitive advantage in the franchise sales and marketing environment. As a result, the Roberto Chang franchise system will be granting its franchisees an exclusive territory. Each territory will include a defined area and will be documented generally as a population base ranging from 50,000-100,000 people. There will be other factors when determining the territory of a franchisee which may include: capabilities of the buyer, existence of competition, average household income, market growth, etc.

# FRANCHISE FORMAT

The franchise program will draw upon the strengths established in the affiliate-owned business. Roberto Chang management will not make significant changes to the operational components of the franchise opportunity at this time. Management will continue to test new concept components that might be included in the program in the future.15

Big Sky Franchise Team and the Management of Roberto Chang have discussed the basic formats for marketing franchise businesses as follows.

## Start-up Franchises

The franchisor grants an individual or entity the right to operate a single franchise of Roberto Chang. At its option, the franchisor may later grant this individual the right to operate additional franchises, but such an agreement is not made prior to selling the first franchise.

## Conversion Franchises

The franchisor offers a franchise to an entity already operating a business similar to that of Roberto Chang. Conversion franchisees are typically granted a reduced franchise fee to compensate them for the goodwill already established within their local market.

**ADVANTAGES DISADVANTAGES**

*Conversion Franchises:*

Less rigorous training required by Franchisees are Entrepreneurial

Franchisor

Franchise candidates more easily Franchisees want a “Deal”

identified

Cost-per-lead generally lower More difficult to Manage

“Hard to Teach an Old Dog New Tricks”

## Area Development Agreements

The franchisor grants an entity the right to develop and operate multiple franchised locations within a defined area. The area developer is typically required to sign individual franchise agreements according to a predefined schedule. Failure to meet this schedule is usually considered grounds for losing the exclusive rights to undeveloped locations. Under an area development agreement, the franchisee must sign an area development agreement plus a separate franchise agreement for each location under the area development agreement. The first separate individual franchise agreement is signed at the same time as the area development agreement.

Area developers are often granted a reduced franchise fee for individual franchise agreements, which are executed under the area development agreements, and a portion of the initial franchise fees is often paid upon signing the area development agreement. The balance of these fees is paid upon execution of each subsequent individual agreement.

In addition to losing territory rights, failure to execute individual agreements and open franchises according to the predetermined schedule would also result in the

loss of the up-front fees (e.g., that portion of all franchise fees paid as an area

development fee). Goals related to quality standards and revenues, as

determined by Management, must also be achieved to maintain territory rights.

**ADVANTAGES DISADVANTAGES**

*Area Developers*

Rate of franchise sales accelerated Requires a separate contract

 Additional Marketing Needed

Franchisees more sophisticated so Greater Economic Strength

Franchisor support less rigorous can put Franchisor at a disadvantage

Fewer operational problems More risk to Franchisor from poor

performance of any one franchisee

## Master Franchises

The franchisor grants an entity the right to sell and support franchises on its behalf within a defined territory. To compensate a master franchisee for its efforts, the franchisor typically shares all franchise fees and royalties collected from individual franchises sold by the master. The split of fees between the franchisor and the master franchisee is often established depending upon the degree to which a master franchisee is engaged in providing direct support to individual franchisees within its territory.

**ADVANTAGES DISADVANTAGES**

Franchise system growth is Requires Separate Agreements

accelerated

Less selling effort as master Franchisor Shares Royalty Rev.

franchisee assumes sales role

Broader market penetration Possible loss of control by franchisor and system degradation

After weighing the above alternatives, Roberto Chang’s has elected to target the sale of individual start-up franchises.

# TRAINING PROGRAMS

Initial assistance provided by the Franchisor will include the following franchisee training programs:

## Phase I -- Training provided at a location designated by the Franchisor:

Roberto Chang management will work with franchisee to understand and fully grasp how an ideal operation should be executed. It is expected that the Franchisor will provide franchisees with initial training at a location designated by the Franchisor for two to three weeks. This will include everything that a franchisee will need, including: food handling, staffing, marketing, social media, back office work, taxes, required insurances, and anything else pertaining to the business.

## Phase II -- Training provided at the franchisee's location:

On-site training typically takes place when the franchisee commences operations of their Roberto Chang model. An experienced trainer from Roberto Chang will provide on-site training for one week to assist the franchisee in the commencement of operations.

No franchisee will be allowed to commence operations until the franchisee has successfully completed Phase I and Phase II of the initial training program. If the franchisee fails to meet the initial requirements specified by the Franchisor, the Franchisor may, at its option, require the completion of additional training or may cancel the Franchise Agreement.

Franchisees will be required to attend up to two days of refresher/update training per year in one session. Space permitting, the Franchisor will provide the opportunity for franchisees to send additional personnel to refresher training. This training will be provided at no cost, but the franchisee will pay for all applicable travel, lodging, and out-of-pocket expenses.

# SUPPORT PROGRAMS

Support will be provided to Roberto Chang franchisees through onsite support, phone support, and virtual support. A member of Roberto Chang field support staff will visit each franchisee according to the following schedule (on average):

Quarter 1 and 2 – Monthly

Quarter 3 and 4 – Bimonthly

Year 2 and beyond – Biannually

It is estimated that Roberto Chang will need to hire one field supervisor for every 20-25 franchises in the field. The Franchisor will incorporate a formalized mechanism for ensuring quality control among franchisees that will be implemented by these field supervisors. Designated staff members will perform supervision of field support duties.

In addition to field support, members of the Franchisor organization will provide the services listed below. The Franchisor must assign a specific person to cover each of these support areas (one person can be assigned to more than one task). The names of support staff members who are officers, directors, or have significant management responsibility in conjunction with franchisees will be disclosed in the Roberto Chang Disclosure Document. The Franchisor has the responsibility to assign a person/people to each task during the development of the franchise program.

## Operational Support

The Franchisor will provide ongoing training and support in many areas critical to the success of the franchisee's business, including unit operations and maintenance, customer-service techniques, product ordering, suggested pricing guidelines, and administrative procedures.

## Roberto Chang Marketing Support

Roberto Chang’s will coordinate development of advertising materials and strategies for the benefit of all members of the franchise network. It will also supply franchisees with consumer marketing plans and materials for use at the local or regional level, and retains the right to approve all local advertising materials that the franchisee chooses to develop. Eventually, all marketing materials and collateral may be uploaded on to an intranet that would provide the franchisees the ability to download documents whenever needed.

## Roberto Chang Purchasing

The Franchisor or its affiliate will negotiate quantity discounts on behalf of all of its members, passing some or all of these savings on to the franchisees.

## Roberto Chang’s Accounting/Audit/Legal

Reporting directly to administration, this department is responsible for the financial and legal oversight of franchisees. Roberto Chang will be providing support and guidance to franchisees on how to manage their books, but they will ultimately be instructed to hire their own CPA for their individual business.

## Ongoing Research and Development

Roberto Chang’s management and leadership will continue to research methods and techniques for franchise operations (including purchasing and promotional schemes) that enhance unit-level profitability.

## Franchise Sales and Overall Program Oversight

Although franchise sales are not a support function, the expense involved for the franchise sales department needs to be considered with all other personnel expenses. Big Sky Franchise Team will be responsible for the qualification, follow-up, and sale of franchises. In growing a franchise organization, it is neither necessary nor advisable for a Franchisor to initiate activities with a fully staffed organization. Staffing should occur on a gradual basis in anticipation of the actual need.

An evaluation of the existing organization would indicate, for the short-term that the above responsibilities could be incorporated into the existing structure. However, as sales goals are met and the franchise network expands, the Franchisor should expect to hire additional support personnel as needed.

# FRANCHISE FEE

The methodology for fee determination calls for Franchisors to look to their franchise fees primarily as a cost recovery tool and only secondarily as a profit center. Franchisors would obviously like to maximize its franchise fee revenue, but knowing the importance of establishing the associated royalties and product sales, most Franchisors price their fees low enough to avoid erecting barriers to the franchise sale. In determining franchise fees, several approaches can be used simultaneously:

## Cost-Plus Approach:

The cost-plus approach is one way to determine the "floor" level above which a

Franchise fee should be set. To establish this floor, the Franchisor calculates its total marketing, training, and initial support costs involved in selling a franchise and add a reasonable markup. The cost-plus approach would indicate costs of

$18,500, based upon the following estimates (These are estimated costs to the franchisor – Roberto Chang Franchising, LLC):

## Estimated Expenses per Franchisee

|  |  |  |
| --- | --- | --- |
| **Description of Service** | **Time** | **Cost** |
| Initial Training at Headquarters | 2-3 weeks | $5,000 |
| Onsite Training (Franchisee's Location) | 1 week | $4,000 |
| Sales Commission | 1 Time | $7,500 |
| Support Time Needed Until Franchisor is Profitable | 3 Months | $2,000 |
| Total |  | $18,500 |
| Franchise Fee |  | $30,000 |
|  |  |  |
| **Free Cash Flow From Franchise Fee** |  | **$11,500** |

## Competitive Approach

Big Sky Franchise Team recommends a "ceiling" price for the franchise by considering what the market will bear, this pricing looks to be around $30,000 for what would be acceptable for the market. Upon examining the franchise fees of "competing" franchisors, Big Sky Franchise Team found a range of fees with a franchise fee as low as $10,000 and as high as $45,000.

## Perceived Value Approach

Finally, Big Sky Franchise Team uses this approach to determine where a franchise fee should be set above the "floor" price. **[Note: Some franchisors will intentionally price above the ceiling price to establish the "exclusivity" of the franchise offering, while others will price well below its assumed costs in an effort to saturate the market.]** Although relatively few examples exist of companies entering franchising with a high degree of name recognition, those that do exist can position their offering toward the high end of the competitive spectrum. Premium positioning is not a license to charge more than the market price in the face of established successful franchise competition. It is, however, grounds to avoid the introductory pricing that beginning franchisors often charge to get a foothold in the market in a field dominated by a few big names.

Taking each of these elements into account in addition to the financial results that the Franchisor expects franchisees to achieve, it’s positioning in the industry, sales goals, and the level of support it intends to provide, a franchise fee of $30,000 will be charged. This fee is to be paid at the signing of the Franchise Agreement, where applicable.

# INITIAL INVESTMENT

Roberto Chang Management has provided Big Sky Franchise Team with financial information for an average Roberto Chang unit. It represents the range of the initial investment for a new franchise and is a required item in the Disclosure Document. It shows the potential franchise buyer what it will cost to open the business and is generally, very straight forward. The expense items are preopening start-up expenses and do not represent any ongoing expenses unless identified otherwise.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **LOW** |  | **HIGH** |
| Real Estate/Rent | $2,250  |  | $13,333  |
| Utility | $100  |  | $300  |
| Leasehold Improvements | $25,000  |  | $35,000  |
| Market Introduction Program | $5,000  |  | $10,000  |
| Furniture, Fixtures, and Equipment | $20,000  |  | $40,000  |
| Computer Systems | $1,000  |  | $3,000  |
| Insurance | $1,000  |  | $5,000  |
| Signage | $2,000  |  | $6,000  |
| Inventory | $3,000  |  | $6,000  |
| Licenses & Permits | $600  |  | $1,500  |
| Professional Fees | $1,000  |  | $3,000  |
| **Working Capital** | **$15,000**  |  | **$30,000**  |
|   |   |  |   |
| **TOTAL BEFORE FRANCHISE COSTS** | **$75,950**  |  | **$153,133**  |
|   |   |  |   |
| **AVERAGE** |   | **$114,542**  |   |
|   |   |  |   |
|   |   |  |   |
| Training  | $5,000  | 2-3 weeks | $10,000  |
| Franchise Fee | $30,000  |  | $30,000  |
|   |  |  |  |
| **TOTAL WITH FRANCHISE COSTS** | **$110,950**  |  | **$193,133**  |
|   |  |  |  |
| **AVERAGE** |  | **$152,042**  |   |

# DURATION

The duration of a franchise agreement is the length of time that both parties are bound to one another through the agreement. This is typically between a five and twenty-year timeframe. In determining the term of a franchise agreement, three factors need to be taken into account:

1. The franchisee's need for security and an adequate time to guarantee a return on investment.
2. The Franchisor's need to incorporate flexibility into the system in order to facilitate change if the market should dictate.
3. The nature of the competitive market within the food service franchise segments.

After examining market conditions, competitors in similar franchises organizations offer ten to twenty-year terms with a variety of renewal options. We have chosen to offer a ten-year initial term. After the ten-year term is complete, there will be two five-year renewal periods that the franchisee has the option to sign, pending their compliance with the terms of the then current franchise agreement.

This length of term tends to be the market norm today, giving the franchisee a long enough term to have an ROI. For franchisees that choose to renew, no renewal fee will be imposed, as this is typically viewed by franchisees as "gouging," since there are few costs associated with renewing a contract. Moreover, the Franchisor should try to avoid creating barriers to renewal.

# ADDITIONAL INVESTMENTS

Some franchisors have found it necessary to impose a refurbishing fund requirement upon their franchisees in order to update certain elements of the business model. This ensures that when it becomes necessary to update the location, the funds are in place to do so.

It is also appropriate to be able to impose changes to the franchised operation—over and above refurbishment—during the initial term of the Franchise Agreement. For this reason, Roberto Chang franchisees may be required to make an additional investment during the first term of the franchise. If needed, this additional investment will not be required during the first year of the term; if it is required to be made within the last year of the term, the franchisee may avoid making the investment by giving notice of nonrenewal.

# SUPPLIER PROGRAMS

Franchisees are often required to use specific products and suppliers to assure uniformity and network quality--thereby benefiting everyone in the system. The Franchisor will provide quality standards and specifications to franchisees in the Operations Manual regarding the purchase of nonproprietary products and services. Franchisees will be required to abide by these guidelines in order to protect the value of the trademarks. The Franchisor will reserve the right to be a designated supplier of proprietary products and an approved supplier of nonproprietary products. If a franchisee desires to have a new supplier approved, the franchisee must bear the cost of approving that supplier.

The following additional sources of revenue should be disclosed as potential profit centers in the Roberto Chang Disclosure Document:

1. Retail Items – Product or food mix, apparel
2. On-going support items – Equipment, parts

# MARKETING PROGRAM

## Local Advertising

The Franchisor will provide guidelines for undertaking local promotional activities. Any deviation from these guidelines will require prior approval from the Franchisor. The required local advertising expenditure will be **2 percent** of gross sales. Each franchisee will be required to submit an accounting of all local marketing expenditures to the Franchisor within one month after they occur. These activities will include social media, direct mailers to potential customers, working with non-profit groups in the area and developing a local customer base through grass-roots efforts. Marketing this business model is simple and does not require a significant amount of capital, but franchisees should advertise when first opening the business.

## Cooperative Advertising

If two or more franchisees are established in a common market, the Franchisor may adjust the manner in which local advertising dollars are spent to make combined advertising expenditures more effective. In this situation, the Franchisor may require all or part of the local advertising expenditures to be used as cooperative advertising in that individual market. The Franchisor will provide guidelines for undertaking co-op marketing and any deviation from these guidelines will require prior approval from the Franchisor. The Franchisor may elect to form a regional advisory council of franchisees at a future date to determine the use of co-op funds.

## Corporate Advertising

The Franchisor will require that franchisees contribute to a national advertising fund at a rate of **1 percent** of gross sales. This will be used for branding, marketing collateral, and any other advertising done on a company-wide level to increase the visibility of the Roberto Chang’s model.

# ROYALTY

## Royalty Fee

Royalties constitute the main source of revenues and profits for most franchisors. They tend to vary with support costs and average unit sales volumes. In setting the royalty, a franchisor should evaluate the franchisee's return on investment, its support costs, and royalties charged for comparable franchises.

After evaluating the franchisee ROI, Franchisor support costs, and competitors' royalties, Roberto Chang will charge a royalty equal to **5 percent of gross sales**. This royalty should allow Management to create an adequate return for franchisees, remain competitive in the industry, and provide additional support as needed for its franchise system.

## Frequency of Royalty Collection

Roberto Chang will collect royalties on a monthly basis based on the previous month’s events. A report will be included on sales activity and document how the royalty was calculated. Eventually, this process will be managed by a web-based system that will manage reporting and collections of royalties.

Management also retains the right to require direct deposit using a sweep account on a weekly or more frequent basis in the future. By using Electronic Funds Transfer we have found that the process of collecting and processing royalty payments can be smooth and without difficulty when compared to traditional check/mail processing of royalty payments.

# TRANSFER PROVISIONS

If the franchisee desires to sell its franchise, the Franchisor retains the right to approve and train the buyer; such approval shall not be unreasonably withheld. If the selling price is not a bona fide price, the Franchisor may withhold approval. Furthermore, the Franchisor retains the right of first refusal to buy the business.

Unlike renewal, there are numerous costs associated with the transfer of a franchise. The Franchisor must perform its own due diligence on the franchise buyer as well as provide the new franchisee with training and an increased level of support. These reasons provide strong justification for the use of a transfer fee.

Typically, prospective start-up franchisees are not price sensitive on the issue of transfer fees, as they often feel they will own the business forever.

Certain state regulators have indicated to Big Sky Franchise Team that they find a transfer fee in excess of 50 percent of the initial franchise fee to be excessive and would object to such a provision. Thus, a transfer fee of $10,000 will be assessed to defray the Franchisor's cost of due diligence, legal work, training, etc. This is a reasonable fee that should not affect the franchisee’s ROI on selling their business, while at the same time should provide the franchisor with enough cash flow to cover any costs associated with the transfer to a new Roberto Chang franchise operator.

# CONCLUSION

Roberto Chang has a franchise concept that fits into one of the most popular and largest franchise segments. Food service franchises have been a unique part of the franchise industry for decades. The largest obstacle to success in this business will be selecting the right franchisees, as the operation is very affordable and straightforward.

Roberto Chang has a sizeable opportunity for growth through an independently owned distribution system like franchising. The leadership team has a very strong background of successful operations (other businesses/real estate/etc.) from its base in Long Island. Together, through a simple business model and a delicious and proven product, the Roberto Chang concept is positioned nicely against any competition in the food business. The franchise industry is growing…quickly. With that, the need for rapid expansion and a developed brand has taken on a new level of urgency. By partnering with franchisees in markets across the United States, Roberto Chang has the opportunity to establish itself as an industry leading organization focused on quality Latin/Asian-inspired street food in a convenient manner.

Based on the projections for Roberto Chang franchise growth, the organization would experience net cash flow of $1,492,400by the fifth year in business. This means that the entity could be valued at $14.9 million, excluding the value of any assets and company owned profitability. Franchise systems that are exhibiting this type of projected growth are typically valued at 8-10 times EBITDA.[[1]](#footnote-1)

**To highlight the business appeal of the Roberto Chang business, we look to current economic trends, marketability of the concept on the consumer level, franchisee interest and scalability of the concept. The Roberto Chang model fits into the franchise development vehicle very well and with proper guidance could exceed the goals laid out in this plan.**

**THE PLANS, MATERIALS, AND CONSULTING ADVICE PROVIDED HEREIN HAVE BEEN PREPARED BASED ON BIG SKY FRANCHISE TEAM’S EXPERIENCE AND THE INFORMATION AVAILABLE TO US. HOWEVER, BECAUSE THE SUCCESS OF A FRANCHISE PROGRAM DEPENDS UPON A VARIETY OF FACTORS OUTSIDE BIG SKY FRANCHISE TEAM’S CONTROL, WE CANNOT AND DO NOT WARRANT THE SUCCESS OF ANY SUCH PROGRAM OR ANY OF THE PROJECTIONS OR FORECASTS PROVIDED BY BIG SKY FRANCHISE TEAM CONTAINED HEREIN.**

# Exhibit A – Roberto Chang Franchisee Assumptions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FRANCHISE ASSUMPTIONS** |  |  |  |  |  |
| Royalty on Gross Sales  | 5.0% |  |  |  |  |
| Franchise Fee | $30,000  |  |  |  |  |
|  Local Advertising (Up To) | 2.0% |  |  |  |  |
|  Corporate Marketing Fund | 1.0% |  |  |  |  |
|  COGS | 32.9% |  |  |  |  |
|   |   |  |  |  |  |
| **UNIT ASSUMPTIONS** | **1st Year** | **2nd Year** | **3rd Year** | **4th Year** | **5th Year** |
|  Franchisee Gross Sales | $750,000  | $862,500  | $948,750  | $1,043,625  | $1,095,806  |
|  Growth Rate |   | 15.0% | 10.0% | 10.0% | 5.0% |
|  |  |  |  |  |  |
| **VARIABLE EXPENSES** |  |  |  |  |  |
|  Variable Labor  | 25.0% | of Gross Sales |  |  |  |
|  Payroll Tax & Benefits | 10.0% | on Variable Labor |  |  |  |
|  Credit Card Charges | 1.9% | of Gross Sales |  |  |  |
|  Local Advertising | 2.0% | of Gross Sales |  |  |  |
|  Corporate Advertising | 1.0% | of Gross Sales |  |  |  |
|  |  |  |  |  |  |
| **OPERATING EXPENSES** |  |  |  |  |  |
|  Rent  | $75,000  | Annually |  |  |  |
|  Utilities  | $18,750  | Annually |  |  |  |
|  Owner/Operator Salary | $35,000  | Annually |  |  |  |
|  Payroll Tax & Benefits | 10.0% | on Operator |  |  |  |
|  Licenses/Permits | $500  | Annually |  |  |  |
|  General Insurance | $5,000  | Annually |  |  |  |
|  Dues & Subscriptions | $1,200  | Annually |  |  |  |
|  Telephone & Internet | $1,200  | Annually |  |  |  |
|  Professional Fees | $4,000 | Annually |  |  |  |
|  Office Expenses | $2,080 | Annually |  |  |  |

# Exhibit B – Franchisee Pro Forma

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **INVESTMENT SUMMARY** |  |  |  |  |  |
|  Franchise Fee | $30,000  |  |  |  |  |
|  Initial Investment | $99,542  |  |  |  |  |
|  Working Capital | $22,500  |  |  |  |  |
|  Total Investment | $152,042  |  |  |  |  |
|  |  |  |  |  |  |
| **REVENUE** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| **GROSS SALES** | $750,000  | $862,500  | $948,750  | $1,043,625  | $1,095,806  |
|  COGS | $246,429  | $283,393  | $311,732  | $342,905  | $360,051  |
| **GROSS PROFIT** | **$503,571**  | **$579,107**  | **$637,018**  | **$700,720**  | **$735,756**  |
|  |  |  |  |  |  |
| **VARIABLE EXPENSES** |   |   |   |   |   |
|  Variable Labor  | $187,500  | $215,625  | $237,188  | $260,906  | $273,952  |
|  Payroll Tax & Benefits | $18,750  | $21,563  | $23,719  | $26,091  | $27,395  |
|  Credit Card Charges | $14,063  | $16,172  | $17,789  | $19,568  | $20,546  |
|  Franchise Royalty  | $37,500  | $43,125  | $47,438  | $52,181  | $54,790  |
|  Corporate Advertising  | $7,500  | $8,625  | $9,488  | $10,436  | $10,958  |
|  Local Advertising | $15,000  | $17,250  | $18,975  | $20,873  | $21,916  |
|  | ======= | ======= | ======= | ======= | ======= |
| **TOTAL VARIABLE** | **$280,313**  | **$322,359**  | **$354,595**  | **$390,055**  | **$409,558**  |
|  |  |  |  |  |  |
| **OPERATING MARGIN** | $223,259  | $256,748  | $282,423  | $310,665  | $326,198  |
|  |  |  |  |  |  |
| **OPERATING EXPENSES** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
|  Rent  | $75,000  | $75,000  | $75,000  | $75,000  | $75,000  |
|  Utilities  | $18,750  | $19,313  | $19,892  | $20,489  | $21,103  |
|  Owner/Operator Salary | $35,000  | $36,050  | $37,132  | $38,245  | $39,393  |
|  Payroll Tax & Benefits | $3,500  | $3,605  | $3,713  | $3,825  | $3,939  |
|  Licenses/Permits | $500  | $515  | $531  | $547  | $564  |
|  General Insurance | $5,000  | $5,150  | $5,305  | $5,464  | $5,628  |
|  Dues & Subscriptions | $1,200  | $1,236  | $1,273  | $1,311  | $1,351  |
|  Telephone & Internet | $1,200  | $1,236  | $1,273  | $1,311  | $1,351  |
|  Professional Fees | $4,000  | $4,120  | $4,244  | $4,371  | $4,502  |
|  Office Expenses | $2,080  | $2,142  | $2,207  | $2,273  | $2,341  |
|  | ======= | ======= | ======= | ======= | ======= |
| **TOTAL OPERATING**  | **$146,230**  | **$148,367**  | **$150,569**  | **$152,836**  | **$155,171**  |
|  |  |  |  |  |  |
| **TOTAL EXPENSES** | **$426,543**  | **$470,727**  | **$505,164**  | **$542,891**  | **$564,729**  |
| **EBITDA\*** | **$77,029**  | **$108,381**  | **$131,854**  | **$157,829**  | **$171,027**  |
|  \*(Earnings Before Interest, Taxes, Depreciation & Amortization) |  |  |  |  |  |
| **ANNUAL RETURN ON INVESTMENT** | **50.7%** | **71.3%** | **86.7%** | **103.8%** | **112.5%** |
| **TOTAL RETURN ON INVESTMENT** | **50.7%** | **121.9%** | **208.7%** | **312.5%** | **425.0%** |

# Exhibit C – Franchisor Assumptions

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **FRANCHISOR STAFFING**  | **SALARY** | **YEAR 1** | **YEAR 2** | **YEAR 3** | **YEAR 4** | **YEAR 5** |
|  |  |  |  |  |  |  |
|  Director of Franchising | $90,000  | 0 | 0 | 0.5 | 1 | 1 |
|  Franchise Sales People | $12,000  | 1 | 1 | 1 | 0 | 0 |
|  Director of Marketing | $60,000  | 0 | 0 | 0.5 | 0.5 | 0.5 |
|  Field Support | $50,000  | 0 | 0 | 0.5 | 1.25 | 2 |
|  Director of Training | $60,000  | 0 | 0 | 0 | 0.5 | 0.5 |
|  Administrative Person | $35,000  | 0 | 0 | 0 | 0.5 | 1 |
|  |  | ===== | ===== | ===== | ===== | ===== |
| **Total Incremental Staff** |  | **1** | **1** | **2.5** | **3.75** | **5** |
| Benefits | 15.0% |  |  |  |  |  |
| Salaries Increase | 3.0% |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **WEIGHTED AVERAGES** | **YEAR 1** | **YEAR 2** | **YEAR 3** | **YEAR 4** | **YEAR 5** |
|  |  |  |  |  |  |
| Avg. Monthly Gross Sales | $62,500  | $71,875  | $79,063  | $86,969  | $91,317  |
| Weighted Avg. Monthly Gross Sales | $62,500  | $65,179  | $68,214  | $70,395  | $72,001  |
|  |  |  |  |  |  |
| **DEVELOPMENT SUMMARY** | **YEAR 1** | **YEAR 2** | **YEAR 3** | **YEAR 4** | **YEAR 5** |
|  |  |  |  |  |  |
| Start-up Franchisees | 4 | 6 | 9 | 13 | 19 |
| **Cumulative Franchises Sold** | **4** | **10** | **19** | **32** | **51** |
| Franchised Units Open | 2 | 5 | 7 | 11 | 17 |
| **Cumulative Franchises Open** | **2** | **7** | **14** | **25** | **42** |
|  |  |  |  |  |  |
| Incremental Staff Added to Franchisor | 1.0 | 1.0 | 2.5 | 3.8 | 5.0 |

# Exhibit D – Franchisor Pro Forma Summary

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  **YEARS** | **1st Year** | **2nd Year** | **3rd Year** | **4th Year** | **5th Year** |
|  MONTHS | 1-12 | 1-12 | 1-12 | 1-12 | 1-12 |
|  CUMULATIVE MONTHS | 1-12 | 13-24 | 25-36 | 37-48 | 49-60 |
|  |  |  |  |  |  |
| **REVENUES (000)** |  |  |  |  |  |
|  Franchise Fee | $120.0  | $180.0  | $270.0  | $390.0  | $570.0  |
|  Royalties | $12.5  | $172.7  | $436.6  | $827.1  | $1,443.6  |
|  System advertising  | $2.5  | $34.5  | $87.3  | $165.4  | $288.7  |
|  |  |  |  |  |  |
|  **TOTAL REVENUE (000)** | **$135.0**  | **$387.3**  | **$793.9**  | **$1,382.6**  | **$2,302.3**  |
|  |  |  |  |  |  |
| DIRECT EXPENSES (000) |  |  |  |  |  |
|  |  |  |  |  |  |
|  Director of Franchising | $0.0  | $0.0  | $47.7  | $98.3  | $101.3  |
|  Franchise Sales People | $42.0  | $57.4  | $80.2  | $0.0  | $0.0  |
|  Director of Marketing | $0.0  | $0.0  | $31.8  | $32.8  | $33.8  |
|  Field Support | $0.0  | $0.0  | $26.5  | $68.3  | $112.6  |
|  Director of Training | $0.0  | $0.0  | $0.0  | $32.8  | $33.8  |
|  Administrative Person | $0.0  | $0.0  | $0.0  | $19.1  | $39.4  |
|  Benefits | $0.0  | $0.0  | $15.9  | $37.7  | $48.1  |
|  Sys advertising (escrow) | $2.5  | $34.5  | $87.3  | $165.4  | $288.7  |
|  | - | - | - | - | - |
|  **SUB-TOTAL AMT** | **$44.5**  | **$91.9**  | **$289.5**  | **$454.5**  | **$657.6**  |
|  |  |  |  |  |  |
| INDIRECT EXPENSES (000) |  |  |  |  |  |
|  Franchise consul. fees | $0.0  | $0.0  | $0.0  | $0.0  | $0.0  |
|  Franchise marketing | $15.5  | $21.6  | $18.6  | $28.6  | $32.6  |
|  Travel | $2.4  | $12.0  | $21.6  | $32.3  | $53.7  |
|  Legal | $0.4  | $3.0  | $6.9  | $12.4  | $21.0  |
|  Accounting/audit | $1.3  | $2.7  | $4.8  | $7.9  | $12.5  |
|  Other G & A  | $6.3  | $8.8  | $13.2  | $20.0  | $32.5  |
|  | - | - | - | - | - |
|  **SUB-TOTAL AMT** | **$25.85**  | **$47.95**  | **$65.05**  | **$101.20**  | **$152.30**  |
|  |  |  |  |  |  |
|  **TOTAL EXPENSES (000)** | **$70.4**  | **$139.9**  | **$354.6**  | **$555.7**  | **$809.9**  |
|  |  |  |  |  |  |
| **NET CASH FLOW (000)** | $64.7  | $247.4  | $439.3  | $826.9  | **$1,492.4**  |
|  | = | = | = | = | = |
| **CUM CASH FLOW (000)** | $64.7  | $312.1  | $751.4  | $1,578.3  | **$3,070.7**  |

1. <http://mcleanllc.com/Publications/Franchise2014review/files/assets/common/downloads/Mergers%20and%20Acquisitions%20in%20Franchising.pdf>. Accessed 10/15/2019. [↑](#footnote-ref-1)