



**The Greatest Taste In Burgers**

**DISCLOSURE DOCUMENT**



**Mr. Bojangles – The Greatest Taste In Burgers**

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## **1. INTRODUCTION**

This disclosure document should assist you in the making up your mind about buying a Mr Bojangles franchise. While it includes some information about the franchise agreement. Buying a franchise is a serious undertaking. It is recommended that you have the franchise agreement explained to you and that you seek financial advice on the franchise proposition.

Please note that this disclosure document is provided for your convenience and information and that Franchisor will not be held liable for any representations or warranties that makes in this document.

## **2. CORPORATE INFORMATION**

Mr Bojangles Holdings CC is duly registered in South Africa

Franchise Business Office of the Franchisor:

Shop No 8, Corporate Park South  
Cnr Old Pretoria and Nyala Road  
Midrand

Tel: (011) 314 4646

## **3. COMPANY DIRECTORATE**

CEO Zach Angouras (011) 314 4646  
Managing Director Theo Kotitis (011) 314 4646

## **4. A BRIEF HISTORY OF THE COMPANY**

Mr Bojangles was established in 2000 and is still making the greatest hamburgers ever. Our hamburgers are manufactured on our premises using only Top Grade Pure Ground Beef to create a number of different patty sizes from a minimum of 100g patty to the great 450g patty, prepared to our client's selection of rare, medium or well done.

At Mr Bojangles the patties, sauces to the toppings are freshly made and prepared everyday to provide our clients with only the freshest tasting hamburgers. There are 49 different toppings to choose from.

Mr Bojangles brand is looking to expand by means of franchising, there will be 2 concepts made available to the franchisee- a full restaurant or a take away.

## **5. THE MANAGEMENT OF THE COMPANY**

The management of the company.

DEVELOPMENT MANAGER Zach Angouras (011) 314 4646

DISTRIBUTION MANAGER	Theo Kotitis	(011) 314 4646
FINANCIAL MANAGER	Zach Angouras	(011) 314 4646
LOGISTICS MANAGER	Theo Kotitis	(011) 314 4646
MARKETING MANAGER	Zach Angouras	(011) 314 4646
	Theo Kotitis	(011) 314 4646
OPERATIONS MANAGER	Zach Angouras	(011) 314 4646
	Theo Kotitis	(011) 314 4646
TRAINING MANAGER	Zach Angouras	(011) 314 4646
	Theo Kotitis	(011) 314 4646

## 6. CURRENT FRANCHISE NETWORK

Information as on 01 April 2011

Number of Outlets	1
Franchise Outlets	0
Company Owned Outlets- Midrand	1
BEE Outlets	0
International Outlets	0
Planned Outlet for next 12 months	6
International outlets for next 12 months	0

## 7. THE MR BOJANGLES PACKAGE

### 7.1 Store Location and Set Up

As a prospective Franchisee you have at your disposal an experience development team that will see a new project through from blue print stage to final completion. Important functions of the development team are:

- Evaluation and selection of suitable premises
- Assistance and advice regarding lease negotiations with the prospective landlord
- Planning layout and interior design
- Site development and supervision

### 7.2 Training

The new Franchisee and staff undergo an intensive training programme, practical on the job training. The course content is designed to prepare the participants fully for the operation of their new business. The training includes:

- Method of business operation and system implementation
- Customer care and relations
- Key Financial Controls
- Opening day assistance from the Franchisor

The training centre, situated in Midrand (Corporate Park South, Cnr Old Pretoria and Nyala Roads). Training courses run for a period of two/ three weeks and it is the obligation of the Franchisee to ensure that all staff is fully trained prior to working in any store. The training programme is ongoing and refresher courses are always available.

### **7.3 Advertising**

A portion of the franchise fees received are allocated specifically to an advertising budget and the Franchisor recognizes the need for responsible yet dynamic awareness campaigns coupled with regular promotions. To attain the set objectives of brand awareness and retail promotion campaigns, a variety of mass media are used.

These include:

- Regional publications
- Leaflet distribution

## **8. THE APPLICATION PROCESS/ FRANCHISEE ASSESSMENT**

Mr Bojangles takes great care to ensure that any prospective Franchisee fits well with the brand and will be a suitable store operator. Therefore all potential Franchisees have to:

- Complete the Franchise Application document in full
- Provide all supporting documentation requested
- Pay the R2000 non refundable application fee
- Undergo the Franchise Competency Test
- Complete the in-store assessment process
- Be interviewed by the CEO

Once the prospective Franchisee has gone through this process, all the information is taken in to consideration in determining whether a candidate is accepted or rejected as Franchisee. Once a candidate has been accepted the Joining Fee of R100, 000.00 (One Hundred Thousand Rand) excluding VAT is to be paid into our Attorneys Trust Account.

## **9. THE MR BOJANGLES FRANCHISE AGREEMENT**

### **9.1 Store Location and Set Up**

The Franchisor offers an agreement (The Franchise Agreement) which grants to individuals, partnerships or corporations (The Franchisee) the right and license to establish, develop and operate a Mr Bojangles outlet under the name Mr Bojangles and under such other trade names, service marks and trademarks as may be designated by the Franchisor from time to time.

The restaurant business is highly competitive and the Franchisee will have to compete with numerous other outlets offering a wide variety of foods.

## 9.2 Costs

All monies payable by a Franchisee is to be deposited into the trust account of the nominated Attorneys. These funds will be dealt with as provided for in the Franchise Agreement.

?????? Trust Account

FNB Carlswald Branch

Acc:

Branch Code:

### 9.2.1 Franchisee Initial License Fee/ Joining Fee

The standard, initial fee charged by the Franchisor is R100, 000.00 (One Hundred Thousand Rand) exclusive of VAT which is payable in a lump sum upon acceptance as a Franchisee. The fee is refundable should the Franchisor's Board of Directors not give final approval of the Franchisee, the Franchisee fails to procure the necessary development funding of same or fails to secure a lease. Any costs or charges incurred by the Franchisor shall be deducted from the initial fee. This fee covers the following aspects of establishing a Mr Bojangles Franchise Restaurant or Take Away.

- The right to use the brand name associated Intellectual Property
- Training of Staff (excluding meals, accommodation, transport and wages)

### 9.2.2 Cost of Development

In any new outlet the Franchisor is required to equip and develop the site selected and to this end a separate costing of site will be provided to each Franchisee. Once accepted by the Franchisor, all of the costs in respect of the store establishment costs (including franchise costs, etc) become payable on acceptance of the quotation, and payment must be effected in our Attorneys Trust Account prior to the commencement of building, equipping and fitting out the restaurant.

An ideal Mr Bojangles store is approximately 80m<sup>2</sup> to 240m<sup>2</sup> and without any equipment beyond the minimum Mr Bojangles specifications the costs attributed to such a store is approximately R800, 000.00 to R1, 500, 000.00 (Eight Hundred Thousand to One Million Five Hundred Thousand Rand) exclusive of VAT and Joining Fee. The development team will assemble a complete costing analysis for each particular outlet. The construction of a store takes approximately 8 to 12 weeks from the date of beneficial occupation provided all financial requirements have been met.

As part of the development work undertaken, the services provided herewith are:

- Assistance with lease negotiation with prospective landlord
- Planning, layout and interior design
- Site supervision
- Site Development
- Store evaluating, equipment and fitting

### 9.2.3 Stock Guarantee

Payable at the same time as the Development Costs is an amount of R60, 000.00 (Sixty Thousand Rand) for Stock Guarantee. This money is held in attorney trust account until the end of the Franchise Agreement

#### **9.2.4 Royalty Fees**

The Franchisee is required to pay the Franchisor a recurring non-refundable monthly royalty and service fee in an amount equal as an agreed monthly fee depending on the estimated turnover of the business of 7% (seven percent) of the gross revenue of the franchised outlets. All royalty payments are to be made by the 1<sup>st</sup> day of the month.

#### **9.2.5 Advertising Fees**

A recurring minimum monthly amount up to 3% (Three percent) of the average monthly gross sales of the licenses outlet is required to be paid by the Franchisee to the Franchisor for advertising of the agreed amount payable by the group.

All advertising fees collected are used exclusively for advertising and promotion and are kept in separate advertising funds and are not assets of the Franchisor. Monies not used are carried over to the next fiscal year's advertising budget. Advertising fees are non- refundable and are imposed on all Franchisees uniformly.

#### **9.2.6 Insurance Costs**

The Franchisee is required to procure, prior to the opening of the outlet and maintain in full force and effect during the term of the Franchise Agreement and any renewal thereof, at the Franchisees expense, an insurance policy or policies adequately protecting the Franchisee and the Franchisor and their officers, directors, partners and employees, against risks arising in connection with the restaurant business. Such policy or policies must be written by an instance company approved in writing by the Franchisor.

Should the Franchisee for any reason, fail to procure and maintain the insurance required by the Franchise Agreement, as revised from time to time for all Franchisees by the Manual or otherwise in writing, the Franchisor has the right, at its option, to procure such insurance and to charge the same to the Franchisee, which charges, together with a reasonable fee for the Franchisor's expenses in so acting, are payable by the Franchisee immediately upon notice.

#### **9.2.7 Training Costs**

It is a requirement that the Franchisee or its members and any designated managers, as well as the working team; successfully pass the Franchisor's selection system of management. These persons must then complete the Franchisor's Training Programme to the Franchisor's reasonable satisfaction for final approval as Franchisees.



All expenses incurred in training, including, without limitation, the cost of travel, room, board and wages, must be borne by the Franchisee and the Franchisor will provide and pay only for the training instructors, facilities and required training materials.

On opening day. The Franchisor's training team is present to assist in the start-up of the new outlet. The Franchisee shall be responsible for the recruiting of all staff members however the Franchisor may offer assistance in such selection- however the onus is on the Franchisee to recruit and select their employees.

All employees have to pass a training program successfully relating to their specific job functions prior to them being entitled to commence work within and Mr Bojangles Franchise Company. The training periods in respect of staff are as follows:

Kitchen Crew 2 weeks

Waiters 2 weeks

All training is done at Head Office training store

### **9.3 Summary of Restrictions of the Franchisee**

#### **9.3.1 Territorial**

The Franchisee will not be entitled for a period of 3 (Three) years after termination of the Franchise Agreement, to own, operate or have any interest, direct or indirect, in the ownership or operation of any similar restaurant outlet within a radius of 5 (Five) kilometers from the premises in which the outlet franchised in terms of the Franchise Agreement is situated.

#### **9.3.2 Sale**

The Franchisee shall not be entitled to sell, alienate or part with possession of the business or any of the assets in the business franchised in terms of the agreement to any person, nor should the Franchisee, be it a company or close corporation, permit the disposal or any share or interest in such a company or close corporation without the prior consent of Mr Bojangles and at all times subject to the Franchisor's right of first refusal.

To determine the selling price the Income Multiple method where the net income of a business is subject to a certain multiple to arrive at a selling price, is used with a factor of 30 time net earnings.

$$\text{Selling Price} = \text{Average Monthly Net Income after Tax} \times 30$$

It is important to note that this method provides a rough guideline as various other factors can also influence the selling price and should be taken into account. These include:

- Position / location of the business
- Current Turnover

- Lease Agreement- remaining duration, whether an option to renew exists, rental rates, etc
- Stability and quality of staff compliment
- Refurbishment requirements

### **9.3.3 Assignment**

The Franchisee shall not be entitled to cede or assign his rights, duties and obligations in terms of the Franchise Agreement without the prior written consent of the Franchisor

### **9.3.4 Involvement in related Business**

The Franchisee shall not own, operate or have any interest, directly or indirectly, in the ownership or operation of any other outlet, other than a Mr Bojangles outlet operated in terms of the Franchise Agreement, without the prior consent of the Franchisor.

## **9.4 Summary of terms and conditions relating to termination and renewal**

### **9.4.1 Termination**

Mr Bojangles is entitled to cancel the Franchise Agreement upon breach by the Franchisee or any of the terms and conditions of the Franchise Agreement and after failure by the Franchisee to remedy such breach after having been given the opportunity to do so by the Franchisor in terms of the Franchise Agreement. The Franchisor can claim all monies owing to it by the Franchisee as well as any damages it suffers as a result of the cancellation of the Franchise Agreement.

Upon termination of the agreement:

- All monies owing by the Franchisee to the Franchisor shall become due and payable
- The Franchisee shall immediately cease to use or permit the use of the name “Mr Bojangles” or any other name or symbols referred to in the Franchise Agreement, and will forthwith surrender to Mr Bojangles all paper, goods and advertising material bearing any such name or symbol.
- The Franchisee shall be precluded from making use of any written object whatsoever which would lead to an impression that there is any connection relationship between the Franchisee and Mr Bojangles.
- The Franchisee shall be precluded from holding out verbally or otherwise that any connection or relationship between the Franchisee and Mr Bojangles still subsists
- Mr Bojangles and the Franchisee shall be entitled to make it known, in such a manner as either or both shall deem fit that the Franchise Agreement is of no force or effect whatsoever

### **9.4.2 Renewal of the Franchise Agreement**

Upon renewal, the Franchisee would enter into a new Franchise Agreement, the terms of which would be renegotiated with Mr Bojangles.

### **9.4.3 Revamp of Store**

Stores are to be revamped every 5 years. The extent to which the refurbishment will be determined by the Franchisor

## **9.5 The main obligation of Mr Bojangles**

### **9.5.1 Set Up**

Mr Bojangles will assist the Franchisee in the setting up of the outlet by giving the Franchisee technical assistance, know-how and advice as to the layout of the outlet, the equipment necessary and such other matters as may arise in the setting up of the outlet.

### **9.5.2 Knowledge and Experience**

Mr Bojangles will make available to the Franchisee the benefit of its specialized knowledge and experience in the operation Mr Bojangles outlet.

### **9.5.3 Training**

Complete training of the Franchisee's employees

### **9.5.4 Trading**

To provide such other assistance that Mr Bojangles may deem necessary or required by the Franchisee for the establishing, training and operating of the outlet, including general advice, information as to items available for purchase, advice on advertising, instruction in product purchasing and handling, record keeping and general administration.

### **9.5.5 Evaluations**

Perform evaluations from time to time of the outlet and to advise the Franchisee of any matters which should be attended to arising out of such evaluations.

### **9.5.6 Franchise Consultant and Support System**

Each Franchisee shall have a dedicated Franchise Consultant who will assist in the opening and on-going operations of such store. Such Franchise Consultants add value to the Franchisees both from an operational and financial point of view and their function is also to ensure that the brand integrity of Mr Bojangles is maintained across all franchise outlets.

## 10. THE FRANCHISEE'S INVESTMENT AND POTENTIAL RETURN

### 10.1 Initial Investment

The schedule on the next page describes estimated initial development investment of Mr Bojangles Franchisees. It is provided simply as a guide to the type of costs and is not an accurate presentation as the figures involved will vary from site to site. It is based on premises from 80m2 to 240m2.

All figures are exclusive of VAT

Figures relating to building work could be reduced if allowances are received from the landlord.

In addition to the above, the Franchisee must bear the cost of transport, accommodation and meals for staff members during the training period.

The following items are to be taken into account

Joining Fee	R100, 000
Stock Guarantee	R60, 000
Development Costing	R800, 000 to R1, 500, 000.00
Rent Deposit	1 <sup>st</sup> Month Rent

See Annexure "A"

### 10.2 Other Costs

The costs of leasehold improvements to an existing building would depend upon the amount of remodeling needed to change the interior to meet the specifications

### 10.3 Potential Return

The group average store turnover for 2010 was R1,080,000.00 including VAT.

It is important to note that the included cash flow projections in no way represent any form of guarantee or undertaking by the Franchisor to the Franchisee that any figures set out herein will be achieved.

### 10.4 Main expenses

Main expenses headings which will impact directly on the Net Profit of the business are:

- Labour Charges
- Worker Costs
  - Accommodation
  - Repatriation
  - Contribution to any regulatory authority
  - Staff Food

- Uniforms
- Rent
- Royalties and advertising
- Other Expenses
  - Administration and accounting Fees
  - Bank Charges
  - Insurance
  - Interest
  - Stationary
  - Telephone, fax and postage

## **11. Conclusion- THE FUTURE**

The franchisee will become part of the family of numerous Mr Bojangles outlets with its unique and vibrant ambience growing from strength to strength.

**Establishment Costing and Disbursement for: Mr Bojangles Head Office Store**

**Annexure "A"**

Development By Contractor	Paid Out By Whom	Contract Value Incl. VAT	Deposit Paid	Payments Made
Catering Equipment – ISA	Zach	170 000.00		170 000.00
Ceillings And Shopfront	Zach	-		-
Décor	Zach	25 000.00		25 000.00
Design Fees	Zach	-		-
Electrical	Zach	25 000.00		25 000.00
Extractor Canopy	Zach	95 000.00		95 000.00
Fire Signage And Equipment	Zach	10 000.00		10 000.00
Gas Installations	Zach	11 000.00		11 000.00
Point Of Sale	Zach	80 000.00		80 000.00
Project Management	Zach	-		-
Shop Fitting	Zach	95 000.00		95 000.00
Signage	Zach	70 000.00		70 000.00
Sound/TV & Satellite Installation	Zach	9 000.00		9 000.00
Training	Zach	-		-
Tables & Chairs	Zach	120 000.00		120 000.00
Opening Orders Stock	Zach	50 000.00		50 000.00
Stock Guarentee	Zach	-		-
Sundries	Zach	40 000.00		40 000.00
		<b>800 000.00</b>		<b>800 000.00</b>