

ITEM 7

ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Actual or Estimated Low	Actual or Estimated High	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee ⁽¹⁾	\$15,000	\$25,000	Lump Sum	Signing of Contract	Golden Franchising Corporation
Land ⁽²⁾	72,000	264,000	As arranged	Before Construction	Third Parties
Site Work and Paving ⁽²⁾	72,000	132,000	As arranged	Before opening	Contractors
Construction Costs ⁽³⁾	250,000	350,000	As arranged	Before opening	Contractors
Furniture, Fixtures, and Equipment ⁽⁴⁾	162,000	192,000	As arranged	As arranged	Approved Suppliers
POS (Point of Sale) System ⁽⁵⁾	6,800	22,000	As incurred	Before opening	Approved Suppliers
Signs and Menu Boards	20,000	27,000	As arranged	Before opening	Contractors
Insurance ⁽⁶⁾	2,200	3,400	As arranged	As arranged	Insurance Companies
Opening Inventory	5,000	8,000	As arranged	Before opening	Approved Suppliers
Miscellaneous Expenses ⁽⁷⁾	27,000	60,000	As arranged	As incurred	Miscellaneous Parties
Initial Training	0	0	Initial Fee	Included	182 hours of training
Travel and living expenses while training ⁽⁸⁾	5,000	6,500	As incurred	During Training	Airlines, hotels and restaurants
Security and Utility Deposits	2,100	3,000	As incurred	Before opening	
Business Licenses	1,500	2,000	As incurred	Before opening	Municipalities
Additional Funds-3 months ⁽⁹⁾	10,000	30,000	As incurred	As incurred	Employees, suppliers, fuel, etc
Total (10)	<u>650,600</u>	<u>1,124,900</u>			

Notes:

(1) The amount indicated represents the initial franchise fee for each Restaurant (see Item 5). The franchise fee is due in a lump sum upon execution of the Franchise Agreement and is not refundable. The low estimate assumes that you are an existing franchisee in good standing who is opening a second store.

(2) Land and site preparation costs will vary substantially, depending on the amount of site preparation necessary (including paving), lot size, geographic area, market conditions, and type and quality of site preparation materials utilized. Generally a freestanding site in a shopping center or on a major highway or thoroughfare may require a higher cost than would a peripheral location off a major thoroughfare or an in-line shopping center building or a building in a smaller community. The amounts indicated for land acquisition and site preparation are based on the various geographic locations in which franchised Restaurants are currently operated (see Item 20) and contemplate a lot size of approximately 18,000-22,000 square feet (a size we consider appropriate to comply with average setback requirements and to provide a sufficient parking area) and land prices of \$4.00 - \$12.00 per square foot and site preparation costs of \$4.00 - \$6.00 per square foot of the property. Land prices and site preparation costs in other areas may vary significantly. Moreover, if you elect to lease, rather than purchase, the land upon which the Restaurant will be located, the amount of the investment and payment terms may vary from the amounts shown (see

Note 3 below.) If you lease the property you and the landlord must execute the Mandatory Lease Addendum “D” attached to this disclosure document.

(3) These amounts are our best estimate of construction costs. The estimates given assume a 2,000 square foot building with a low of \$125 per square foot and a high of \$175 per square foot of building and are based upon construction costs in the various geographic locations in which franchised Restaurants are currently operated. Labor and material costs in other areas may vary significantly in accordance with local variations in wage rates, labor efficiency, union restrictions, and availability, type, and price of materials.

You may also purchase and remodel an existing facility if such facility can be adequately modified in accordance with our design and layout plans and specifications for a typical Restaurant. The costs of purchasing and remodeling an existing facility may vary significantly from the amounts indicated. The variables in this approach include the character of a facility’s prior use and, in particular, whether it was designed for use as a restaurant with comparable kitchen configuration and equipment requirements. Since the scope of conversion projects can vary widely, we are unable to predict a meaningful range of the costs of purchasing and remodeling an existing facility.

Franchisees that elect to lease their Restaurants may not incur direct costs for site preparation and, subject to the terms of the applicable lease agreement, may not incur direct costs for building construction and/or leasehold improvement. Such franchisees may instead have the costs of those components factored into the lease rental rate. Lease rental rates and payment terms will vary significantly, based upon geographic area and market conditions.

(4) These amounts do not include the costs of any owned, hired or leased delivery motor vehicles that you may utilize in the operation of the Restaurant. If you offer delivery and catering services under the terms of the Franchise Agreement, we estimate that approximately 1-3 vehicles will be necessary for such services and that the cost of each owned vehicle (equipped per our specifications) will be approximately \$15,000 to \$30,000. The foregoing estimates regarding the number of vehicles and the cost of such vehicles may vary significantly depending on the size of the Assigned Area (as defined in Item 12 below) and market conditions in the Assigned Area. Moreover, if you lease your delivery motor vehicles, the cost of such vehicles may vary significantly from that shown above.

(5) We do not currently specify the type of POS system you must use; however, we reserve the right to do so in the future. We strongly suggest that you use a system that includes 4 user terminals. Such systems are available from several companies. The estimates are derived from two systems we are currently evaluating.

(6) Insurance expenses include the expense of insurance coverage for casualty insurance, worker’s compensation insurance and general public liability insurance as required by the terms of the Franchise Agreement (see Item 9). The expenditures reflected on the chart are estimated down payments for such coverages. Insurance rates may vary substantially depending on the insurer, the location of the Restaurant, your claim history, and whether you offer delivery and catering services. The amounts given do not include estimates for the automobile liability insurance required under the Franchise Agreement. If you offer delivery and catering services under the terms of the Franchise Agreement, we estimate that the annual premiums for each motor vehicle which you utilize will range from \$1,300 to \$2,200. Automobile insurance rates may vary substantially as described above.

You must obtain and maintain in full force and effect during the term of the Franchise Agreement certain insurance coverage as specified in the Franchise Agreement. The insurance coverage must be obtained from a responsible carrier or carriers acceptable to us, must name us and our subsidiaries, affiliates, successors, and assigns, and their respective officers, directors, shareholders, partners, servants, representatives, agents, and employees as additional insureds, and must include, at a minimum, the following:

- a. Comprehensive general liability insurance, including food products liability coverage, providing coverage of not less than \$1,000,000 combined single limit;
- b. Fire and extended coverage, vandalism and malicious mischief insurance covering the building and contents, with declared values equal to or exceeding 100% of the actual replacement cost;
- c. Worker’s compensation insurance on all your employees in amounts provided by applicable law (or at your election, any legally appropriate alternative providing reasonable compensation for injured workers); provided that, if permissible under state law, in the event that you are not a subscriber under the

applicable state workers' compensation statute, then you must (1) maintain an excess indemnity or "umbrella" policy covering your liability to injured employees, which policy must contain such coverage amounts as you and we mutually agree upon and (2) you must conduct and maintain a risk management and safety program for your employees which you and we mutually agree is appropriate. These policies must also include a waiver of subrogation in favor of us and our directors, officers, shareholders, partners, employees, servants, representatives, and agents;

d. Automobile liability coverage, including coverage of owned, non-owned, and hired vehicles with coverage in amounts not less than \$500,000 combined single limit; and

e. All other insurance required by law.

In addition, in connection with any construction, renovation, refurbishment, or remodeling of the Restaurant, you must maintain Builders All Risks insurance and performance and completion bonds in forms and amounts, reasonably satisfactory to us and written by a carrier or carriers.

(7) Miscellaneous expenses include such items as the cost of preliminary building and site plans, attorneys' fees incurred for purposes of review of this Disclosure Document, the cost of employee uniforms, and initial payments which may be required to secure service contracts.

(8) The amounts shown include estimated travel, lodging, meal, and incidental expenses for 1-2 trainees to attend our required initial training program generally from within Oklahoma or Texas. Such amounts will vary depending on the number of trainees that attend the initial training program, the distance traveled, method of travel, and choice of accommodations.

(9) The amounts indicated assume that you will require the indicated amounts for wages, occupancy costs, and other recurring expenses prior to the opening of the Restaurant. These figures are estimates and we cannot guarantee you will not have additional expenses starting the business. Your costs will depend on factors, such as your management skills, local economic conditions and the local market for this business. We have relied on our experience in running a number of Golden Chick restaurants in Texas in creating these estimates. Specifically, these estimates were obtained from our actual experience in opening restaurants in Bowie, Princeton and Gainesville, Texas during the past two fiscal years. Additional funds are estimated to cover cost overruns and other contingencies. You will need capital to support ongoing costs of your business, such as payroll, independent contractor fees, taxes, loan payments and other expenses. New businesses (franchised or not) often have larger expenses than revenues. The three-month period from beginning business covers the time by which most Franchisees are fully in operation but it does not necessarily mean that you will have reached "break-even", "positive cash flow", or any other financial position by that time.

(10) This amount estimates your initial start up expenses. Since this is an estimate we cannot guarantee that you will not have additional expenses starting the business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Neither we, nor any affiliate offers any financing for any portion of your initial investment. To our knowledge, costs and expenses described above are not refundable.