

ITEM 7
ESTIMATED INITIAL INVESTMENT

Below are estimates of your initial investment with respect to your prototypical restaurant. These estimates are subject to increases based upon the restaurant's location, our cost of providing services, and future policy changes. At the present time, we have no plans to increase payments we control.

Type of Expenditure⁽¹⁾	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fees ⁽²⁾	\$30,000-\$45,000	Lump Sum	When you sign the Franchise Agreement	Us
Site Evaluation Fee ⁽³⁾	\$2,500	As Arranged	As Arranged	Us
Other Site Selection Assistance	\$0 to \$1,000	As Arranged	As Arranged	Approved Suppliers
Furniture, Fixtures, and Equipment ⁽⁴⁾	\$152,000 to \$192,000	As Arranged	As Arranged	Approved Suppliers
Signs and Menu Boards ⁽⁴⁾	\$30,000 to \$80,000	As Arranged	As Arranged	Approved Suppliers
Delivery Vehicles ⁽⁵⁾	\$0 to \$30,000	As Arranged	As Arranged	Approved Suppliers
Initial Training Costs (travel and living expenses) ⁽⁶⁾	\$0 to \$5,000	As Arranged	As Invoiced	Airlines, Hotels and Restaurants

Type of Expenditure ⁽¹⁾	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Computer & POS Systems ⁽⁷⁾	\$2,700 to \$28,000	As Arranged	As Arranged	Approved Suppliers
Initial Inventory/Supplies ⁽⁸⁾	\$5,000 to \$8,000	As Arranged	As Arranged	Approved Suppliers
Architect/Engineer Fees ⁽⁹⁾	\$0 to \$35,000	As Arranged	As Arranged	Architect/Engineer
Professional Services ⁽¹⁰⁾	\$2,500 to \$7,000	As Arranged	As Arranged	Accountants, Lawyers, Other Professionals.
Insurance ⁽¹¹⁾	\$750 to \$7,500	As Arranged	As Arranged	Insurance Broker
Additional Funds ⁽¹²⁾	\$10,000 to \$30,000			
TOTAL	\$235,450 to \$471,000	(does not include real estate, improvements and soft costs)		

Notes:

(1) If you do not already own adequate restaurant space, you will have to purchase or lease land and a building for the Restaurant. The cost of commercial land or restaurant space, whether you lease or buy, varies considerably depending upon the location and conditions affecting the local market for commercial property. We cannot estimate your initial investment for real estate, construction costs and fees, and financing costs, if any; however, the following factors may bear on these costs.

Prototypical Free-standing Restaurant

Typical free-standing restaurants will require from 25,000 to 36,000 square feet of land for the restaurant and sufficient parking facilities (including average setback requirements) designed to accommodate approximately 22 to 30 motor vehicles. Typical land costs could range between \$5.00 to \$20.00 per square foot of land. However, a free-standing site in a shopping center or on a major highway or thoroughfare will cost more than an in-line shopping center building or a building in a smaller community. Typical site preparation costs (including paving) could range between \$5.00 to \$7.00 per square foot of the land. Accordingly, typical land costs could range between \$125,000 to \$720,000, and site preparation costs could range between \$125,000 to \$252,000. Finally, free-standing restaurants are generally around 2,155 square feet. Typical construction costs of the building could range between \$215.00 to \$240.00 per square foot of the building. Accordingly, typical construction costs for the building could range between \$463,325 to \$517,200.

You may also purchase or lease 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 or leasing, and then remodeling an existing facility may vary significantly from the amounts indicated above. The variables in this approach include the character of a facility's prior use (including any necessary asbestos abatement) and whether it was designed for use as a restaurant with comparable kitchen configuration and equipment requirements. Since the scope of conversion projects can vary substantially, we are unable to provide a meaningful range of the costs of purchasing or leasing, and then remodeling an existing facility. Finally, instead of purchasing the land, you may lease or do a combined lease-purchase of the land and building for the Restaurant. Further discussion of the cost to lease the Restaurant are discussed below.

Prototypical In-line or End-cap Restaurant

Typical in-line or end-cap restaurants are generally around 2,155 square feet and have access to sufficient parking facilities to accommodate approximately 22 to 30 motor vehicles. Typical leasehold improvement costs could range between \$128.00 to \$153.00 per square foot of restaurant. These leasehold improvements cost are based upon adapting our prototypical architectural and design plans (including architect fees) to a facility containing approximately 2,155 square feet. In addition, you will be paying the higher amount if you are a first generation tenant who is responsible for providing connections to adequate electrical, gas, water, and sewage services. Also, it is assumed that your landlord will be providing a \$75,000 allowance for tenant improvements. Accordingly, typical leasehold improvement costs could range between \$275,840 to \$329,715. Finally, in addition to the construction costs, you will also be responsible for rent and a security deposit. Although the amounts will vary significantly due to your negotiations with your landlord, your typical first month's rent and security deposit could range between \$3,000 to \$9,000.

We cannot estimate your annual rent for leased space due to a variety of factors such as whether the Restaurant is located within an existing retail business (e.g., shopping mall), the quality of the retail business, the quality of the site and the surrounding trade area and market factors such as availability of land and comparable sale price and lease rates. Further, franchisees that elect to lease their Restaurants may not incur direct costs for site preparation and/or construction. Instead, these costs may be factored into the franchisee's lease rental rate.

In General

The cost of land, site preparation, leasehold improvements, finish out costs, and remodeling a Restaurant vary substantially, depending upon the lot size, geographic area, previous use and condition, market conditions, the amount of site preparation necessary (including paving), and type and quality of site preparation materials utilized. Your costs may or may not include site preparation and finish out costs, depending on the arrangements you negotiate with your seller or landlord. In addition, labor and material costs may vary significantly due to variations in wage rates, labor efficiency, union restrictions, and availability, type, and price of materials.

(2) The initial franchise fee in all areas other than the Houston Area is \$30,000. The initial franchise fee in the Houston Area is \$45,000. See Item 5 for more information about the initial franchise fee. If you are a VetFran Participant, the initial franchise fee for your first Golden Chick Restaurant (excluding locations within the Houston Area) shall be reduced by 33.33% of our then-current initial franchise fee. See Items 1 and 5 for more information about being a VetFran Participant.

(3) See Item 5 for more information about the Site Evaluation Fee.

(4) These amounts include the cost of the furniture, fixtures, equipment, smallwares, decor items, interior graphics, sound system, and signage required for your Golden Chick Restaurant.

(5) If you offer delivery and catering services, 1-2 vehicles (equipped per our specifications) will be required at a cost ranging from approximately \$15,000 to \$30,000 (if purchased). Our estimates regarding the number of vehicles and the cost of such vehicles will vary significantly depending upon whether you purchase or lease your delivery vehicles, and the size and market conditions of the Assigned Area (as defined in Item 12 below).

(6) These amounts represent your estimated training-related, out of pocket costs to send these individuals to our training program; wages are not included. You must pay all expenses you or your

employees incur in the initial training program, like travel, lodging, meals, and wages. These costs will vary depending upon a variety of factors including salaries, wage rates, choice of hotels and dining facilities, and airfare or other transportation costs. The low amount assumes that all trainees are owner/operators who draw no salary and who reside in the greater Dallas/Fort Worth area.

(7) The low amount assumes that you will lease or finance payment of the computer system and reflects one month of estimated lease or finance payments. The high amount assumes that you will purchase the computer system.

(8) This estimate includes the cost of food, beverages, condiments, packaging, and other supplies for approximately the first two to ten days of operations.

(9) This estimate includes the cost to hire an architect approved by us to adapt our standard plans and specifications to site and to local and state laws, regulations and ordinances. An engineer ordinarily will be required only for new construction, surveying, soil tests, environmental studies, and electrical and mechanical engineering. An architect or engineer also will be required to supervise the construction and improvements of the restaurant premises. The low amount assumes that the landlord or developer is paying for all of these charges and building those amounts into your rent.

(10) This estimate covers professional and state filing fees for forming a business entity, and professional fees for engaging an attorney and an accountant to assist you with your franchise purchase. The cost of professional services can vary widely, depending upon factors such as locality, the extent of the assistance you require and other local circumstances (i.e., zoning, permits, and licenses).

(11) This amount represents an estimated down payment of your annual insurance premiums, equal to two months' payment. See Item 8 for a description of your minimum insurance requirements. Your cost of insurance will vary depending on the insurer, the location of your Restaurant, your claims history, and other factors, including whether or not you provide delivery 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 \$1,800. Automobile insurance rates may vary substantially as described above.

(12) You will need capital to support ongoing expenses, such as employee wages, utilities, payroll taxes, legal and accounting fees, travel, advertising, promotion, outside services, linen, operating supplies, small equipment, maintenance and repair, office supplies, cash shortages, insurance, debt service, and non-product purchases, as well as additional opening capital for other variable costs. These figures are estimates of the first three months of operation and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how well you follow GFC methods and procedures; the sales volume of your restaurant; your management skill, experience, and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; your rent or debt structure; and whether your restaurant is not a typical location.

We relied on the experience of our affiliates' company-owned Golden Chick Restaurant to compile these estimates. Restaurants opening in cold weather months may be more likely to need capital in the initial 3-month period because restaurant sales are typically lower. You should review these figures carefully with your business advisor.

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As your primary obligations under the Development Agreement are to sign Franchise Agreements and meet your development schedule, we anticipate that your initial investment in connection with the Development Agreement will be comparable to that described above. Please note however that, as described in Item 5, at the time you sign a Development Agreement, you must pay to us a development fee of \$9,000 for each Golden Chick Restaurant to be developed. In addition, at the time you sign the development agreement, you must also pay to us the entire initial franchise fee of \$30,000 (or \$45,000 within the Houston Area) for the first restaurant, and \$9,000 for each additional restaurant you will develop. If you are compliant with the terms and conditions of the Development Agreement, then \$9,000 (the per-Golden Chick Restaurant development fee) will be credited toward the initial franchise fee for each Golden Chick Restaurant identified in the Development Schedule contained in the Development Agreement. You must sign our then-current form of Franchise Agreement for each Golden Chick Restaurant to be developed under the Development Agreement. The initial franchise fee for the first Franchise Agreement signed under the Development Agreement will be \$30,000 (or \$45,000 within the Houston Area), and the initial franchise fee for each additional Franchise Agreement signed under the Development Agreement (excluding any agreements within the Houston Area) will be reduced to 60% of our then-current initial franchise fee.