

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount - Actual or Estimate Low</b>	<b>Amount - Actual or Estimate High</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Franchise Fee <sup>(1)</sup>	\$25,000	\$25,000	Cash	Payable when you sign a Franchise Agreement for a single Restaurant, or due and payable when you sign a Development Agreement for more than one Restaurant.	Us
Leasehold Improvements <sup>(2)</sup>	\$200,000	\$330,000	As Arranged	As Arranged	Independent Contractor
Tenant Improvement Allowance <sup>(2) (11)</sup>	(\$37,500)	(\$90,000)	(Cash or credit from landlord to you)	As arranged	You
Furniture, Fixtures and Equipment <sup>(3)</sup>	\$120,000	\$150,000	As Arranged	As Arranged	Suppliers
Initial Inventory (Food, Paper, Beverages, Smallwares, Uniforms) <sup>(4)</sup>	\$25,000	\$30,000	As Arranged	As Arranged	Suppliers
Point of Sale Computer Hardware and Software <sup>(5)</sup>	\$20,000	\$30,000	As Arranged	As Arranged	Suppliers
Pre-Opening Salaries, Travel, Lodging, Meals	\$25,000	\$50,000	As Arranged	As Arranged	Employees
Supplies (stationery, business cards, etc.) (for 3 months)	\$1,000	\$3,000	As Arranged	As Arranged	Suppliers
Business Permits <sup>(6)</sup>	\$3,000	\$6,000	As Arranged	As Arranged	Licensing Authorities
Insurance deposits <sup>(7)</sup>	\$4,000	\$7,000	As Arranged	As Arranged	Insurers
Site Lease <sup>(8)</sup>	\$5,000	\$15,000	As Incurred	As Incurred	Landlord
Architect and Engineering Fees	\$15,000	\$30,000	As Arranged	As Arranged	Architect and or Engineer
Utility Deposits	\$1,000	\$5,000	As Arranged	As Arranged	Utility Companies
Advertising and Promotion	\$1,000	\$5,000	As Arranged	As Arranged	Suppliers, Media, Etc.
Signage	\$8,000	\$20,000	As Incurred	As Incurred	Signage Suppliers
Additional Funds (3 months) <sup>(9)</sup>	\$15,000	\$40,000	As Incurred	As Incurred	Employees, Utilities and Suppliers
<b>Total<sup>(10)</sup></b>	<b>\$430,500</b>	<b>\$656,000</b>			

Note 1. If you acquire the right to operate a single Restaurant, you must pay the franchise fee of \$25,000 when you sign the Franchise Agreement (\$20,000 due at signing, net of a credit for your \$5,000 deposit). If you enter into a Development Agreement, you must pay a development fee equal to: a) \$25,000 for each of the first three Restaurants you agree to develop under the Development Agreement, and b) \$12,500 for each additional Restaurant that you agree to develop under the Development Agreement.. See Item 5 above for more information about the franchise fee and the development fee.

Note 2. The cost of leasehold improvements depends on the condition and size of the site, the local cost of contract work, and the location of the Restaurant. The high estimated figures include remodeling walls, ceilings, floors, HVAC, plumbing and other construction including electrical and carpentry work in a large space restaurant. The low estimate assumes that the leasehold is in a smaller space restaurant in reasonably suitable condition on your taking possession of the premises or that the landlord will make some leasehold improvements and amortize the cost over the term of the lease.

Note 3. The furniture, fixtures and equipment will vary, depending on the size and seating capacity of the Restaurant. You must use a standard interior decor style, but we may allow the Restaurant to reflect the location, market, and your tastes within certain parameters prescribed and approved by us. We recommend end cap locations that also have patio space.

Note 4. Opening inventory of products and supplies will vary depending upon your expected volume of business, the size of your Restaurant, and the size of any storage areas in the Restaurant.

Note 5. You must purchase and install the POS computer and electronic cash register equipment in accordance with our specifications (see Item 11).

Note 6. You must obtain licenses and permits required to operate the Restaurant, which may include liquor, business and health licenses depending on local licensing requirements. We estimate that you will incur expenses of approximately \$3,000 to acquire business and health licenses and for deposits to obtain utility service. Because the availability and expenses of acquiring a liquor license vary considerably from jurisdiction to jurisdiction, you should consult the appropriate local governmental agency in your jurisdiction and the area in which you will locate the Restaurant concerning the availability of this license and the associated expenses for the Restaurant before signing a Franchise Agreement. The cost of obtaining a liquor license can range from \$250 to \$250,000 depending on the location and jurisdiction.

Note 7. The estimated cost of premiums for the policies required by the Franchise Agreement will vary significantly based on your location, and the claims experience of commercial businesses in the area, as well as your claims experience in other businesses you operate. Annual premiums are not included in these figures. Annual premiums may vary based on various factors, and premiums may be higher if you sell beer and wine at your Restaurant. Generally, Baker Bros Restaurants do not serve alcoholic beverages; however, some do sell a limited selection of beer and wine.

Note 8. This represents your rent deposits charged by a landlord. If you do not already own suitable restaurant space, the premises must be purchased or leased. We anticipate that most franchisees will lease the premises. You must have a restaurant space of from 2,500 to 3,500 square feet. The cost of leasing or purchasing space will vary, depending on location and other factors, and cannot be accurately projected by us. If you purchase the facilities, your cost will be substantially higher, and will vary depending upon the market for real estate in your area.

Note 9. These amounts represent estimated working capital that you will need for your initial three-month period to cover estimated expenses that you can expect to incur during this initial period, but do not include debt service expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the prevailing wage rate; competition; and the sales level reached during the initial period.

Note 10. The amounts in the chart represent the estimated fees for establishing a single Restaurant, based on our experience in developing Restaurants in the Dallas, Texas market. Except for differences in the fee structure, the estimated costs of establishing multiple Restaurants under a Development Agreement is approximately the same as the cost of establishing one Restaurant, multiplied by the number of Restaurants to be established, less any economic and operating efficiencies you are able to achieve by operating multiple Restaurants. Because these efficiencies will depend on your individual performance, we are unable to estimate the amount of any such savings, if any.

Note 11. Landlords generally permit tenant improvement allowances which range from \$15 to \$30 per square foot, thereby reducing your initial investment costs; however, *we cannot guarantee that your landlord will grant you an improvement allowance.* The figures in the table above include a tenant improvement allowance estimate based on a Restaurant containing 2,500 square feet with an improvement allowance rate of \$15 per square foot for the low estimate and a Restaurant containing 3,000 square feet with an improvement allowance rate of \$30 per square foot for the high estimate.

All fees and costs are nonrefundable, unless permitted by the third party vendor.