



ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee / Initial Franchise Fee (See Note 1)	\$30,000 for each Restaurant	Lump Sum	Development Fee is paid upon signing the Development Agreement; the Initial Franchise Fee will be prepaid as part of the Development Fee	Us
Rent (See Note 2)	\$10,000 to \$18,000	As Arranged	As Arranged	Landlord
Security Deposit (See Note 3)	\$5,000 to \$8,000	As Arranged	As Arranged	Landlord
Real Estate and Improvements (See Note 4)	\$141,500 to \$226,500	As Arranged	Before Opening	Landlord, Contractors
Travel and Living Expenses while Training (See Note 5)	\$2,000 to \$6,000	As Incurred	During Training	Hotels, Restaurants
Furnishings, Fixtures, Equipment and Decorating (See Note 6)	\$100,000 to \$130,000	As Arranged	Before Opening	Suppliers, Contractors
Signage (See Note 7)	\$8,000 to \$12,000	As Arranged	Before Opening	Suppliers
Opening Inventory	\$8,000 to \$12,000	As Arranged	Before Opening	Suppliers
POS system, computer system and service and maintenance fees	\$17,000 to \$22,900	As Arranged	Before Opening	Suppliers
Grand Opening (See Note 8)	\$10,000 to \$12,000	As Arranged	As Arranged	Suppliers



YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Professional Fees	\$8,000 to \$18,000	As Arranged	Before Opening and Ongoing	Your Accountants, Lawyers, Real Estate Broker, Architect
Insurance (See Note 9)	\$8,000 to \$12,000	As Arranged	As Incurred	Insurance Providers
Miscellaneous Opening Costs (See Note 10)	\$8,000 to \$20,000	As Arranged	As Arranged	Suppliers, Utilities, Tradesmen, Us
Additional Funds – 3 months (See Note 11)	\$10,000 to \$35,000	As Arranged	As Arranged	Suppliers, Employees
Total Estimated Initial Investment (See Notes 12 and 13)	\$365,500 to \$562,400			

***All of the above expenditures are non-refundable.**

Note 1: The initial franchise fee includes the loan of our Operations Manual and initial training for up to two individuals having responsibility for the day-to-day operations of your Restaurant. See Item 11 of this Disclosure Document for additional information about the initial training program. The initial franchise fee is not refundable under any circumstances.

As discussed in Item 5 of this Disclosure Document, you will pay a Development Fee based on the number of Restaurants you must develop under the Development Agreement. In most circumstances, the Development Fee is credited against the initial franchise fee you must pay for each Restaurant developed and opened according to your Development Schedule. If a Restaurant is not established in accordance with the Development Schedule, the Development Fee that would have otherwise been credited towards payment of the initial franchise fee for that Restaurant will be forfeited and retained by us.

Note 2: These figures presume that you will be leasing the Restaurant premises and only represent rent for three months. We are unable to estimate the total cost of purchasing suitable premises for your Restaurant or the amount of any down payment that would be required. Rent will vary depending upon the size of the premises, the site's condition, its location, building size, access to major streets, demand for the site, the build-out requirements and construction or other allowances from the landlord, and the requirements of individual landlords. These figures are based upon our general restaurant experience in Atlanta, Georgia. These figures may vary considerably in other parts of the United States. Regardless of whether you lease or purchase the Restaurant premises, a typical Shane's Rib Shack Restaurant occupies approximately 2,800 to 3,000 square feet of net rentable space. A Shane's Rib Shack Restaurant may be located in either a freestanding building, an in-line retail plaza space or an end-cap plaza space, but, in any event, the



Restaurant requires ample parking, good visibility and availability of prominent signage. Because of the wide variation in lease rates for retail space, you should thoroughly investigate the costs of obtaining a location.

Note 3: Your lessor may require a security deposit before you take possession of the premises. This deposit may or may not be refundable.

Note 4: The amounts above include the initial Lease Review Fee. The cost of leasehold improvements will vary widely depending upon the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements in the premises, the extent and quality of improvements desired by you over and above our minimum requirements, landlord's cash contribution to the cost of the improvements, and the like. The amounts above assume that you will receive between \$50,000 and \$100,000 in landlord's cash contributions to the cost of improvements. In the event that a landlord elects not to make any such cash contributions or you elect to pay reduced rent in lieu of such cash contributions, your estimated expenditures on improvements to the real estate could be higher than set forth in the estimates above. Improvements include electrical, carpentry, floor covering, painting, plumbing, heating, ventilation, and air conditioning.

Note 5: We provide initial training at no charge for the individuals that are required to complete the initial training, but you must arrange and pay for all food and lodging expenses for the people who attend the initial training program. Costs vary depending on the distance traveled and the type of lodging. The amount shown does not include the cost of transportation. See Item 11 of this Disclosure Document for a description of the initial training program.

Note 6: You must purchase or lease certain equipment (like kitchen equipment), machinery, furniture, and décor and trade dress items, all of which must comply with our specifications and standards. Costs will vary depending on a number of factors including, without limitation, building codes and health requirements of the state where your Restaurant is located. The figures contemplate that used equipment may be purchased.

Note 7: The cost of your exterior sign will vary depending upon the size, color and back-lite channel letters of the sign and other specifications we may require or are otherwise specified in the Operations Manual.

Note 8: You must conduct a grand opening promotion with the opening of your Restaurant. You must pay all costs of the grand opening, including publicity costs, pre and/or post opening coaching, promotional costs, plus the full cost of any price reductions or other customer inducements. Costs may vary depending on your market and the type of advertising used, however, you must spend a minimum of \$10,000 during the period 30 days prior and 60 days after the opening of your Restaurant or, if you purchased an existing Restaurant, 60 days after the purchase of your Restaurant. Part of your grand opening promotion will include obtaining pre and/or post opening coaching by a vendor designated by us and the cost of this coaching will count toward your required grand opening promotion expenditures.

Note 9: This figure is an estimate of the annual cost of maintaining the insurance required by the Franchise Agreement.

Note 10: This figure includes amounts for utility costs, business licenses, permits, opening assistance, and the cost of training your employees.



Note 11: This estimates the funds needed to cover your expenses during the first three months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), other miscellaneous expenses and working capital. Your costs will vary depending on how rapidly your business grows. These figures are estimates based on our past business experience. We cannot guarantee that you will not have additional expenses starting your franchised business. Your costs will depend on factors like how closely you follow our methods and procedures; your management skill, experience and business knowledge; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level achieved during the initial period. All of these expenses are paid to third parties.

Note 12: We relied on our management's business acumen to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The amount shown is based upon our experience in Atlanta, Georgia. These figures may vary considerably in other parts of the United States and assume you open a single Restaurant. Your actual investment and expenditure may vary from the above estimates depending on the many factors including where your Restaurant is situated, the size of your Restaurant, your ability to negotiate to your benefit with your landlord, your management capabilities, and the amount contributed by your landlord. In addition, your costs will depend on factors like: your compliance with our methods and procedures; your management skill; your business experience and business acumen; local economic conditions; the prevailing wage rate; and the growth of your franchise during the initial period.

Note 13: We do not offer direct or indirect financing to franchisees for any of these items. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, collateral you pledge, policies of your lending institution, and economic conditions in your area.