

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

FRANCHISE AGREEMENT					
Type of Expenditure	Amount (Low Range)	Amount (High Range)	Method of Payment⁽¹⁾	When Due	To Whom Payment Is To Be Made
Pre-Construction Costs ⁽²⁾	\$56,000	\$144,000	As arranged	As arranged	Suppliers
Construction Costs ⁽³⁾	\$405,000	\$750,000	As arranged	As arranged	Contractors/ Suppliers
Front of House Furniture, Fixtures & Equipment ⁽⁴⁾	\$33,000	\$72,000	As incurred	As incurred	Contractors/ Suppliers
Back of House Furniture, Fixtures & Equipment ⁽⁵⁾	\$220,000	\$275,000	As incurred	As incurred	Contractors/ Suppliers
Smallwares ⁽⁶⁾	\$31,000	\$34,000	As arranged	As arranged	Suppliers
POS System ⁽⁷⁾	\$32,000	\$48,000	As arranged	As incurred	Suppliers
Catering Equipment ⁽⁸⁾	\$40,000	\$40,000	As incurred	As incurred	Suppliers
ESTIMATED BUILDING COSTS	\$817,000	\$1,363,000			
Real Property ⁽⁹⁾	Variable	Variable	As arranged	As incurred	Landlord

FRANCHISE AGREEMENT					
Type of Expenditure	Amount (Low Range)	Amount (High Range)	Method of Payment⁽¹⁾	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee ⁽¹⁰⁾	\$35,000	\$35,000	Lump sum	See Item 5	CBC
Grand Opening Marketing ⁽¹¹⁾	\$25,000	\$25,000	As Arranged	30 days before opening to 60 days after opening	Vendors
Training ⁽¹²⁾	\$40,000	\$80,000	As arranged	As incurred	Suppliers
Inventory ⁽¹³⁾	\$10,000	\$20,000	As incurred	As incurred	Suppliers
Security Deposits ⁽¹⁴⁾	\$2,000	\$10,000	As incurred	As incurred	Contractors/Suppliers
Additional Funds – 3 Months ⁽¹⁵⁾	\$125,000	\$400,000	As arranged	As incurred	Suppliers/Landlord/Employees
ESTIMATED OPENING COSTS	\$237,000	\$570,000			
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁸⁾	\$1,054,000	\$1,933,000	(does not include real property costs)		

DEVELOPMENT AGREEMENT					
Type of Expenditure	Amount (Low Range)	Amount (High Range)	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee ⁽¹⁰⁾	\$10,000 per Cafe	\$25,000 per Cafe	Lump Sum	When the Development Agreement is signed	Us
Leasehold and Office Expenses ⁽¹⁶⁾	\$0	\$1,500	As Arranged	Monthly	Vendors
Additional Funds - 3 Months ⁽¹⁷⁾	\$0	\$15,000	As Arranged	As incurred	Insurers and Vendors
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁸⁾	\$10,000	\$41,500			

NOTES

1. **Expenditures.** Costs paid to us are not refundable. Whether any costs paid to third parties are refundable will vary based on the practice in the area where your Franchised Cafe is located. We do not offer any financing directly or indirectly for any part of the initial investment.

2. Pre-Construction Costs. This estimate includes costs for project and construction management, design, architectural, kitchen, mechanical, electrical, plumbing and related drawings, engineering, testing, permit expeditor, city permits and fees, and legal costs for lease negotiation. Costs may vary significantly by geographic location.

3. Construction Costs. This estimate includes all costs incurred in constructing or remodeling a site to conform to our standards, general contractor and sub-contractor fees and other costs to construct leasehold improvements to conform to our standards, including exterior signage, window graphics and awnings. In addition, this estimate includes items provided by the tenant for use in the lease space which would remain in the space at the conclusion of the lease (i.e. as walk in cooler, refrigeration, exhaust hoods and fans, patio heaters, carpet, HVAC test & balance, etc.). The cost of constructing a building shell is not included. The cost of developing a site will vary widely depending upon the location/market, design, configuration, condition of the premises, condition and configuration of existing services and facilities (i.e., air conditioning, electrical and plumbing), the lease terms and the local real estate market. Often, landlords provide allowances for tenant improvements.

Construction costs presented are net of tenant improvement allowances, which vary widely. For Corner Bakery Cafes that opened in 2011 through 2014, tenant improvement allowances ranged from approximately \$0 to \$523,000. Your total net cost to construct a Corner Bakery Cafe may be significantly impacted by the level of tenant improvement allowances received.

4. Front of House Furniture, Fixtures & Equipment. This estimate includes all front of house furniture and fixtures for a Corner Bakery Cafe, including chairs, tables, café curtains and window blinds, décor package, patio furniture and umbrellas.

5. Back of House Furniture, Fixtures & Equipment. This estimate includes the cost of all kitchen equipment, soda system, ice makers, coffee equipment, specialty equipment and sound system.

6. Smallwares. The estimate includes cooking, serving and other utensils for food preparation, trash cans, ladders, dollies, etc.

7. POS System. The figure provided is the cost to purchase a computerized cash accounting and point of sale system, including installation. Your costs may vary. We require you to use our designated point of sale hardware and software system as described in Items 8 and 11.

8. Catering Equipment. You must acquire equipment to support the catering program delivery service including purchasing or leasing a refrigerated vehicle that meets our specifications for refrigeration installation and delivery capacity. Costs associated with obtaining an approved delivery vehicle include the purchase price or lease costs, upfitting costs (refrigeration & graphics) and delivery costs up to \$39,000. Each vehicle also requires an equipment package which costs up to \$1,000 that includes approved delivery crates, an approved dolly/hand-truck/cart and an anti-slip mat as outlined in our Catering Sales and Operating Procedures Manuals.

We also require additional catering support services such as a fleet management program for delivery vehicle fuel and maintenance, a program for monitoring and approving delivery driver Motor Vehicle Records per our standards and a telecommunications program for delivery personnel. While these costs are variable based on usage, the average monthly costs to maintain these programs is less than \$1,000 per month per delivery vehicle.

9. Real Property. We expect that you will lease the location for the Franchised Cafe, which will vary in size from 3,000 to 4,500 square feet, excluding a patio. Corner Bakery Cafes are typically located in densely populated suburban and urban areas. We cannot estimate the lease payments that you will make to third party lessors since these payments will vary considerably depending upon the property size, type of transaction and location. You may be required to pay the first and last months' lease payment upon signing your lease agreement. Lease agreements may include the following expenses: taxes, insurance,

maintenance, fixed rent (with escalations), percentage rent and other charges related to the operation of the Franchised Cafe.

10. Initial Franchise Fee and Development Fee. The details concerning the payment of the Development Fee and the Initial Franchise Fee are included in Item 5.

11. Grand Opening Marketing. At least 60 days before the opening of the Franchised Cafe, you must submit a Grand Opening Required Spending Plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of the Franchised Cafe. You must obtain our written consent to the Grand Opening Plan before you begin to implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. In addition to the Field Marketing expenditure requirements (as described in Items 6 and 11), you must, during the period beginning 30 days before the scheduled opening of the Franchised Cafe and continuing for 60 days after the Franchised Cafe first opens for business, spend at least \$25,000 to conduct grand opening marketing and promotion in authorized advertising media and for authorized expenditures. Within 30 days of each grand opening expense that you incur, you must submit to us evidence (by invoice or sample, if applicable) of those grand opening marketing and promotional expenditures.

12. Training. This estimate includes the cost of sending your Controlling Principal, Operating Partner, Multi-Unit Manager, General Manager and three managers of the Franchised Cafe to attend our initial training program in Dallas, Texas. We do not charge a tuition fee for the initial training program; however, you will be responsible for any salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the initial training program. This estimate also includes the pre-opening training salaries for your managers and employees at the Franchised Cafe. A Developer's training expenses are reflected in the table of estimated initial investment expenses under the Franchise Agreement.

13. Inventory. This estimate includes food products through opening day and initial startup office supplies and restaurant supplies.

14. Security Deposits. This item is an estimated range for security deposits, utility deposits, business licenses and other prepaid expenses.

15. Additional Funds – 3 Months. This is our estimate of your expenses for the initial period after your business opens, including professional fees, three months of lease payments, the cost of three months of inventory (including restaurant equipment and food), payroll, facility expenses like utilities, insurance, pest control, security, repairs and maintenance, complimentary sales and other costs. The range provided also includes our best estimate of the cash requirements, including salaries for hourly employees and managers (excluding bonus) for the first three months of operations. For the purpose of this disclosure document, we have estimated the initial period to be three months from the date the Franchised Cafe opens for business. These figures are estimates, and we cannot assure you that you will not have additional expenses in starting the Franchised Cafe. Your actual cost will depend on factors like your management skill, experience and business acumen; local economic conditions; the local market for the restaurant; the prevailing wage rate; competition in the market place; and the sales level reached during the initial period. These amounts do not include any estimates for debt service. We relied on our experience with our company-operated Corner Bakery Cafes to derive our estimates for these additional funds.

16. Developer: Leasehold and Office Expenses. Developers will likely need only a moderately sized and furnished office and, depending on their other business activities, may be able to operate from their existing facility.

17. Developer: Additional Funds – 3 Months Developers do not generate revenue from their development activities. Ongoing expenses are for site selection and routine expenses associated with maintaining an office.

18. Total Estimated Initial Investment. We relied on our own experience and information provided to us by our franchisees when preparing these figures. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.