

ESTIMATED INITIAL INVESTMENT

The following table represents the estimated total initial investment required for the establishment of a franchised *Qdoba* restaurant at premises leased by the Franchisee. No estimate can be made as to costs of purchasing an existing restaurant or costs of developing a non-traditional location.

Type of Expenditure *	Estimated Amount	Method of Payment	When Due	To Whom Made
Franchise Fee ⁽¹⁾	\$30,000	Lump Sum	Upon commencement of construction	Qdoba
Development costs: plans, legal fees, permits ⁽²⁾	\$26,000 - \$39,000	As incurred	As arranged or incurred	Architects, lawyers, municipalities
Leasehold improvements ⁽³⁾	\$346,000 - \$465,000	As arranged	As arranged or incurred	Contractors & vendors
Furnishings, fixtures and equipment ⁽⁴⁾	\$354,000 - \$400,000	As arranged	As arranged or incurred	Contractors & vendors, including Qdoba
Signage ⁽⁴⁾	\$18,000 - \$60,000	As arranged	As arranged or incurred	Contractors & Vendors
IT and other Systems ⁽⁵⁾	\$20,000 - \$32,000	As arranged	As arranged or incurred	Contractors & vendors
Opening inventory ⁽⁶⁾	\$7,000 - \$10,000	As arranged	As incurred	Food suppliers
Travel and living expenses while training ⁽⁷⁾	\$900 - \$6,000	As incurred	During training	Airlines, hotels & restaurants
Miscellaneous pre-opening expenses	\$10,000 - \$16,000	As arranged	As arranged or incurred	Contractors & vendors
Grand opening advertising (at traditional sites)	\$5,000	As arranged	Within 30 days of opening	Vendors
Insurance ⁽⁸⁾	\$4,500 - \$8,000 (excluding several types of coverage)	As incurred	As incurred	Insurance brokers or companies
Liquor license ⁽⁹⁾	\$100 - \$7,000 (Varies depending on location)	As arranged	As arranged	Seller or liquor board
Real property lease / purchase costs ⁽¹⁰⁾	Varies depending on location	As arranged	As arranged	Seller or landlord
Business licenses, health permits and similar permits	\$100 - \$3000 (Varies depending on location)	As arranged	As arranged	City, county and/or state
Additional funds – 3 months ⁽¹¹⁾	\$30,000 - \$50,000	As arranged	As needed	As required
TOTAL ESTIMATED COST (excluding real property costs) <u>\$851,600 – \$1,131,000</u> ⁽¹²⁾				

* No portion of the initial investment that is paid to Qdoba is refundable.

Notes

Calculations regarding estimates for leasehold improvements, building construction and site work are based upon restaurants of 2,400 to 3,000 square feet, using our newest design elements. We are continuing to refine and value-engineer that design.

- (1) This Franchise Fee is for one franchise entered into under a Franchise Agreement. The standard Franchise Fee for individual restaurants is \$30,000; the standard Franchise Fee for restaurants opened under the Development Agreement is \$20,000 (after credit of the \$10,000 Development Fee as more fully described in Item 5 of this disclosure document). We reserve the right to charge a different fee for non-traditional sites.
- (2) Costs incurred for the development of an interior architectural and design plan will vary depending on the services provided and the professionals selected by you. You may also incur legal fees for assistance in negotiating leases and advice on issues relating to the opening of your units. These fees will also vary depending upon the services provided and the professionals selected by you.
- (3) The cost of leasehold improvements will vary depending on the facility selected and the region or market you are in. These leasehold improvement costs assume that the space will already include the requirements described in Qdoba's standard landlord work letter. If the space is delivered AS-IS, the leasehold improvement costs will likely be higher. The estimate also assumes a landlord improvement allowance of \$50,000. The allowance may be more, less, or may not be available, depending on the circumstances regarding your selected location. If no landlord improvement allowance is available, your leasehold improvement costs will be higher.
- (4) You must lease or purchase the following items, among others: signs; kitchen equipment package and smallwares, display stands, interior decor package (tables, chairs, accessories, paneling, lighting, ceiling and window and floor treatments and artifacts), and decorations.
- (5) Systems include the following items that you must lease or purchase: phones, point of sale register and computer equipment, security system, safe, Q card system, music system and cable.
- (6) You will be required to purchase certain recipe items, as specified by us, which constitute key components of the System. Also included in this number are the opening food inventory, uniforms, linens, smallwares, first aid supplies, office supplies, initial cleaning supplies, gift certificates, menus and other printed items and opening cash drawer.
- (7) The travel and living expenses for trainees will depend upon factors such as travel distance, quality of accommodations, wages and per diem allotment. The estimate in this table includes expenses for three (3) trainees.

- (8) These figures are estimates for general liability coverage only. They exclude costs for property insurance, builder's risk insurance, workers compensation insurance, business automobile insurance and earthquake and flood insurance and other types of insurance, due to the great variation in such costs. Insurance costs vary depending upon several factors, including type of site (stand-alone or in-line site), location, construction type, loss history, whether fire hazard protection is purchased, sales, market, payroll, workers compensation rates, number of locations, number of vehicles, radius of vehicle operations, type of vehicle, and DMV history, among other factors.
- (9) Based only on Qdoba's cost. Liquor licensing costs vary widely. Please research costs in your jurisdiction.
- (10) The cost to purchase or lease real estate will vary depending on factors such as the location of the property, the condition of the local real estate market, the ability to negotiate favorable terms of sale or lease, current economic conditions, etc.
- (11) The amount of additional funds you will need will depend on the time necessary to achieve cash flow to cover operating expenses. This amount is the minimum recommended for a three- (3) month contingency.
- (12) We have compiled these estimates based on our actual and expected costs in Company markets across the United States. Costs in other areas may be significantly higher due to population density or other reasons.

You should review these figures carefully with a business advisor before making any decisions to purchase the franchise.

SHORTFALLS OF CAPITAL MAY ARISE FROM INDEPENDENT ECONOMIC FACTORS SUCH AS LABOR SHORTAGES, OR DELAYS IN CONSTRUCTION OR DELIVERY AND INSTALLATION OF LEASEHOLD IMPROVEMENTS AND EQUIPMENT. IF YOU COMMENCE OPERATIONS WITH INADEQUATE CASH, YOUR OPERATION MAY FAIL, AND YOU MAY EXPERIENCE A TOTAL LOSS OF YOUR INVESTMENT.

THERE ARE NO OTHER DIRECT OR INDIRECT PAYMENTS IN CONJUNCTION WITH THE PURCHASE OF THE FRANCHISE.