

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee	\$46,450	Lump sum and monthly	Upon signing Agreement	ProSource
Fixtures - Showroom and Warehouse	\$42,500	Set by Supplier	Prior to Opening	Suppliers and ProSource
Modular System: Furniture & Equipment	\$35,000	Set by Supplier	Prior to Opening	ProSource
Signage and Trade Dress / Graphics	\$11,000	Lump Sum	Prior to Opening	ProSource
ProKey System: Computer Hardware and Installation	\$12,500	Lump Sum	Prior to Opening	ProSource and suppliers
Inventory (See Note 1)	\$10,000-\$15,000	Set by Supplier	Upon Delivery	Suppliers and ProSource
Remodel Expense (See Note 2)	\$24,045	Set by Supplier	Prior to Opening	Suppliers and Trades Person
Floorcovering and Related Products Samples (See Note 3)	\$32,000	Lump or multiple	Prior to Opening	Suppliers and ProSource
Real Property (See Note 4)	\$21,000-\$36,000	Set by Landlord	Set by Landlord	Landlord
Training (Franchisee costs)	\$2,000 (See Note 5)	Set by Supplier	Set by Supplier	Airlines, hotels, etc.
Software License and Training Fee	\$15,000	Lump sum	Prior to Opening	RFMS
ProStart Set Up Service	\$5,000	Lump sum	When completed	ProSource
Additional Funds (3 months)	\$12,500	Set by Supplier	Prior to Opening	Various suppliers and ProSource
Advertising / Marketing (See Note 6)	\$30,000	Multiple payments	Prior to Opening	ProSource
Royalties (See Note 7)	\$6,000	Monthly	Monthly	ProSource
Wages and withholding	\$38,000-\$52,000	Biweekly	Biweekly	Employees
Freight	\$10,000-\$20,000	Set by Supplier	Upon Delivery	ProSource
Total (See Note 8)	\$352,995 - \$396,995			

NOTES:

- (1) ProSource will determine how much inventory You may need to open Your Showroom.
- (2) ProSource anticipates that some remodeling expense will be borne initially by the landlord and that if You are required to pay such expense under the lease, such expense will be amortized over the life of the lease. ProSource estimates the first year portion of such expense to be \$24,045. ProSource estimates that Your portion of the overall buildout cost to be \$100,000 and will include lighting, counters, flooring, electrical, installation of graphics, signage and painting. If amortized over 5 years with interest computed at 2 ½ points over “prime”, the annual cost would be \$24,045. Note that this calculation assumes a prime rate of 5.0%, and Your amortized payment may differ depending on the terms of Your lease, and the prime rate at that time.
- (3) The cost listed for floorcovering and related product samples can be reduced based on Franchisee’s ability to negotiate with suppliers.
- (4) ProSource estimates that if Your ProSource Showroom premises are leased the rent for such premises would be approximately \$7,000.00 to \$12,000.00 per month (which does not include amortized portion of initial buildout costs). ProSource cannot estimate the rent and/or the purchase price of premises in which Your ProSource Showroom will be located in all locations because of the following variable requirements: (A) preferably, the Showroom would be located in an easily accessible, non-retail space such as in an industrial/office park in a city; (B) the size of the leased space should be a minimum of 8,000 square feet and up to 12,000 square feet (which includes areas of office, showroom display, warehouse and bathrooms); and (C) the leased space should be located near carpet, tile and wood distributors. The amount shown above assumes that You will not start paying rent until Your Showroom opens, and accounts for Your first three months of rent.
- (5) ProSource will pay for training as set forth above. Franchisee must pay for all meals, travel expenses and lodging. ProSource estimates Your cost will range from \$1,000.00 to \$2,000.00 for the four day training course.
- (6) ProSource estimates that You will spend a maximum of \$30,000 on the grand opening Acquisition Campaign and a minimum of \$12,000 during the remainder of the first year of operation. The \$30,000 estimate includes costs of various collateral materials.
- (7) The formula for calculating royalties is described in Item 6. The estimate in this Table assumes that You make the minimum royalty payments for each of the first three months after Your Showroom opens.
- (8) The total does not include amounts for loan payments in the event that You have borrowed funds to open the Showroom. **THESE FIGURES ARE ESTIMATES AND PROSOURCE CANNOT GUARANTEE THAT YOUR EXPENSES WILL NOT EXCEED THESE ESTIMATES OR THAT YOU WILL NOT HAVE ADDITIONAL EXPENSES NOT LISTED HERE STARTING THE BUSINESS.** Your costs will depend on factors such as: how much You follow ProSource’s methods and procedures; Your management skills, experiences and business acumen; local economic conditions; the local market for Your product; the prevailing wage rate; competition; and the sales level reached during the initial period. ProSource relied on its experience in operating the ProSource franchise system when compiling these estimates. You should review these figures carefully (with a business advisor if necessary) before making any decisions to purchase the franchise. ProSource does not offer financing, either directly or indirectly, to You for any items (excluding the initial franchise fee).