

ITEM 7

ESTIMATED INITIAL INVESTMENT

General

The following table sets forth certain amounts we believe you should expect to pay to open and initially operate an Instant Tax Service franchise. We do not provide financing for any of the following items, except we may provide financing for a portion of your initial franchise fee (see Item 10).

Your actual costs may vary materially from the amounts below. The following information also includes a description of assumptions used in arriving at the range of costs. You should review the information in this item and the assumptions described below carefully with your advisors, accountants, lawyers, other professionals, and potential landlords, contractors and suppliers before making any decision to purchase a franchise for an Instant Tax Service business or an Instant Tax Service franchise.¹

YOUR ESTIMATED INITIAL INVESTMENT

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Fee Is To Be Paid</u>
	<u>Low</u>	<u>High</u>			
Franchise Fee ¹	\$14,000	\$34,000	Lump Sum	Upon Signing	Us
Lease Deposits ^{2, 4}	1,000	3,000	As Incurred	As Agreed	Landlord
Rent ^{2, 4}	2,000	6,000	As Incurred	As Agreed	Landlord
Leasehold Improvements ^{2, 3, 4} Furniture, Fixtures, and Equipment ⁵	3,000	10,000	As Incurred	As Agreed	Suppliers
Computer/Software ⁶	3,000	6,000	As Incurred	As Agreed	Suppliers
Signage	2,000	4,000	As Incurred	As Agreed	Suppliers
Initial Advertising ⁷	1,000	4,000	As Incurred	As Agreed	Suppliers
Miscellaneous Opening Costs ⁸	1,000	6,000	As Incurred	As Agreed	Suppliers
Additional Funds ⁹	4,000	7,000	As Incurred	As Agreed	Suppliers
	<u>6,000</u>	<u>9,000</u>	As Incurred	As Agreed	Suppliers
Total ¹⁰	<u>\$39,000</u>	<u>\$89,000</u>			

Notes:

(1) You are responsible for the full payment of the Instant Tax Service franchisee fee of \$34,000. See Item 5 for details. However, we may provide financing of up to the full amount, but generally no more than \$20,000, of the initial franchise fee for certain potential franchisees who meet our qualifications. We also offer bridge loans to franchisees who meet our qualifications in an effort to provide the necessary capital to operate the Instant Tax Service franchise. See Item 10 for details.

(2) You will have responsibility for buying or leasing the real estate on which you intend to locate your Instant Tax Service Office. We must approve in writing the site location for your Instant Tax Service Office. Due to the relatively small space requirements for operating an Instant

Tax Service franchise, we strongly recommend that you lease rather than purchase the space necessary to operate your Instant Tax Service franchise. The costs of purchasing real estate will vary greatly from location to location, and we have made no effort to state the average cost of purchasing real estate because of the wide variance involved. We have attempted, however, to estimate the costs associated with leasing space for your Instant Tax Service franchise (see Note 4 below). The estimated initial investment above does not include the costs of site selection, land acquisition by purchase, land preparation, landscaping and other land improvements, or any associated financing costs.

(3) The estimated costs of leasehold improvements will vary depending on a variety of factors, including whether the improvements constitute new construction or the conversion of an existing structure, geographic location, size of the premises, and negotiated landlord improvements, if any. We have attempted to estimate the costs of expected leasehold improvements for leased premises for your Instant Tax Service franchise (see Note 4 below).

(4) Given the nature of commercial real estate, expenses such as monthly rent, deposits, and necessary leasehold improvements may vary greatly depending on a variety of factors, including location, size of the premises, market for the premises, condition of the premises, etc. The typical size of an Instant Tax Service office is 800-1200 square feet, and you should plan to locate your Instant Tax Service franchise on a major thoroughfare or urban highway in a strip shopping center or a free-standing building. We recommend that an Instant Tax Service franchise should contain at least 800 square feet. We have attempted to estimate these amounts for your convenience, and these figures represent estimates for necessary deposits and leasehold improvements, as well as three months' rent at such a location.

(5) The amounts for furniture, fixtures, and equipment include the cost to purchase the recommended furniture, fixtures, and equipment for a standard Instant Tax Service franchise. The amounts exclude the cost of transportation, installation and sales tax (if applicable), which will vary from location to location.

(6) The amounts for computers/software include the cost for 2-3 computer systems meeting our minimum specifications (see Items 8 and 11 for more information on computers and software). You must have at least 2 of these computer systems. The volume of services you provide and number of employees you hire may require the purchase of additional computer systems.

(7) The amounts for initial advertising are recommended amounts. These amounts are separate from contributions you will make to the advertising Cooperative (see Item 6 above). We do not require that franchisees spend any particular amount or set percentage of gross revenues on local advertising. We do, however, strongly recommend that franchisees advertise heavily within their protected area using direct mailing, flyers, door-hangers, etc., and advertise in regional media such as newspapers.

(8) The amounts for miscellaneous opening costs include, but are not limited to, travel and living expenses for you and/or your employees during the required initial training; incorporation fees; initial legal and accounting fees; utility deposits; business permit fees; initial insurance premiums; and pre-opening salaries for you and your employees.

(9) The amounts for additional funds represent an estimate of your initial start-up expenses for the first three months of operations. Those expenses include payroll costs. We have

estimated those amounts and cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on various factors, including how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your business; the prevailing wage rate; competition; the time of year you open your business due to the seasonality of tax preparation, and your sales during the initial period.

(10) We have relied on the experience of TCA Financial in opening and operating their Instant Tax Service Offices, as well as our experience and the experience of our franchisees, to compile these estimates. Except as otherwise noted, none of the items in the chart are refundable. These figures are only estimates and your costs may be higher, depending on your particular circumstances and market. Your initial investment may also be impacted by the time of year that you open or close your franchised business. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a franchise.

In certain circumstances, we may permit a franchisee to establish and operate a Franchised Storefront Office in a smaller “Kiosk” format. If we grant you the right to operate a Kiosk for the Instant Tax Service Office, you may be required to execute a delayed opening stipulation and the estimated initial investment for the Kiosk will likely be lower than the total estimated cost in the chart above. Also, as noted in Item 5 above, we may in the future acquire and convert existing independent tax preparation businesses to join our system. In that case, or if you are purchasing a Re-Sale Office, the estimated initial investment (excluding the purchase price) will likely be lower than the total estimated cost in the chart above, since there will be no costs associated with initial building and site improvement and equipment and signage. In addition, the purchase price for Re-Sale Offices will differ from office to office depending on numerous factors including the condition and value of the assets being acquired (including their book value and their fair market), their location, and other factors.

[Remainder of page intentionally left blank]