Chipotle

Fresh Ideas

Capital Associates

"Making money has never been so fresh."``

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I. Executive Summary

Fresh Ideas Capital Associates LLC (FICA) is a limited liability company that will be the franchise operator and master franchisee of Chipotle Mexican Grill Restaurants in Hawaii. The national franchisor of Chipotle Mexican Grill Restaurants is Chipotle Mexican Grill, Inc. (CMG) – a New York Stock Exchange company that was previously spun off by McDonalds. Chipotle Mexican Grill Restaurants (Chipotle) is one of the nation's fastest growing "quick food" chains in the United States.

Chipotle Mexican Grill serves "Mexican style" food that uses only the freshest and healthiest ingredients available. Chipotle aims to change the way the "world thinks about fast food" by invoking its philosophy of "Food with Integrity." Its food is considered "quick food" instead of "fast food" because all products are cooked not microwaved and its burritos are assembled in "Subway Sandwich" like fashion. Along with refreshing soft and alcoholic beverages, the restaurant provides an ambient atmosphere with a well designed sitting area.

In its first five years of the venture, FICA will act primarily as a franchisee of Chipotle Restaurants. FICA intends to open and operate three restaurants in Mililani, Moanalua and East Oahu within this period. Given the current economic conditions in Hawaii and the principals' desire to learn the business from the "inside out", FICA's principals, Elaine Chow and Justine Ruan, believe that this is the proper course of action. After this indoctrination period (5 years), FICA will continue to operate its three restaurants but will now offer sub-franchisee opportunities to well-qualified entities. It expects to receive a 2% master franchise royalty income. (Master Franchisee Specialist, 2009)

Gross Margins from a stabilized “store” is estimated to be 67% with the cost of food and beverages averaging about 33%. Stabilized operating income before interest and depreciation is estimated to be in the 10% range. Estimated break even in units (customer units) is estimated to range from 163 to 183 unit sales per day depending on the progress of individual stores.

FICA will require a little over $600,000 for each of its three franchise restaurant stores or approximately $1.8 million over a five year period. Most of these funds will be for tenant/site improvements and furniture, fixtures and equipment. Initially (in Year 0), the principals and their family will contribute $200,000 for the initial store. FICA will be seeking another $300,000 in debt financing and $300,000 in outside equity financing. A similar structure will be used for the capital requirements of restaurant stores 2 and 3, however, it’s expected that operating cash reserves will be used to decrease funding amounts.

The funding for the $1.8 million requirement can be summarized as follows: 1) $200,000 principals and family equity; 2) $750,000 in debt financings; and 3) $750,000 in outside equity financings, and 4) $100,000 in operating cash flows. Under its capital plan, all debt financings will be paid off before any return of capital or distributions to any equity participant. After debt repayments, all outside equity will be returned and only after this is accomplished will outside equity and the principals split distributions on a 50/50 basis.

The principals of FICA are extremely pleased to present you this Business Plan for your consideration. We are very excited about this venture and feel it will prove to be a lucrative venture in the long run. Please feel free to contact us with any questions.

II. The Business Organization

A. Company Overview

1. The Investment Opportunity

a. FICA's Investment – Chipotle Mexican Grill Franchise

Fresh Ideas Capital Associates (FICA) plans to invest in the Chipotle Mexican Grill Franchise as Master Franchisee of the Hawaii region. FICA intends to own and operate three restaurants within the first five years of its existence. The first of these restaurants will be in the Mililani area, the second in the Moanalua area, and the last in the East Oahu area. Beyond these first three restaurants, FICA will then open sub-franchises with credit-worthy entities in the neighbor islands and other Oahu areas.

b. Chipotle Mexican Grill Restaurant Description

Chipotle Mexican Grill (Chipotle) is a "quick-food" restaurant that sells gourmet burritos and tacos in a way that gives a whole new twist on how traditional "fast-foods" are served. Chipotle Mexican Grill already has a strong reputation in the healthy/ fast-food industry, being ranked 3rd in the nation. Using the freshest and most environmentally sound ingredients, Chipotle serves its foods in a counter line production system similar to the Subway method of sandwich production. It sells naturally raised beef, chicken, pork, beans and salad along with soft and alcoholic beverages. Chipotle serves their "Food With Integrity" (Chipotle, 2009) and always finds new ways to make the food more nutritious and cleaner. Chipotle Mexican Grill has over 800 restaurants nationwide including Canada. The restaurant has beautiful architectural work on the wall. Every Chipotle has an artwork by Bruce Gueswel, a noted sculptor. It is not a drive-inn place, but rather a place where customers can enjoy their burritos or tacos while socializing with their friends and families.

c. Chipotle Mexican Grill, Inc, (The Franchisor)

Chipotle Mexican Grill, Inc. (CMG) will be FICA's franchisor. All the contracts and agreements will go through Chipotle Mexican Grill, Inc. CMG was incorporated in Delaware on January 30, 1998 and has operated Chipotle Restaurants since February 1998. McDonald's Corporation once owned a majority of CMG's stock but has since spun off CMG as a totally separate entity. (UFOC, 2004) As noted earlier, FICA will operate as Master Franchisee for CMG in the Hawaii region. (See Appendix E; page 56 and below for more franchise information).

d. Chipotle Franchise Agreement and Requirements

In order for FICA to become a Master Franchisee, CMG's franchise agreement requires that FICA make an initial investment that ranges from $500,000 to $850,000. Included in this arrangement is an almost turnkey operation. The initial investment will include the purchase of restaurant equipment, furniture and fixtures, computer systems, training, and initial food supplies. The franchisor will work with FICA in securing the most optimal leasing space and will provide plans for the tenant improvements to the site.

In addition to this initial investment, FICA will be then responsible on monthly basis for the following items: 1) royalty fees at 5 %, 2) marketing fees at 6%, and 3) technology fee.

2. Mission Statement

Fresh Ideas Capital Associates (FICA) mission is to provide healthy alternatives to what the customers would expect from a traditional fast-food place. FICA selected

Chipotle Mexican Grill because it would be a great opportunity to bring something new and innovative to the Hawaii market. FICA seeks to serve burritos like customers have never tasted before. When customers take their first bite into the burrito, they will be craving for another one. FICA will make sure to have the effect on our customers that when they are hungry, the first restaurant that will pop up in their minds will be Chipotle Mexican Grill. FICA will continue to find new ways to satisfy the customers and make the overall restaurant setting more appealing.

3. Vision Statement

Fresh Ideas Capital Associates (FICA) vision is for their Chipotle Mexican Grill franchise to become the most successful, quick-food/service franchise in Hawaii in the next 5 years. We will also plan to achieve 10% of the market share in the Hawaii fast/quick food industry.

As a Limited Liability Company, FICA will start off as a Master Franchisee. FICA will systemize their business in order to take full advantage in the next five years of the potential opportunities for the Chipotle Mexican Grill franchise of Hawaii. After securing the best markets for ownership and achieving the necessary experience, FICA intends to sub-franchise Chipotle Mexican Grill to the neighbor islands and to other areas of Oahu. FICA hopes to maintain that clean image of how we serve our burritos, tacos and other food items to make the customers feel that they have been to a restaurant which is really supportive of living healthy and providing the best meals they can to do that.

4. Short-Term Goals

Within the first two years, FICA's primary goal is to have one Chipotle restaurant up and running with a positive cash flow. The company understands that it is starting this venture in a difficult economic environment and thus it is taking it slow before it opens its second restaurant at the beginning of year three. FICA intends to "get the bugs out" with this first restaurant, learn from it, and then open restaurants at the beginning of years three, and five. In financial terms, it's expected that the first restaurant will generate gross margins of 67%, and operating margins of 10%, by the end of year two. The company expects to draw about 200 customers daily by the end of year 2.

5. Long-Term Goals

As noted above, the company will open two more restaurants after the first restaurant in Mililani. The two new locations will be Moanalua and East Oahu. FICA intends to own and operate three franchise locations in order to secure what it believes are the best potential Chipotle markets and to gain further experience from being a direct operator. However, after the fifth year, FICA will change its business model and intends to offer sub-franchise opportunities to other entities, specifically within the neighbor islands and possibly Oahu. In this scenario, FICA will earn a cut of the gross royalty fees provided to CMG. In this model, it will require less capital but more operating experience to assist potential sub-franchisees. (See Cash Flow on page 24 for more information)

B. Organizational Structure

FICA's Investment Team Structure

Elaine Chow- Chief Operating Officer and Director of New Restaurant Development and Marketing

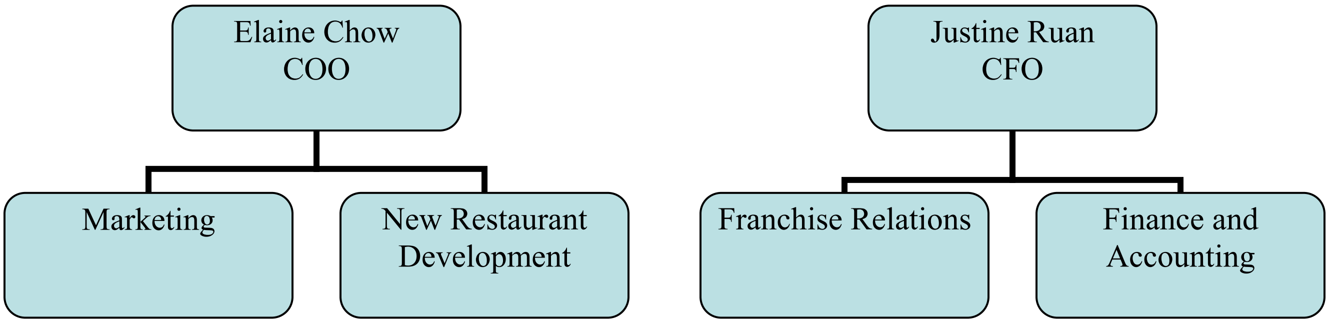
Ms. Chow will be the Chief Operating Officer in which she is in charge of all operations that will occur within the restaurants. She will also take on the role as the Director of Marketing and Restaurant Operations. Ms. Chow will be in charge of all marketing activities, promotions, planning for future expansion, and any other developments that are needed to make sure the restaurant will be a successful project.

Ms. Chow is well-qualified for these positions in that she has held many leadership positions throughout her high school career. Ms. Chow is currently the President of the Moanalua High School DECA Business Club. She also won 1st place in a recent statewide DECA competition and had the chance to compete at the International level in Atlanta, Georgia in 2008. Ms. Chow has been able to maintain a 3.9 GPA and has earned a spot in the school's elite National Honor Society.

Justine Ruan – Chief Financial Officer and Director of Franchise Relations

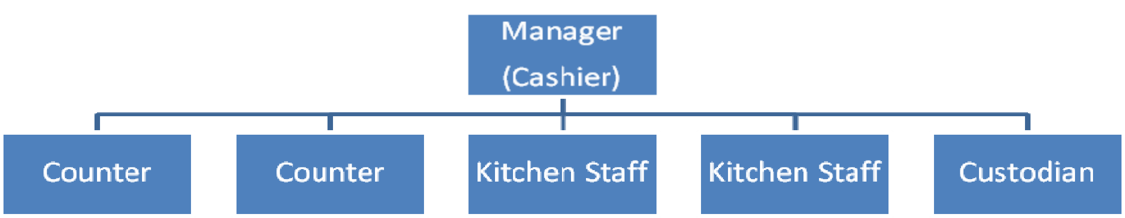
Ms. Ruan will be in charge of the financial and franchising side of FICA's investment. She is the Chief Financial Officer. She will take care of all the administrative mattes dealing with financing, accounting, insurance, ordering supplies, and the legal issues dealing with franchising. Both owners will have access to the bank account.

Ms. Ruan is the primary manager for the school's store where she dealt with the financial and accounting aspects of the store as well as its day-to-day operations. She is also the DECA Business Club's Vice President for New Ventures and is also currently taking an accounting class. She, along with her partner, won 2nd place in a DECA statewide competition and will compete in the National Competition at the end of April. Ms. Ruan has been able to maintain a 3.5 GPA.



Restaurant Management Structure

FICA's Chipotle Mexican Grill Restaurant will operate according the organizational chart shown below. This chart will apply for all three stores we plan to open and operate in the next five years. There will be a manager who will also be the head cashier for the restaurant. There will be employees assembling the customers' food at the counter, a kitchen staff that cooks the food, and a custodian. Initially, Ms. Chow and Ms. Ruan will share restaurant manager responsibilities in order to gain direct experience and to minimize payroll costs.



C. Ownership Structure

Fresh Ideas Capital Associates (FICA) will open the Chipotle Mexican Grill restaurant as a Limited Liability Company (LLC). The operation of the LLC is similar to a corporation and was chosen because of the opportunities it has offered to new businesses and the legal protection it provides. Owners usually have less personal liability for debts and actions under the LLC. Owners such as FICA are called members of the LLC. Though, there is no maximum number of members, the members are not subject to unlimited liability. Ms. Chow and Ms. Ruan will each own 50% of the LLC. Other investors will be provided preferred equity status.

Fresh Ideas Capital Associates (FICA) goal is to open Chipotle Mexican Grill as a Master Franchisee. The master franchisee will have the “right and the obligation to open and operate a number of locations in a defined area.” FICA will be in charge of the other interested people who want to open a franchise with FICA. (See Appendix G on page 68 for regulations on master franchisee arrangements).

D. Special Laws and Regulations

In order to protect the franchisee’s interest in a franchise, the franchisor must register with each state that they plan to expand within their Uniform Franchise Offering Circular (UFOC) or presently, the Franchise Document Disclosure (FDD). These documents are detailed explanations of the company’s operations, expectations, and regulations. The government requires that the franchisee know enough about the company to ensure the purchase was given enough consideration time so impulse buying may be prevented. (Murphy, 2006)

In the state of Hawaii, once the franchisor has registered, the franchisee is free to operate the store accordingly to the franchisor's regulations. All the franchisee has to do is register as a business and the business liabilities, and then obtain permits: the GE Tax License, Health Department permit, a Federal ID number, and a building permit. Therefore, the business will oblige to the state as a regular business store, therefore, taxes will also include, GE tax and property tax. We are assuming that the Franchisor will file the necessary documents for state of Hawaii registration.

The franchisor requires franchisees to uphold the quality guaranteed in the company's vision of their food. All ingredients must be organic and non-frozen items. All promotions and food items that each store carries must be certified by the franchisor, in order to maintain their image. (See Appendix E on page 56 for additional franchise requirements and obligations.)

III. <u>Market/Business Environment</u>

A. Market Opportunity Analysis

Franchising is one of the most popular ways to start an initial business. There has never been a "Mexican style" restaurant in Hawaii whose food is consistently made out of 100% fresh ingredients and where you can pick your own style of food similar to Chipotle. Mexican style food has been a growing demand all over the world. A study from 2006 shows that the "Mexican food industry in the US is estimated at $52 billion and growing." This is what has inspired FICA to invest in a Mexican style restaurant franchise. It is a Mexican style franchise that holds very high standards for their food.

Given this widespread opportunity, FICA’s potential target market will be the middle-class and above. Our customers will mostly be Caucasians and younger Asians under the age of 45. We expect a large portion of our initial customers to be from the military and transplanted “mainlanders.”

B. Target Market

Fresh Ideas Capital Associates (FICA) initial target market will be every privately owned home in the geographically designated area in Mililani. FICA will specifically target the military people in the Mililani area. Targeted customers are those who want to eat healthier foods. Our promotions will stress the Chipotle Mexican Grill being the first restaurant to have no added hormones to their food and that the food Chipotle has to offer will be 100% fresh organic ingredients. FICA wants to make sure that the message is that Chipotle Mexican Grill is not labeled as a fast food place, but a “quick” food restaurant. It is quick in that we assemble the foods in front of the customers making the foods fresh and the restaurant more “friendly and social” overall.

Chipotle Mexican Grill does price its food competitively higher because of the quality it exhibits. Because Chipotle Mexican Grill is the first restaurant in Hawaii to be following the processing of foods and the Chipotle’s menu ranges from beer, salads, burritos, and a variety of other drinks, an average style (burrito) should cost about $6 to $7 and the total bill (two burritos and drinks) is estimated to be about $15. The average annual purchase per customer will be about $390.

Three of our biggest competitors are Subway, Just Tacos and Quiznos. Subway dominates the fast food industry as the #1 franchise according to the Entrepreneur magazine. (Cosper et al., 2009) The Chipotle Mexican Grill franchise of FICA is planning to do the same in the Hawaii market. By the end of the second year of operations, FICA expects to achieve a 10% of the Mililani market share of fast food/quick food market.

C. SWOT Analysis

Company Positioning Against Competition

Strengths

Fresh Ideas Capital Associates (FICA) will plan to open the first Chipotle Mexican Grill Restaurant in Hawaii in the coming year. The strengths of a Chipotle restaurant are as follows: 1) high quality and healthy food, 2) quick customized food ala Subway, 3) a great place to socialize and enjoy the ambience, and 4) the serving of cold alcoholic beverages. Chipotle Mexican Grill has over 800 restaurants within the U.S. and Canada. Chipotle is the only restaurant that sells more naturally raised meat than any other restaurant in the world. Chipotle also became the first national restaurant chain to eliminate rBGH (recombinant bovine growth hormone) from its menu. Chipotle is always constantly searching for new sources for chicken, beef, beans, avocados and lettuce. The restaurant put customers first by following their philosophy of serving “Food With Integrity.” Chipotle’s food is fresh with no artificial colorings or flavors and a variety of vegetarian dishes. They only had to change their food once and that was the addition of salads. Over 300 of Chipotle’s current restaurants recycle glass, plastic and/or cardboard.

Customers can customize their orders by 1) picking a style (burrito, fajita burrito, burrito bowl, tacos, or salad), 2) select a meat (chicken, steak, carnitas/pork, spicy shredded beef, or vegetarian), 3) select the condiment salsas, 4) select a type of beverage (soft or alcoholic), and 5) pay up and chow down. (See Appendix H; page 67 for menu.)

As noted earlier, Chipotle is not just a take out place but a place that most customers would probably want to hang around with a cold beverage or two because of the ambient social setting.

Weaknesses

Fresh Ideas Capital Associates (FICA) is a franchise that can only follow the regulations of the Chipotle franchise. Although the franchise arrangements provide a leg up in starting and initially operating a business, the owners may find that such an arrangement may hamper them in the future. Since FICA's Chipotle restaurants will be in leased space, it will not have the freedom it could have compared to a free standing building. Our franchise is obligated to pay the monthly rent and percentage rent depending on sales targets. The fact that this is a new venture for owners Elaine Chow and Justine Ruan will also indicate their limited experience in opening a restaurant or doing a franchise. Similar to many new entrepreneurs, both owners have limited start up capital and will need to seek both debt and equity financing.

Evaluating Business Environment

Opportunities

Looking at the strengths we have, there are many opportunities available to FICA. FICA will be the first in opening a Chipotle Mexican Grill restaurant in Hawaii. By the end of five years, FICA plans to expand to a total of three stores in locations in which the company feels has the best prospects of success. After these initial four restaurants, FICA will allow sub-franchises in Oahu as well as the neighbor islands. As the Master Franchisee, FICA will be able to reap the rewards from the experience it gained from directly operating three restaurants and develop a business model that provides for a steady flow of cash without future significant capital requirements. As noted earlier, Chipotle Mexican Grill is considered one of the fastest and successful franchising opportunities. It currently has over 800 restaurants with the U.S. and Canada and this rate is expected to grow in Hawaii as well. (See Investment Opportunity in company overview on page 3 for additional information on the unique opportunity.)

Threats

One major threat is the current economic condition. As of the month of February, Hawaii's unemployment rate was at 6.5%, the highest rate in 30 years. Economists will also predict the rate will increase in the future for Hawaii. Also, inflation is occurring during this time of recession that can slowly be leading to the depression phase of the business cycle. (Honolulu Advertiser, 2009) With the current conditions of the economy, a lot of people would rather save then spend more. That is the major threat to FICA's Investment in Chipotle Mexican Grill and that is why FICA intends to only open and operate one restaurant in the next two years.

Competition Grid

Competitors	**Products/ Services**	**Prices**	**Promotions**	**Customers(Well-Known)**	**Strengths**	**Weaknesses**
Chipotle Mexican Grill	Burritos, Tacos, salads, beer	$6-$9	Charity Concerts, Combos offered in meals, "Keiki Fun Night"	Will be Island Wide	100% organic ingredients; simple menu; over 800 restaurants in U.S. and Canada	New to Hawaii Market, other competitive Mexican restaurants
Subway	Sandwiches, chips, snacks, drinks, salads	$8.25	Commercials, newspaper ads, $5 foot-long sandwich, 3-point play contest	Island Wide	Healthy; #1 Franchise according to Entrepreneurship magazine; 30685 Restaurants In 88 Countries	Expensive; not fresh food

Chili's Grill and Bar	American, bar, barbeque, chicken, burgers, tacos, fajitas, soup and salads, tacos, steak, seafood, ribs	$13-$30	Chili's Radio Network, MySpace Page, donates to St. Jude Children's Research Hospital to help them fight cancer.	Island Wide	A lot of variety	Prices of meals on menu are high
Quiznos	Sandwiches, drinks	$5 - $10	TV advertisements; newspaper	Island Wide	More than 20 sandwiches under $5 to encourage customers to buy combo meals	New to sandwich industry, lowered prices of more than 37 of its most popular sandwiches
Taco Bell	Tacos, burritos, nachos, Chalupas, drinks	$6-13	TV advertisements; incentives	Island Wide	Popular for its slogan	Low quality, microwaved.
Just Tacos Mexican Grill & Cantina	Tacos, Margaritas, 300 tequilas	$13-$23	Salsa Nights every Saturdays from 10am-2pm; Sponsor Charity Concerts, Tequila Tasting Dinner, Monday Night Football, BJ Penn Fight, Superbowl Party, Has own car with name painted on it	Island Wide	Located in Mililani market	Food in pictures don't look appetizing; only in Hawaii Market
Maui Tacos	Hard or Soft Tacos, Burritos, Salsa Bar, Salad Bar, drinks		5K Fun Run/Walk; Kokua Night- assist organizations in community: donate 20% of all the pre-tax sales generated by members of an organization to support that business.	Island Wide	Simple Menu	Not a sit-in area; Small and hard to find and do business with; only 19 locations; plans to open 50 new restaurants in California
Taco Del Mar*	Burritos, tacos, drinks, salads	$8	Baja Bowls-burritos without tortillas, summer 2009-replace items with more sustainable products(Going Green Campaign)	Island Wide	New restaurant opening in Pearlridge Shopping Center	Food is microwaved

*Although Taco Del Mar isn't located in Mililani, Taco Del Mar of Moanalua is still considered one of our major competitors.

IV. Marketing, Sales and Distribution

A. Products

FICA will follow the menu of Chipotle Mexican Grill. It will continue to sell burritos and tacos made of 100% organically raised chicken and pork and 60% naturally raised beef. Chipotle Mexican Restaurant is the only restaurant that sells more naturally raised meat than any other restaurants in the world and eliminating use of added hormones. Customers can customize their own burrito, taco or bowl. We assemble what you want right in front of you. The food is fresh with no artificial colorings or flavors and there is a variety of vegetarian dishes. Chipotle is the first restaurant to not have any added hormones or antibiotics. "Change[ing] the way the world thinks and eats fast-food" (Chipotle, 2009) is Chipotle and CMG's mission.

B. Price

The average price for a style of burrito will range from $6 to $7. This price is higher than fast food places such as Taco Bell or Taco Del Mar because of Chipotle's fresh and healthy ingredients and in the way Chipotle prepares its food. (Taco Bell, 2009 & Taco Del Mar, 2009) Unlike the aforementioned fast food joints who basically heat up their foods in microwave ovens, Chipotle is a quick food restaurant that actually cooks, grills and warms its food for its customers. It also provides a much higher quality of setting enticing its customers to spend some time within the restaurant and possibly partake in range of soft drinks and alcoholic beverages. It's estimated that the total average bill will ring up to about $15 and this initial estimate was used in our projections.

C. Place

a. Training by Franchisor CMG

One of the required duties of opening a new franchise is training the new employees for approximately 9-12 weeks on operating the restaurant. It is anticipated that only the owner Elaine Chow and Justine Ruan will travel for this training and such costs are factored in the initial start up costs. (See Initial Start Up costs on page 20).

b. Supplies Purchases

In the distribution process, we will follow Chipotle's Franchise regulations. The food will come from Chipotle Mexican Grill, Inc., except for the salads. FICA will get the salad from local farms in Hawaii. The contracts will be done through the franchise. Chipotle Mexican Grill also uses a computer system to receive and process customer orders, record sales, label data, and perform a variety of other management functions. At the present time, there are no purchasing or distribution cooperatives; however, CMG or its designated Master Franchisee will negotiate purchase arrangements with suppliers. Such suppliers to be negotiated may include vegetables for salad and beverage suppliers (soda and alcoholic beverages).

c. Cooking and Grilling

In the morning before the restaurant opens, the kitchen staff will start the daily preparation of food which includes: grilling the meats, cooking the beans, preparing the salad greens, readying the tortillas and chips, and preparing the salsa condiments. All this food preparation will be freshly done with no microwaving. After this preparation, some of the food will be transferred to warming bins in the restaurant counter line. As the day goes by, the warming bins will be refreshed with newly cooked menu items.

d. Restaurant Operations

FICA will open Chipotle Mexican Grill Mondays through Sundays from 10 am – 11 pm. Once entered through the door, a typical customer will walk up to the counter use the simple system created by Chipotle – 1) select a style, 2) select a meat, 3) select a condiment salsa filling, 4) select a beverage, and 5) pay and chow down. There are also side dishes such as chips that a customer may order. While the customer follows this simple ordering process, the counter staff will be preparing their meal right in front of them. The manager on shift will collect all funds from customers. After paying and receiving their meal, the customer has the option of sitting in the dining area or having a takeout package prepared. There will be about 70 seats in the restaurant.

e. Back Office Operations

Because the franchisor CMG requires its franchisees to use it proprietary computer system and software, all sales data are immediately transferred from the cash register to computer systems. Daily restaurant sales can be compared to actual cash on hand. These reports can be quickly sent to CMG based on internet transmission. It's anticipated that CFO Justine Ruan will be handling all such reports, deposits and cash disbursements. COO Elaine Chow will provide the necessary checks to insure internal control given the small management operations.

D. Promotion

Fresh Ideas Capital Associates (FICA) has chosen a Chipotle Mexican Grill franchise which will expect great success in the near future. Throughout it's opening; we will promote Chipotle's philosophy, "Food With Integrity." Because it is FICA's first time in owning a franchise, it wants to build loyal customers. Therefore, FICA will establish an Employee Service review for customers to get customer feedback on the services it provides.

a. Publicity

The last portion of the promotions is done through FICA's Chipotle. FICA will plan to sponsor charity concerts and relays. FICA, like McDonald's, will also have a figurehead. FICA will hire someone who can dress in a chili suit for our "Keiki Fun Night." A special Keiki Fun Night will be held, full of activities and games for kids.

b. Advertisements

Based on the marketing fee it pays each month, a part of FICA's advertisements are done through the national campaign by CMG. The second type of advertisements is done through whatever Chipotle pays to Mililani Shopping Center. FICA will focus more on advertising Chipotle through local radio advertisements out local newspapers.

c. Sales Promotion

During our grand opening in Mililani Town Center, FICA will offer the first 100 customers of Chipotle Mexican Grill a discount on any meals they choose. FICA will have posters with big fonts in most of the Mililani area to promote our grand opening event. It is important to promote the opening of the Chipotle Mexican Grill restaurant in order to reach our short-term goals.

V. Finance and Accounting

A. Cost of Doing Business

1. Start Up Costs – See spreadsheet on next page and Footnotes in Appendix A; page 32.

Chipotle Mexican Grill
Initial Start-up Costs and Future Store Investments

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Franchise Costs						
Initial Franchise Fee	$ 20,000	$ -	$ -	$ 19,000		$ 17,148
Real Estate Costs						
Tenant Deposit	$ 9,000	$ -	$ -	$ 9,000		$ 9,000
Site Improvement Costs	300,000	-	-	300,000		300,000
subtotal	$ 309,000	$ -	$ -	$ 309,000		$ 309,000
Operating Assests						
Restaurant Equipment	$ 200,000			$ 200,000		$ 200,000
Restaurant Furnishings	90,000			90,000		90,000
subtotal	$ 290,000	$ -	$ -	$ 290,000		$ 290,000
Training						
Airfare	$ 3,900	$ -	$ -	$ -		$ -
Hotel	8,400	-	-	-		-
Car Rental (Dollar)	4,000	-	-	-		-
subtotal	$ 16,300	$ -	$ -	$ -		$ -
Office Equipment & Supplies						
Desktop (Dell)	$ 1,049	$ -	$ -	$ 1,049		$ 1,049
Desk	199	-	-	199		199
File Cabinet	250	-	-	250		250
Office Supplies	10	-	-	10		10
subtotal	$ 1,508	$ -	$ -	$ 1,508		$ 1,508
Promotional Costs						
Grand Opening Promotions	$ 5,000			$ 5,000		$ 5,000
subtotal	$ 5,000	$ -	$ -	$ 5,000		$ 5,000
Professional Services						
Legal /Accounting	$ 5,000			$ 5,000		$ 5,000
subtotal	$ 5,000	$ -	$ -	$ 5,000		$ 5,000
Licenses & Fees						
Permit Applications (per 2 years per store)	$ 100	$ -	$ -	$ 100		$ 200
Building Plan Review	200	-	-	200		200
LLC Registration	50	-	-	50		50
GE Tax License	20	-	-	20		20
Liquor License	720	-	-	720		1,440
Liquor Filing Fee	250	-	-	250		250
Liquor Publication Cost	700	-	-	-		-
subtotal	$ 2,040	$ -	$ -	$ 1,340		$ 2,160
Technology Costs						
IBM X Series 200	$ 3,000	$ -	$ -	$ 3,000		$ 3,000
IBM E54 15-inch monitor	150	-	-	150		150
Epson TMT88 POS printers	284	-	-	284		284
Canon Multi-function printer	200	-	-	200		200
DSL lines	200	-	-	200		200
subtotal	$ 3,834	$ -	$ -	$ 3,834		$ 3,834
Construction Interest	$ 4,312					
subtotal - start up costs	$ 636,994	$ -	$ -	$ 615,682		$ 616,502
Cash Reserves						
total - startup costs and reserves	$ 636,994	$ -	$ -	$ 615,682	$ -	$ 616,502

2. **Variable Costs** – The variable costs are mainly the franchise fees which require a certain percentage of the gross margin. (Listed in Income Statement; page 42, Break Even; page 25, and described in footnotes in Appendix A; page 32).
3. **Fixed Costs** – The fixed costs cover expenses that are required for the operation of the restaurant that follows both CMG and the State of Hawaii criteria for owning a business. (For more information, see Break Even on page 25, Income Statement on page 23, and the Footnotes in Appendix A; page 32.)

B. Sources of Funding and Financing

In order to fund its initial start up costs and adequate cash resources, the owners of CMG plan to obtain $800,000 in financing. From the funding, $300,000 will be from bank loans, $100,000 will be from principals, $100,000 from family, and $300,000 from their outside investors. (See Footnotes in Appendix A page 32 for interest assumption and below for spreadsheet.)

Chipotle Mexican Grill
Sources of Funds

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Debt						
Personal loans						
Family loans						
Friend loans						
Bank loans	$ 300,000			$ 250,000		$ 200,000
SBS loans						
Other loans						
subtotal	$ 300,000	$ -	$ -	$ 250,000	$ -	$ 200,000
Equity						
Principals	$ 100,000					
Family	$ 100,000					
Friends						
Angel	$ 300,000			$ 250,000		$ 200,000
Venture Capital						
Other						
subtotal	$ 500,000	$ -	$ -	$ 250,000	$ -	$ 200,000
Total Sources of Funds	$ 800,000	$ -	$ -	$ 500,000	$ -	$ 400,000

C. **Income Statement and Cash Flows**

Income Statement – FICA has faith that its first Chipotle restaurant's customer visits will be increased from 150 customers a day during the first few months to an average of 200 a day by the end of year 2 with continual increase of 3% each year. The first two years after the restaurant's grand opening, the sales and margins will be studied for steady growth analysis. Meanwhile, the owners will learn how to run the franchise so that in the third year since the restaurant's existence, FICM will open the 2nd Chipotle restaurant at Moanalua Shopping Center. Then, the year after, the 3rd Chipotle will be opened in East Oahu. With the increase in customers, there will also be an increase in the cost of sales and operating expenses. After 5 years, FICA plans to franchise within the Hawaii region. FICA will have the authority to sell CMG rights to buyers whom are interested in becoming business owners. If anyone is interested in owning a Chipotle restaurant within Hawaii, they would need to ask FICA for permission. Once they own one, the costs for doing business will be the same, however; FICA will get 2% of CMG's royalty fee.

Cash Flow – The Chipotle restaurants will slowly begin to make more each year, especially with the addition of new restaurant locations. Therefore, with the grand opening of more stores, FICA would need to borrow less money. Instead, cash reserves will be used for start up costs of the new restaurants. However by year 7, CMG will be making enough money to pay equity shareholders and pay off its debt. (See Cash Flow on page 43 and Footnotes in Appendix A; page 32 for more information.)

D. **Break Even**

(See Break Even spreadsheet on page 25)

Chipotle Mexican Grill
Income Statement
Year

All Stores		Year 1	Year 2	Year 3	Year 4	Year 5
Revenues						
Food & Beverage Sales		$ 810,000	$ 1,015,020	$ 2,160,639	$ 2,225,458	$ 3,438,333
Cost of Sales						
Food & Beverage Costs		270,000	338,340	766,678	789,679	1,220,054
Gross Margin		$ 540,000	$ 676,680	$ 1,393,961	$ 1,435,780	$ 2,218,280
Operating Expenses						
Franchise Expenses						
Royalty Fee	5%	40,500	50,751	108,032	111,273	171,917
Marketing Fee	6%	48,600	60,901	129,638	133,528	206,300
Technology Fee		2,976	2,976	5,952	5,952	8,928
subtotal		$ 92,076	$ 114,628	$ 243,622	$ 250,752	$ 387,145
Controllable Expenses						
Payroll		225,720	225,720	464,983	478,933	739,951
Employee Benefits		45,144	45,144	90,288	90,288	135,432
Direct Operating Expenses		24,000	24,000	49,440	50,923	78,676
Local Advertising and Promotion		12,360	12,360	25,462	26,225	40,518
Maintenance		48,000	48,000	98,880	101,846	157,353
subtotal		$ 355,224	$ 355,224	$ 729,053	$ 748,216	$ 1,151,930
Occupancy Costs						
Monthly Rent		108,000	108,000	216,000	216,000	324,000
Percentage Rent	8%	-	-	-	-	-
Promotion Fee		1,200	1,200	2,472	2,546	3,934
CAM		15,600	15,600	32,136	33,100	51,140
Property Insurance		2,520	2,520	5,116	5,193	7,794
subtotal		$ 127,320	$ 127,320	$ 255,724	$ 256,840	$ 386,867
Total Operating Expenses		$ 574,620	$ 597,172	$ 1,228,399	$ 1,255,808	$ 1,925,942
Operating Income		$ (34,620)	$ 79,508	$ 165,562	$ 179,972	$ 292,337
Interest		16,315	14,199	25,553	21,416	27,912
Depreciation		59,000	59,000	118,000	118,000	177,000
subtotal		$ 75,315	$ 73,199	$ 143,553	$ 139,416	$ 204,912
Income Before Taxes		$ (109,935)	$ 6,309	$ 22,009	$ 40,555	$ 87,426
Income Taxes		-	-	-	-	-
Net Income		$ (109,935)	$ 6,309	$ 22,009	$ 40,555	$ 87,426

Chipotle Mexican Grill
Cash Flows
10 Years

All Stores

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operations											
Net Income - Owned Restaurants		$ (109,935)	$ 6,309	$ 22,009	$ 40,555	$ 87,426	$ 87,426	$ 104,461	$ 115,338	$ 115,338	$ 115,338
Net Income - Master Franchisee							$ 21,606	$ 43,213	$ 64,819	$ 86,426	$ 108,032
Add(Subtract)											
Depreciation		59,000	59,000	118,000	118,000	177,000	177,000	177,000	177,000	177,000	177,000
Other non-cash items											
subtotal	$ -	$ (50,935)	$ 65,309	$ 140,009	$ 158,555	$ 264,426	$ 286,032	$ 324,674	$ 357,157	$ 378,764	$ 400,370
Cash Flow From Investing											
Initial Start Up Costs	-	-	-	-	-	-	-	-	-	-	-
balance sheet items	(636,994)	-	-	(615,682)	-	(616,502)	-	-	-	-	-
Other Investments	-	-	-	-	-	-	-	-	-	-	-
Other Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
subtotal	$ (636,994)	$ -	$ -	$ (615,682)	$ -	$ (616,502)	$ -	$ -	$ -	$ -	$ -
Cash Flow From Financings											
Debt Financing - Received	300,000	-	-	250,000	-	200,000		-	-	-	-
Debt Financing - DS Payments	-	(35,845)	(37,962)	(70,074)	(74,211)	(102,489)	(60,788)	(26,802)	-	-	-
Debt Financing - Additional Pmts	-	-	-	-	-	-	(217,836)	(123,993)	-	-	-
Equity Financing - Received	500,000	-	-	250,000	-	200,000					
Equity Financing - Payments	-	-	-	-	-			(200,000)	(300,000)	(450,000)	(200,000)
subtotal	$ 800,000	$ (35,845)	$ (37,962)	$ 429,926	$ (74,211)	$ 297,511	$ (278,624)	$ (350,795)	$ (300,000)	$ (450,000)	$ (200,000)
Net Cash Flow Before Reserves & Owners' Distributions	$ 163,006	$ (86,780)	$ 27,347	$ (45,747)	$ 84,344	$ (54,566)	$ 7,408	$ (26,121)	$ 57,157	$ (71,236)	$ 200,370
Required Reserves	-	-	-	-	-	-	-	-	-	-	-
Owners' Distributions	-	-	-	-	-	-	-	-			(200,000)
Net Cash Flow	$ 163,006	$ (86,780)	$ 27,347	$ (45,747)	$ 84,344	$ (54,566)	$ 7,408	$ (26,121)	$ 57,157	$ (71,236)	$ 370
Beginning Cash Balance		$ 163,006	$ 76,226	$ 103,573	$ 57,826	$ 142,170	$ 87,604	$ 95,013	$ 68,892	$ 126,049	$ 54,812
Ending Cash Balance	$ 163,006	$ 76,226	$ 103,573	$ 57,826	$ 142,170	$ 87,604	$ 95,013	$ 68,892	$ 126,049	$ 54,812	$ 55,182

Chipotle Mexican Grill
Yearly Break Even Analysis
By Year

	Year 1	Year 2	Year 3	Year 4	Year 5
Variable Cost Per Unit					
Direct Material Costs					
Cost of Sales	$ 270,000	$ 338,340	$ 766,678	$ 789,679	$ 1,220,054
Franchise Expenses					
Royalty Fee	40,500	50,751	108,032	111,273	171,917
Marketing Fee	48,600	60,901	129,638	133,528	206,300
subtotal	$ 89,100	$ 111,652	$ 237,670	$ 244,800	$ 378,217
Controllable Expenses					
Payroll	225,720	225,720	464,983	478,933	739,951
Employee Benefits	45,144	45,144	90,288	90,288	135,432
Direct Operating Expenses	24,000	24,000	49,440	50,923	78,676
subtotal	294,864	294,864	604,711	620,144	954,059
Total Variable Costs	653,964	744,856	1,609,060	1,654,623	2,552,330
Fixed Cost Per Unit					
Indirect Costs					
Technology Fee	2,976	2,976	5,952	5,952	8,928
Local Advertising and Promotion	12,360	12,360	25,462	26,225	40,518
Maintenance	48,000	48,000	98,880	101,846	157,353
subtotal	$ 63,336	$ 63,336	$ 130,294	$ 134,024	$ 206,799
Occupancy Costs					
Monthly Rent	108,000	108,000	216,000	216,000	324,000
Percentage Rent	-	-	-	-	-
Promotion Fee	1,200	1,200	2,472	2,546	3,934
CAM	15,600	15,600	32,136	33,100	51,140
Property Insurance	2,520	2,520	5,116	5,193	7,794
subtotal	$ 127,320	$ 127,320	$ 255,724	$ 256,840	$ 386,867
Total Fixed Costs	$ 190,656	$ 190,656	$ 386,017	$ 390,864	$ 593,666
Break Even Calculations					
Annual Customers					
Fixed Costs	$ 190,656	$ 190,656	$ 386,017	$ 390,864	$ 593,666
Sales - customers	54,000	67,668	137,366	141,487	217,521
Variable Costs	$ 12.11	$ 12.11	$ 11.71	$ 11.69	$ 11.73
Units(customers) required to B/E	65,981	65,971	117,461	118,247	181,757
Sales required to break even	$ 799,060	$ 798,908	$ 1,375,903	$ 1,382,845	$ 2,132,689
Monthly Customers					
Units(customers) required to B/E	5,498	5,498	9,788	9,854	15,146
Sales required to break even	$ 66,588	$ 66,576	$ 114,659	$ 115,237	$ 177,724
Daily Customers					
Units(customers) required to B/E	183	183	326	328	505
Sales required to break even	$ 2,220	$ 2,219	$ 3,822	$ 3,841	$ 5,924
Stores					
No. of Stores	1	1	2	2	3
Per store customers-daily	183	183	163	164	168
Per store sales-daily	$ 2,220	$ 2,219	$ 1,911	$ 1,921	$ 1,975

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VII. Appendices

Appendix A
Assumptions and Footnotes

General Assumptions

1. **Master Franchisee Arrangement –** Fresh Ideas Capital Associates (FICA) intends to apply for a Master Franchisee arrangement with Chipotle Mexican Grill, Inc. (CMG) to open and sub-franchise Chipotle Mexican Grill Restaurants (Chipotle). At this writing, CMG has not issued franchise arrangements for the past couple of years. The last year that CMG issued its Uniform Franchise Offering Circular (UFOC) was in 2004. See UFOC excerpts in Appendix C. ***FICA's business plan assumes that it will successfully secure the master franchisee arrangement***. In our discussion with Mr. Ted Davenport, the master franchisee for Subway and the franchisee for the Ruby Tuesday restaurants, he noted that he was able to convince Ruby Tuesday to permit him to open the first Ruby Tuesday restaurants in Hawaii. He noted that the geographic distance from the continent and the uniqueness of Hawaii provides an avenue for difference in corporate policy regarding franchising in Hawaii.

2. **FICA Owned Stores vs. Sub-franchising –** FICA intends to employ two business models in this venture. It intends to first open and operate three Chipotle restaurants in the first five years of the venture. These FICA owned stores will be opened in the following locations: Mililani, Moanalua, and then East Oahu. After gaining valuable experience in operating its own stores, FICA will then be in a position to offer sub-franchise opportunities to other entities beginning the sixth year of the venture. FICA estimates that they will be able to sub-franchise to a new entity every year thereafter.

Footnotes to the Financials

Initial Start Up Costs

1. Initial start up costs can be broken down into the following categories: 1) initial franchise fee, 2) tenant improvement costs, 3) furniture fixture and equipment, 4) training and office costs, 5) initial marketing costs, 6) professional services, 7) license and fees, 8) technology costs and 9) construction interest costs. The costs for items 1, 2, 3 and 8 were garnered and estimated from the UFOC. Items 4, 5 and 6 were estimated through our discussions with various professionals. Item 7 was estimated based on our discussion with personnel from the State DCCA office. Construction interest was based on an interest only component of the initial loan.

2. **Initial Franchise Fee** – The fee is paid to not only secure the business as the franchisee's but also pays for the use of rights and trademarks of the franchise. Chipotle Mexican Grill requires an initial franchise fee of $20,000. Subsequent franchise fees should taper downwards with the addition of new franchises.

3. **Real Estate Costs**
    a. **Tenant Deposit** – the cost of first month's rent is the deposit amount - $9,000.
    b. **Site Improvement Costs** – In order to operate a restaurant, both cosmetic and substantive changes must be made to a retail site. Cosmetic costs include painting and carpeting etc. Substantive costs include the costs of the plans, plumbing, electrical, venting etc. These costs are an estimate based on our discussion with various people and by reviewing the UFOC. The plan for the restaurant and the cost of these improvements will be guided by CMG, the franchisor. Because we are a franchisee of Chipotle Mexican Grill, everything must be Chipotle's original restaurant design plan. The store design and furnishings must all abide by Chipotle's image.

4. **Training** – CMG pays for the training of the franchisee owner(s). The training period is from 9 to 12 weeks in Denver, Colorado, their main headquarters. However, it doesn't include the cost of airfare, hotel, and transportation. The airfare is an estimate cost for two people from United Airlines. The hotel and transportation is the estimate cost for 12 weeks. Transportation is mainly car rental from Dollar.

5. **Technology Fee** – Restaurants need different computer systems to keep track of their sales and gross profit. Chipotle Mexican Grill requires franchisees to use the Aloha Quick Service Point of Sale software, Enterprise.com polling and data warehousing software, and DSL connection. Aloha Quick Service Point of Sale software requires an annual maintenance fee of $333 according to the franchise's UFOC (2004). The maintenance fee ensures software upgrades, bug fixes, and similar services. Enterprise.com charges a fifty dollar fee per month which provides information for the franchisee's restaurant and other Chipotle restaurants. Internet access is a major research engine for information and other important communication needs. Thus, Chipotle Mexican Grill requires DSL connection (roadrunner). All of fees are paid to the franchisor so they may forward it to the service provider.

Sources of Funding

1. Because we are opening three Chipotle Restaurants within the first five years, we are assuming three stages of financing. The **initial financing** in Year 0, estimates debt financing of $300,000 and equity financing of $500,000 and assumes a total capital requirement of $800,000 to get this off the ground. Of this initial $500,000 equity financing, the owners/principals of FICA estimate that they can personally put up about $100,000 and secure another $100,000 from family. FICA will be

seeking and additional $300,000 from angel investors who will be treated as preferred equity holders in this venture.

2. **Subsequent equity financing** will assume outside financings of $250,000 and $200,000 in the beginning of years 3 and 5, respectively. It is the hope of FICA to obtain a commitment from the same equity source to stage these year 3 and 5 financings at the time of the initial financing. FICA will use the operating cash flow of the restaurants to also contribute to the start up costs of the new restaurants.

3. **Debt financings** for this venture will be $300,000, $250,000 and $200,000 in the beginning of years 0, 3, and 5, respectively. Based on our discussions with officials from Bank of Hawaii, the terms of these loans would be as follows: 7 year term, fully amortizing, Prime + 2.5% (prime rate = 3.25 + spread of 2.5% = 5.75%). The loans will require a debt coverage ratio of 1.5 at stabilization. It would be fully guaranteed by the principals and would not incur any prepayment penalties. The loans would probably need to be co-signed by the principals' family. Besides the collateral of the venture itself (tenant improvements and FFE), the bank would require additional collateral from the principals and their family.

4. **Additional debt payments** will be made if there is sufficient cash flow to reduce the loans. In our projections, such additional payments were made at the end of years 6 and 7. (For more information, see 10 Years Cash Flow; page 43).

5. **Equity payments and returns** will only be made after all debt financings are paid off. Additionally, the principals and their families will not receive any returns until all equity principal is paid off to the outside investors. The outside investors should expect a return of their capital at the end of year 7. All outside equity capital should be returned by the end of year 9. Subsequent to that date, all "free cash flow" will be distributed 50/50 to the outside investors and FICA principals and family.

Gross Margin Schedules

1. **Number of Customers –** based on our review of the UFOC and 2008 CMG financials, we estimated that the average number of customers per day would be about 200 people. For our store 1, we assumed in the 24 month gross margin and income statement the following build up of customers: first 12 months – 150 customers per day, months 13 to 18 – 175 customers per day, and months 19 to 24 – 200 customers per day. For stores

2. **Average Bill Per Customer** - based on our review of the UFOC and research from CMG's 2008 financials we determined that the average bill per customer would be around $15. We assume a 3% increase each year after year 2.

3. **Cost of Food & Beverages** – based on our review of the UFOC, the 2008 CMG financials, and discussion with industry personnel, we estimated the cost of food

and beverages to approximate 33% or one third of sales. The GET Tax is included within the cost of sales.

Income Statement

1. **Revenues and Cost of Sales –** based on gross margin schedules for first two years and customer count and average bills increased each subsequent year. Store 2 and 3 are expected to hit stabilization quickly because of the positive appeal generated from Store 1.

2. **Franchise Expenses** – fees that the franchisee must pay to the franchisor for using their rights and trademarks to develop their own restaurant. (UFOC, 2009)
    a. **Royalty Fee** – royalty fee is a payment from the franchisee to the franchisor so that the franchisee owner(s) may become a part of the company. Chipotle Mexican Grill requires 5% of gross sales.
    b. **Marketing Fee** – franchises need to advertise and in order to obtain the money to promote the name; they usually require a monthly marketing investment into their funds. Chipotle Mexican Grill requires 6% from their franchisee owners. The marketing fee benefits both the franchisor and franchisee because it promotes the company as a whole, attracting more customers to visit their nearest store, thus, making more sales.
    c. **Technology Expenses** – fees to be paid to CMG for accounting and technology assistance.

3. **Controllable Expenses** – expenses that are supposedly controllable by management; in other words, items that management could increase or decrease.
    a. **Payroll**
        i. **Owners –** As business owners, we would like to learn how to operate the restaurant due to our lack of experience in franchising. Therefore, the first two years, Elaine Chow and Justine Ruan will be managers of the restaurant.
        ii. **Employee –** There will be 10 employees total, 4 people working each shift; 2 shifts a day. On the staff, there will be 4 cooks, 4 counter, and 2 custodians. The manager will be the one working at the cashier. Each shift will have 3 cooks, 2 counters, and 1 custodian. Each cook will be paid 8.25 per hour, each counter 7.75 per hour, and each custodian 7.50 per hour. Salaries were made based on assumption but abide legally to Hawaii's minimum wage limit.
    b. **Employee Benefits** – assumed to be about 20% of payroll
    c. **Direct Operating Expenses** – Any restaurant has the basic necessities of water and electricity. That's what makes the restaurant run consistently and smoothly. However, there are monthly bills to pay for these resources. Because we live in Hawaii, there are only two companies that provide this service, Hawaiian Electrical Company and Hawaii Board of Water Supply. The costs are based on the amount of water and electricity used per month.

   d. **Local Advertising and Promotion –** expenses beyond CMG's national campaign and beyond landlord's (shopping center's) efforts.

4. **Occupancy Costs –** expenses relating to leasing a space in a shopping center or building.
   a. **Monthly Rent –** based on a retail space of 2,000 square feet, the monthly rent being $4.50 per square feet, thus the monthly rent is estimated to be $9,000 per month.
   b. **Percentage Rent** – When a restaurant opens within a shopping center, the shopping center may choose to invest in the company and ask for a percentage rent instead of a monthly rent. Our first restaurant will open in Mililani Town Center and they ask for 8% of gross sales of an estimated $100,000 sales per month.
   c. **Promotion Fee** – the estimated cost of Chipotle's contribution to the landlord's common promotional plan.
   d. **Common Area Maintenance (CAM)** – recoveries charged by landlord for things such as cleaning, taxes, etc.
   e. **Property Insurance** – estimate obtained by calling insurance broker.

5. **Interest** – see amortization schedules in Appendix C; page 49

6. **Depreciation** – see depreciation schedule in Appendix D; page 52.

7. **Income Taxes** – Assumes flow through to members, thus no LLC income tax shown; also assumes members can use prior years operating losses to offset future taxable income.

Cash Flows

1. **Net Income from Owned Restaurants** – derived from either monthly or yearly income statements.

2. **Net Income Master Franchisee** – income derived from sub-franchisee figured at 2$ of gross sales. The first sub-franchisee arrangement will start at the beginning of Year 6 and it is anticipated that a new sub-franchisee will be added every year thereafter.

3. **Initial Start Up Costs** - see initial start up costs schedule.

4. **Financings** – see sources and uses of funds schedule.
   a. Debt Financing – DS payments – monthly/yearly amortization of loan principal.
   b. Debt Financing – Additional Payments – additional principal pay downs beyond assumptions.

5. **Owners Distributions** – distributions to principals after capital is returned to debt and equity financing sources. Expected splits between angel investors and principals are to be 50/50 after repayments.

Break Even Analysis

1. **Variable Costs** – costs that change with the output of our products. See analysis for breakdown of costs from Income Statement; page 45.

2. **Fixed Costs** – costs that do not change based on production – rent, etc. See analysis for breakdown of costs from Income Statement; page 45.

Appendix B.1

All Restaurant Stores – Complete Financial Schedules

Appendix B.1.a

Cash Flow – 10 Years

Chipotle Mexican Grill
Cash Flows
10 Years

All Stores

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operations											
Net Income - Owned Restaurants		$ (109,935)	$ 6,309	$ 22,009	$ 40,555	$ 87,426	$ 87,426	$ 104,461	$ 115,338	$ 115,338	$ 115,338
Net Income - Master Franchisee							$ 21,606	$ 43,213	$ 64,819	$ 86,426	$ 108,032
Add(Subtract)											
Depreciation		59,000	59,000	118,000	118,000	177,000	177,000	177,000	177,000	177,000	177,000
Other non-cash items											
subtotal	$ -	$ (50,935)	$ 65,309	$ 140,009	$ 158,555	$ 264,426	$ 286,032	$ 324,674	$ 357,157	$ 378,764	$ 400,370
Cash Flow From Investing											
Initial Start Up Costs	-	-	-	-	-	-	-	-	-	-	-
balance sheet items	(636,994)	-	-	(615,682)	-	(616,502)	-	-	-	-	-
Other Investments	-	-	-	-	-	-	-	-	-	-	-
Other Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
subtotal	$ (636,994)	$ -	$ -	$ (615,682)	$ -	$ (616,502)	$ -	$ -	$ -	$ -	$ -
Cash Flow From Financings											
Debt Financing - Received	300,000	-	-	250,000	-	200,000		-	-	-	-
Debt Financing - DS Payments	-	(35,845)	(37,962)	(70,074)	(74,211)	(102,489)	(60,788)	(26,802)	-	-	-
Debt Financing - Additional Pmts	-	-	-	-	-	-	(217,836)	(123,993)	-	-	-
Equity Financing - Received	500,000	-	-	250,000	-	200,000					
Equity Financing - Payments	-	-	-	-	-			(200,000)	(300,000)	(450,000)	(200,000)
sutbtotal	$ 800,000	$ (35,845)	$ (37,962)	$ 429,926	$ (74,211)	$ 297,511	$ (278,624)	$ (350,795)	$ (300,000)	$ (450,000)	$ (200,000)
Net Cash Flow Before Reserves & Owners' Distributions	$ 163,006	$ (86,780)	$ 27,347	$ (45,747)	$ 84,344	$ (54,566)	$ 7,408	$ (26,121)	$ 57,157	$ (71,236)	$ 200,370
Required Reserves	-	-	-	-	-	-	-	-	-	-	-
Owners' Distributions	-	-	-	-	-	-	-	-			(200,000)
Net Cash Flow	$ 163,006	$ (86,780)	$ 27,347	$ (45,747)	$ 84,344	$ (54,566)	$ 7,408	$ (26,121)	$ 57,157	$ (71,236)	$ 370
Beginning Cash Balance		$ 163,006	$ 76,226	$ 103,573	$ 57,826	$ 142,170	$ 87,604	$ 95,013	$ 68,892	$ 126,049	$ 54,812
Ending Cash Balance	$ 163,006	$ 76,226	$ 103,573	$ 57,826	$ 142,170	$ 87,604	$ 95,013	$ 68,892	$ 126,049	$ 54,812	$ 55,182

Appendix B.1.b

Income Statement – 5 Years

Chipotle Mexican Grill
Income Statement
Year

All Stores

		Year 1	Year 2	Year 3	Year 4	Year 5
Revenues						
Food & Beverage Sales		$ 810,000	$ 1,015,020	$ 2,160,639	$ 2,225,458	$ 3,438,333
Cost of Sales						
Food & Beverage Costs		270,000	338,340	766,678	789,679	1,220,054
Gross Margin		$ 540,000	$ 676,680	$ 1,393,961	$ 1,435,780	$ 2,218,280
Operating Expenses						
Franchise Expenses						
Royalty Fee	5%	40,500	50,751	108,032	111,273	171,917
Marketing Fee	6%	48,600	60,901	129,638	133,528	206,300
Technology Fee		2,976	2,976	5,952	5,952	8,928
subtotal		$ 92,076	$ 114,628	$ 243,622	$ 250,752	$ 387,145
Controllable Expenses						
Payroll		225,720	225,720	464,983	478,933	739,951
Employee Benefits		45,144	45,144	90,288	90,288	135,432
Direct Operating Expenses		24,000	24,000	49,440	50,923	78,676
Local Advertising and Promotion		12,360	12,360	25,462	26,225	40,518
Maintenance		48,000	48,000	98,880	101,846	157,353
subtotal		$ 355,224	$ 355,224	$ 729,053	$ 748,216	$ 1,151,930
Occupancy Costs						
Monthly Rent		108,000	108,000	216,000	216,000	324,000
Percentage Rent	8%	-	-	-	-	-
Promotion Fee		1,200	1,200	2,472	2,546	3,934
CAM		15,600	15,600	32,136	33,100	51,140
Property Insurance		2,520	2,520	5,116	5,193	7,794
subtotal		$ 127,320	$ 127,320	$ 255,724	$ 256,840	$ 386,867
Total Operating Expenses		$ 574,620	$ 597,172	$ 1,228,399	$ 1,255,808	$ 1,925,942
Operating Income		$ (34,620)	$ 79,508	$ 165,562	$ 179,972	$ 292,337
Interest		16,315	14,199	25,553	21,416	27,912
Depreciation		59,000	59,000	118,000	118,000	177,000
subtotal		$ 75,315	$ 73,199	$ 143,553	$ 139,416	$ 204,912
Income Before Taxes		$ (109,935)	$ 6,309	$ 22,009	$ 40,555	$ 87,426
Income Taxes		-	-	-	-	-
Net Income		$ (109,935)	$ 6,309	$ 22,009	$ 40,555	$ 87,426

Appendix B.1.c

Gross Margin Schedule – 5 Years

Chipotle Mexican Grill
Gross Margin
Five Years

All Stores	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues					
Food and Beverage					
No. of Customers	54,000	67,668	137,366	141,487	217,521
Avg. Sales per Customer	15.00	15.00	15.50	15.50	15.50
Total Gross Sales	810,000	1,015,020	2,129,174	2,193,049	3,371,570
Gross Sales	$ 810,000	$ 1,015,020	$ 2,129,174	$ 2,193,049	$ 3,371,570
Cost of Goods Sold					
Food and Beverage					
No. of Customers	54,000	67,668	137,366	141,487	217,521
Avg. Cost per Food	5.00	5.00	5.50	5.50	5.50
Total Costs	270,000	338,340	755,513	778,179	1,196,363
Costs of Goods Sold	$ 270,000	$ 338,340	$ 755,513	$ 778,179	$ 1,196,363
Gross Margins					
Food and Beverage	$ 540,000	$ 676,680	$ 1,373,660	$ 1,414,870	$ 2,175,206
Percentage	67%	67%	65%	65%	65%

Appendix B.2

Restaurant Store 1 Financials

Appendix B.2.a.1

Cash Flows – 10 Years

Chipotle Mexican Grill
Cash Flows
10 Years

Store 1

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operations											
Net Income	$ -	$ (109,935)	$ 6,309	$ 11,786	$ 21,325	$ 31,220	$ 31,220	$ 38,290	$ 38,290	$ 38,290	$ 38,290
Add(Subtract)											
Depreciation	-	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000
Other non-cash items	-	-	-								
subtotal	$ -	$ (50,935)	$ 65,309	$ 70,786	$ 80,325	$ 90,220	$ 90,220	$ 97,290	$ 97,290	$ 97,290	$ 97,290
Cash Flow From Investing											
Initial Start Up Costs											
balance sheet items	(636,994)	-	-								
Other Investments	-	-	-								
Other Capital Expenditures	-	-	-								
subtotal	$ (636,994)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow From Financings											
Start-up Financing											
Debt Financing - Received	300,000		-								
Debt Financing - DS Payments	-	(35,845)	(37,962)	$ (40,203)	$ (42,576)	$ (45,090)	$ -	$ -	$ -	$ -	$ -
Debt Financing - Additional Pmts		-	-				$ (98,324)				
Equity Financing - Received	500,000		-								
Equity Financing - Payments	-	-	-								
sutbtotal	$ 800,000	$ (35,845)	$ (37,962)	$ (40,203)	$ (42,576)	$ (45,090)	$ (98,324)	$ -	$ -	$ -	$ -
Net Cash Flow Before Reserves & Owners' Distributions	$ 163,006	$ (86,780)	$ 27,347	$ 30,583	$ 37,749	$ 45,130	$ (8,104)	$ 97,290	$ 97,290	$ 97,290	$ 97,290
Required Reserves	-	-	-								
Owners' Distributions	-	-	-								
Net Cash Flow	$ 163,006	$ (86,780)	$ 27,347	$ 30,583	$ 37,749	$ 45,130	$ (8,104)	$ 97,290	$ 97,290	$ 97,290	$ 97,290
Beginning Cash Balance	-	163,006	76,226	103,573	134,156	171,905	217,034	208,930	306,220	403,510	500,800
Ending Cash Balance	$ 163,006	$ 76,226	$ 103,573	$ 134,156	$ 171,905	$ 217,034	$ 208,930	$ 306,220	$ 403,510	$ 500,800	$ 598,090

Appendix B.2.a.2

Cash Flows

Month to Month – 1st 24 months

Chipotle Mexican Grill
Cash Flows
Month to Month

Store 1 | Year 1

	Time 0	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Total
Cash Flow From Operations														
Net Income		(9,239)	(9,225)	(9,211)	(9,197)	(9,183)	(9,169)	(9,155)	(9,140)	(9,126)	(9,111)	(9,097)	(9,082)	(109,935)
Add(Subtract)														-
Depreciation		4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	59,000
Other non-cash items														-
subtotal	-	(4,323)	(4,309)	(4,295)	(4,280)	(4,266)	(4,252)	(4,238)	(4,224)	(4,209)	(4,195)	(4,180)	(4,165)	(50,935)
Cash Flow From Investing														
Initial Start Up Costs														-
balance sheet items	(636,994)													-
Other Investments														-
Other Capital Expenditures														-
subtotal	(636,994)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow From Financings														
Debt Financing - Received	300,000													-
Debt Financing - DS Payments	-	(2,909)	(2,923)	(2,937)	(2,951)	(2,965)	(2,980)	(2,994)	(3,008)	(3,023)	(3,037)	(3,052)	(3,066)	(35,845)
Debt Financing - Additional Pmts														-
Equity Financing - Received	500,000													-
Equity Financing - Payments	-													-
subtbtotal	800,000	(2,909)	(2,923)	(2,937)	(2,951)	(2,965)	(2,980)	(2,994)	(3,008)	(3,023)	(3,037)	(3,052)	(3,066)	(35,845)
Net Cash Flow Before Reserves & Owners' Distributions	163,006	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(86,780)
Required Reserves														-
Owners' Distributions														-
Net Cash Flow	163,006	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(7,232)	(86,780)
Beginning Cash Balance	-	163,006	155,774	148,543	141,311	134,079	126,848	119,616	112,384	105,152	97,921	90,689	83,457	163,006
Ending Cash Balance	163,006	155,774	148,543	141,311	134,079	126,848	119,616	112,384	105,152	97,921	90,689	83,457	76,226	76,226

Chipotle Mexican Grill
Cash Flows
Month to Month

Store 1 | Year 2

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Year 2 Total
Cash Flow From Operations													
Net Income	$ (2,805)	$ (2,790)	$ (2,775)	$ (2,760)	$ (2,745)	$ (2,730)	$ 3,781	$ 3,796	$ 3,811	$ 3,827	$ 3,842	$ 3,858	6,309
Add(Subtract)													-
Depreciation	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	59,000
Other non-cash items													-
subtotal	$ 2,112	$ 2,127	$ 2,141	$ 2,156	$ 2,171	$ 2,186	$ 8,698	$ 8,713	$ 8,728	$ 8,744	$ 8,759	$ 8,774	$ 65,309
Cash Flow From Investing													
Initial Start Up Costs													-
balance sheet items													-
Other Investments													-
Other Capital Expenditures													-
subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow From Financings													
Start-up Financing													-
Debt Financing - Received													-
Debt Financing - DS Payments	$ (3,081)	$ (3,096)	$ (3,111)	$ (3,125)	$ (3,140)	$ (3,155)	$ (3,171)	$ (3,186)	$ (3,201)	$ (3,216)	$ (3,232)	$ (3,247)	(37,962)
Debt Financing - Additional Pmts													-
Equity Financing - Received													-
Equity Financing - Payments													-
sutbtotal	$ (3,081)	$ (3,096)	$ (3,111)	$ (3,125)	$ (3,140)	$ (3,155)	$ (3,171)	$ (3,186)	$ (3,201)	$ (3,216)	$ (3,232)	$ (3,247)	$ (37,962)
Net Cash Flow Before Reserves & Owners' Distributions	$ (969)	$ (969)	$ (969)	$ (969)	$ (969)	$ (969)	$ 5,527	$ 5,527	$ 5,527	$ 5,527	$ 5,527	$ 5,527	$ 27,347
Required Reserves													-
Owners' Distributions													-
Net Cash Flow	$ (969)	$ (969)	$ (969)	$ (969)	$ (969)	$ (969)	$ 5,527	$ 5,527	$ 5,527	$ 5,527	$ 5,527	$ 5,527	$ 27,347
Beginning Cash Balance	76,226	75,256	74,287	73,318	72,349	71,380	70,410	75,938	81,465	86,992	92,519	98,046	76,226
Ending Cash Balance	$ 75,256	$ 74,287	$ 73,318	$ 72,349	$ 71,380	$ 70,410	$ 75,938	$ 81,465	$ 86,992	$ 92,519	$ 98,046	$ 103,573	$ 103,573

Appendix B.2.b.1

Income Statement

5 Years

Chipotle Mexican Grill
Income Statement
Year

Store 1

		Year 1	Year 2	Year 3	Year 4	Year 5
Revenues						
Food & Beverage Sales		$ 810,000	$ 1,015,020	$ 1,080,320	$ 1,112,729	$ 1,146,111
Cost of Sales						
Food & Beverage Costs		270,000	338,340	383,339	394,839	406,685
Gross Margin		$ 540,000	$ 676,680	$ 696,980	$ 717,890	$ 739,427
Operating Expenses						
Franchise Expenses						
Royalty Fee	5%	40,500	50,751	54,016	55,636	57,306
Marketing Fee	6%	48,600	60,901	64,819	66,764	68,767
Technology Expenses		2,976	2,976	2,976	2,976	2,976
subtotal		$ 92,076	$ 114,628	$ 121,811	$ 125,376	$ 129,048
Controllable Expenses						
Payroll		225,720	225,720	232,492	239,466	246,650
Employee Benefits		45,144	45,144	45,144	45,144	45,144
Direct Operating Expenses		24,000	24,000	24,720	25,462	26,225
Local Advertising and Promotion		12,360	12,360	12,731	13,113	13,506
Maintenance		48,000	48,000	49,440	50,923	52,451
subtotal		$ 355,224	$ 355,224	$ 364,526	$ 374,108	$ 383,977
Occupancy Costs						
Monthly Rent		108,000	108,000	108,000	108,000	108,000
Percentage Rent	8%	-	-			
Promotion Fee		1,200	1,200	1,236	1,273	1,311
CAM		15,600	15,600	16,068	16,550	17,047
Property Insurance		2,520	2,520	2,596	2,673	2,754
subtotal		$ 127,320	$ 127,320	$ 127,900	$ 128,497	$ 129,111
Total Operating Expenses		$ 574,620	$ 597,172	$ 614,237	$ 627,981	$ 642,136
Operating Income		$ (34,620)	$ 79,508	$ 82,743	$ 89,909	$ 97,290
Interest		16,315	14,199	11,958	9,584	7,070
Depreciation		59,000	59,000	59,000	59,000	59,000
subtotal		$ 75,315	$ 73,199	$ 70,958	$ 68,584	$ 66,070
Income Before Taxes		$ (109,935)	$ 6,309	$ 11,786	$ 21,325	$ 31,220
Income Taxes		-	-			
Net Income		$ (109,935)	$ 6,309	$ 11,786	$ 21,325	$ 31,220

Appendix B.2.b.2

Income Statement

Month to Month – 1st 24 months

Chipotle Mexican Grill
Income Statement
Month to Month

Store 1 | Year 1

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Total
Revenues														
Food & Beverage Sales		$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 810,000
Cost of Sales														
Food & Beverage Costs		22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	270,000
Gross Margin		$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 540,000
Operating Expenses														
Franchise Expenses														
Royalty Fee	5%	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 3,375	$ 40,500
Marketing Fee	6%	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	48,600
Technology Expenses		248	248	248	248	248	248	248	248	248	248	248	248	2,976
subtotal		$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 7,673	$ 92,076
Controllable Expenses														
Payroll		$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 18,810	$ 225,720
Employee Benefits		3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	45,144
Direct Operating Expenses		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Local Advertising and Promotion		1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	12,360
Maintenance		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
subtotal		$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 355,224
Occupancy Costs														
Monthly Rent		$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 108,000
Percentage Rent	8%	-	-	-	-	-	-	-	-	-	-	-	-	-
Promotion Fee		100	100	100	100	100	100	100	100	100	100	100	100	1,200
CAM		1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	15,600
Property Insurance		210	210	210	210	210	210	210	210	210	210	210	210	2,520
subtotal		$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 127,320
Total Operating Expenses		$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 47,885	$ 574,620
Operating Income		$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (2,885)	$ (34,620)
Interest		1,438	1,424	1,410	1,395	1,381	1,367	1,353	1,339	1,324	1,310	1,295	1,280	16,315
Depreciation		4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	4,917	59,000
subtotal		$ 6,354	$ 6,340	$ 6,326	$ 6,312	$ 6,298	$ 6,284	$ 6,270	$ 6,255	$ 6,241	$ 6,226	$ 6,212	$ 6,197	$ 75,315
Income Before Taxes		$ (9,239)	$ (9,225)	$ (9,211)	$ (9,197)	$ (9,183)	$ (9,169)	$ (9,155)	$ (9,140)	$ (9,126)	$ (9,111)	$ (9,097)	$ (9,082)	$ (109,935)
Income Taxes														
Net Income		$ (9,239)	$ (9,225)	$ (9,211)	$ (9,197)	$ (9,183)	$ (9,169)	$ (9,155)	$ (9,140)	$ (9,126)	$ (9,111)	$ (9,097)	$ (9,082)	$ (109,935)

Chipotle Mexican Grill
Income Statement
Month to Month

Store 1 **Year 2**

		Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Year 2 Total
Revenues														
Food & Beverage Sales		$ 78,750	$ 78,750	$ 78,750	$ 78,750	$ 78,750	$ 78,750	$ 90,420	$ 90,420	$ 90,420	$ 90,420	$ 90,420	$ 90,420	$ 1,015,020
Cost of Sales														
Food & Beverage Costs		26,250	26,250	26,250	26,250	26,250	26,250	30,140	30,140	30,140	30,140	30,140	30,140	338,340
Gross Margin		$ 52,500	$ 52,500	$ 52,500	$ 52,500	$ 52,500	$ 52,500	$ 60,280	$ 60,280	$ 60,280	$ 60,280	$ 60,280	$ 60,280	$ 676,680
Operating Expenses														
Franchise Expenses														
Royalty Fee	5%	3,938	3,938	3,938	3,938	3,938	3,938	4,521	4,521	4,521	4,521	4,521	4,521	50,751
Marketing Fee	6%	4,725	4,725	4,725	4,725	4,725	4,725	5,425	5,425	5,425	5,425	5,425	5,425	60,901
Technology Expenses		248	248	248	248	248	248	248	248	248	248	248	248	2,976
subtotal		$ 8,911	$ 8,911	$ 8,911	$ 8,911	$ 8,911	$ 8,911	$ 10,194	$ 10,194	$ 10,194	$ 10,194	$ 10,194	$ 10,194	$ 114,628
Controllable Expenses														
Payroll		18,810	18,810	18,810	18,810	18,810	18,810	18,810	18,810	18,810	18,810	18,810	18,810	225,720
Employee Benefits		3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	45,144
Direct Operating Expenses		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Local Advertising and Promotion		1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	12,360
Maintenance		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
subtotal		$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 29,602	$ 355,224
Occupancy Costs														
Monthly Rent		9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	108,000
Percentage Rent	8%	-	-	-	-	-	-	-	-	-	-	-	-	-
Promotion Fee		100	100	100	100	100	100	100	100	100	100	100	100	1,200
CAM		1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	15,600
Property Insurance		210	210	210	210	210	210	210	210	210	210	210	210	2,520
subtotal		$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 10,610	$ 127,320
Total Operating Expenses		$ 49,123	$ 49,123	$ 49,123	$ 49,123	$ 49,123	$ 49,123	$ 50,406	$ 50,406	$ 50,406	$ 50,406	$ 50,406	$ 50,406	$ 597,172
Operating Income		$ 3,378	$ 3,378	$ 3,378	$ 3,378	$ 3,378	$ 3,378	$ 9,874	$ 9,874	$ 9,874	$ 9,874	$ 9,874	$ 9,874	$ 79,508
Interest		1,266	1,251	1,236	1,221	1,206	1,191	1,176	1,161	1,146	1,130	1,115	1,099	14,199
Depreciation		$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 4,917	$ 59,000
subtotal		$ 6,182	$ 6,168	$ 6,153	$ 6,138	$ 6,123	$ 6,108	$ 6,093	$ 6,078	$ 6,062	$ 6,047	$ 6,032	$ 6,016	$ 73,199
Income Before Taxes		$ (2,805)	$ (2,790)	$ (2,775)	$ (2,760)	$ (2,745)	$ (2,730)	$ 3,781	$ 3,796	$ 3,811	$ 3,827	$ 3,842	$ 3,858	$ 6,309
Income Taxes														$ -
Net Income		$ (2,805)	$ (2,790)	$ (2,775)	$ (2,760)	$ (2,745)	$ (2,730)	$ 3,781	$ 3,796	$ 3,811	$ 3,827	$ 3,842	$ 3,858	$ 6,309

Appendix B.2.c.1

Gross Margin Schedule

5 Years

Chipotle Mexican Grill
Gross Margin
Five Years

Store 1	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues					
Food and Beverage					
No. of Customers	54,000	67,668	69,698	71,789	73,943
Avg. Sales per Customer	$ 15.00	$ 15.00	$ 15.50	$ 15.50	$ 15.50
Total Gross Sales	$ 810,000	$ 1,015,020	$ 1,080,320	$ 1,112,729	$ 1,146,111
Gross Sales	$ 810,000	$ 1,015,020	$ 1,080,320	$ 1,112,729	$ 1,146,111
Cost of Goods Sold					
Food and Beverage					
No. of Customers	54,000	67,668	69,698	71,789	73,943
Avg. Cost per Food	$ 5.00	$ 5.00	$ 5.50	$ 5.50	$ 5.50
Total Costs	270,000	338,340	383,339	394,839	406,685
Costs of Goods Sold	$ 270,000	$ 338,340	$ 383,339	$ 394,839	$ 406,685
Gross Margins					
Food and Beverage	$ 540,000	$ 676,680	$ 696,980	$ 717,890	$ 739,427
Percentage	67%	67%	65%	65%	65%

Appendix B.2.c.2

Gross Margin Schedule

Month to Month – 1st 24 months

Chipotle Mexican Grill
Gross Margin
Month to Month

	Month 1	Month 2 (Store 1)	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8 (Year 1)	Month 9	Month 10	Month 11	Month 12	Year 1 Total
Revenues													
Food and Beverage													
No. of Customers	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Avg. Sales per Customer	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	15.00
Total Gross Sales	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 810,000
Gross Sales	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 67,500	$ 810,000
Cost of Goods Sold													
Food and Beverage													
No. of Customers	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Avg. Cost per Food	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Total Costs	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 270,000
Costs of Goods Sold	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 270,000
Gross Margins													
Food and Beverage	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 540,000
Percentage	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%

Appendix C

Loan Amortization Schedules

Loan Amortization
7 Year Amortization
$300,000 **Store 1**

	Payment	5.75% Interest	Principal	Balance			
0				300,000			
1	4,347	1,438	2,909	297,091			
2	4,347	1,424	2,923	294,168			
3	4,347	1,410	2,937	291,231			
4	4,347	1,395	2,951	288,279			
5	4,347	1,381	2,965	285,314			
6	4,347	1,367	2,980	282,334			
7	4,347	1,353	2,994	279,341			
8	4,347	1,339	3,008	276,332			
9	4,347	1,324	3,023	273,310			
10	4,347	1,310	3,037	270,273			
11	4,347	1,295	3,052	267,221			
12	4,347	1,280	3,066	264,155	16,315	35,845	Yr 1
13	4,347	1,266	3,081	261,074			
14	4,347	1,251	3,096	257,978			
15	4,347	1,236	3,111	254,867			
16	4,347	1,221	3,125	251,742			
17	4,347	1,206	3,140	248,602			
18	4,347	1,191	3,155	245,446			
19	4,347	1,176	3,171	242,275			
20	4,347	1,161	3,186	239,090			
21	4,347	1,146	3,201	235,889			
22	4,347	1,130	3,216	232,672			
23	4,347	1,115	3,232	229,440			
24	4,347	1,099	3,247	226,193	14,199	37,962	Yr 2
25	4,347	1,084	3,263	222,930			
26	4,347	1,068	3,278	219,652			
27	4,347	1,052	3,294	216,358			
28	4,347	1,037	3,310	213,048			
29	4,347	1,021	3,326	209,722			
30	4,347	1,005	3,342	206,380			
31	4,347	989	3,358	203,022			
32	4,347	973	3,374	199,648			
33	4,347	957	3,390	196,258			
34	4,347	940	3,406	192,852			
35	4,347	924	3,423	189,429			
36	4,347	908	3,439	185,990	11,958	40,203	Yr 3
37	4,347	891	3,455	182,535			
38	4,347	875	3,472	179,063			
39	4,347	858	3,489	175,574			
40	4,347	841	3,505	172,069			
41	4,347	824	3,522	168,546			
42	4,347	808	3,539	165,007			
43	4,347	791	3,556	161,451			
44	4,347	774	3,573	157,878			
45	4,347	756	3,590	154,288			
46	4,347	739	3,607	150,681			
47	4,347	722	3,625	147,056			
48	4,347	705	3,642	143,414	9,584	42,576	Yr 4
49	4,347	687	3,660	139,754			
50	4,347	670	3,677	136,077			
51	4,347	652	3,695	132,383			
52	4,347	634	3,712	128,670			
53	4,347	617	3,730	124,940			
54	4,347	599	3,748	121,192			
55	4,347	581	3,766	117,426			
56	4,347	563	3,784	113,642			
57	4,347	545	3,802	109,840			
58	4,347	526	3,820	106,020			
59	4,347	508	3,839	102,181			
60	4,347	490	3,857	98,324	7,070	45,090	Yr 5
61	4,347	471	3,876	94,448			
62	4,347	453	3,894	90,554			
63	4,347	434	3,913	86,641			
64	4,347	415	3,932	82,710			
65	4,347	396	3,950	78,759			
66	4,347	377	3,969	74,790			
67	4,347	358	3,988	70,802			
68	4,347	339	4,007	66,794			
69	4,347	320	4,027	62,768			
70	4,347	301	4,046	58,722			
71	4,347	281	4,065	54,656			
72	4,347	262	4,085	50,572	4,408	47,752	Yr 6
73	4,347	242	4,104	46,467			
74	4,347	223	4,124	42,343			
75	4,347	203	4,144	38,199			
76	4,347	183	4,164	34,036			
77	4,347	163	4,184	29,852			
78	4,347	143	4,204	25,648			
79	4,347	123	4,224	21,425			
80	4,347	103	4,244	17,181			
81	4,347	82	4,264	12,916			
82	4,347	62	4,285	8,631			
83	4,347	41	4,305	4,326			
84	4,347	21	4,326	0	1,589	50,572	Yr 7

Loan Amortization
7 Year Amortization
$250,000 **Store 2**

	Payment	5.75% Interest	Principal	Balance			
0				250,000			
1	3,622	1,198	2,424	247,576			
2	3,622	1,186	2,436	245,140			
3	3,622	1,175	2,448	242,692			
4	3,622	1,163	2,459	240,233			
5	3,622	1,151	2,471	237,762			
6	3,622	1,139	2,483	235,279			
7	3,622	1,127	2,495	232,784			
8	3,622	1,115	2,507	230,277			
9	3,622	1,103	2,519	227,758			
10	3,622	1,091	2,531	225,227			
11	3,622	1,079	2,543	222,684			
12	3,622	1,067	2,555	220,129	13,596	29,871	Yr 1
13	3,622	1,055	2,567	217,561			
14	3,622	1,042	2,580	214,982			
15	3,622	1,030	2,592	212,390			
16	3,622	1,018	2,605	209,785			
17	3,622	1,005	2,617	207,168			
18	3,622	993	2,630	204,538			
19	3,622	980	2,642	201,896			
20	3,622	967	2,655	199,241			
21	3,622	955	2,668	196,574			
22	3,622	942	2,680	193,894			
23	3,622	929	2,693	191,200			
24	3,622	916	2,706	188,494	11,832	31,635	Yr 2
25	3,622	903	2,719	185,775			
26	3,622	890	2,732	183,043			
27	3,622	877	2,745	180,298			
28	3,622	864	2,758	177,540			
29	3,622	851	2,772	174,768			
30	3,622	837	2,785	171,983			
31	3,622	824	2,798	169,185			
32	3,622	811	2,812	166,374			
33	3,622	797	2,825	163,549			
34	3,622	784	2,839	160,710			
35	3,622	770	2,852	157,858			
36	3,622	756	2,866	154,992	9,965	33,502	Yr 3
37	3,622	743	2,880	152,112			
38	3,622	729	2,893	149,219			
39	3,622	715	2,907	146,312			
40	3,622	701	2,921	143,391			
41	3,622	687	2,935	140,455			
42	3,622	673	2,949	137,506			
43	3,622	659	2,963	134,543			
44	3,622	645	2,978	131,565			
45	3,622	630	2,992	128,573			
46	3,622	616	3,006	125,567			
47	3,622	602	3,021	122,547			
48	3,622	587	3,035	119,512	7,987	35,480	Yr 4
49	3,622	573	3,050	116,462			
50	3,622	558	3,064	113,398			
51	3,622	543	3,079	110,319			
52	3,622	529	3,094	107,225			
53	3,622	514	3,108	104,117			
54	3,622	499	3,123	100,993			
55	3,622	484	3,138	97,855			
56	3,622	469	3,153	94,702			
57	3,622	454	3,168	91,533			
58	3,622	439	3,184	88,350			
59	3,622	423	3,199	85,151			
60	3,622	408	3,214	81,936	5,892	37,575	Yr 5
61	3,622	393	3,230	78,707			
62	3,622	377	3,245	75,462			
63	3,622	362	3,261	72,201			
64	3,622	346	3,276	68,925			
65	3,622	330	3,292	65,633			
66	3,622	314	3,308	62,325			
67	3,622	299	3,324	59,001			
68	3,622	283	3,340	55,662			
69	3,622	267	3,356	52,306			
70	3,622	251	3,372	48,935			
71	3,622	234	3,388	45,547			
72	3,622	218	3,404	42,143	3,673	39,794	Yr 6
73	3,622	202	3,420	38,723			
74	3,622	186	3,437	35,286			
75	3,622	169	3,453	31,833			
76	3,622	153	3,470	28,363			
77	3,622	136	3,486	24,877			
78	3,622	119	3,503	21,374			
79	3,622	102	3,520	17,854			
80	3,622	86	3,537	14,317			
81	3,622	69	3,554	10,763			
82	3,622	52	3,571	7,193			
83	3,622	34	3,588	3,605			
84	3,622	17	3,605	0	1,324	42,143	Yr 7

Loan Amortization
7 Year Amortization
$200,000

Store 3

	Payment	5.75% Interest	Principal	Balance			
0				200,000			
1	2,898	958	1,939	198,061			
2	2,898	949	1,949	196,112			
3	2,898	940	1,958	194,154			
4	2,898	930	1,967	192,186			
5	2,898	921	1,977	190,209			
6	2,898	911	1,986	188,223			
7	2,898	902	1,996	186,227			
8	2,898	892	2,005	184,222			
9	2,898	883	2,015	182,206			
10	2,898	873	2,025	180,182			
11	2,898	863	2,034	178,147			
12	2,898	854	2,044	176,103	10,877	23,897	Yr 1
13	2,898	844	2,054	174,049			
14	2,898	834	2,064	171,985			
15	2,898	824	2,074	169,912			
16	2,898	814	2,084	167,828			
17	2,898	804	2,094	165,734			
18	2,898	794	2,104	163,631			
19	2,898	784	2,114	161,517			
20	2,898	774	2,124	159,393			
21	2,898	764	2,134	157,259			
22	2,898	754	2,144	155,115			
23	2,898	743	2,155	152,960			
24	2,898	733	2,165	150,795	9,466	25,308	Yr 2
25	2,898	723	2,175	148,620			
26	2,898	712	2,186	146,435			
27	2,898	702	2,196	144,238			
28	2,898	691	2,207	142,032			
29	2,898	681	2,217	139,814			
30	2,898	670	2,228	137,587			
31	2,898	659	2,239	135,348			
32	2,898	649	2,249	133,099			
33	2,898	638	2,260	130,839			
34	2,898	627	2,271	128,568			
35	2,898	616	2,282	126,286			
36	2,898	605	2,293	123,994	7,972	26,802	Yr 3
37	2,898	594	2,304	121,690			
38	2,898	583	2,315	119,375			
39	2,898	572	2,326	117,049			
40	2,898	561	2,337	114,712			
41	2,898	550	2,348	112,364			
42	2,898	538	2,359	110,005			
43	2,898	527	2,371	107,634			
44	2,898	516	2,382	105,252			
45	2,898	504	2,393	102,859			
46	2,898	493	2,405	100,454			
47	2,898	481	2,416	98,037			
48	2,898	470	2,428	95,609	6,389	28,384	Yr 4
49	2,898	458	2,440	93,170			
50	2,898	446	2,451	90,718			
51	2,898	435	2,463	88,255			
52	2,898	423	2,475	85,780			
53	2,898	411	2,487	83,293			
54	2,898	399	2,499	80,795			
55	2,898	387	2,511	78,284			
56	2,898	375	2,523	75,761			
57	2,898	363	2,535	73,227			
58	2,898	351	2,547	70,680			
59	2,898	339	2,559	68,121			
60	2,898	326	2,571	65,549	4,714	30,060	Yr 5
61	2,898	314	2,584	62,965			
62	2,898	302	2,596	60,369			
63	2,898	289	2,609	57,761			
64	2,898	277	2,621	55,140			
65	2,898	264	2,634	52,506			
66	2,898	252	2,646	49,860			
67	2,898	239	2,659	47,201			
68	2,898	226	2,672	44,530			
69	2,898	213	2,684	41,845			
70	2,898	201	2,697	39,148			
71	2,898	188	2,710	36,438			
72	2,898	175	2,723	33,714	2,939	31,835	Yr 6
73	2,898	162	2,736	30,978			
74	2,898	148	2,749	28,229			
75	2,898	135	2,763	25,466			
76	2,898	122	2,776	22,690			
77	2,898	109	2,789	19,901			
78	2,898	95	2,802	17,099			
79	2,898	82	2,816	14,283			
80	2,898	68	2,829	11,454			
81	2,898	55	2,843	8,611			
82	2,898	41	2,857	5,754			
83	2,898	28	2,870	2,884			
84	2,898	14	2,884	0	1,059	33,714	Yr 7

Appendix D

Depreciation Schedules

Chipotle Mexican Grill
Depreciation Expense

		1	2	3	4	5	6	7	8	9	10
Tenant Improvements	Yr										
$ 300,000	10	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
FFE											
$ 290,000	10	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
		$ 59,000	$ 59,000	$ 59,000	$ 59,000	$ 59,000	$ 59,000	$ 59,000	$ 59,000	$ 59,000	$ 59,000

Appendix E

Uniform Franchise Offering Circular (UFOC) Excerpts

Appendix E.1

Initial Investment

Item 7

INITIAL INVESTMENT

Expenditures	Estimated Amount or Estimated Low-High Range Under Business Facilities Franchise Agreement	Estimated Amount or Estimated Low-High Range Under Conventional Franchise Agreement	When Due	Method Of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (1)	$4,000	$20,000	Due when the Restaurant opens for business	Lump Sum	No	Us
Security Deposit Under Lease	$5,000	$5,000	Due when the Restaurant opens for business	Lump Sum	Yes, if you comply with Lease during lease term	Us
Three Months' Lease Rent (2)	$15,000 to $120,000	$15,000 to $120,000	Beginning when the Restaurant opens for business	Monthly	No	Us
Initial Operating Assets and Decorating Costs (3)	$0	$300,000 to $750,000	Before the Restaurant opens for business	Lump Sum	No	Us
Opening Inventory and Supplies (4)	$6,000 to $9,000	$6,000 to $9,000	As Incurred	As Agreed	No	Outside Suppliers
Grand Opening Marketing Program and Initial Marketing Expenses (5)	$11,000 to $30,000	$11,000 to $30,000	As Incurred	As Incurred	No	Us, Advertising Sources, and Advertising Cooperativ
Training Expenses (for all attendees) (6)	$10,000 to $18,500	$10,000 to $18,500	As Incurred	As Incurred	No	Third Parties
Miscellaneous Opening Costs (7)	$5,000 to $105,000	$5,000 to $105,000	As Incurred	As Incurred	No	Third Parties
Additional Funds - 3 months (8)	$50,000	$50,000	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (9)	$106,000 to $341,500	$422,000 to $1,107,500				

Appendix E.2

Fees

the fees varied because of the different purchase prices for the Operating Assets that these franchisees bought from us.

Item 6

OTHER FEES

Name of Fee(1)	Amount	Due Date	Remarks
Royalty	5% of Restaurant's monthly Gross Sales(2)	Due on the day of each month that we specify(3)	Based on Gross Sales during the previous month
Marketing Fund Contributions	Amount we periodically specify (up to 6% of Gross Sales)(4)	Due on the day of each month that we specify(3)	You must begin payments 30 days after our notice that we have started the Marketing Fund; we do not yet collect this fee (see Item 11)
Lease Basic Rent and Percentage Rent if you Operate Under Conventional Franchise Agreement(5)	$5,000 to $40,000 per month, plus common area maintenance charges, taxes, insurance and similar charges under prime lease	Basic Rent is due on the first day of each month, Percentage Rent is due on 10th day of each month(3)	These cover the rent on the land (if applicable), building, fixtures and leasehold improvements for the Restaurant. If you hold over after the Lease terminates or expires, rent during the holdover period is double the rent payable during the lease term (see Item 10)
Lease Basic Rent and Percentage Rent if You Operate Under Business Facilities Franchise Agreement(5)	$5,000 to $40,000 per month, plus common area maintenance charges, taxes, insurance and similar charges under prime lease	Basic Rent is due on the first day of each month, Percentage Rent is due on 10th day of each month(3)	These cover the rent on the land (if applicable), building, fixtures, leasehold improvements and Business Facilities for the Restaurant. If you hold over after the Lease terminates or expires, rent during the holdover period is double the rent payable during the lease term (see Item 10)
Reimbursement of Costs and Expenses Under Lease	Our costs and expenses, plus interest if applicable (see below)	As incurred	If we elect to pay, on your behalf, the taxes, utility bills and other obligations to third parties under the Lease, you must reimburse our costs and expenses
Cooperative Advertising	Established by advertising cooperative members(6)	Established by advertising cooperative members	We have not yet formed any advertising cooperatives (see Item 11)

Name of Fee[1]	Amount	Due Date	Remarks
Computer System Fees	About $170 per month during 2004, but could increase if our costs increase	Due on the day of each month that we specify[3]	We currently collect the fees for the Enterprise.com data service and MCI Internet access for your Restaurant and pay the applicable vendor. This fee also covers your Restaurant's DSL/Frac T1 lines. (See Item 11) We also will provide Help Desk services and an IT Guide for computer-related issues. If you call the Help Desk regarding an issue that the IT Guide addresses, we can charge you $25 for the call. We may charge reasonable fees for software, other technology, and other maintenance and support services
Charges for Restaurant Music	$55 per month during 2004, but could increase if our costs increase	Due on the day of each month that we specify[3]	We currently provide an entire music system for Chipotle Restaurants, including compact disc players, CDs and licenses. We may increase this monthly fee on 30 days' notice
Additional Training or Assistance	$250 per person, per day, plus expenses during 2004, but could increase if our costs increase	As incurred	We provide initial training for you at no additional charge (see Item 11), but we may charge you for others who attend initial training; for training newly-hired personnel; for refresher training oourses; and for additional or special assistance or training you need or request
Transfer	$2,500, subject to increase to reflect increases in Consumer Price Index	Before transfer completed	Due upon transfer of Franchise Agreement or controlling ownership interest in business entity franchisee. If Franchise Agreement transferred to an entity which you own and control or to a family member, you must merely reimburse our costs
Audit	Cost of inspection or audit	As incurred	Due only if you do not give us reports, supporting records or other required information on time or understate required Royalties, Marketing Fund contributions or Percentage Rent by more than 2%
Interest on Late Payments	Highest commercial contract interest rate law allows or, if no maximum rate is specified, 15% per annum	As incurred	Due on all overdue amounts more than 7 days late under the Franchise Agreement and on all overdue amounts under the Lease

Appendix E.3

Obligations

Name of Fee[1]	Amount	Due Date	Remarks
Product and Service Purchases	See Item 8	See Item 8	You will buy products and services from us, our affiliates, suppliers that we designate or approve, and vendors whose items meet our standards and specifications
Replacement Copy of Operations Manual	$100 per copy during 2004, but could increase if our costs increase	As incurred	We will provide your initial copy of the Operations Manual at no charge, but if your copy is lost, destroyed or significantly damaged, you must obtain a replacement copy at our then applicable charge
Management Fee	Up to 8% of Gross Sales, plus expenses	As incurred	Due only if we manage Restaurant after your death or disability
Costs and Attorneys' Fees	Will vary with circumstances	As incurred	Due only if you do not comply with the Franchise Agreement or Lease
Indemnification	Will vary with circumstances	As incurred	You must reimburse us if we incur costs from your Restaurant's operation, your business, your breach of the Franchise Agreement or Confidentiality Agreement, or noncompliance or alleged noncompliance with any law concerning the Restaurant's construction, design or operation
New Product or Supplier Testing	Cost of Testing	As incurred	This covers the costs of testing new products or inspecting new suppliers you propose
Insurance	Actual cost of premiums, plus our costs and expenses	As incurred	If you fail to obtain and maintain the insurance we require for the Restaurant, and we elect to do so, you must reimburse us
Insufficient Funds Charge (Under Conventional Franchise Agreement)	$50 per incident plus our out-of-pocket expenses	As incurred	Due if your account has insufficient funds to cover check or debit

1/ Except for some product and service purchases (described in Item 8) and Advertising Cooperative payments (described in Item 11), all fees are imposed and collected by and payable to us. All fees are uniform and non-refundable.

2/ "Gross Sales" means all revenues from sales conducted upon or from the Restaurant, whether from check, cash, credit, charge account, debit account, redemption of gift certificates, barter or exchange (with Gross Sales from a barter or exchange transaction equal to the menu price of the items that the Restaurant provides), or otherwise, and

Obligation	Section in Agreement	Item in Offering Circular
(a) Site selection and acquisition/lease	Sections 2A and B of Franchise Agreement; Lease	Items 6, 7, 8, 10 and 11
(b) Pre-opening purchases/leases	Sections 2C, D, and E and 9A of Franchise Agreement; Section 3.01A of Lease; Bill of Sale	Items 5, 6, 7, 8, and 11
(c) Site development and other pre-opening requirements	Sections 2C, D, and E of Franchise Agreement; Sections 1.03, 2.04 and 2.06 of Lease	Items 6, 7, 8, 10 and 11
(d) Initial and ongoing training	Sections 4A and B of Franchise Agreement	Items 6, 7, and 11
(e) Opening	Sections 2C and D and 3A of Franchise Agreement; Section 2.06 of Lease	Item 11
(f) Fees	Sections 3, 4A, B, and C, 9C and E, 10, 12B, 13C(6), 13E(2), 17D, and 18C of Franchise Agreement; Sections 3.01, 3.03, 3.05, 6.04, 7.02, and 7.09 of Lease; Section 7 of Confidentiality Agreement	Items 5, 6, and 7
(g) Compliance with standards and policies/Operating Manual	Sections 2E, 4B and C, and 9 of Franchise Agreement	Items 8, 11 and 16
(h) Trademarks and proprietary information	Sections 5, 6 and 7 of Franchise Agreement; Confidentiality Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 9B and G of Franchise Agreement	Items 8, 11, and 16
(j) Warranty and customer service requirements	Sections 9D and G of Franchise Agreement	
(k) Territorial development and sales quotas	None	
(l) On-going product/service purchases	Section 9 of Franchise Agreement	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	Sections 9A and G of Franchise Agreement; Sections 2.08 and 4.02 of Lease	
(n) Insurance	Section 9E of Franchise Agreement; Article 6 of Lease	Items 6, 7 and 8
(o) Advertising	Sections 2E and 10 of Franchise Agreement	Items 6, 7, 8, and 11
(p) Indemnification	Section 17D of Franchise Agreement; Section 7.02 of Lease; Section 7 of Confidentiality Agreement	Item 6
(q) Owner's participation/ management/staffing	Sections 1C, 4A and 9G(2) of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section 11 of Franchise Agreement; Sections 3.02 and 3.03 of Lease	
(s) Inspections/audits	Section 12 of Franchise Agreement; Section 3.03 of Lease; Section 12 of Assignment Agreement	Items 6 and 11

OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
(t) Transfer	Section 13 of Franchise Agreement; Assignment Agreement; Section 3 of Consent to Franchise Agreement	Items 15 and 17
(u) Renewal	Section 14 of Franchise Agreement	Item 17
(v) Post-termination obligations	Section 16 of Franchise Agreement	Item 17
(w) Non-competition covenants	Sections 8 and 16D of Franchise Agreement; Sections 1 and 2 of Consent to Franchise Agreement	Item 17
(x) Dispute resolution	Sections 18F, G, and H of Franchise Agreement; Sections 12 and 13 of Assignment Agreement; Sections 6 and 13 of Confidentiality Agreement; Sections 5 and 6 of Consent to Franchise Agreement	Item 17
(y) Maximum Prices	Section 9F of Franchise Agreement	Item 16
(z) Liquor License	Section 2C of Franchise Agreement	Items 1 and 7
(aa) Disclaimer of warranties	Section 2C of Franchise Agreement	
(bb) Rebuilding premises and improvements (if costs exceed insurance proceeds)	Section 6.03 of Lease	

Item 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

Under the Lease you must lease or sublease from us the land (if applicable), building, fixtures and leasehold improvements for your Restaurant. If you sign the Business Facilities Franchise Agreement, you also will lease the Business Facilities for the Restaurant from us under the Lease. The Lease has the same term as the Franchise Agreement. (Lease – Sections 1.01 and 2.02.) When the Restaurant opens, you must pay us a $5,000 security deposit and the first month's rent under the Lease. (Lease – Sections 2.09 and 3.01(A)) (See Item 5). You will also pay rent to us each month during the lease term. (Lease – Section 3.01.) (See Item 6) While you will not pay a specific fixed or variable interest rate under the Lease, the rent that you pay under the Lease exceeds our costs and allows for a profit margin for us. You are personally liable for your obligations under the Lease, even if we allow you to transfer your rights and obligations under the Franchise Agreement and Lease to a corporation or limited liability company that you own. (Assignment – Section 4) While the Lease does not impose a prepayment penalty, you may not prepay your rent because it is determined in part on your Restaurant's Gross Sales.

You grant us a lien on your property at the Restaurant to secure your obligation to pay us rent and other amounts under the Lease. (Lease – Section 3.06) Any default under the Lease is

Appendix E.4

Historical Restaurant Information

Restaurants did not incur these additional costs, we are unable to determine the number of Sample Restaurants whose results exceeded the Net Operating Income figures in the chart or the average, highest and lowest Net Operating Income for these Sample Restaurants.

	Restaurant A		Restaurant B		Restaurant C	
Net Sales	$1,100,000	100.0%	$1,300,000	100.0%	$1,500,000	100.0%
Total Cost of Sales	$372,100	33.8%	$431,500	33.2%	$492,100	32.8%
Gross Profit	$727,900	66.2%	$868,500	66.8%	$1,007,900	67.2%
Total Controllable Expenses	$433,900	39.4%	$462,400	35.6%	$492,700	32.8%
Profit After Controllables	$294,100	26.7%	$406,000	31.2%	$515,300	34.4%
Total Other Expenses	$215,300	19.6%	$267,100	20.5%	$315,300	21.0%
Net Operating Income	$78,800	7.2%	$138,900	10.7%	$200,000	13.3%

Notes

1. "Total Controllable Expenses" includes expenses such as Restaurant employee payrolls, utilities and outside services. Total Controllable Expenses includes amounts for store manager salaries but not any amounts for an owner's draw or an area manager's salary. Total Controllable Expenses also includes amounts for marketing expenditures, an additional 6% of Gross Sales reflecting the Marketing Spending Requirement, and an additional amount for extra labor expenses. Total Controllable Expenses can vary based on local economic conditions and the local real estate market, as well as on shipping costs and general economic conditions.

2. "Total Other Expenses" includes expenses such as insurance, taxes and accounting fees. Although this information is based on company-owned restaurants, the Total Other Expenses figures include additional amounts for Royalties (5% of Gross Sales) and rent under the Lease.

3. For many reasons, you should not consider the Net Operating Income line as the actual or potential income or profit for a franchised Chipotle Restaurant. Because the Sample Restaurants are part of our corporate structure, we achieve many economies of scale in labor and administrative costs that a franchisee operating one Chipotle Restaurant may not achieve.

4. 42 of the 225 Subject Restaurants are located in Colorado, where we or our predecessor have had operating Chipotle Restaurants since 1993. These restaurants might have benefited from the goodwill generated by our and our predecessor's use of the Chipotle® name in the area over several years.

THESE SALES, COSTS, INCOME OR PROFITS SHOULD NOT BE CONSIDERED THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS THAT ANY FRANCHISEE WILL REALIZE. WE DO NOT REPRESENT THAT ANY FRANCHISEE CAN EXPECT TO ATTAIN THESE SALES, COSTS, INCOME OR PROFITS.

We will provide you with substantiation of the data used to prepare this earnings claim upon your reasonable request. These figures are based on the results of company-owned Chipotle restaurants, and we do not believe that we have sufficient experience with franchised Chipotle Restaurants on which to base this earnings claim. Except as expressly listed above, we

Appendix F

CMG Financial Statements

CHIPOTLE MEXICAN GRILL, INC.

CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	December 31	
	2008	**2007**
Assets		
Current assets:		
Cash and cash equivalents	$ 88,044	$ 151,176
Accounts receivable, net of allowance for doubtful accounts of $608 and $237 as of December 31, 2008 and 2007, respectively	3,643	5,373
Inventory	4,789	4,332
Current deferred tax assets	2,557	2,431
Prepaid expenses	11,764	8,997
Income tax receivable	285	9,535
Available-for-sale securities	99,990	20,000
Total current assets	211,072	201,844
Leasehold improvements, property and equipment, net	585,899	494,930
Other assets	6,075	3,402
Goodwill	21,939	21,939
Total assets	$ 824,985	$ 722,115
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 23,890	$ 19,880
Accrued payroll and benefits	24,469	26,210
Accrued liabilities	28,347	27,135
Current portion of deemed landlord financing	82	76
Total current liabilities	76,788	73,301
Deferred rent	87,009	63,192
Deemed landlord financing	3,878	3,960
Deferred income tax liability	29,863	16,483
Other liabilities	4,857	3,069
Total liabilities	202,395	160,005
Shareholders' equity:		
Preferred stock, $0.01 par value, 600,000 shares authorized, no shares outstanding as of December 31, 2008 and 2007	—	—
Class A common stock, $0.01 par value, 200,000 shares authorized, 14,453 and 14,431 shares issued as of December 31, 2008 and 2007, respectively	145	144
Class B common stock, $0.01 par value, 30,000 shares authorized, 18,425 and 18,374 shares issued as of December 31, 2008 and 2007, respectively	184	184
Additional paid-in capital	501,993	489,296
Treasury stock, at cost, 692 and no shares at December 31, 2008 and 2007, respectively	(30,227)	—
Accumulated other comprehensive loss	(193)	—
Retained earnings	150,688	72,486
Total shareholders' equity	622,590	562,110
Total liabilities and shareholders' equity	$ 824,985	$ 722,115

CHIPOTLE MEXICAN GRILL, INC.

CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share data)

	Years ended December 31		
	2008	2007	2006
Revenue:			
Restaurant sales	$ 1,331,968	$ 1,085,047	$ 819,787
Franchise royalties and fees	—	735	3,143
Total revenue	1,331,968	1,085,782	822,930
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):			
Food, beverage and packaging	431,947	346,393	257,998
Labor	351,005	289,417	231,134
Occupancy	98,071	75,891	58,804
Other operating costs	164,018	131,512	102,745
General and administrative expenses	89,155	75,038	65,284
Depreciation and amortization	52,770	43,595	34,253
Pre-opening costs	11,624	9,585	6,778
Loss on disposal of assets	9,339	6,168	3,982
	1,207,929	977,599	760,978
Income from operations	124,039	108,183	61,952
Interest and other income	3,469	6,115	6,574
Interest and other expense	(302)	(296)	(271)
Income before income taxes	127,206	114,002	68,255
Provision for income taxes	(49,004)	(43,439)	(26,832)
Net income	$ 78,202	$ 70,563	$ 41,423
Earnings per share			
Basic	$ 2.39	$ 2.16	$ 1.29
Diluted	$ 2.36	$ 2.13	$ 1.28
Weighted average common shares outstanding			
Basic	32,766	32,672	32,051
Diluted	33,146	33,146	32,465

CHIPOTLE MEXICAN GRILL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Years ended December 31		
	2008	2007	2006
Operating activities			
Net income	$ 78,202	$ 70,563	$ 41,423
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	52,770	43,595	34,253
Current income tax benefit	—	—	(782)
Deferred income tax (benefit) provision	13,165	(3,545)	(1,857)
Change in valuation allowance	89	521	—
Loss on disposal of assets	9,339	6,168	3,982
Bad debt allowance	440	—	(59)
Stock-based compensation	11,374	7,801	5,193
Other	(226)	15	(323)
Changes in operating assets and liabilities:			
Accounts receivable	1,290	(508)	(2,873)
Inventory	(457)	(771)	(880)
Prepaid expenses	(2,767)	(1,885)	1,499
Other assets	(2,673)	(469)	(242)
Accounts payable	3,635	2,065	912
Accrued liabilities	(529)	13,299	11,304
Income tax receivable/payable	9,250	(8,721)	2,222
Deferred rent	23,817	17,561	9,714
Other long-term liabilities	1,788	1,234	111
Net cash provided by operating activities	198,507	146,923	103,597
Investing activities			
Purchases of leasehold improvements, property and equipment, net	(152,101)	(140,545)	(97,312)
Purchases of available-for-sale securities	(99,990)	(20,000)	—
Maturity of available-for-sale securities	20,000	—	—
Franchise acquisitions	—	(5,668)	—
Net cash used in investing activities	(232,091)	(166,213)	(97,312)
Financing activities			
Net proceeds from sale of common stock	—	—	133,333
Costs of issuing common stock	—	—	(12,436)
Acquisition of treasury stock	(30,227)	—	—
Proceeds from McDonald's—tax sharing agreement	—	6,400	19,468
Proceeds from option exercises	471	3,863	2,752
Excess tax benefit on stock-based compensation	284	6,632	1,357
Proceeds from McDonald's—intercompany notes	—	—	2,248
Proceeds from deemed landlord financing	—	—	635
Payments on deemed landlord financing	(76)	(71)	(61)
Net cash (used in) / provided by financing activities	(29,548)	16,824	147,296
Net change in cash and cash equivalents	(63,132)	(2,466)	153,581
Cash and cash equivalents at beginning of year	151,176	153,642	61
Cash and cash equivalents at end of year	$ 88,044	$ 151,176	$ 153,642
Supplemental disclosures of cash flow information			
Income taxes paid	$ 37,568	$ 48,550	$ 26,316
(Increase)/decrease in purchases of leasehold improvements, property and equipment accrued in accounts payable	$ (375)	$ 1,752	$ (5,467)

Appendix G

Master Franchise Agreements

- As a master franchise, we receive half of the net franchise fee.
- A master franchise also receives 2% to 4% of their franchisee's volume or royalty fees every month for many years.
- Master franchisee can often get involved in the franchisee’s location which can receive certain types of real estate income.

Appendix H
Chipotle Mexican Grill Menu

Chipotle

BURRITO
Giant flour tortilla, cilantro-lime rice, choice of pinto or vegetarian black beans, choice of meat, choice of salsa, cheese or sour cream. The vegetarian burrito comes with guacamole.

FAJITA BURRITO
Just like a burrito but with sautéed peppers and onions instead of beans. The vegetarian fajita has both sautéed veggies and black beans instead of meat, and comes with guacamole.

BURRITO BOWL
Burrito or fajita in a bowl, no tortilla.

TACOS
Soft flour or crispy corn tortillas, choice of meat, choice of salsa, cheese or sour cream, and romaine lettuce.

SALAD
Leafy romaine lettuce with beans, choice of meat, salsa & cheese, with freshly made chipotle-honey vinaigrette.

WITH

CHICKEN 5.70
Naturally raised, vegetarian fed chicken, marinated for hours in our chipotle pepper adobo, then simply grilled.

STEAK 5.95
Marinated for hours in our chipotle adobo, then grilled.

CARNITAS 5.95
Naturally raised pork, seasoned with thyme, bay leaves, juniper berries and freshly cracked black pepper - seared, then braised for hours.

BARBACOA 5.95
Spicy, shredded beef, braised with our own chipotle adobo, cumin, cloves, garlic and oregano.

VEGETARIAN 5.60
Includes our fresh-made guacamole and vegetarian black beans. Add sautéed peppers and onions for a vegetarian fajita.

SALSAS

Roasted Chili-Corn	medium
Tomatillo-Green Chili	medium
Tomatillo-Red Chili	hot
Fresh Tomato	mild

EXTRAS

Chips & Guacamole	2.40
Chips & Salsa	1.65
Guacamole	1.65
Chips	.90

DRINKS

Margarita	3.75
Specialty Beer	3.25
Domestic Beer	2.75
Bottled Drinks	1.75/2.25
Soda	1.40/1.70

2 THINGS. THOUSANDS OF WAYS.
Don't see what you want? Just ask and we'll put together something special for you.

FIRST TIME TO CHIPOTLE?
Here's how it works:

1 **PICK YOUR STYLE.**
Burrito, Bowl, Soft Tacos, Crispy Tacos or Salad?

2 **START FILLING.**
Just walk up to the counter.
We'll lead you through all the good stuff.

3 **PAY UP. CHOW DOWN.**
Hang out and soak up the scene or carry the love home with you.

Appendix I

Chipotle Mexican Grill Restaurant Pictures


BARBACOA
STEAK
CHICKEN
CARNITAS
VEGETARIAN


Chipotle
MEXICAN GRILL


Chipotle


Chipotle
MEXICAN GRILL

Chipotle Competition