



THE CHEESECAKE CAFE

# FRANCHISE INFORMATION

Now you can share in the success of .....



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## 1. GENERAL INFORMATION

**One of Canada's most successful group of restaurants is offering to a limited number of qualified individuals an opportunity to become franchisees of this exciting restaurant concept.**

*"The Cheesecake Cafe"* restaurant first opened in Calgary, Alberta in 1988. Today the Company franchises upscale, moderately priced, full service casual dining restaurants. The Company will continue its policy of adding restaurants through selected growth in metropolitan areas across Canada, in both the franchised and company-owned format. The Company has already proven itself in different markets and as a result has identified viable markets and market segments for *"The Cheesecake Cafe"* and laid the groundwork for continued successful operations.

From the first day *"The Cheesecake Cafe"* opened for business, the restaurant has enjoyed phenomenal consumer acceptance. This success is based on a simple formula....

**"Good food, well prepared and served in generous portions at reasonable prices in a relaxed, comfortable atmosphere by pleasant, well-trained competent staff."**

If you have eaten at one of *"The Cheesecake Cafes"*, you will know that our extensive menu offers something for everyone, and all within the image of our bakery-restaurant. The attractive and colorful award-winning menu of *"The Cheesecake Cafe"* consists of 18 pages and features over 175 menu items including appetizers and snacks, gourmet pizzas, soups, salads, seafood, steak, chicken, burgers, pastas, sandwiches and omelettes as well as 60 varieties of cheesecake and other quality baked goods. Our extensive menu with broad customer appeal is an important element in our success. The in-house bakery in each of *"The Cheesecake Cafe"* restaurants is where we prepare our great desserts and breads using *"The Cheesecake Cafe"* recipes and baking system, to ensure that each and every guest receives fresh quality desserts and baked goods.

While the Company seeks to offer guests a distinctive dining experience and excellent value, it is able to maintain attractive unit operating margins due to its high sales volume per unit coupled with effective cost controls. The average check in 2004 was \$14.00. Our average of \$2.7 million in sales per Cafe resulted in nearly \$16,000 of sales per seat, more than double the Canadian industry average according to a Canadian Restaurant Association survey.

You may have noticed....when you have seen one of *"The Cheesecake Cafes"*, you haven't seen them all! Each Cafe looks a little different to match the market in which it operates. Each has its own personality, but they all have the same warm comfortable feeling of a "North American Bistro" type restaurant. As well, each Cafe contains a merchandise area selling jams, jellies, and other food produced under our own label. We also sell signature giftware, clothing and kitchen decorations, many displaying *"The Cheesecake Cafe"* logo.



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## 2. FRANCHISE QUESTIONS & ANSWERS

**Q. Who finds the location?**

**A.** The Company will visit your community and select the site which meets with your approval. We will then help you negotiate a long-term lease with the Landlord.

**Q. Who owns the land and building?**

**A.** Unless you have the additional financial capacity to also be the landlord, the land and building will be owned by a commercial landlord who will build the premises and enter into a long term lease with your company.

**Q. How much money do I need?**

**A.** Your investment will vary with each location. For a leased location, you can expect to invest from \$700,000 to \$800,000 to open a Cafe. However to ensure the financial strength of our franchisees, we encourage a Debt:Equity Ratio no greater than 1:1 which means you will need \$350,000 to \$425,000 cash and obtain a commercial bank loan for the balance.

**Q. I don't have that much money available. Can I have a partner or partners in the business?**

**A.** Yes. Subject to our approval, you may have partners in your business. However, we require that the "operating partner" have either a majority interest or operating control. You may also assign the Franchise Agreement to your corporation in which your partners own shares.

**Q. Does the Company provide financing?**

**A.** No. However, we do assist you with the financing application to a commercial lender, like a bank.

**Q. Do I have other personal obligations?**

**A.** Depending on your prior business experience, you may have to provide utilities and other suppliers with a personal guarantee and you will likely be required to provide a limited guarantee on the lease.

**Q. Does the Company supply the equipment?**

**A.** No. This is purchased from equipment supply companies who will bid on the package prepared with our help. You will directly enter into a supply contract with the successful bidder.

**Q. Where do I purchase my restaurant supplies?**

**A.** From approved suppliers that you deal with directly. These suppliers will be arranged by us prior to your opening. The Company does not receive any compensation from suppliers chosen to supply your Cafe.



**Q. How much is the Franchise Fee?**

**A.** The Franchise Fee is \$40,000.

**Q. How long is the Franchise Agreement for?**

**A.** Our standard Franchise term is for 20 years.

**Q. How much are the Royalty Fees?**

**A.** For the continuing use of the trade name "*The Cheesecake Cafe*", trademarks, systems, consultation services and other services, the Franchisee pays monthly to the Franchisor, a royalty fee of 5% of Gross Revenue of the franchised restaurant. Gross Revenue is defined in the Franchise Agreement.

**Q. How much are the Advertising Fund Contributions?**

**A.** All franchised and company-owned locations of "*The Cheesecake Cafe*" pay into a Promotion Fund administered by the Franchisor, 2% of their Gross Revenues for common marketing and promotion.

**Q. How much money can I make?**

**A.** Although there is no guarantee that any restaurant will show a profit, Operating Profits for franchised locations, (that is, the profit before Franchisee's own salary or withdrawals, debt service if any, or income tax on profits), are expected to range between \$200,000 and \$250,000 depending on the Cafe's sales per year.

**Q. What if I have no prior restaurant experience?**

**A.** Our training should take care of that issue. In addition, you will have trained managers to assist you in running your Cafe. If, after the training, you are still uncomfortable about running the restaurant you can hire a General Manager and you can concentrate on franchisee duties.

**Q. How long and what type of training program is available?**

**A.** The full Cheesecake Cafe Training Program is twelve weeks for a franchisee with prior restaurant experience, up to thirty-six weeks duration, for others, taken immediately prior to opening. Also, your senior managers will be trained at one of our Cafes. All other staff will be trained by us at your Cafe prior to opening.

**Q. How long will it take to get into business?**

**A.** Less than a year. The exact time will depend on your business experience (training time) and the ability to get the Cafe built on schedule.



## Franchise Questions & Answers Con't...

### Q. If I decide to proceed, then what?

A. First you submit the Franchise Inquiry Form. Upon review and acceptance of your Inquiry by us you will then be asked to submit a Franchise Application along with the required \$10,000 deposit towards the Franchise Fee. We then agree on the community in which you wish to operate, develop a plan for your equity financing and give you an overview of The Cheesecake Cafe system. You then sign the Franchise Agreement and remit the balance of the Franchise Fee. Working together we secure a location; help you obtain your financing; conclude the lease of the premises; design your Cafe; and then while you complete your training program, help your contractor build your restaurant. Prior to opening, we assist you with your staff selection, hiring and training, and stay with you through your opening to really get the ball rolling.

## 3. INITIAL INVESTMENT

Your initial investment will depend upon the city chosen...the location within the city...whether the location is new or a renovation of an existing building...how much the landlord contributes to the outfitting and improvements...and how good a deal can be made on the equipment, furniture and fixtures.

Many of the items described below will qualify as collateral for financing. The amount of financing available will be a function of your relationship with your lender, as well as your financial history and resources. Including the initial franchise fee, you should expect to make the following investment prior to the time that your franchised location is ready to conduct business.

<u>Investment Description</u>	<u>Low</u>	<u>High</u>
Initial Franchise Fee	\$ 40,000.00	\$ 40,000.00
Premises Outfitting & Installations	175,000.00	225,000.00
Equipment, Furniture & Fixtures	350,000.00	370,000.00
Opening Inventory	45,000.00	60,000.00
Training & Pre-opening Expenses	60,000.00	100,000.00
Prepays (Insurance, Deposits, Utilities, Rent, etc.)	<u>30,000.00</u>	<u>55,000.00</u>
<b>*Total Initial Investment</b>	<b><u>\$700,000.00</u></b>	<b><u>\$850,000.00</u></b>

\*These Initial Investment estimates, (with the exception of the franchise fee), may vary from the range of estimates shown, because of the location, restaurant size or layout, local building codes or the landlord contribution. Some items may be leased rather than owned.



## 4. THE NEXT STEP

Achieve your dream of financial independence.

Have your cake, and eat it too...as a franchisee of “The Cheesecake Cafe”!

Complete the attached Franchise Inquiry Form today.

Share in the success of The Cheesecake Cafe.

Please contact the Director of Franchising at:

The Cheesecake Cafe & Bakery Inc.

Suite 232, 8625 – 109 Street

Edmonton, Alberta, Canada T6G 1E7

Telephone: (780) 406-1700 • Toll Free 1-800-204-0870 • Fax (780) 437-2250

Email: [osc@cheesecakecafe.ca](mailto:osc@cheesecakecafe.ca) • [www.cheesecakecafe.ca](http://www.cheesecakecafe.ca)





## PROFORMA OPERATING STATEMENT

	\$		\$		\$	
<b>Sales</b>	<b>2,400,000</b>		<b>2,700,000</b>		<b>3,000,000</b>	
<b>Cost of Sales</b>	720,000	30.0%	810,000	30.0%	900,000	30.0%
<b>Gross Profit</b>	1,680,000	70.0%	1,890,000	70.0%	2,100,000	70.0%
<b>Expenses</b>						
Advertising & Promotion	72,000	3.0%	81,000	3.0%	90,000	3.0%
Credit Card & Bank Charges	36,000	1.5%	40,500	1.5%	45,000	1.5%
Insurance	6,000	0.3%	6,000	0.2%	6,000	0.2%
Laundry, Linen & Uniforms	21,600	0.9%	24,300	0.9%	27,000	0.9%
Rent, Taxes, CAC	200,000	8.3%	200,000	7.4%	200,000	6.7%
Repairs & Maintenance	47,000	2.0%	50,000	1.9%	53,000	1.8%
Royalties	120,000	5.0%	135,000	5.0%	150,000	5.0%
Supplies	96,000	4.0%	108,000	4.0%	120,000	4.0%
Utilities	54,000	2.3%	54,000	2.0%	54,000	1.8%
Wages and Benefits: Staff	588,000	24.5%	661,500	24.5%	735,000	24.5%
Management	230,000	9.6%	230,000	8.5%	230,000	7.7%
Training	10,000	0.4%	13,000	0.5%	16,000	0.5%
WCB	12,000	0.5%	13,000	0.5%	15,000	0.5%
<b>Total Expenses</b>	1,492,600	62.2%	1,603,300	59.4%	1,741,000	58.0%
<b>Operating Profit</b> (Before Debt Service, Income Taxes and Amortization)	187,400	7.8%	286,700	10.6%	359,000	12.0%
 <b>Return on Total Investment (1)</b>	 24.9%		 38.2%		 47.8%	
 <b>Return on Invested Capital (1)</b>	 44.8%		 76.4%		 95.7%	

(1) Assumes total capital cost of \$750,000; of which \$375,000 is invested by shareholder(s) and \$375,000 is debt financing.

This information is prepared by The Cheesecake Cafe without an independent accountants review. It incorporates the Franchisor's best estimate of all material assumptions and relevant considerations to the operation of a location of The Cheesecake Cafe based on a 6,000 square foot cafe and bar.

The Franchisor neither makes or authorizes any representation concerning actual sales, income or profits of a particular restaurant. Key factors, material assumptions, actual sales and profits may vary from cafe to cafe. The Franchisor does not offer assurances as to what sales or profits an individual franchisee or cafe is likely to achieve.

Franchisees are recommended to obtain independent financial advice.