

*Home Cooking At its Finest*



# *Trudlys*

*Trudy's Cafe Business Plan*

*John Doe and Jane Smith*

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# EXECUTIVE SUMMARY

## OPPORTUNITY OVERVIEW

**Trudy's Cafe (also referred to as 'TC' or 'the Company')** is a fast casual, quick service restaurant offering traditional sandwiches and specialty salads. In addition to sandwiches and salads, TC will also serve breakfast, freshly squeezed juices, coffees, desserts, and pastries. Targeting customers who place a high value on nutrition, TC is a healthy alternative for those looking for a quick and delicious meal during their busy day. TC will be owned and operated by Jane Doe and John Smith. The owners have already committed an equity investment of \$200,000 towards the launch of the restaurant, and are seeking an additional \$300,000 in private and institutional debt investments. These funds will be allocated to the build-out, inventory and ongoing operational costs for the business.

## MISSION & VISION

The Company's mission is to provide a wide variety of healthy, real food options for their customers in a warm and family-friendly atmosphere, culminating in a unique and worthwhile experience for every guest. Inspired by the "farm-to-table" concept, TC will use only locally sourced ingredients of the highest quality.

The Company will first offer fresh and fast meals to the neighborhoods of Venice and Santa Monica, before expanding to a total of three additional locations within the Los Angeles area over the next five years.

## VALUE PROPOSITION

TC has a simple formula of offering fast, natural, appetizing, and fairly priced meals to their guests. This formula is how TC intends to facilitate a positive change within their community by enabling customers to switch to a healthier lifestyle. The Company's simple menu of homemade, nutritionally dense meals are prepared quickly, letting health-conscious customers enjoy truly fresh foods within minutes.

## LARGE VARIETY

With nearly twenty types of sandwiches and salads, TC will provide a large variety of menu options to guests. With vegan, vegetarian and gluten-free items, TC has something delicious for every type of customer. By also including breakfast, freshly squeezed juices, coffees, and pastries onto their menu, TC will stand out from other farm-to-table restaurants in the area that stick to more typical lunch-fare offerings.

### COMPANY NAME:

Trudy's Cafe

### YEAR FOUNDED:

2015

### FOUNDERS:

Jane Doe

John Smith

### OFFERINGS:

Sandwiches, Salads,  
Breakfast, Desserts,  
Pastries, Juices & Coffee

### INDUSTRY CLASSIFICATION:

Fast Casual Restaurant

### TARGET MARKETS:

Los Angeles, California

### FUNDING REQUIRED:

\$500,000

### FUNDING ALLOCATIONS:

- Location Build-out
- Kitchen Build-out
- FF&E
- Initial Marketing
- Working Capital

## FARMER'S MARKET INSPIRED

Locally sourced produce, curated from regional farms and farmer's markets, will help form TC's identity as a farm-to-table establishment. This approach will also help to keep exciting new flavors and dishes circulating through the menu, letting the restaurant capitalize on seasonal ingredients.

## COMMITMENT TO NUTRITION

TC knows their guests are pressed for time and surrounded by unhealthy fast food options at every turn. By providing fresh and healthy meals to these time-crunched customers in addition to publishing nutritional information alongside their dishes, TC's creativity and transparency proves their commitment to nutrition.

## MENU ITEMS

The Company's menu consists of natural and wholesome meals that are both made-to-order and grab-and-go. These meals include salads, sandwiches, breakfasts, and desserts. Coffee, tea, freshly squeezed juices, and pastries will round out the menu. While away from the luxuries of one's own kitchen and pantry, TC's menu provides consumers with all the worthwhile nutrients they will need to fuel them through the day. All menu items will be priced reasonably, considering that the establishment offers quality ingredients versus the processed food items found in traditional fast food.

## OUR MENU

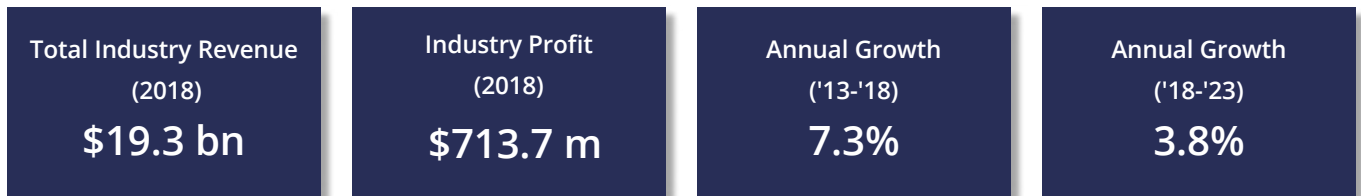
Prosciutto and Fresh Mozzarella with Roasted Red Bell Peppers	\$6.75
Turkey with Roasted Red Bell Peppers and Imported Provolone	\$6.75
Roast Beef with Tapenade, Roasted Red Bell Peppers, and Imported Provolone	\$6.50
Ham and Salami with Roasted Red Bell Peppers and Imported Provolone	\$6.50
Turkey and Salami with Roasted Red Bell Peppers and Imported Provolone	\$6.75
Chipotle Sandwich with Choice of Turkey or Roast Beef with Chipotle Sauce and Swiss	\$6.75
Chinese Chicken Salad with Chunks of Chicken and Chow Mein Noodles on a Bed of Lettuce	\$7.50
Tomato Mozzarella Salad on a Bed of Lettuce with Olives and Balsamic Vinaigrette	\$7.50
Olive It Salad with Choice of Meat and Cheese with Bell Peppers, Tomatoes, and Olives	\$7.50

# INDUSTRY ANALYSIS

## INDUSTRY OVERVIEW

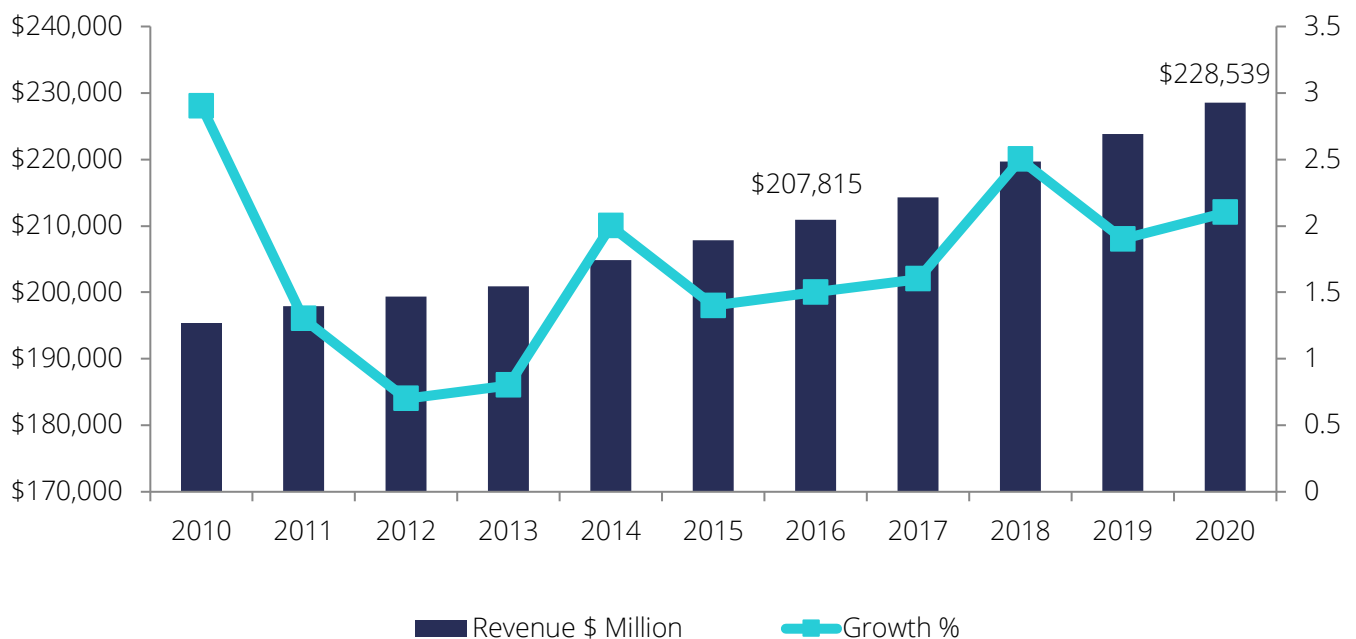
TC competes in the Quick Service Restaurant industry that consists of establishments where patrons pay for quick-service food products before eating. Purchases may be consumed on-site, taken out or delivered. Gross revenue is derived from both franchised and company-owned stores.

**Figure 1: Restaurant Industry Snapshot**



## INDUSTRY PERFORMANCE

Over the past five years, the Quick Service Restaurants industry has seen a shift in consumer preferences moving away from unhealthy foods and a saturated food service landscape that has kept prices low. Consumer-eating habits have changed as people have become increasingly health conscious, demanding alternatives to traditional greasy fast food options. While major fast food retailers have responded by expanding the number of healthy menu items, the general trend toward health awareness has decreased demand for traditional fast food restaurants. In response, major chains have expanded their menus to include healthier options such as salads, fruit and smoothies.



# INDUSTRY OUTLOOK

Industry revenue has grown an average annual rate of 1.2% to \$207.8 billion over the past five years to 2015, with estimated growth of 1.9% annually to \$228.5 billion by 2020. The industry is expected to be marginally better off over the next five years as the domestic economy improves and consumers continue to seek convenient meal options. While no severe revenue declines are expected, fast food restaurants will continue to operate in a steady growth environment as many segments of the industry are reaching a saturation point. Successful operators will need to adapt to changing consumer preferences as the traditional concept of fast food evolves to include a wider variety of options.

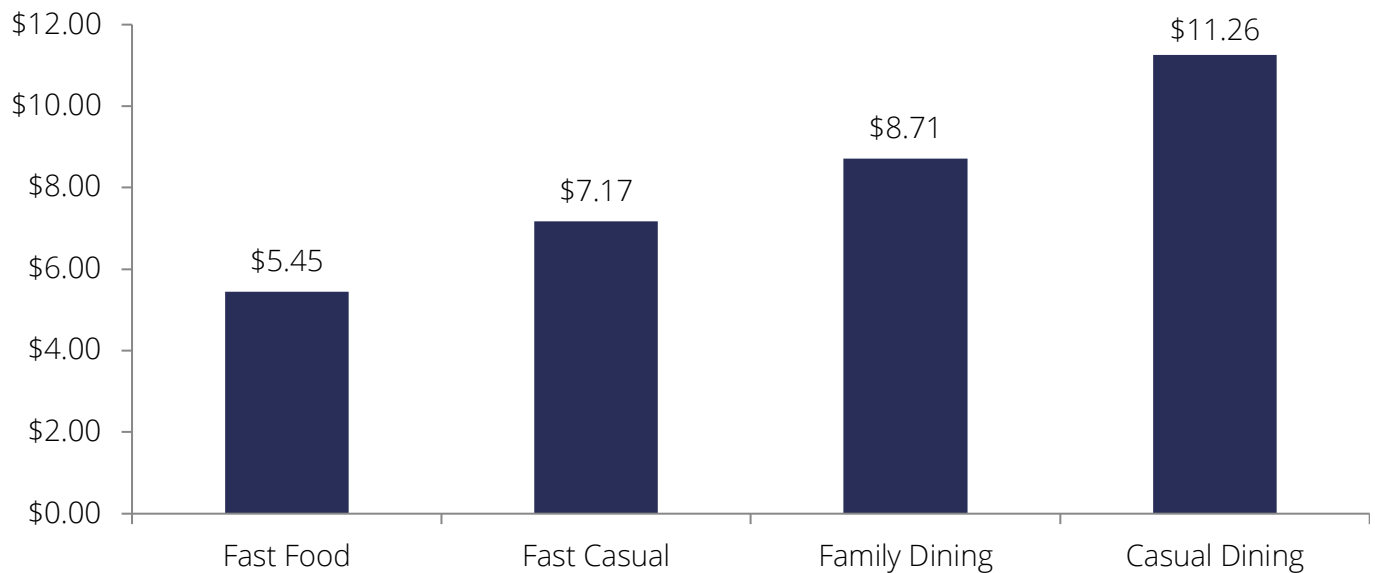
## FAST CASUAL INDUSTRY SEGMENTATION

TC is specifically incorporating a health-conscious menu in a fast-casual environment. The new fast food segment known as “fast-casual” has thrived through its offering of food and a dining atmosphere that is superior to fast food chains while maintaining significantly lower price points and wait times than casual dining facilities.

Industry data shows that customer preferences have moved significantly towards fast casual chains that provide a high quality, fast and affordable dining experience versus fast food chains. Fast casual restaurants were one of two restaurant categories (besides fine dining) that posted revenue and establishment growth throughout 2014, with revenue growth of 8% over the last year.

The segment has tripled its market share over the past decade and now includes over 13,000 restaurant locations. Large players have also obtained a prominent position in the restaurant market with fast casual chains Panera Bread Co. and Chipotle exceeding \$1.5 billion during 2013 with each firm raising revenue in excess of 10% over the prior year. Food experts have cited the largest success factors for fast casual restaurants as maintaining a diverse menu with superb food quality as well as creating an atmosphere that connects with guests. While prices are typically slightly above fast food restaurants, the figure below displays the affordability of fast-casual restaurants in comparison to other dining options.

**Figure 2: Fast Casual Segmentation**



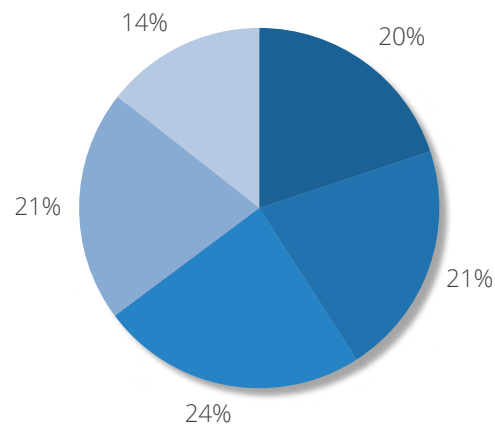
# MARKET ANALYSIS

## MARKET OVERVIEW

The Company's target market includes hungry customers in the Los Angeles area looking for healthy options in the midst of a busy day. Three segments of this target market include:

## MARKET SEGMENTATION

Figure 4: Market Segmentation



■ Highest income quintile ■ Fourth income quintile ■ Third income quintile  
■ Second income quintile ■ Lowest income quintile

The major markets for the Fast Food Restaurant industry can be segmented based on a number of factors including income, age, geographic location and family structure. Consumption patterns of fast food differ from full-service restaurants where income is a more important determinant of demand. Consumers of fast food are typically budget-conscious and enjoy the convenience of fast food compared to sit-down restaurants. According to a 2011 study by the University of California, Davis, people's visits to fast food restaurants increase with their incomes up to a certain point. However, as household income reaches a certain level (about \$60,000 to \$70,000), visits to fast food restaurants decline, and are replaced by full-service and sit-down dining at higher prices. For this reason, the biggest consumers of fast food in the US are lower-middle income households.

Households in the lowest income quintile, or those households with an annual income of less than \$20,260 in 2011 (latest available data), cannot easily afford to eat out often at fast food restaurants where prices can be unattainable. Therefore, many of these households rely on programs such as the Food and Nutritional Service's Supplemental Nutrition Assistance Program (commonly referred to as SNAP), which does not allow food stamps to be used for restaurant purchases.

The industry's major markets distribution has not changed dramatically over time as spending patterns within income brackets are relatively established. Fast food did become more popular with middle class households during the recession as consumers traded down from full-service restaurants. However, the corresponding decline in spending by the lowest quintile households meant that the distribution between income demographics remained relatively steady over the past five years. This is expected to continue over the next five years to 2020.

## DEMAND DETERMINANTS

The market is sensitive to factors that affect the growth in household disposable income, which gives consumers the ability to spend money on out-of-home dining. Household disposable income is sensitive to changes in labor market growth (i.e. the unemployment rate) and movements in tax and interest rates. High gas prices also negatively affect disposable incomes.

## DEMOGRAPHIC TRENDS

The changing age structure of the population is influencing change within the industry. Baby Boomers are a major group that influences industry revenue growth. Not only do they make up a significant percentage of the population, they also generally have the highest amount of disposable income to spend on restaurant meals. The US Census Bureau household expenditure data indicates that households with incomes of more than \$50,000 account for about 70.0% of the total personal expenditure on food eaten outside of the home. Of this group, households in the highest income quintile provide about 30.0% of the total away-from-home food expenditure. The most important factor driving the highest household income group to spend in restaurants is the pressure of work and lack of time.

## CONVENIENCE

Convenience and value for one's money and time are other important demand determinants. Recent social trends such as busier lifestyles, heavier workloads and longer working hours, have helped boost demand for restaurant services and convenience food as time-poor consumers look to cut down cooking time and make better use of their spare time. Moreover, restaurants have become more of a place for family get-togethers, special occasions, and social meetings for cash-rich and time-poor consumers.

## HEALTHY EATING CONSUMERS

The definitions of healthy eating are changing as the trend emerges. Today, consumers are gravitating toward local, natural, organic and sustainable offerings – all of which are tied to their existing definitions of health. Consumers are more educated and aware of their own dietary habits, and what poor nutrition can do in terms of long-term health. Consequentially, consumers are now trying to find healthier options with more care; although, there is still some hesitancy to pay a premium for healthier food which makes it hard for manufacturers to justify investment in nutritional or ingredient upgrades.





## MARKET SIZE & DEMOGRAPHICS

Market Demographics	Venice Beach	Santa Monica	United States
Total Population	16,188	27,916	308,455,134
Population Male	48.51%	49.11%	49.48%
Population Female	51.49%	50.89%	50.52%
Median Age	36.30	41.30	35.60
Average Household Income	\$129,009	\$135,336	\$77,190
Per Capita Household Income	\$42,219	\$65,591	\$28,779
Income \$35,000 to \$49,999	7.56%	8.20%	14.37%
Income \$50,000 to \$74,999	11.50%	15.66%	18.95%
Income \$75,000 to \$99,999	11.80%	12.71%	14.07%
Income \$100,000 to \$124,999	12.67%	9.44%	8.54%
Income \$125,000 to \$149,999	11.65%	7.73%	5.01%
Income \$150,000 to \$199,999	9.87%	9.46%	3.59%
Income \$200,000 and Over	20.95%	19.29%	4.38%

# COMPETITIVE ANALYSIS

Trudy's Cafe will compete directly with other organic focused, farm-to-table, fast casual restaurants in the Los Angeles market area. The Company's primary competitors are analyzed based on the following factors: Service offerings, price range, and marketing strategies.



## Mendocino Farms

<b>Address</b>	13103 Ventura Blvd, Suite 100, Studio City, CA, 91604 (HQ)
<b>Company Overview</b>	Mendocino Farms pays tribute to the county in Northern California that is known for its support of the Slow Food Movement and Sustainable Farming. This area is famous for its unpretentious “down home” love for artisan food and drink.
<b>Menu Items</b>	Sandwiches, Soups, Salads, Farmer's Market-Inspired Deli Side Salads, Cookies, Craft Beer & Wine
<b>Price Ranges</b>	Sandwiches: \$8.95 - \$12.45; Salads: \$9.95 - \$10.95; Sides: \$3.95 - \$5.95; Breakfast: N/A; Beverages: \$1.50 - \$6; Dessert: \$1.99
<b>Marketing Strategies</b>	Active social media presence, participates in local events, charity drives, editorial coverage, offers service variety (dine-in, carry-out, catering, emailed orders)



## Urbane Cafe

<b>Address</b>	78 North Ash Street, Ventura, CA, 93001 (HQ)
<b>Company Overview</b>	Urbane Café creates delicious, nutritious, affordable meals – it takes culinary expertise, farm-fresh ingredients, award-winning recipes and an unwavering commitment to quality. Urbane Café believes that a truly enjoyable dining experience requires fast, friendly service and a warm, inviting environment.
<b>Menu Items</b>	Sandwiches, Panini, Salads, Pizza, Soups, Salads, Desserts
<b>Price Ranges</b>	Sandwiches: \$7.25 – 8.25; Salads: \$7 - \$8; Sides: \$2 - \$4.99; Breakfast: N/A; Beverages: 1.75; Dessert: N/A
<b>Marketing Strategies</b>	Social media presence, multiple locations, offers service variety (dine-in, carry-out, catering)

# BLUE TABLE

Blue Table

<b>Address</b>	28912 Roadside Drive, Agoura Hills, CA, 91301 and a location in Calabasas
<b>Company Overview</b>	Farm-fresh dishes with an emphasis on sandwiches and pizzas. An ever-changing menu provides the healthy and exciting daily fare.
<b>Menu Items</b>	Sandwiches, Panini, Soups, Salads, Desserts, Wine & Cheese
<b>Price Ranges</b>	Sandwiches: \$8.49 - \$10.99; Salads: \$6 - 11.99; Sides: N/A; Breakfast: N/A; Beverages: N/A; Dessert: N/A
<b>Marketing Strategies</b>	Social media presence, multiple locations, offers service variety (dine-in, carry-out, catering)

## COMPETITIVE ADVANTAGES

TC's dedication to natural and wholesome ingredients and exciting flavors will help the Company differentiate itself from any corporate or franchise competitors, like Subway. Unlike most competitors in this space, TC's transparency when disclosing ingredients and nutritional information will make them a reliable and trustworthy restaurant option for Los Angeles eaters. A menu cultivated by a passionate culinary expert and communicated to patrons by a friendly and knowledgeable staff will offer an efficient and customized experience to hungry customers.



# MARKETING PLAN

## MARKET & BRAND POSITIONING

TC is positioned as a welcoming, delicious, and fresh fast-casual restaurant featuring a relaxed and comfortable atmosphere. The setting is ideal for a quick, on-the-go meal or enjoying company and conversation with friends and family. The staff will work diligently to create lasting relationships with guests - The restaurant is focused on securing lifelong guests that live and work in the surrounding areas, while also working to attract tourists and out of town visitors. This will mainly be executed through providing an unmatched and impeccable product while simultaneously implementing a strategic marketing and promotions campaign. The campaign features a diverse strategy set that works to connect with TC's desired target market.

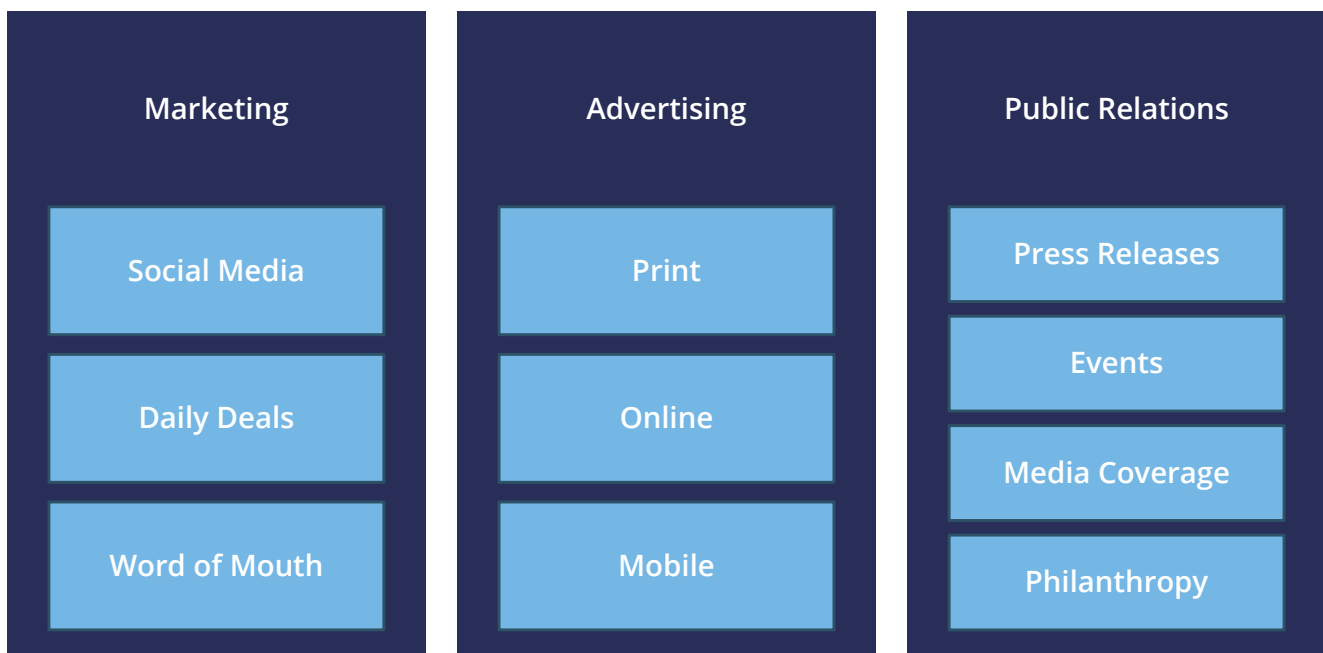
TC will work with a marketing firm to implement an integrated strategy, utilizing marketing and advertising to reach its target market positioning the Company initially as the top farm-to-table, fast casual restaurant in the Los Angeles, California area.

The goal of the Company's marketing plan is to create a platform for long-term success and brand awareness. It will achieve this through the following measures:

- Establish the brand identity in the marketplace
- Create an educational process to assist key customers in learning about TC's menu items and value proposition
- Develop demand for the Company's menu items regularly
- Build a strong base of loyal customers through delicious menu items and positive experiences

TC will employ an integrated market strategy to reach its target market, as seen in the figure below.

**Figure 5: Marketing Strategies**



# MARKETING STRATEGIES & TACTICS

## GRAND OPENING EVENT

As part of its initial marketing efforts, TC will hold a grand opening with samples and coupons to attract a customer base. The Company believes that once a guest is in the door, the food, ambiance, and service will keep that individual coming back. TC will also interact with locals at events in Los Angeles to begin establishing itself as a company that interacts positively within the community.

## SOCIAL MEDIA

Social media will play a significant role in establishing TC as a premier fast casual restaurant. A solid online presence represents an inexpensive promotional and informational strategy. The Company will operate various social media platforms and have a presence on Facebook, Twitter, Yelp, FourSquare, and Instagram. Real-time updates on these sites will also keep customers in the loop regarding new menu items and deals. The social media channels will also allow members to receive special benefits, like daily deals, encouraging an “insider” feel with loyal customers. Social media sites also offer customers’ a platform to communicate their thoughts and opinions - Trained team members will engage in dialogue with customers on these social media platforms to ensure that every customer enjoyed their experience at TC.

## WEBSITE/DIRECT E-MAIL

TC will have a developed website to highlight its various menu offerings as well as online ordering capabilities. The website will also provide a feedback mechanism for concerns, comments and questions, and will offer useful, general information about the restaurant. Potential customers may input their email contact information in order to receive updates on the Company or be entered to win contestants, and subscribers may also receive exclusive deals to customized coupons unavailable to non-subscribers. These campaigns include:

- An email campaign introducing TC’s new foods or popular foods to potential or recurring customers
- A monthly newsletter with restaurant news, seasonal menu items, community information/events and promotions
- Monthly coupons
- Invites to events sponsored by or held at TC

## SEARCH ENGINE OPTIMIZATION (SEO/SEM)

Internet searches are by far the most common activity on the Internet, and therefore it is crucial to appear among the top results when a user searches for keywords related to a business’ industry. TC will implement an aggressive search engine optimization strategy, whereby the Company will optimize content using keywords related to its business. By optimizing the website’s content and continuing to have an active social media presence, TC will organically aggregate higher on Google, Bing, and Yahoo search engines.

## **REFERRAL/WORD OF MOUTH MARKETING**

Positive customer testimonials and reviews are one of the strongest forms of advertising and can be a key decision point for many potential customers. Satisfied customers are extremely inclined to discuss their experience with friends, family, and colleagues, resulting in new business opportunities for the Company. Thus, TC will actively seek and encourage referrals from its customers, providing incentives for those able to bring in new business. Every positive experience with the Company encourages clients to share their experiences with others. Understanding this, the Company will work to consistently provide positive experiences worth sharing, and a rewards system for those who do.

## **DIRECT MAIL CAMPAIGNS**

The Company will engage in mass mail campaigns after thorough online initiatives, which are more affordable. These campaigns inform current and future customers of the menu items currently offered, restaurant news, special offerings, and deals. TC will also utilize community partnerships in acquiring mailing addresses and include partner information in mailing documents.

## **LOCAL EVENTS**

In an increasingly dense field of restaurants and cafes, perhaps the most important outreach efforts will be community interaction. Utilizing the local community concept within the broad scope of Miami, the Company will partner with local schools, businesses and organizations to integrate itself as part of the community after the grand opening. This integration will include seasonal charity events, community sponsorships, and participation in citywide events.

## **PUBLIC RELATIONS**

TC will focus on securing the Company editorial coverage with various media outlets within the Los Angeles market. The team will reach out to local publication editors, local news affiliates, high-traffic websites, and blogs (i.e. LosAngeles.Eater.com) in order to create a “buzz” about TC exciting and fresh menu.

## **LOYALTY PROGRAM**

TC will establish a loyalty program that will reward repeat customers. By utilizing a loyalty software like Pirq, Belly, or First Data’s Perka, the Company will be able to incentivize patrons that regularly visit the restaurant while also capturing data and analytics to better understand customer preferences. These programs also provide TC with customer contact information, which can be utilized in direct e-mail and mobile campaigns.

## **ONLINE ORDERING & DELIVERY PARTNERS**

The Company will establish an online ordering presence with some or all popular online ordering platforms including GrubHub, Seamless, and Yelp’s Eat24. By partnering with an online ordering provider, TC will be able to capture the business of customers who prefer to order meals online. These partners also offer delivery services, further increasing TC’s customer base.

# OPERATIONS PLAN

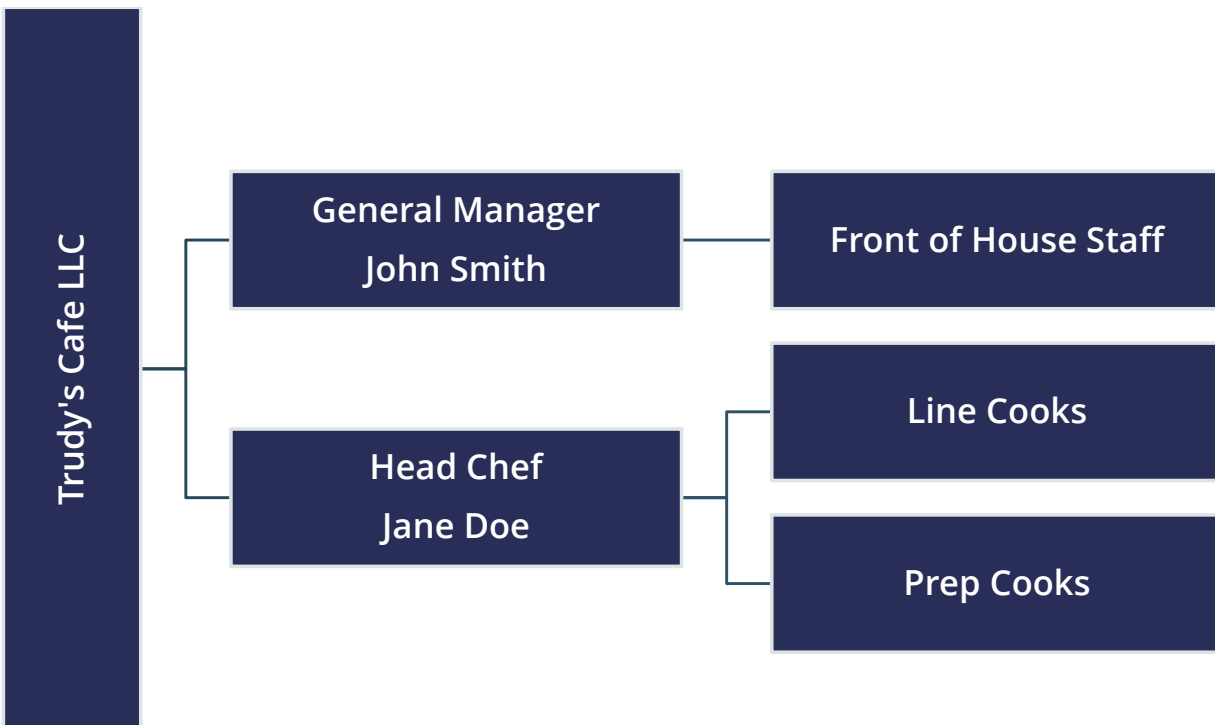
## OPERATIONS SNAPSHOT

The Company's operational snapshot, including date founded, business entity registration, and business ownership can be seen below.

<b>DATE FOUNDED</b>	08/09/2013
<b>BUSINESS OWNERSHIP</b>	Jane Doe (51%) and John Smith (49%)
<b>BUSINESS ENTITY</b>	Limited Liability Company
<b>HOURS OF OPERATION</b>	Monday through Sunday – 7 AM to 5 PM
<b>WEBSITE</b>	www.trudyscafe.com

## ORGANIZATIONAL STRUCTURE

Trudy's Café LLC is owned and operated by its two Founders: General Manager, John Smith, and Head Chef, Jane Doe. The breakdown of the organizational structure can be seen in the figure below.



# MANAGEMENT TEAM

## JOHN SMITH

*General Manager / Founder*

As the General Manager of TC, John will be responsible for running the business side of the restaurant, which includes the marketing, branding, and growth of the company. He will also hire, train, and manage all front of house positions.

Over the past 25 years, John has gained experience working as a General Manager within the retail business. His involvement with the daily operations of the Company he worked for was extensive and covered all aspects of the business. This vast knowledge and experience will transfer directly to the operations of the new restaurant.



## JANE DOE

*Head Chef / Founder*

As Head Chef, Jane will be responsible for the menu's development and refinement along with hiring, training, and managing all back of house team members. Melanie's experience and inspiration comes from her time in the restaurant industry.

She has a culinary degree with an emphasis in French cuisine. She is responsible for the creativity and overall vision of Trudy's Café. Her vision is based on her experiences gained through her travels and projects she handled in the restaurant industry.

# KEY HIRING NEEDS

The Company has identified its key hiring needs prior to the full launch of the business. The breakdown by position and timeline can be seen below.

Week	1	2	3	4	5	6
+ Head Chef	█	█				
+ Line Cooks			█	█		
+ General Manager					█	
+ Front of House Staff						█



## KEY OPERATING MILESTONES

The Company has identified the immediate milestones and goals that the Company would like to accomplish prior to the full launch of the business.

PHASE 1	Develop full business plan and financial projections for launch and growth strategy.	01/01/2018
	Initiate contact with potential lenders and private investors	01/15/2018
	Secure capital required for the launch of the business	02/15/2018
	PHASE 2	COMPLETION ON
PHASE 2	Scout potential restaurant locations available for lease	03/01/2018
	Initiate Restaurant Renovations & Begin Build Out Process	03/15/2018
	Start Website Development, Branding, and Marketing Initiatives	03/15/2018
PHASE 3	PHASE 3	COMPLETION ON
	Secure Full Time Staff Required	04/01/2018
	Finalize Operations for Restaurant Launch	04/15/2018
	Grand Opening of Restaurant	04/30/2018

## **DAILY OPERATIONS & PRODUCTIONS**

TC will be opened 7 days a week for breakfast and lunch necessitating multiple shifts. Schedules will be written by the general manager and posted every two weeks. The schedules will be written in a manner that allows management to increase or decrease hourly labor according to sales volume in order to maintain a consistent labor cost control. The menu has been created in a manner to allow the preparation of many recipe ingredients to be done ahead of time (i.e. chopped and washed produce). Proper labeling and rotation techniques accompanied by ample storage facilities will ensure that high quality prepared product will be sufficiently available to meet the demands during peak business hours. Replenishment and ongoing preparation will continue during off peak business hours.

Management will be responsible for ordering, receiving and maintaining sufficient inventory to meet production demands. Ordering schedules will be staggered with perishable products being ordered multiple times per week to preserve freshness. Standard grocery and supply orders will be ordered less often, according to a predetermined schedule and storage capacity. Management will adopt the use of operational checklists to verify that each work shift has been properly prepared for and to ensure the operational standards are followed before, during, and after work shifts.

All orders will be entered into the POS system (i.e. ShopKeep or TouchBistro) then printed at the line cooks station. Each order will be assigned an order number and tracked through the POS system. Constant monitoring of the tables by all staff will ensure that dishes, trays and trash are cleared promptly. Once the guest has left the table, the service staff will immediately clean the table. The kitchen preparation line will be operated in assembly line manner. This design allows line staffing to be adjusted to the business volume.

Shift changes for all staff will entail cleanup, restocking, and preparation. All payments will be settled at the end of each shift. The closing shift will involve designated closing duties that will leave the restaurant clean and fully prepared for the next day opening crew.

## **SUPPLIERS**

Management will establish relationships with qualified suppliers (vendors) that can provide reasonably priced product, delivered according to the schedule that benefits the restaurant. Alternate suppliers will be identified for use if the regular supplier cannot deliver the products needed.

## **MANAGEMENT CONTROLS**

**POS System:** Careful evaluation and dutiful research will be used in the selection of a POS (point of sale) system that best meets the needs of TC. The POS system will be configured with requisition printing, a process which forces food and beverage items to be registered in the system before the items can be prepared. Requisition printing has proven to reduce costs by as much as 3-5%. The POS system will also be the control center to regulate the flow of service and item preparation. Built-in cash controls will help in tracking sales and receipts. The restaurant is currently evaluating more streamlined and iPad-enabled POS systems, like ShopKeep or TouchBistro.

**Time & Attendance System:** The restaurant will use an automated time and attendance system. Management will evaluate systems that are integrated into the POS system as well as standalone time clock systems. Hourly labor cost control and the ability to transfer information to our payroll processing will be key factors in system selection.

**Scheduling System:** Management will adopt a scheduling system that expedites the preparation of schedules, reflects anticipated labor budgets, and helps to regulate labor cost.

Operations Checklists: The restaurant will be managed with the use of various checklists. Consistent use of checklists will help to maintain quality control while ensuring that established procedures are followed. Checklists will be used by various personnel for customer service, purchasing, receiving, storage, preparation, cleaning, shift changes, opening and closings.

Weekly Inventory: Management will conduct a weekly inventory to determine valuation for use in the preparation of weekly profit and loss reports.

Daily Inventory Tracking: Daily inventory will be taken on specific items. Movement will be compared to sales data to ensure designated products have been properly accounted for.

Cash Audits: Management will conduct periodic cash audits for all cashier stations. Surprise shift audits are an effective tool to determine cashier/bartender under ringing.

Video Surveillance: Video surveillance will be in place to monitor activities and deter crime.

Safety Reviews: Periodic safety assessments will be performed to ensure that employees and guests are not exposed to dangerous or harmful conditions or actions.

Liability Reviews. Periodic assessments will also be done to evaluate the liability exposure of the restaurant. Food safety, employee relations, and guest treatment will be scrutinized from time to time.

## **ADMINISTRATIVE SYSTEMS**

Daily Cash Control: Sales and receipts recorded by the POS system will be compared to actual cash and credit card deposits on a daily basis. Acceptable over/short amounts will be limited to \$5.00 per day. Discrepancies greater than \$50.00 will prompt management to conduct an immediate audit to account for the difference. Monthly totals will be compared to actual P&L statements for accuracy.

Cash, debit card and credit card receipts will be deposited in a deposit account that is kept separate from the general operating account. Transfers to the general operating account will be made as necessary. Separation of the two accounts is intended to aid in account reconciliation and cash flow management.

Weekly Prime Cost Report: The manager will prepare a weekly report that shows the gross profit margin after cost of goods sold and labor cost has been deducted from the sales revenue. Proper control of the prime cost is the single most effective measure of management's ability to operate the restaurant. Weekly monitoring allows for quick reaction to adverse cost ratios.

Purchasing Records/Payables: A part-time bookkeeper will process and record invoices and credits daily. Reports detailing cash expenditures, payments by check, and accounts payable transactions will be readily available. Check disbursements will be prepared by the bookkeeper. Check signing authority for the general operating account will be the sole duty of the general manager.

Accounting System/Service: The general manager will be responsible for the timely preparation of monthly financial statements, including monthly Profit & Loss and Balance Sheet. To accomplish this task, TC will employ a bookkeeping service or CPA.

Payroll Processing: Payroll checks will be issued bi-weekly. The general manager will run reports from the time and attendance system, make necessary adjustments, and prepare for transfer to the payroll system. Payroll will be processed by a payroll processing service.

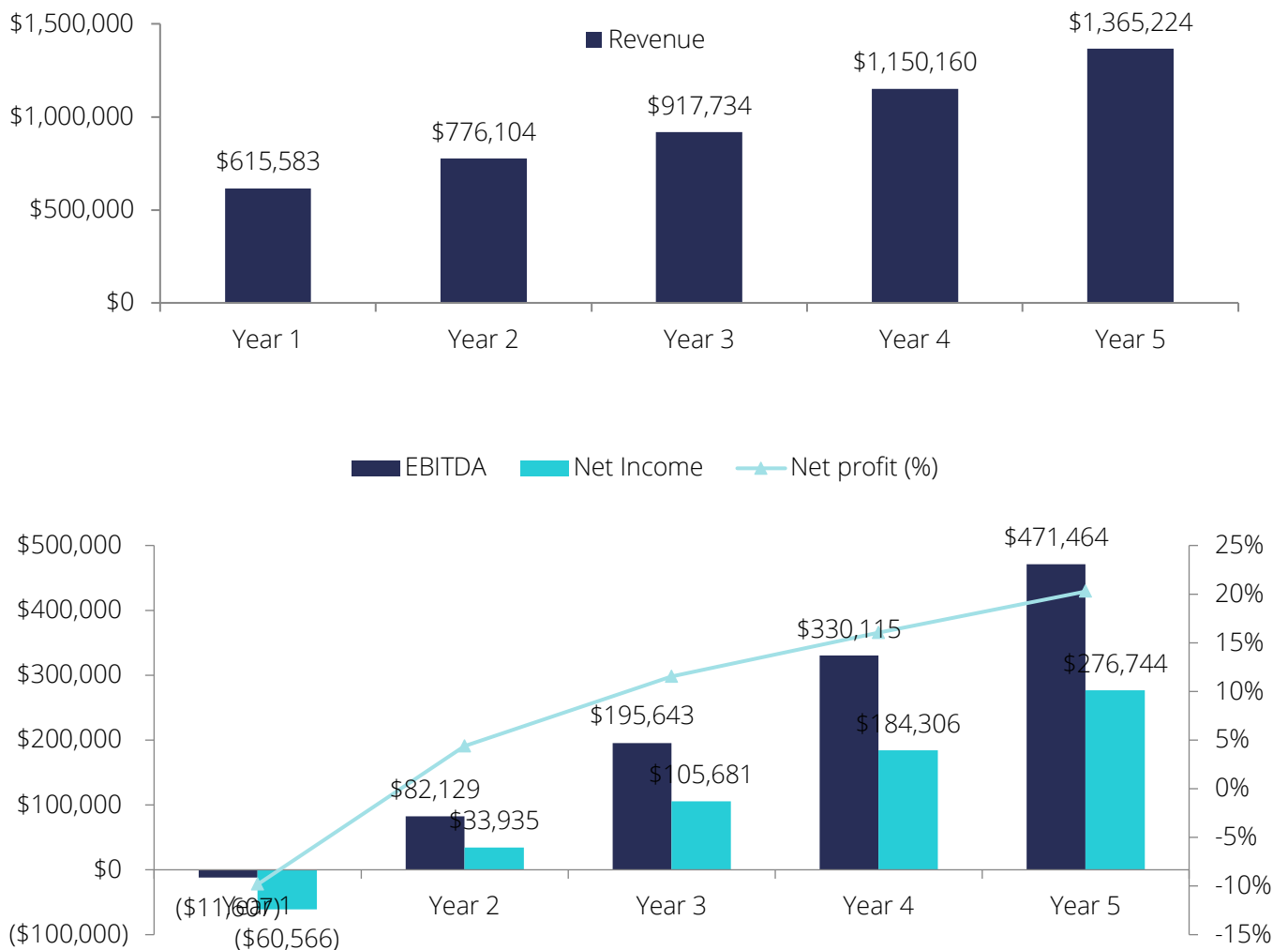
# FINANCIAL PLAN

## FUNDING REQUIRED

TC will require \$500,000 in initial capital including the \$200,000 owners John Smith and Jane Doe have already committed as an equity investment. The Company has also secured an additional \$300,000 in private and institutional debt investments. Funds will be allocated to multiple areas including the location build-out, the kitchen build-out, FF&E, the initial marketing budget, and ongoing working capital.

## REVENUE ASSUMPTIONS

During its first year in operation, TC projects total revenue to reach \$615,583 with average monthly revenue of \$51,299. As the Company continues its growth, it is projecting fifth year revenue to reach over \$1.36 million at average monthly revenue of \$113,769. The restaurant projects EBITDA to grow from \$11,607 in its first year to \$471,464 in its fifth year. TC projects net income to grow from a loss of \$60,566 in year 1 to \$276,744 by year five.



## HEADCOUNT & PAYROLL EXPENSES

	Year 1	Year 2	Year 3	Year 4	Year 5
<b><u>Headcount</u></b>					
<b>Management</b>					
General Manager	1	1	1	1	1
Head Chef	1	1	1	1	1
<b>Salary</b>	<b>\$80,004</b>	<b>\$90,000</b>	<b>\$94,500</b>	<b>\$99,225</b>	<b>\$104,186</b>
<b>Support Team</b>					
Prep & Line Cooks	1	1	1	1	1
Front of House Staff	1	1	1	1	1
<b>Salary</b>	<b>\$183,456</b>	<b>\$187,125</b>	<b>\$190,868</b>	<b>\$194,684.97</b>	<b>\$198,578.67</b>
<b>Total Headcount</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Total Salary</b>	<b>\$263,460</b>	<b>\$277,125</b>	<b>\$285,368</b>	<b>\$293,910</b>	<b>\$302,765</b>
<b>Total Payroll Taxes</b>	<b>\$28,058</b>	<b>\$29,514</b>	<b>\$30,392</b>	<b>\$31,301</b>	<b>\$32,244</b>
<b>Total Personnel Expenses</b>	<b>\$291,518</b>	<b>\$306,639</b>	<b>\$315,759</b>	<b>\$325,211</b>	<b>\$335,009</b>

## SUMMARY OF FINANCIAL PROJECTIONS

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Revenues	\$615,583	\$776,104	\$917,734	\$1,150,160	\$1,365,224
Total Direct Cost	<u>(\$174,204)</u>	<u>(\$219,874)</u>	<u>(\$260,299)</u>	<u>(\$305,610)</u>	<u>(\$358,360)</u>
Gross profit	\$441,379	\$556,231	\$657,436	\$844,550	\$1,006,864
Gross Profit Margin (%)	72%	72%	72%	73%	74%
Total Other Expenses	<u>(\$452,986)</u>	<u>(\$474,102)</u>	<u>(\$461,793)</u>	<u>(\$514,435)</u>	<u>(\$535,400)</u>
EBITDA	<u>(\$11,607)</u>	\$82,129	\$195,643	\$330,115	\$471,464
Depreciation	<u>(\$43,428)</u>	<u>(\$43,428)</u>	<u>(\$43,428)</u>	<u>(\$43,428)</u>	<u>(\$43,428)</u>
Amortization & Impairment	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
EBIT	<u>(\$55,035)</u>	\$38,701	\$152,215	\$286,687	\$428,036
Interest Expense-Debt	<u>(\$5,531)</u>	<u>(\$4,766)</u>	<u>(\$3,969)</u>	<u>(\$3,140)</u>	<u>(\$2,276)</u>
Pretax Income	<u>(\$60,566)</u>	\$33,935	\$148,246	\$283,547	\$425,759
Income Tax Expense	<u>\$0</u>	<u>\$0</u>	<u>(\$42,565)</u>	<u>(\$99,241)</u>	<u>(\$149,016)</u>
Net Income	<u>(\$60,566)</u>	<u>\$33,935</u>	<u>\$105,681</u>	<u>\$184,306</u>	<u>\$276,744</u>
Net profit (%)	-10%	4%	12%	16%	20%

# INCOME STATEMENT

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>					
Drink Revenue	\$69,804	\$86,383	\$100,145	\$123,484	\$142,579
Food Revenue	\$502,802	\$622,218	\$721,345	\$889,455	\$1,027,000
Other Revenue	\$42,976	\$67,504	\$96,244	\$137,221	\$195,645
<b>Net Sales</b>	<b><u>\$615,583</u></b>	<b><u>\$776,104</u></b>	<b><u>\$917,734</u></b>	<b><u>\$1,150,160</u></b>	<b><u>\$1,365,224</u></b>
Drink Direct Costs	\$10,471	\$12,957	\$15,022	\$18,523	\$21,387
Food Direct Costs	\$150,841	\$186,665	\$216,404	\$266,837	\$308,100
Catering Direct Costs	\$12,893	\$20,251	\$28,873	\$20,251	\$28,873
<b>Cost of Goods Sold</b>	<b><u>(\$174,204)</u></b>	<b><u>(\$219,874)</u></b>	<b><u>(\$260,299)</u></b>	<b><u>(\$305,610)</u></b>	<b><u>(\$358,360)</u></b>
<b>GROSS PROFIT</b>	<b>\$441,379</b>	<b>\$556,231</b>	<b>\$657,436</b>	<b>\$844,550</b>	<b>\$1,006,864</b>
Gross margin (%)	72%	72%	72%	73%	74%
<b>Operating Expenses</b>					
Total General & Administrative	\$(161,467)	\$(167,463)	\$(176,425)	\$(189,224)	\$(200,391)
Total Personnel Expenses	\$(291,518)	\$(306,639)	\$(285,368)	\$(325,211)	\$(335,009)
<b>Total Operating Expenses</b>	<b><u>\$(452,986)</u></b>	<b><u>\$(474,102)</u></b>	<b><u>\$(461,793)</u></b>	<b><u>\$(514,435)</u></b>	<b><u>\$(535,400)</u></b>
<b>EBITDA</b>	<b>\$(11,607)</b>	<b>\$82,129</b>	<b>\$195,643</b>	<b>\$330,115</b>	<b>\$471,464</b>
<b>EBITDA %</b>	<b>-2%</b>	<b>11%</b>	<b>21%</b>	<b>29%</b>	<b>35%</b>
Depreciation	\$(43,428)	\$(43,428)	\$(43,428)	\$(43,428)	\$(43,428)
<b>EBIT</b>	<b><u>\$(55,035)</u></b>	<b><u>\$38,701</u></b>	<b><u>\$152,215</u></b>	<b><u>\$286,687</u></b>	<b><u>\$428,036</u></b>
<b>EBIT%</b>					
Interest Expense-Debt	\$(5,531)	\$(4,766)	\$(3,969)	\$(3,140)	\$(2,276)
<b>Pretax Income</b>	<b>\$(60,566)</b>	<b>\$33,935</b>	<b>\$148,246</b>	<b>\$283,547</b>	<b>\$425,759</b>
Cumulative Net Operating Loss	\$(60,566)	\$(60,566)	\$(26,631)	-	-
Income Tax Expense	=	=	<u>\$(42,565)</u>	<u>\$(99,241)</u>	<u>\$(149,016)</u>
<b>NET INCOME</b>	<b><u>\$(60,566)</u></b>	<b><u>\$33,935</u></b>	<b><u>\$105,681</u></b>	<b><u>\$184,306</u></b>	<b><u>\$276,744</u></b>
Net Profit Margin (%)	-10%	4%	12%	16%	20%

# BALANCE SHEET

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>ASSETS</b>					
Cash	\$20,443	\$52,920	\$152,519	\$335,011	\$607,910
Prepaid Expenses	\$550	\$689	\$797	\$958	\$1,138
Inventory	\$1,558	\$1,954	\$2,264	\$2,547	\$2,986
Other Current Assets	<u>\$550</u>	<u>\$689</u>	<u>\$797</u>	<u>\$958</u>	<u>\$1,138</u>
<b>Total Current Assets</b>	<b><u>\$23,101</u></b>	<b><u>\$56,252</u></b>	<b><u>\$156,377</u></b>	<b><u>\$339,475</u></b>	<b><u>\$613,171</u></b>
<b>Property &amp; Equipment</b>					
Property & Equipment	\$304,006	\$304,006	\$304,006	\$304,006	\$304,006
Leased Asset	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	<u>(\$43,428)</u>	<u>(\$86,856)</u>	<u>(\$130,284)</u>	<u>(\$173,712)</u>	<u>(\$217,140)</u>
<b>Property &amp; Equipment, net</b>	<b><u>\$260,578</u></b>	<b><u>\$217,150</u></b>	<b><u>\$173,722</u></b>	<b><u>\$130,294</u></b>	<b><u>\$86,866</u></b>
<b>Intangible &amp; Other Assets</b>					
Intangible & Other Assets	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
<b>TOTAL ASSETS</b>	<b><u>\$288,679</u></b>	<b><u>\$278,402</u></b>	<b><u>\$335,099</u></b>	<b><u>\$474,769</u></b>	<b><u>\$705,037</u></b>
<b>LIABILITIES &amp; EQUITY</b>					
Accounts Payable	\$15,576	\$19,536	\$22,635	\$25,468	\$29,863
Accrued Expenses & Payroll Taxes Payable	\$37,660	\$39,656	\$38,568	\$42,870	\$44,617
Line of Credit	<u>(\$155,000)</u>	<u>(\$155,000)</u>	<u>(\$155,000)</u>	<u>(\$155,000)</u>	<u>(\$155,000)</u>
Other Current Liabilities	\$550	\$689	\$797	\$958	\$1,138
Current Portion of Long Term Debt	<u>\$50,306</u>	<u>\$51,103</u>	<u>\$51,932</u>	<u>\$52,796</u>	<u>\$0</u>
<b>Total Current Liabilities</b>	<b><u>(\$50,908)</u></b>	<b><u>(\$44,016)</u></b>	<b><u>(\$41,067)</u></b>	<b><u>(\$32,908)</u></b>	<b><u>(\$79,382)</u></b>
Long-Term Debt, net of Current	\$200,152	\$149,049	\$97,117	\$44,321	\$44,321
<b>Total Liabilities</b>	<b><u>\$149,245</u></b>	<b><u>\$105,034</u></b>	<b><u>\$56,050</u></b>	<b><u>\$11,414</u></b>	<b><u>(\$35,061)</u></b>
<b>Shareholder's Equity</b>					
Paid in Capital	<u>\$200,000</u>	<u>\$200,000</u>	\$200,000	\$200,000	\$200,000
Retained earnings	<u>(\$60,566)</u>	<u>(\$26,631)</u>	<u>\$79,050</u>	<u>\$263,355</u>	<u>\$540,099</u>
<b>Total Equity</b>	<b><u>\$139,434</u></b>	<b><u>\$173,369</u></b>	<b><u>\$279,050</u></b>	<b><u>\$463,355</u></b>	<b><u>\$740,099</u></b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$288,679</u></b>	<b><u>\$278,402</u></b>	<b><u>\$335,099</u></b>	<b><u>\$474,769</u></b>	<b><u>\$705,037</u></b>



# CASH FLOW STATEMENT

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>CASH FLOW FROM OPERATIONS</b>					
Net Income (Loss)	(\$60,566)	\$33,935	\$105,681	\$184,306	\$276,744
Plus Depreciation	\$43,428	\$43,428	\$43,428	\$43,428	\$43,428
Plus Amortization & Impairment	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Changes in Working Capital</b>					
Changes in A/R	\$0	\$0	\$0	\$0	\$0
Changes in Prepaid Expenses	(\$550)	(\$139)	(\$108)	(\$161)	(\$179)
Changes in Inventory	(\$1,558)	(\$396)	(\$310)	(\$283)	(\$440)
Changes in Other Current Assets	(\$550)	(\$139)	(\$108)	(\$161)	(\$179)
Changes in A/P	\$15,576	\$3,960	\$3,099	\$2,833	\$4,395
Changes in Accrued Expenses	\$37,660	\$1,996	(\$1,088)	\$4,302	\$1,747
Changes in Other Current Liabilities	<u>\$550</u>	<u>\$139</u>	<u>\$108</u>	<u>\$161</u>	<u>\$179</u>
<b>Net Change in Working Capital</b>	<u>\$51,128</u>	<u>\$5,421</u>	<u>\$1,593</u>	<u>\$6,691</u>	<u>\$5,523</u>
<b>Net Cash Flow from Operations</b>	<u>\$33,990</u>	<u>\$82,784</u>	<u>\$150,702</u>	<u>\$234,424</u>	<u>\$325,695</u>
<b>CASH FLOW FROM INVESTMENTS</b>					
Purchase of Assets (IP)	\$0	\$0	\$0	\$0	\$0
Purchase of Intangibles & Other Assets	(\$5,000)	\$0	\$0	\$0	\$0
Fixed Assets	<u>(\$304,006)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Net Cash Flow from Investments</b>	<u>(\$309,006)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>CASH FLOW FROM FINANCING</b>					
Paid in Capital	\$200,000	\$0	\$0	\$0	\$0
Debt	\$126,459	(\$19,306)	(\$20,103)	(\$20,932)	(\$21,796)
Lease Payments	<u>(\$31,000)</u>	<u>(\$31,000)</u>	<u>(\$31,000)</u>	<u>(\$31,000)</u>	<u>(\$31,000)</u>
<b>Net Cash Flow from Financing</b>	<u>\$295,459</u>	<u>(\$50,306)</u>	<u>(\$51,103)</u>	<u>(\$51,932)</u>	<u>(\$52,796)</u>
<b>Net Cash Flow</b>	<u>\$20,443</u>	<u>\$32,478</u>	<u>\$99,599</u>	<u>\$182,492</u>	<u>\$272,899</u>
Cash at Beginning of Period	<u>\$0</u>	<u>\$20,443</u>	<u>\$52,920</u>	<u>\$152,519</u>	<u>\$335,011</u>
<b>Cash at End of Period</b>	<u>\$20,443</u>	<u>\$52,920</u>	<u>\$152,519</u>	<u>\$335,011</u>	<u>\$607,910</u>