

Fetta di Vita

Business Plan

Fall 2006

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Executive Summary

Imagine being in Naples, Italy, the birthplace of pizza, looking out over the Bay of Naples at Mount Vesuvius, and enjoying the Italian culture. You decide to have a meal from an authentic pizzeria. As you enter the restaurant, you experience a feast for your senses with Italian music playing in the background, replicas of Italian artwork hanging on the walls, a chef tossing dough into the air and an oversized wood fired oven intricately and beautifully tiled. You have a choice from a menu that offers pre-determined authentic Neapolitan pizza or the option of selecting

other toppings based on personal preference to make your own concoction. After you have made your selection, the pizza is prepared and then cooked in a mere three minutes. You sit down and moments later you are served a thin-crust, perfectly topped individual sized pie. Now imagine this restaurant being in Boulder, Colorado and Fetta Di Vita is its name.

Fetta Di Vita is a fast casual pizza eatery. With our quality ingredients, vast menu and contemporary, aesthetic atmosphere we offer not only a delicious pizza, but also a slice of life. Professionals and families will be allured by affordability, convenience, healthy options and a strong sense of community.



There is an opportunity for a new eatery in Boulder, because while there are plenty of pizza establishments in Boulder, the majority of them offer Americanized pizza which has a thicker crust and an excess of sauce and cheese. A similar concept, Punch Pizza was founded in Minneapolis, Minnesota and has been extremely successful with lines out the door and over \$1.5 million in revenues per location.

Our marketing strategy will be based around several different strategic methods. We will use coupons, radio ads, newspaper ads and door hangers to lure customers in to try a delicious pizza or salad. A few gorilla marketing tactics we intend to employ include; visiting businesses in the area during dining hours so they may try our pizza at their convenience, using a portable wood fired oven to advertise our hot, delicious pizza in popular areas such as Pearl Street and 29th Street, and being active in elementary and middle schools such as starting programs which encourage reading that will result in free pizza for the students.

The store will be run by a restaurant savvy manager, and an organized assistant manager/experienced chef. These people are imperative to Fetta Di Vita and will be selected carefully to ensure success. Attributes we will be looking for include: experience in the restaurant industry, organized, positive and responsible. In addition, we will hire other part and full time workers to take orders, cook, and serve the pizza to our customers. These employees must be reliable and positive since they will be interacting with the customers most.

Fetta Di Vita has annual revenue projections of \$1,324,800 in year 4, and \$1,496,880 in year 5 after which point the revenues will remain stable. Though the possibility of expansion into multiple locations exists beginning in year 3, these financial projections are for only one store. Net profit margin centers around 10.5% and net profits will be \$143,650 in year 4, and \$160,716 in year 5. We will break even in the second half of year 2.

Fetta Di Vita will require \$650,000 before our first year of operation and will not require any further rounds of financing. The \$650,000 will come from a combination of debt and equity. \$300,000 in debt will be sought from family, friends and angels. \$350,000 in equity will be sought: \$200,000 will be in the form of common shares and will come from the founders, family, and friends. The remaining \$150,000 will come from angel investors who will be given a 20% rate of return on their preferred stock through dividends and will acquire 49% of the company.

Company Overview

The restaurant will be called Fetta Di Vita, which in Italian translates to “slice of life”. The company does not exist currently, but will be formed over a period of around a year. It is located in Boulder, Colorado on an easily accessible corner at a crossing of two main streets, baseline and 27th street. We intend on starting with one restaurant and expanding once the first restaurant becomes stable. The company is organized as a partnership, with several investors providing different amounts of money.

Mission Statement

At Fetta Di Vita we are as particular about our employees, marketing campaigns and operations as we are about our authentic Neapolitan pizza. We have one general notion which every single core belief revolves around and is a simple concept...Naples, Italy.

Objectives

Our next step with Fetta Di Vita is to expand to incorporate more people in our concept, with investors being first and then managers, assistant managers and hourly employees. We must clearly define our concept and enlighten these people about who we are and what we represent. Our goals for the future are to expand to other stores, with these locations to be determined. We don't want to spread ourselves too thin, so the amount of restaurant locations we open will depend on what we feel is appropriate. The exit strategy we have chosen is to buy out our investors and maintain and grow with the company.

Product and Service

Features

Fetta Di Vita is going to provide authentic Neapolitan pizza which customers will be able to watch be made through its entire process in our open kitchen. They will be able to choose from our specialty pies, or choose to create their own with whatever toppings they desire. We will also serve Italian beer and wine but no hard liquor.

Our goal is to serve pizza in a fashion from which it originated, Naples, and in a style that is anything but American.

- Our Di Napoli pizza will be served on ten-inch pies, which will have a thin crispy crust, rich robust sauce and a variety of different toppings.
- Concentration on infused flavors and fine ingredients and less emphasis on large contents of cheese and sauce.
- We will be able to serve our pies in a very expeditious fashion with our thin crust and our special oven (three minute cooking time).
- There is a growing trend in fast casual restaurants and we feel this kind of model can be brought to the pizza industry.

Our restaurant itself is another area of emphasis for our differentiation from the competition.

- We will distinguish ourselves as a restaurant where you can take a step out of Boulder and take a seat in Naples. Naples is rich in art, with frescos, the renaissance, and impressionism etc., as well as landscape photography of the area.
- The restaurant will be modern yet rustic, which could just as easily be located on the streets of Naples.

- The seating capacity we wish to have will be in the range of 40-60 people.

Benefits

- Our customers can get their food in a relatively brief period of time, if they need a quick meal. Yet want them to feel comfortable and take their time if they wish to do so.
- Our customers will enjoy filling up on pies of high quality pizza made with fresh authentic ingredients, so they will feel good about what they are eating.
- Enjoyment of Italian experiential pie within our restaurants atmosphere, a true feast for the senses; sights, sounds and aromas.

Property Rights

Our property rights will consist of trade secrets, which will involve our pizza sauce recipes and our specialty pizzas and our processes involved in making our pizzas. There is a possibility of having recipes copyrighted but that may not happen since pizza has become such a commodity.

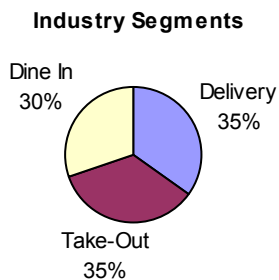
Stage of Development

The Pizza as a product is in the mature stage of its lifecycle, but even though it is mature it is constantly being modified and adapting to changes in eating culture. Because it is in the mature stage of the lifecycle there are some barriers to entry established by large franchises and established local businesses, but because we will be unique in our own right we feel we can get over these barriers.

Market and Industry Analysis

Market Size and Growth

Fetta Di Vita will be competing in the pizza market. More specifically, we are competing in the fast casual and specialty Italian pizza segments. The pizza market is a \$35 billion a year market.



Our market is divided into three segments: delivery, take-out and dine in.

Over the next five to ten years there is expected to be an increase in take-out pizza of about 5%. The pizza market itself is slow growing, at about 1% a year.

As well as competing in the pizza market, we will be competing in the fast casual market. The fast casual market is growing fast at about 20% a year.

Trends

The pizza industry is seeing both positive and negative trends. Fresh ingredients and take & bake pizza are two major positive trends in the market. The take & bake pizza began on the west coast and is moving across the country. Although it is not very popular on the east coast at the moment, it will be with time. There is a positive and negative trend in upscale and gourmet pizza. It is a positive trend because it offers customers a bolder taste in pizza and moves away

from the traditional “Americanized” pizza. However, with better pizza comes a higher price. Customers like paying a cheaper price for pizza because that is what they are accustomed to. One real negative trend in the industry is the cost of delivery. Pizzerias are starting to charge delivery fees. This is due to the economy and the rise in gas prices.

There are no groups left untapped in this market. 94% of the people in the United States eat pizza. There are so many different options that anyone from a five year old to an eighty-five year old can find the perfect pizza for themselves.

Target Market

With 94% of the country eating pizza, it is hard to give any defining characteristics to our market. The people who are not eating pizza are too young to eat, have specific allergies towards pizza or simply do not like pizza.

The buying decisions are made based initially on hunger. They can also be made by friends if a person is dining with other people. Price is a factor in the buying decision, because our consumer does not necessarily have a lot of disposable income. All we need to do is get people in the door once and if they are satisfied with the quality of the food and service, we believe they will become repeat customers.

Industry Structure

In the pizza industry, the goods are delivered to the customer by means of a restaurant. The delivery is received by:

- The customer consuming the goods at the point of purchase
- Taking the product with them
- Having it brought to their home

The goods are produced in house, by materials that have been delivered by distributors, who obtain their products from suppliers.

Distributors of food and drink are a vital part of this industry, because of their position in providing the essential goods to create the final product.

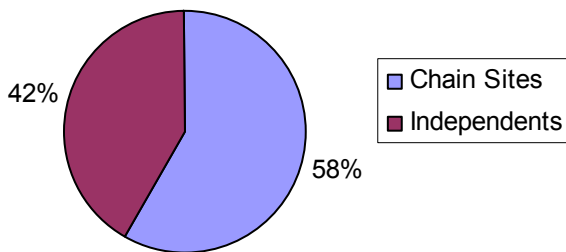
Competitive Environment

Companies in this industry compete on a variety of aspects. These include:

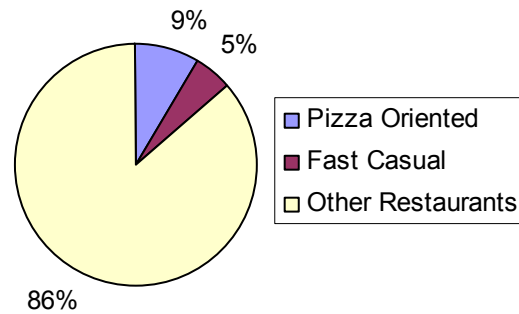
1. Location-Convenience and accessibility
2. Price-Low price while maintaining a quality product
3. Customer Service- Friendliness and knowledge of staff
4. Quality-Freshness and taste of the product

The pizza industry is a \$35 billion industry while the fast casual industry is estimated at \$10-11 billion in sales a year. There is a great deal of rivalry between competitors considering there are at least 60,000 pizza restaurants in the United States.

Pizza Restaurants in the United States



Restaurants in Boulder, Colorado



Problems and concerns of consumers of competitors include issues revolving around nutrition. Generally, lives have become busier, but customers are still looking for convenience paired with healthy options.

The response of competition to new entrants in the market would depend on the location and the competing company. It would not substantially effect a chain site as much as an independent establishment because the chain has the advantage of a recognized name. An independent organization would be more effected and their response would come in increased advertising and pricing strategies, since the new firm wouldn't be able to compete on price.

Chain restaurants control 58% of the market. We will offer a different atmosphere, and conveniently provide a fresher product; therefore we will not be competing directly with these corporations. Independent establishments usually run one or two sites. Fetta Di Vita will compete with independents in the areas of topping variety, desserts and menu offerings.

Our competitors such as Pizza Hut and Domino's perceive themselves as being low priced and family friendly. Also, these companies keep with the trends of extras or special pizza's such as cinnamon sticks, brownie bites or stuffed crust. Other independent sites perceive themselves as offering convenience and pies suited to local tastes.

Barriers to entry would include customer loyalty, capital requirements, intellectual property and government regulations. Customer loyalty would be the most difficult barrier to entry because customers may have long established relationships with existing restaurants. Customers don't necessarily want to try something new, when there is already something they enjoy. Initial capital requirements would be relatively high. Fetta Di Vita would require ovens, priced at around \$20,000 to purchase and install. Other requirements would include details such as tables, chairs, dishware and interior décor. Intellectual property Fetta Di Vita would need to gain is the knowledge from Verace Pizza Napoletana (VPN) Association of how to make an authentic Neapolitan pizza. Government regulation would be a last barrier to entry. There are laws concerning the handling and serving of food to the public.

Fetta Di Vita would not have much control over pricing because of the reasons listed below: Prices are established in the pizza industry through the cost of food and maintaining the business. If an establishment is in a location where the rent is considerably higher, this would be reflected

in the prices. Competition can play a role in setting prices as well. Consumers have coupons as a bargaining position, but otherwise, the prices are as they read on the menu.

Costs will decrease once Fetta Di Vita is established and we have a better idea of how much food is necessary. In the beginning it is reasonable to say there will be some waste due to determining the amount of food product needed. Many of our products are fresh and need to be used in a certain amount of time, which limits the amount of food we can store to use at a later date.

There are several channels of distribution including food service companies such as Roma, Shamrock, US Foods and Sysco. Not all distributors carry the same products. We will need to go through certain distributors for specialty products, such as flour needed to create our authentic pizza. Fetta Di Vita would have access to all channels, but is not able to create their own new channel. The bargaining strength of the channel companies is they can charge a price according to how much they have been charged by the suppliers.

Competition

Comos is a direct competitor because it produces a similar product, but has a unique business strategy. It has two locations, one on the hill and the other on baseline road, which are two convenient locations for their target market, college students. Their menu has items such as pizza, calzones and salads. The pricing is reasonable for their target market, at \$3-6 a person. Their food is not very fresh and provides little variety for their customers to choose from. Alcohol is available at the hill location, but is not an option on baseline. The speed of service is fast at 2-4 minutes and the atmosphere is laid back, having booths and barstools to sit down at to eat.

Noodles and Company is an indirect competitor because its product is different, but it still competes with Fetta Di Vita in other areas such as same target market and is in the same fast casual segment. Noodles and Company has a target market of families and young adults. The establishment offers a wide variety of menu options including noodle bowls, salads and soup. An average meal for a person is between \$5-7. The food is fairly fresh and fast at an average speed of 1-5 minutes. The environment is well-lit and there is seating available at tables and booths. The option of alcohol is available at all locations.

A future competitor would include a new fast casual restaurant or an independent pizza establishment. Either one of these would have the same customer base, but could come up with a method to make the pizza faster or more delicious (Appendix G).

Opportunity

There is an opportunity for authentic Neapolitan pizza served quickly. In Minneapolis, Minnesota a restaurant, Punch Pizza with a similar concept to Fetta Di Vita maintains revenues of \$1.5 million a year. The restaurant is extremely popular and this is observed by it being constantly busy with lines out the door.

As for Fetta Di Vita prospects, a \$35 billion industry and 94% of people enjoying pizza, provides a great opportunity to grow into new areas of the pizza industry, such as the fast casual sector. Customers are looking for healthier options while still maintaining the speed of fast food

establishments. Fetta Di Vita provides an alternative to fast food and casual dining by providing a comfortable medium. The evidence for the need of a pizza fast casual restaurant is in the numbers of how popular this type of dining experience is becoming. Fast casual restaurants, growing at 20%, are the fastest developing segment in the restaurant industry. Our unique product is paired with our distinct atmosphere it is served in. The interior décor will be reflective of Naples, Italy culture. The pizza will be the ultimate comfort food with the freshest ingredients. The competitive advantage Fetta Di Vita maintains is its benefit of being a leader of the concept of an authentic Neapolitan fast casual pizza restaurant in Boulder and the surrounding area.

Marketing Plan

Customer Research

Throughout our research we have gained insight about the pizza and fast casual consumer market. We surveyed 103 people ranging from ages 20 to 55 (Appendix F). Because we changed the strategy and some of the model for our business the surveys did vary somewhat. Initially we targeted a younger college crowd but we also changed to target an older crowd.

When asked if people would like our original idea about the restaurant, about 96% of people said they would buy from us. The 4% of people who said no didn't like pizza or didn't eat it for health reasons. When asked about the new restaurant idea we received similar responses but it was actually better received in consumers' eyes.

We found that most people's favorite pizza restaurants were California Pizza Kitchen, Old Chicago and Cosmos. Even though these were the favorites, people frequented Cosmos and larger chains more often.

College students eat the most pizza, 4 times a month for men, 2 times for women. Older people eat pizza twice a month at the most, usually just once. Older people were more willing to go to pizza restaurants when they had children of any age.

Most people were willing to pay \$2-4 for a slice and \$6-8 for personal serving sizes. Older people were more willing to pay higher prices for pizza.

When asked about what could hinder a pizza place the most common answers were low quality, un-cleanliness, and bad service. When asked about what could really help a pizza shop the most common answers were uniqueness, quality, good atmosphere and service. Low price was a common theme for college students.

Most people agreed that one of the best locations would be Pearl St. but many people noted the saturation and competition there, and also suggested North or South Boulder.

To find information about a restaurant or to get them to visit the first time most people relied on friends and word of mouth, as well as coupons; some stated just walking by was enough to check a place out. People would come back to a place most often simply if the food and service is good. We must understand the importance of getting people in the door for the first time and not just relying on word of mouth even though it is so prominent.

Most people were only willing to travel 10-15 minutes to go somewhere to eat. Some people would travel thirty minutes if they were going somewhere nice or to a place that had a very unique offering with real good food. Delivery was a strong significant feature for college students.

The most common toppings were pepperoni, sausage and olives but many people felt that various toppings need to be offered.

Target Market Strategy

It is hard to pick one specific target market in the pizza industry because almost everyone eats pizza (94% of the country). With our location and pricing, we have decided to break our primary target market into three segments: lunch, dinner and weekend.

During lunch time we will target business people. We want to bring in business people from local businesses. The business people represent a good market because they need a quick lunch and they have a larger disposable income to spend on their meals.

For dinner and weekends, we want to target families: families of all sizes and ages. These families want to be able to have an affordable yet tasty sit down meal.

Our secondary target market is students of the CU Boulder campus. Although, students would seem to be part of the primary market due to our location, the higher pricing of our pizza may deter students. Also students have said that they have a plethora of other pizza options that they already love. Although, students are the most likely customers to eat pizza on a regular basis.

The initial buying decisions for pizza are based on one thing, hunger. Although is very simple, it is true and is shown in our customer survey results. Word of mouth will also play a big factor. When people get recommendations from friends and families they often want to try out said restaurant. We will be counting on good recommendations from our customers to get new people in the door.

Positioning

Fetta Di Vita is a fast casual dining establishment in the pizza industry. Our authentic Neapolitan pizza and atmosphere provides an opportunity to take a step out of Boulder and a seat in Naples to dine.

We have chosen to position Fetta Di Vita in this manner because we want to be viewed as authentic Neapolitan pizza. Although Boulder offers many options for an average American pizza, with a hand tossed crust and heavy amounts of sauce and cheese, there is an unmet need for this traditional style of pizza. By taking this approach, we could have a competitive advantage because Fetta Di Vita would offer a distinct product in a uniquely tailored atmosphere.

Product/Service Strategy

During the introduction phase of our restaurant we want to keep things simple in order to gauge what we do well and what we need to work on. Initially we are going to offer personal serving

size pizzas, 10 inches as well as 6-7 inch pizzas for children. Our menu will also include salads. Because we are an authentic Italian pizzeria our beverages will also be Italian, including Italian wine, Chianti, Italian beer such as Morena, Moretti, Nastro Azzuro and Menabrea, and Italian sodas (we will still offer domestic soda).

We will be extraordinarily different from our competition because we are going to offer true Neapolitan pizza. We feel that nearly all of the pizza restaurants we will be competing with only offer Americanized pizza and sides. Our restaurant will also embody a traditional yet contemporary Naples environment, including artwork and photography of landscapes Di Napoli. In order to enhance our image as a true Neapolitan pizzeria as well as the quality of our pizza, we are going to be certified by the VPN, which was founded in Naples. VPN Association will train our general manager and head chef in order for us to gain proper guidelines, obtain better recipes, which require specific ingredients, and develop the best possible processes for serving our customers. Upon training and certification our general manager and head chef will train the rest of the staff accordingly. Having a certifiable true Neapolitan pizzeria will set us ahead of our competition invariably.

Our customers will differentiate our restaurant as a place that is completely unique in not only Boulder but in the United States. Our customers will want to come to the restaurant to escape into an Italian setting, not to mention that they will know that we are the only certified authentic Neapolitan pizzeria in Boulder.

Our strengths will come from being unique, having high quality foods products, being expeditious and most importantly consistent. Our operations are our strengths. We would also like to note that we do have some weaknesses, our food variety other than pizza and salad is limited, and we will not offer many sizes. We also have to face that fact that we are new and need to find out what parts of are strategy best suite our patrons and what needs to be tweaked, but our strengths play into our ability to do just that.

Pricing Strategy

Fetta Di Vita will consider and combine a number of strategies in order to determine its pricing. Since the pizza and fast casual industries are established, and our target market is somewhat loyal to existing restaurants, it is important for us to base our price similar to our competitors.

An average fast casual meal costs the consumer \$7-\$9 according to industry surveys which is where we will aim for the average ticket price per person. In addition, the average price for a meal at our leading competitors, which include Cosmo's, Old Chicago, California Pizza Kitchen, and Domino's, ranges between \$6 and \$11. We will aim directly in the middle of this range and have an average price per person of \$8.50. Pricing must also reflect the value given to the target market and more specifically how much the target market is willing to pay for a meal. According to customer surveys, 75% of the target market is willing to pay between \$6 and \$8 for an authentic 10" personal Italian pizza. For this reason, we have decided to price our 12" pizza at \$8.95, and the 8" pizza at \$6.95. This pricing reflects the value given to our customers. In addition, we will employ an a la carte pricing strategy in that each menu item comes separately and is priced individually. This is helpful for the target market because they can order exactly what they want and only pay for the items they get. A table of our menu items with corresponding prices and contribution margins is given below:

Offering	Price	Contribution Margin*
12" Pizza	\$8.95	65%
8" Pizza	\$6.95	70%
Entree Salad	\$6.00	50%
Flatbread	\$3.00	85%
Dessert	\$3.00	65%
Drinks	\$2.00	75%

*Note that the contribution margins only measure food costs and do not include labor

Communication Strategy

Since we are a truly Italian pizzeria we want to make sure our customers know that. Therefore, we will use the slogan, "You Know You're Italian When. . ." followed by funny and interesting Italian facts. We want people to remember our slogan and always be looking for more endings to it, as we will be changing the ending on a routine basis.

As a new restaurant in the Boulder area, we will have to initially do a lot of gorilla marketing. Direct response and media advertising will be our two biggest promotional efforts. As we become more established we would like to start sponsoring local Boulder events in the area.

Through direct response we will be giving away menus (Appendix M) as well as free samples of our pizza. We will give menus to all of the local businesses in the area, as well as leaving door hangings with the menus on them at houses in and around Boulder. This will be done consistently throughout the first few months of operations. As we become better known throughout the community, we will continue to go door to door with our door hangings about every six months as a reminder to our customers to come back.

We feel our best marketing strategy will be offering free pizza slices to our customer. We will be renting a portable wood fired oven to take on the road with us, so that we may give a customer the best idea of what we offer. Along with the free pizza we will hand out coupons and menus. The free pizza will be given away at various locations in the Boulder community such as Pearl Street Mall, 29th Street Mall and the Hill.

The Daily Camera is a very popular newspaper in Boulder. We would like to set up a relationship with them, where we can advertise on a daily basis with them. Although we know it is not feasible, we would like to be able to have a quarter page spot within the first few pages of the newspaper. This is however, an option that we could consider once we have a good revenue stream. We will a sign \$20,000 yr contract for year one and a \$15,000 yr contract for year two.

Sales Strategy

Fetta Di Vita will be sold through personal selling. Our employees will be responsible for ensuring the customers experience is delightful to guarantee repeat customers and positive word of mouth.

Advertising will provide leads. Specifically, promotions containing coupons will entice customers to come in and experience Fetta Di Vita. Leads will also be generated through word of

mouth from our customers. 95% of customer surveys indicated that customers receive information concerning restaurants through friends and recommendations.

We will generate employees through help wanted signs, advertisements in the newspaper and on Craigslist.com. We want a staff that is reliable, hard-working and representative of our concept. We will train them by working directly with them and providing a handbook. We want to ensure they understand how our product is made as to reflect the look and taste of a pizza from Naples. The handbook will be used to educate employees on how to treat customers, what to do with an unruly or upset customer and other basics concerning the customers.

Rather than a sales commission, our employees will be paid a currently undecided hourly wage.

The sales effort will constantly be backed by management, who will be altering and creating new ideas to reach the customers. Also, at any given time a member of management will be available to answer any questions or assist employees.

Revenue Model
Revenue Projections
Years 1 to 5
(\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<u>Top Down Approach</u>					
Number of People in Target Market	180000	180000	180000	180000	180000
Percent of Market Penetrable	0.11	0.15	0.18	0.20	0.22
Number of People Penetrable	19800.00	27000.00	32400.00	36000.00	39600.00
Average number of visits per year	2.75	3.50	4.00	4.00	4.00
Total number of visits	54450.00	94500.00	129600.00	144000.00	158400.00
Percent visits at lunch	0.30	0.40	0.40	0.40	0.40
Total number of lunch visits	16335.00	37800.00	51840.00	57600.00	63360.00
Average ticket at lunch	8.00	8.25	8.50	8.75	9.00
Total Sales at Lunch	130680.00	311850.00	440640.00	504000.00	570240.00
Percent visits at dinner	0.70	0.60	0.60	0.60	0.60
Total number of dinner visits	38115.00	56700.00	77760.00	86400.00	95040.00
Average ticket at dinner	9.00	9.25	9.50	9.50	9.75
Total Sales at Dinner	343035.00	524475.00	738720.00	820800.00	926640.00
Total Sales Lunch and Dinner	473715.00	836325.00	1179360.00	1324800.00	1496880.00
Total Revenue	473715.00	836325.00	1179360.00	1324800.00	1496880.00
<u>Bottom Up Approach</u>					
Offering					
Number of 12" Pizza's	18422.25	32523.75	43450.10526	48808.42105	52390.8
Price per 12" Pizza	9	9	9.5	9.5	10
Subtotal	165800.25	292713.75	412776	463680	523908
Number of 8" Pizza's	20302.0714	35842.5	47174.4	52992	56133
Price per 8" Pizza	7	7	7.5	7.5	8
Subtotal	142114.5	250897.5	353808	397440	449064
Number of Salads	3947.625	6969.375	9828	9462.857143	10692
Price per Salad	6	6	6	7	7
Subtotal	23685.75	41816.25	58968	66240	74844
Number of Flatbread	1579.05	2573.307692	3628.8	4076.307692	4605.784615
Price of Flatbread	3	3.25	3.25	3.25	3.25
Subtotal	4737.15	8363.25	11793.6	13248	14968.8
Number of Desserts	6316.2	11151	13478.4	15140.57143	17107.2
Price per Dessert	3	3	3.5	3.5	3.5
Subtotal	18948.6	33453	47174.4	52992	59875.2
Number of Beverages	39476.25	69693.75	90720	94628.57143	106920
Price per Beverage	3	3	3.25	3.5	3.5
Subtotal	118428.75	209081.25	294840	331200	374220
Total of Dine in	473715	836325	1179360	1324800	1496880
Number of Customers	54,450	94,500	129,600	144,000	158,400
Fee per Customer	8.7	8.85	9.1	9.2	9.45

Total	473,715	836,325	1,179,360	1,324,800	1,496,880
Net Revenue	473,715	836,325	1,179,360	1,324,800	1,496,880

Revenues by months & quarters					
(\$)					
Months	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Month 1 (January)	0	50,180	70,762	79,488	89,813
Month 2 (February)	0	58,543	70,762	79,488	89,813
Month 3 (March)	0	58,543	82,555	92,736	104,782
Total 1st Quarter	0	167,265	224,078	251,712	284,407
Month 4 (April)	0	66,906	94,349	105,984	119,750
Month 5 (May)	37,897	66,906	106,142	119,232	134,719
Month 6 (June)	52,109	75,269	117,936	132,480	149,688
Total 2nd Quarter	90,006	209,081	318,427	357,696	404,158
Month 7 (July)	61,583	75,269	117,936	132,480	149,688
Month 8 (August)	66,320	83,633	117,936	132,480	149,688
Month 9 (September)	66,320	83,633	117,936	132,480	149,688
Total 3rd Quarter	194,223	242,534	353,808	397,440	449,064
Month 10 (October)	66,320	75,269	106,142	119,232	134,719
Month 11 (November)	66,320	75,269	94,349	105,984	119,750
Month 12 (December)	56,846	66,906	82,555	92,736	104,782
Total 4th Quarter	189,486	217,445	283,046	317,952	359,251
Total for year	473,715	836,325	1,179,360	1,324,800	1,496,880
Average Revenue					
by Month	39,476	69,694	98,280	110,400	124,740
by Quarter	118,429	209,081	294,840	331,200	374,220

Operations Plan

Introduction

It is our mission to provide our customers with authentic Neapolitan pizza that is of the highest quality provided with exceptional service in an atmosphere that embodies Naples. In order to do this effectively and efficiently, this mission will require the highest level of strong restaurant operations that pays attention to every single detail. From our suppliers to our restaurant and employees, from our inventory of fresh produce to our oven, and from there to the moment our hot authentic pies reach our customers, mouths; each step along this process is crucial in order to optimize our customers' experience and make our venture successful.

Operations Strategy

Our operations process begins with our suppliers, who will deliver our fresh produce, meats, cheeses and other ingredients. This is what will become our inventory, which we expect will be as fresh as possible, with a turnover every 4 days.

We will spend time "preparing" our inventory each morning before we open; we will cook our own sauce, make our own dough, and slice all the ingredients. All the food that gets prepped will go to the make line for the day, ready to quickly become pizza.

Upon order, the pizzas will be made quickly, hand rolled and tossed, and placed in our special wood fire oven. Once cooked, our servers will bring our customers their food (Appendix H).

We believe our operations will add value in our customers' eyes because they will be able to view the pizza production process from start to finish. They will see the effort, the hand tossed dough, and the fresh ingredients, which go into their pizza.

We will be able to win in our marketplace because, first and foremost, we are unique which heightens the sense of quality we offer, quality being the freshness of ingredients, rich robust flavors, and fast affable service.

We will offer flexibility in take-out as well as sit in, and we will have build-your-own/made-to-order options.

During our lunch hours we will strongly emphasize our timeliness, during dinner we will still be fast casual but encourage people to sit back and relax at their meals. We will always accentuate our uniqueness and quality.

Our process gives us a competitive advantage, because we can offer food that is high quality, and authentic in a very short period of time. Most of our competition can serve their almost as fast food quickly but it is Americanized, unique and often in a rather average setting or only offer delivery. Our process is made to be watched and experienced where other places simply give you a quick slice. Our process also involves using our inventory efficiently to keep food fresh and freshly prepared while other restaurants use highly processed ingredients, sauce from concentrate and generic recipes.

Scope of Operations

For our business it makes the most sense to make all of our own products in-house. We will develop and adapt our recipes in our own kitchen, where all our pizzas will be made. Orders can be done simply at our POS systems by our staff and customer service is literally us serving pizza to our customers. All of our inventory can be stored within the restaurants facilities.

Outsourced activities:

- Build-out, renovation and installation of infrastructure such as electric and water fixtures by local contractor.
- Forno Bravo, the oven retailer, will install our oven.
- Accounting by a CPA to track and take care of finances.

Ongoing Operations

Our key vendor will be Roma Foods and we are still shopping for a distributor/wholesaler to provide our restaurant with Italian beverages such as beer, wine and Italian soda. Roma Foods is able to provide us with almost all the ingredients we will need to produce our pizzas, and they can provide us with all the paper goods we will need such as napkins, paper towels, pizza boxes, etc. We will seek a price agreement with them to keep our cost of food stable as possible.

- We will need to serve on average 260 meals per day in our first year. This number increases to above 435 by year five and will remain constant after that time.
- We hope to have a full seating turnover of three to four times per day in year one and increase the turnover to five to six times per day by year five.
- We expect that 40% of our business will occur during lunch and 60% will occur during the dinner.
- Our restaurant will seat 60 people, with a 2,500 ft. premise that has two bathrooms, a small office, and kitchen.
- Location on 27th Way and Baseline, at the old Fiasco's restaurant.

Capital Assets:

Wood fire oven (hood)	\$20,000.00	POS System	\$20,000.00
Cold table/Make line	\$6,000.00	Computer	\$800.00
Walk in refrigerator	\$9,000.00	Dining tables & Chairs	\$30,000.00
Marble Rolling table	\$300.00	Flatware & Utensils	\$10,000.00
Cutting board table	\$100.00	Plates & Glasses	\$20,000.00
Hobart mixer	\$8,000.00	Art and Fixtures	\$10,000.00

(In The Fire, CKitchen, POS Systems Inc., Dell, Budget Restaurant Supply)

- We will hire 19 part time employees in year 1 to be the unskilled laborers such as register clerks, and servers. This will rise to 28 by year 5
- Employees who work the most and are experienced with food preparation will become line cooks.
- 4-8 employees in the shop at all times depending on the nature of the shift, and how busy we will be.
- Unskilled laborers will receive \$7.50 an hour to start and will receive incremental raises based on performance and how long they work for us.

- Key hires: General Manager/Pizza Chef and an Assistant Manager/Chef to run most of the shifts. Both of the positions will require experience in the pizza industry, we may hire up from our employees for the assistant manager position, and we will pay \$27,000-\$37,000 for these positions, and the GM/Chef will also potentially receive part ownership of the company.

Development Plan

- **Funding Secured**

We must ensure investors are actively interested and clear on the agreement and regulations put forth to create this operation.
 - **Secure location**

Our location is pertinent so we must make sure when we find the ideal place that we move forward promptly by working out the details and signing a lease.
 - **VPN Association Training**

VPN Association will certify Fetta Di Vita in creating authentic Neapolitan pizza. This program is a week long in California and will educate the person attending on everything from creation of the pizzas to correct methods for cleaning our specialized oven.
 - **Building Permit/Architect**

We must locate and contract an architect who is knowledgeable concerning interior and exterior renovation.
 - **Location Build out/Renovation**

Our facility will need to be restructured to embrace our fast-casual concept and promote our unique Naples influenced atmosphere.

 - ◆ **Reevaluate Funding**

It will be important to make sure we are on track with our financing.
 - ◆ **Establish Distributors**

Our distributors are the backbone of our business. We need to establish quality personal relationships with these corporations to ensure reliability.
 - ◆ **Management Hiring**

The management team must understand the essence of the concept and truly want to become part of the Fetta Di Vita family.
 - ◆ **Employee Hiring**

Particularly the employees must reflect our beliefs because they are interacting with the customers the most.
 - ◆ **Employee Training**

The employees will be trained to make the pizzas in our distinctive Neapolitan manner. Also, they will be instructed on how to treat customers and upkeep the restaurant.
 - ◆ **Wine/Beer License**

We must obtain this license to sell wine and beer at Fetta Di Vita.
 - **First Pizza Served**

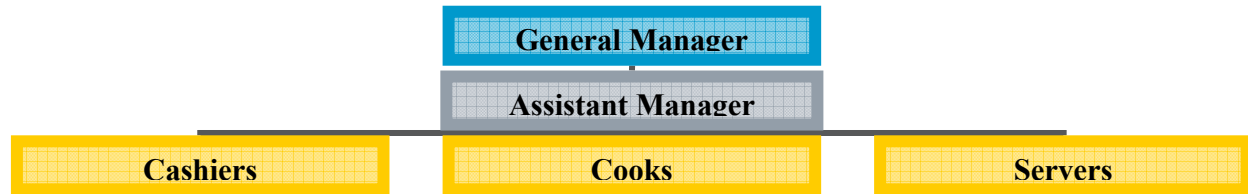
Our first customer will have their first delectable experience at Fetta Di Vita!
 - **Marketing Strategies Deployed**

A majority of our marketing will take place shortly after the restaurant opens because we want to work out the kinks before business becomes busy.
 - **VPN Association Certification**

VPN Association sends a representative to study our restaurant and test our pizza to make sure it is up to the association's standards.
 - **Obtain Funding For New Store**

We want to expand to new areas and will obtain more financing to pursue this goal.
- (See Appendix N for more on the development plan)

Management Plan Company Organization



The Board of Directors will consist of the founders Morgan MacBaisey (Appendix I), Jocelyn McDonnel (Appendix J), Alexis Nielsen (Appendix K) and John Rutter (Appendix L). Together we have created a detailed vision of the direction and beliefs we want the corporation to encompass and we want to ensure Fetta Di Vita maintains its plan. With new employees joining the company, the board will take into account new ideas that could further our concept.

The Board of Advisors will be made up of George Deriso and Joseph Pegolizzi. Both have been supportive of the concept and have experience in the industry as well as knowledge of starting a business. They will be responsible for advising the Manager in the financial, operational, marketing and management areas.

The company will be owned by the founders and investors. The percent the owners will maintain depends on how much others invest. Since we are a small company, rather than going into debt, we will be offering small parts of the company. Also, Fetta Di Vita will not be offering a stock option plan.

Management Team

Fetta Di Vita will have a General Manager, Assistant Manager and hourly employees. As of right now we have not found anyone to fill these positions.

The ideal candidate for a general manager would have experience in opening a small business and have knowledge of the restaurant industry. They also must be familiar with the fast casual concept. Most importantly this person must be educated about the VPN Association. They need to be willing to conform to our pre-determined concept and highly believe in the company's core values. This person will be viewed as an overall leader and will be responsible for supervising several employees, but specifically and Assistant Manager. The General Manager must be very organized in order to run Fetta Di Vita. They will be compensated a salary of around \$37,000 a year.

Second to the General Manager will be the Assistant Manager. This person will be in charge of the hourly employees. Attributes we are looking for in this person include; good judgment for pre-screening employees so the general manager can easily make a final decision, being skilled in employee relations, and a good listener, for hearing the managers requests and employees concerns. They assistant manager will be compensated a salary of around \$27,000 a year.

The hourly employees will include attendants to take orders using a point-of-sale system, cooks and servers. These employees must be positive, reliable, hard workers. They will be interacting with the customers the most and must represent Fetta Di Vita. They will be responsible for taking customers orders, cooking authentic Neapolitan pizza, serving the food to customers, cleaning tables, keeping the kitchen neat, and other general restaurant upkeep. These employees will be paid \$8.00 and hour.

An accountant will be outsourced to do monthly book keeping and taxes.

The hole in the Fetta Di Vita Management team will be determined once the restaurant has been opened. We will have to adjust how many assistant managers and hourly employees are employed to ensure the operations run smoothly.

Competitive Advantage

The pizza industry is one of the most competitive segments of the entire restaurant industry. In order for our venture to be successful it is important to notice this level of competition and not take it lightly, as well as identifying how we can make our business sustainably better. Our competition consists of fast casual dining establishments, pizza restaurants, and casual dining restaurants.

We feel that one advantage we have is that we are deviating from the standard Americanized pizza that most of our competitors offer by producing an authentic Neapolitan pizza which is sometimes difficult to find.

We are also changing the model of the traditional pizza restaurant by creating a model in which we can offer very fast slices in an ethnic Naples environment, which will be very hard to copy, especially by our biggest competitors such as Pizza Hut and Domino's.

Part of being able to offer fast slices will be one of our best assets, the wood fire oven that most restaurants do not use. It allows for very fast cooking times which cannot be accomplished using other ovens.

Another factor that will set us apart will be that we will be trained and certified by VPN Association which will give us the best know-how in creating truly authentic Neapolitan pizza, even if our competitors copy us, they still won't be the real McCoy and our patrons will know it. VPN Association will also be a great resource for getting the best recipes and using the finest ingredients as well as giving us specific industry expertise from professionals.

Operations efficiencies: we will have quick inventory turns in order to keep ingredients as fresh as possible, our kitchen will be set up in a layout that allows for streamlined production of the pizza within an open kitchen which can be viewed by our customers, and we can transfer a level of flexibility of option to our customers.

Location, Location, Location. We are striving to be located at an old restaurant, Fiascos, on 27th Way and Baseline. It is easily accessible from the highway (just off 36) and there is a high level of traffic from Baseline, from where the restaurant will be in plain view. Also, the Southern side of Boulder is relatively underserved for pizza restaurants. In close proximity to the restaurant are a number of business, including the shopping center which is juxtaposed to the restaurant, the southern end of the CU campus, student housing and is surrounded by neighborhoods on all sides including two large apartment complexes.

Possibly the most important advantage we will hold will be the creation of a culture within and surrounding our restaurant, we plan to educate our employees thoroughly about Italian cuisine and culture, including possible trips to Naples. We will also have a small business culture where our employees will be treated as friends/family in order to keep our restaurant feeling as elated as possible. We will also include the community into our culture, by interacting with schools and having small events within the restaurant that represent Italian culture such as music, literature and the arts.

Financial Projections: See Appendix

Financial Plan

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Summary Financials (\$)					
Revenue	473,715	836,325	1,179,360	1,324,800	1,496,880
Gross Profit	7,561	187,536	313,316	346,704	429,881
EBIT	(183,855)	48,250	138,391	165,962	247,256
EBITDA	(119,045)	116,155	209,391	242,248	331,684
Net Earnings	(228,855)	10,750	115,891	143,650	160,716
Net Cash from Operating Activities	(122,775)	85,958	206,815	228,383	255,139
Capital Expenditures	430,000	22,000	22,000	60,000	62,000
Interest Income/(Expense)	(45,000)	(37,500)	(22,500)	0	0
Dividends	0	0	0	100,000	150,000
Cash	97,225	111,183	195,998	114,381	157,520
Total Equity	(28,855)	(18,105)	97,787	141,437	152,153
Total Debt	300,000	250,000	150,000	0	0

Growth

Revenue Growth Rate - CAGR:	77%	41%	12%	13%
Net Earnings Growth Rate - CAGR:	Nil	978.1%	24.0%	11.9%

Ratios

Current Ratio	1.1	0.8	0.9	1.3	1.5
Debt to Capital (LT Debt + Equity)	0.7	0.7	0.4	0.0	0.0

Profitability

Gross Profit %	1.6%	22.4%	26.6%	26.2%	28.7%
Operating Expenses %	27.7%	16.7%	14.8%	13.6%	12.2%
Net Earnings %	-48.3%	1.3%	9.8%	10.8%	10.7%

Returns

Return on Assets	-47.4%	2.4%	23.2%	35.4%	37.2%
Return on Equity	-188.9%	8.2%	46.8%	49.3%	53.2%
Return on Capital (LT Debt + Equity)	-54.3%	2.8%	29.1%	49.3%	53.2%

Key Assumptions

- There is one store located on 27th and Baseline
- It will take 4 months to renovate the facility and we will begin operations month 5
- Prices are based on the competition as well as the value given to customers
- There are 180,000 people in our target market
- Penetration will be 11% in year 1, 18% in year 3, and 22% in year 5
- 80% of revenue is dine-in, 20% is takeout
- 60% of revenues at lunch, 40% at dinner
- Fetta Di Vita will have 60 seats
- Turnarounds per day are 3.3 in year 1 and increase to 6 by year 5

- Customer acquisition costs are \$2.00 and an average customer will spend \$30.00
- A chef will be hired for development of new recipes
- We must employ a general manager, a chef, and 20-30 part time workers
- Seasonality exists and revenues will be higher in the summer, and lower in the winter
- Labor costs 25-30% of revenue; Food costs 25-30% of revenue
- Operating expenses are 12% of revenue
- Rent Costs are \$75,000/ year
- Utilities cost 6% of revenues
- Capital expenditures will be \$430,000 in year 1 for renovation expenses
- 3 days in accounts receivable; Inventory turns every 4 days 29 days in accounts payable

Risks

There are certain risks to the successful implementation of Fetta Di Vita which we are aware of and will try to mitigate. Most importantly, it is possible that we will not penetrate the expected percentages of our target market which could lead to significantly lowered revenues. In order to prevent this from occurring, we will have a wide variety of marketing techniques that will reach our target market and we are willing to spend additional funds on marketing if necessary. In addition, there is a risk that our customers will not dine at Fetta Di Vita as much as expected. We will be offering incentives for diners to return if this becomes a problem.

Though there is no other concept like Fetta Di Vita in Boulder currently, it is possible that one could come in the future. If this were to occur, Fetta Di Vita would be dedicated to differentiating itself and would have the advantage of the VPN Association certification.

Operations' not running as planned is another risk. Food costs could increase at any time until we have made contracts with our suppliers; rent and utilities could also increase over time. To lessen this effect, Fetta Di Vita would raise prices to reflect increased costs which would minimize these risks. Also, it will certainly take time to perfect our operations which is risky but will be minimized through our key hires of a manager and a trained chef.

Another risk is that the renovation of the facility will take longer than expected. We are taking steps to minimize this risk through planning and contracting ahead of time to make sure that build out goes as scheduled.

Other possible risks are that we will not be able to achieve our certification; there could be health problems with the food causing a lawsuit at some time, and widespread economic downturns. We will be work hard, follow safety precautions and be prepared for these problems.

Funding (Appendix A, B, C, E)

Fetta Di Vita will require \$650,000 of cash a few months prior to our first year in business. This total amount should be received as one lump sum, as the majority of expenditures will occur in the first few months of operation. This will be the only round of financing required since operating and investing activities produce positive cash flow beginning early in year 2. This amount allows for a cash cushion close to \$100,000 in order to protect against unexpected expenses or delayed income that may occur in year 1.

We are seeking this financing through a combination of debt and equity. Debt will comprise \$300,000 of the total cash needed, and equity will comprise the remaining \$350,000. Debt will come from family and friends as well as angel investors who would prefer to take on debt rather than equity. \$150,000 of debt from family and friends who have agreed to take out second mortgages has already been pledged. In order to attract angel investors to provide debt financing we are offering warrants for 10% of the company as an added bonus. There will be no payments toward principal or interest in year 1. We will be able to pay back this debt beginning year 2 and will have it completely paid back by the end of year 4. Equity will primarily come from family and friends, as we have already secured \$200,000 in common shares, with the remaining \$150,000 coming from angel investors. We are thus seeking \$300,000 in debt and equity from angel investors who will be attracted to this opportunity especially considering the possibility of expansion to multiple stores beginning year 3.

In terms of debt, we will raise a total of \$300,000 from friends, family, and angel investors which we are offering at a 15% interest rate. \$50,000 of this debt will be paid back at the end of year 2, \$100,000 will be paid back at the end of year 3, and \$150,000 will be paid back at the end of year 4. In addition to these principal payments, corresponding interest payments will occur at the end of years 2, 3, and 4. The collateral for this debt consists of profits from renovation of the facility itself, equipment, and supplies including our oven, oven hood, tables, seats, dishes, silverware, pizza supplies, artwork, decorations, etc. Debt financiers will also be offered warrants worth 10% of the company as an added bonus.

In terms of equity, we will raise \$350,000 comprised of \$200,000 in common shares and \$150,000 in preferred shares. The \$200,000 in common shares has already been secured through the founders, family, and friends. At this early stage \$150,000 of preferred stock will come from angel investors who will acquire 49% of the company. There is no exit strategy as we plan to make this a built to last company. Equity financiers will, however, be compensated through considerable dividends beginning year 4 giving equity financiers a 20% rate of return on their investment for every year the company is profitable. The possible rewards for investors are quite high considering the possibility of expansion into multiple stores along the Front Range.

As stated previously, sources of funds will come from a combination of debt and equity from founders, family, friends, and angel investors equaling \$650,000. The funds will be used primarily for refurbishment of the Fetta Di Vita facility, operating expenses, extraordinary expenses that will occur in year 1, working capital, and a cash cushion. The refurbishment of Fetta Di Vita will cost \$400,000 and requires new equipment such as an oven, oven hood, fridge, etc. It also requires new tables, chairs, dishes, silverware, lighting, artwork, paint, etc. The funds will also be used to cover operating expenses which are particularly high in the first few years due to high marketing expenses. Funds will also be used to pay for all extraordinary expenses which include legal fees, attaining VPN Association certification, marketing, a grand opening, development of new recipes, and obtaining necessary permits.

Appendix A

Income Statement Years 1 to 5 (\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
NET REVENUES	473,715	836,325	1,179,360	1,324,800	1,490,000
COST OF REVENUE	466,154	648,789	866,044	978,096	1,060,000
% of Revenues	98.4%	77.6%	73.4%	73.8%	71.2%
GROSS PROFIT	7,561	187,536	313,316	346,704	430,000
% of Revenues	1.6%	22.4%	26.6%	26.2%	28.8%
OPERATING EXPENSES					
Sales & Marketing	53,874	56,127	77,987	80,896	70,000
Research & Development	16,837	20,463	23,894	25,348	20,000
General and Administration	60,704	62,697	73,044	74,498	70,000
Total Operating Expenses	131,415	139,286	174,924	180,742	160,000
% of Revenues	28%	17%	15%	14%	11%
EARNINGS FROM OPERATIONS	(123,855)	48,250	138,391	165,962	240,000
EXTRAORDINARY INCOME / (EXPENSE)	(60,000)	0	0	0	0
EARNINGS BEFORE INTEREST & TAXES	(183,855)	48,250	138,391	165,962	240,000
INTEREST INCOME / (EXPENSE)	(45,000)	(37,500)	(22,500)	0	0
NET EARNINGS BEFORE TAXES	(228,855)	10,750	115,891	165,962	240,000
TAXES	0	0	0	(22,312)	(8,000)
NET EARNINGS	(228,855)	10,750	115,891	143,650	232,000
% of Revenues	-48.3%	1.3%	9.8%	10.8%	15.5%

Appendix B

Balance Sheet Years 1 to 5 (\$)

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
ASSETS						
CURRENT ASSETS						
Cash	650,000	97,225	111,183	195,998	114,381	157,520
Accounts Receivable		5,116	6,022	8,491	9,539	10,778
Inventories		8,186	9,634	13,586	15,262	17,244
Other Current Assets		6,821	8,029	11,322	12,718	14,370
Total Current Assets	650,000	117,348	134,868	229,398	151,899	199,912
PROPERTY & EQUIPMENT	0	365,190	319,286	270,286	254,000	231,571
TOTAL ASSETS	650,000	482,539	454,154	499,683	405,899	431,483
LIABILITIES & SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short Term Debt	0	0	0	0	0	0
Accounts Payable & Accrued Expen		54,572	64,230	90,575	101,745	114,960
Other Current Liab		6,821	8,029	11,322	12,718	14,370
Current portion of long term debt	0	50,000	100,000	150,000	0	0
Total Current Liabilities	0	111,393	172,258	251,897	114,463	129,330
LONG TERM DEBT (less current portion)	300,000	250,000	150,000	0	0	0
STOCKHOLDERS' EQUITY						
CommonStock	200,000	200,000	200,000	200,000	200,000	200,000
Preferred Stock	150,000	150,000	150,000	150,000	150,000	150,000
Retained Earnings		(228,855)	(218,105)	(102,213)	(58,563)	(47,847)
Total Equity	350,000	121,145	131,895	247,787	291,437	302,153
TOTAL LIABILITIES & EQUITY	650,000	482,539	454,154	499,683	405,899	431,483

Appendix C

Cash Flow Statement Years 1 to 5 (\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
OPERATING ACTIVITIES					
Net Earnings	(228,855)	10,750	115,891	143,650	160,000
Depreciation	64,810	67,905	71,000	76,286	84,000
Working Capital Changes					
(Increase)/Decrease Accounts Receivable	(5,116)	(905)	(2,470)	(1,047)	(1,000)
(Increase)/Decrease Inventories	(8,186)	(1,449)	(3,952)	(1,675)	(1,000)
(Increase)/Decrease Other Current Assets	(6,821)	(1,207)	(3,293)	(1,396)	(1,000)
Increase/(Decrease) Accts Pay & Accrd Expenses	54,572	9,658	26,345	11,170	13,000
Increase/(Decrease) Other Current Liab	6,821	1,207	3,293	1,396	1,000
Net Cash Provided/(Used) by Operating Activities	(122,775)	85,958	206,815	228,383	255,000
INVESTING ACTIVITIES					
Property & Equipment	(430,000)	(22,000)	(22,000)	(60,000)	(62,000)
Other					
Net Cash Used in Investing Activities	(430,000)	(22,000)	(22,000)	(60,000)	(62,000)
FINANCING ACTIVITIES					
Increase/(Decrease) Short Term Debt	0	0	0	0	0
Increase/(Decrease) Curr. Portion LTD	50,000	50,000	50,000	(150,000)	0
Increase/(Decrease) Long Term Debt	(50,000)	(100,000)	(150,000)	0	0
Increase/(Decrease) Common Stock	0	0	0	0	0
Increase/(Decrease) Preferred Stock	0	0	0	0	0
Dividends Declared	0	0	0	(100,000)	(150,000)
Net Cash Provided / (Used) by Financing	0	(50,000)	(100,000)	(250,000)	(150,000)
INCREASE/(DECREASE) IN CASH	(552,775)	13,958	84,815	(81,617)	43,000
CASH AT BEGINNING OF YEAR	650,000	97,225	111,183	195,998	114,381
CASH AT END OF YEAR	650,000	97,225	111,183	195,998	157,381

Appendix D

Peer Company Comparisons					
					Select Best
	California Pizza Kit	Chipotle	Domino's	Panera Bread	Comparison
Ratios					
Accounts Receivable % of Rev	2.6%	1.0%	5.3%	4.5%	1.0%
Inventory % of Rev	0.8%	0.4%	1.6%	1.2%	1.2%
Accounts Payable % of Rev	8.9%	6.7%	9.1%	13.4%	8.9%
Working Capital % of Rev	0.0%	0.0%	26.2%	2.5%	2.5%
Net Fixed Assets % of Rev	47.6%	59.7%	15.9%	52.3%	52.3%
Current Ratio	0.98	3.531	0.873	1.6	1.6
Debt to Capital (LT Debt + Equity)	0.15	0.13	1.48	0.11	1.48
Profitability					
Gross Profit % of Rev	19.7%	15.9%	26.4%	23.0%	23.0%
Sales & Marketing % of Rev	N/A	N/A	N/A	N/A	N/A
Research & Development % of Rev	N/A	N/A	N/A	N/A	N/A
General & Administration % of Rev	7.6%	8.3%	12.3%	7.2%	7.2%
Operating Expenses % of Rev	14.1%	13.6%	12.3%	12.9%	12.3%
Earnings from Operations % of Rev	5.9%	6.9%	14.5%	12.2%	12.2%
EBIT % of Rev	6.0%	4.9%	14.7%	12.8%	12.8%
Depreciation % of Rev	5.6%	4.5%	2.3%	5.2%	5.2%
EBITDA % of Rev	12.4%	11.5%	16.7%	17.9%	16.7%
Net Earnings % of Rev	3.8%	3.9%	7.9%	8.0%	8.0%
Returns					
Return on Assets	8.5%	7.3%	34.2%	13.5%	34.0%
Return on Equity	10.2%	7.8%	N/A	17.8%	N/A
Return on Capital (LT Debt + Equity)	2.1%	1.8%	1.2%	1.8%	?
Growth					
Revenue Growth Rate - Qtr:	14.0%	31.1%	-3.2%	40.6%	31.1%
Net Earnings Growth Rate - Qtr:	-2.9%	-58.0%	20.9%	34.7%	20.9%

Appendix E

Fetta Di Vita

List of Financial Assumptions

- There will only be one store located on 27th and Baseline in Boulder, Colorado however expansion into other stores along the front range is a possibility starting year 3
- Fetta Di Vita will be able to rent out the old Fiasco's building
- It will take 4 months to renovate the building and we will open in month 5
- Seasonality exists and revenues will be higher in the summer and lower in the winter
- Rent cost will be \$30 per sq. ft. per year which at 2500 sq. ft. = \$75,000 per year
- Utilities cost approximately 6% of revenues
- Labor will cost approximately 25-30% of revenues starting year 3
- Food will cost approximately 25-30% of revenues
- Marketing expenses include a direct mail campaign, passing out pizza slices, newspaper advertisements, radio advertisements, and distributing coupons
- Customer acquisition costs are \$2.00, and customers spend an average of \$30.00/year
- We will contract out a marketer, accountant, and attorney
- There will be \$60,000 of extraordinary expense for legal fees, certification, grand opening, SG%A
- We plan to spend \$400,000 in order to renovate the building and implement necessary equipment
- \$125,000 toward large equipment (i.e. oven, dishwasher, fridge, hood, counters)
- \$75,000 will go toward kitchen supplies, dishes, silverware
- \$200,000 will go toward tables, lighting, decorations, art, refurbishing
- We will employ one manager and one chef who will work full time
- Chef will be the assistant manager and be in charge of development and ordering
- All other employees will work part time and be paid \$8.00/hour on average
- Fetta Di Vita will be open from 11am to 11pm most days of the week
- Employees will work from 9am to 12pm giving a 15 hour work day
- On average there will be 5 hourly employees in shop at any given time
- The target market considered in financial projections consists of people aged 18-60 living in Boulder and the surrounding areas
- The percent of the target market penetrable will be 11% in year 1, 15% in year 2, 18% in year 3, 20% in year 4, and 22% in year 5
- Gross Profit will center around 30% of revenue by year 3
- Operating Expenses as a percentage of revenue decrease over time due to higher revenues and center around 12% by year 3
- 80% of business will be dine in, 20% will be takeout
- 40% of business will occur at lunch and 60% will occur at dinner beginning year 2
- There will be 60 seats at Fetta Di Vita
- In terms of capacity utilization (per available seat), there will be 3.3 turnarounds in year 1, 4.1 in year 2, 4.9 in year 3, 5.5 in year 4, and 6 in year 5
- We will be able to raise \$300,000 in debt from angels, family, friends
- Debt will be at a 15% interest rate, be paid years 2-4, and given warrants
- We will be able to raise \$350,000 in equity from angels, founders, family, friends
- Angels will acquire 50% of company and receive a 20% rate of return through dividends
- A Point of Sale system will be bought in year 1 and 4 and will cost approximately \$20,000
- Plant and equipment is depreciated over a 7 year period since front of house equipment will last 5 years on average and back of house equipment will last 10 years on average
- 35% of revenues come from the 12" pizza, 30% come from the 8" pizza, 5% come from salads, 1% comes from breadsticks, 4% come from desserts, and 25% come from beverages
- The tax rate is 35%

Appendix F

Fetta Di Vita Customer Survey

1. We are going to open a fast casual style pizza joint that serves high quality specialty slices, pies, and salads in 3-6 minutes. Customers will be able to choose from a vast menu and watch their food being prepared and cooked. We not only want to offer the best pizza in Boulder but also a fun, artsy, local environment to enjoy it in. Would you buy a slice or pie from us?

2. When eating pizza in Boulder where do you usually eat? How often do you eat there?

3. How often do you eat pizza a week/month in total?

4. How much would you be willing to pay for a premium slice of pizza? For a pie?

5. Where in Boulder would you want a place like Fetta Di Vita to be located?

6. What key attributes of pizza places might you expect will make it thrive other than quality, convenience, and service (Please be specific)?

7. How do you feel about late night eating options (10pm-3am)? How many times a week or month do you eat out during this time period?

8. Out of the options listed, please rank the pizzerias in order of preference:

Note: if you have never heard of or eaten at any of these places, please do not rank them.

_____ Fatty J's	_____ California Pizza Kitchen
_____ Old Chicago	_____ Store bought frozen pizza
_____ Abos	_____ Jalino's Pizza
_____ Pizza Hut/Dominos	_____ Pizza Calor
_____ Boulder Pizza Exchange	_____ Cosmos

9. Where do you find information about restaurants (tv, adds, friends, internet, etc) And what makes you want to try out a new restaurant? What makes you keep going back?

10. How far would you be willing to travel for a good slice of pizza? Be specific: min, miles

11. How important is it for a pizzeria to have a delivery system?

12. What is the most important aspect of pizza?

13. What beverage options would you want? What side food options?

14. What are we not asking you about pizza options in Boulder? Any suggestions for us?

Appendix G

Competitive Matrix			
Direct Competition	Location	Type of Food	Pricing per Person
Abo's	The Hill	Pizza, calzones, salads	\$3/slice
Cosmo's	The Hill and 13th and Broadway	Pizza, calzones, salads	\$3-6
The Sink	The Hill	Pizza, salads, burgers, etc.	\$8-12
Dominos	Marine and Broadway	Pizza	\$3-10
Old Chicago	West end of Pearl St. mall	Pizza, pasta, burgers, salads	\$10-20
Nick 'N Willy's	West end of Pearl St. mall	Pizza, salads, cookies, bread sticks	\$6-14
Pizza Hut	2690 28th St.	Pizza, salads	\$8-16
Jalino's	17th and Arapahoe	Pizza, sandwiches, salads, pasta, desserts	\$17-27/pizza
Us (Fetta Di Vita)	Somewhere on or near Pearl Street	Pizza, salads, breadsticks, dessert pizzas	\$7-10
Indirect Competition			
Sun Deli and Liquor Store	23rd and Pearl	Pizza, calzones, sandwichs, salads	\$5-\$15
Noodles and Company	6th and Broadway and 28th and Pearl	Pasta dishes, salads, soups	\$4-9
Qdoba	The Hill	Mexican Fast Casual - Burritos, Tacos, Nachos etc.	\$5-7
Illegal Pete's	The Hill, Pearl St. Mall	Mexican Fast Casual - Burritos, Tacos, Nachos etc.	\$5-8
Taco Bell	Many around Boulder	Mexican Fast Food	\$2-6
Tombstone	Grocery Stores	Frozen pizza	\$3-5
Dijourno	Grocery Stores	Frozen pizza	\$3-6
Tokyo's Joe's	26th and Arapahoe	Japanese Cuisine	\$4-10

Appendix H

Operations Layout/Service Process

Our customers will walk through the door and the layout of the restaurant will move them toward the register; along the walls they will be able to read the menu options. They will place their order at the register by asking for a specialty pie or by choosing their own options. They will pay and receive a unique token of some kind (i.e. playing card or Italian postcard etc.) by which we can identify their order when we bring out their food. From the POS system our line cooks will receive the order and begin rolling out and hand tossing the dough, we add all the specific ingredients and sauces, and then we slide the pie in the oven. After a cooking time of three minutes or so we take the pie out, slice it up and serve to the customers. The time between making an order and receiving the food should take no more than six minutes. Customers may choose to sit down and eat or take-out.

Appendix I

Morgan Lee MacBaisey

Current Address: 2050 23rd Street
Boulder, CO 80302

Phone Number: (858) 382-6382

Email: morgan.macbaisey@colorado.edu

Education

Torrey Pines High School: 1999-2003

Graduated in June 2003 with honors

Cumulative GPA: 3.75

University of Colorado at Boulder, Leeds School of Business

Major: Business Administration - Marketing

Certificate: Small Business Management and Entrepreneurship

Expected Graduation Date: May 2007

Deans List: Fall 2003

Extra Curricular Activities

- Yearbook Staff Junior Year of High School
- Yearbook Editor Senior Year of High School
 - Superior Achievement in Advanced Design 2 at Yearbook Tech 2002
- Member of the HERD Fall 03 – Present
- Member of the CU Hillel Fall 03 - Present

Equestrian Activities

- I have been riding horses since the age of six and I plan on riding for many years to come.
- I ride at least five days a week, two to three hours a day.
- I have been competing since the age of eight in local competitions and in national & international competitions since the age of fourteen.
 - I compete in the high junior amateur jumper class at AAA rated shows all over the country and almost always getting a ribbon.
 - In November 2004 I competed in my first grand prix.
- Through riding I have learned much responsibility, humility, courage, respect and honor.

Work Experience

September 2006 – Intern at Crocs

- In a group format, I will be working with Crocs to promote their new CU Boulder crocs across campus.

July 2003: Child Care Taker for Stratton Family

- Watched a 2 year old while parents were gone.

June 2001 – August 2003: Child Care Taker for the Buckner Family

- Watched 12 and 10 year olds when parents were gone
- Drove the children to their various activities when needed

June 2000 – Present: Front Desk Assistant for Dr. Whiteman

Computer Skills

- Proficient in Microsoft PowerPoint, Word, Excel and Access
- Some knowledge in basic webpage design
- Understanding of basic computer programming

Appendix J

Jocelyn McDonnel

Contact Information: 303-726-1484 Jocelyn.McDonnel@colorado.edu	Permanent Address: 1464 McIntosh Ave. Broomfield, CO 80020
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EDUCATION AND LEADERSHIP

University of Colorado at Boulder, Boulder CO
Majors: Finance and Communication
Senior, GPA 4.0
Dean's Honor Roll, 2003-2005
Eta Phi Communication Honors Society, 2005-2006
Rocky Mountain Investment Management, 2006
Business Coursework: Management, Accounting, Finance, Entrepreneurship, Marketing

Broomfield High School, Broomfield CO
Graduated with Honors, May 2003, GPA 4.2
National Honor Society, 2001-2003
Student Leadership Broomfield, 2001-2002
Awards: Calculus and Biology student of the year, perfect attendance, honor roll

COMMUNITY SERVICE

Give Kids the World, Orlando FL, 2005
Volunteer Clearing House, Boulder CO, 2004
Broomfield Senior Center, Broomfield CO, 2002-2003
Bal Swan Children's Center, Broomfield CO, 2001-2002

RELATED WORK EXPERIENCE

Aug. 2006-Current **Intern- Rage Unlimited**
- Researched and created promotional product proposals
- Assisted lead sales staff with various office and client related tasks

May. 2006-Aug. 2006 **Banquet Server- The Sanctuary at Kiawah Island Golf Resort**
- Supported banquet operations at a five star, five diamond hotel
- Performance warranted an outstanding review

Aug. 2005-Jan. 2005 **Intern- Walt Disney World College Program, Orlando FL**
- Delivered daily guest service in Fortune 100 Company.
- Designed window displays and assessed consumer buyer behavior

July 2004-Aug. 2005 **Server- Rudi's Restaurant, Boulder CO**
- Provided friendly and knowledgeable service to customers.
- Worked in high stress, high-energy environment requiring multi-tasking

May 2001-Dec. 2002 **Shift Lead- Cold Stone Creamery, Broomfield CO**
- Controlled activities for five employees, and delegated responsibilities
- Controlled cash, including counting and depositing end of the day revenues

May 2001-Aug. 2001 **Office Staff – RPMS Medical Center, Denver CO**
- Supported management team with numerous office tasks
- Assisted doctors and physical therapists with their patients

RELATED SKILLS

Microsoft Excel, Microsoft Access, Strong written and verbal communication skills

Appendix K

ALEXIS L. NIELSEN
5430 E. Mineral Circle
Centennial, CO 80122
303-903-8722
alexis.nielsen@colorado.edu

EDUCATION: **University of Colorado** Boulder, Colorado
Bachelor of Science, Business Administration
Emphasis: Marketing from Leeds School of Business
It is my intention to achieve a Certificate of Excellence in Entrepreneurship
Studies
Current GPA: 3.5
Prospective Graduate, December 2006

1999-2003 **Arapahoe High School** Centennial, Colorado
▪ DECA (Business Club)
♦ 2002 Secretary
♦ Participated in state finals in Colorado Springs, Colorado

EXPERIENCE:

08/05-Present **Nanny** Centennial, Colorado
▪ Responsible for care of a two year old boy and eight year old girl
▪ Planned and designed interactive, experiential educational activities
▪ Provided direction, companionship, moral guidance and entertainment

05/04-08/04 **Ultra Hair Design Etc** Littleton, Colorado
Receptionist
▪ Retail sales responsibility/Inventory control
▪ Scheduling coordinator with customers and stylists
▪ Accounting/Bookkeeping

08/01-10/01 **Toni and Guy Hair Salon** Centennial, Colorado
Receptionist

04/00-08-01 **Littleton United Methodist Church** Littleton, Colorado
Child Caretaker
▪ Responsible for the well-being of young children
▪ Developed educational and craft programs

ACTIVITIES:

- ♦ Boulder Day Nursery Volunteer, a childcare center that offers a healthy, safe environment for children from underprivileged families, Fall 2004
- ♦ Project Angel Heart, a program that provides meals for people living with HIV/AIDS, cancer and other life-threatening illnesses, 2002-2003
- ♦ Habitat for Humanity, multi year volunteer 1996-2004

SKILLS:

- ♦ Computer Literate; Word, Power point, Excel
- ♦ Working knowledge of French

Appendix L

John Rutter

Current Address:

755 Arapahoe Ave. Apt. 302
Boulder CO, 80302
john.rutter@colorado.edu (720) 470-7200

Permanent Address:

PO Box 131
Moran, WY 83013
(307) 543-9111

Education: August 2003 to Current**University of Colorado at Boulder**

Bachelor from the Leeds School of Business

Major: Marketing

GPA: 3.4

Graduation Date: December 2006

Experience

- Jimmy John's Gourmet Sandwiches** Boulder, CO
Line Cook and Manager
August 04 to Current
- Responsible for quality sandwiches reaching customers
 - Managed other line cooks and delivery drivers
 - Responsible for slicing of meats and bread dough turnover
 - Responsible for daily beautification duties and delegation
 - Responsible for closing shift accounting and paperwork
 - Required to perform promotional activities and develop promotional strategies
- Nick and Willy's Take and Bake Gourmet Pizza** Silverthorne, CO
Line Cook
March to August 03
- Responsible for preparation of dough and all other ingredients
 - Prepared pizzas
 - Responsible for all opening and closing procedures
- Virgin Islands Ski Rentals** Keystone, CO
Retail Clerk and Boot Fitter
Winters 02 and 03
- Worked the register
 - Restocked and tracked inventory
 - Set customers up with skis and boots for rentals

Activities

- High School Football - *All Conference, Honorable Mention All State; Tiger Award for leadership and excellence on and off the field*
- Freestyle Skiing – *Eight years of skiing with the Summit Freestyle Team*
- High School Swimming and Diving

Skills

Computer- MS Word, Excel, PowerPoint, iMovie