

## Business Name and Slogan

- Company Summary: *Business Name* wishes to secure funding to open a pizzeria and bar, doing business as *Business Name*, located at 2945 El Rancho Drive, Suite 101 in Sparks, Nevada. *Business Name* will become a fierce competitor in the pizza market by catering to the needs of two important target groups: families and college students. We will focus on convenience and value, two concepts which are especially important in the current economic situation.
- Management: *Business Name* will be owned and operated by *Proprietors*. *Proprietors* will supervise the kitchen and food production, and *Proprietors* will supervise the dining room and guest services. The administrative duties of the business will be shared.
- Product and Service: *Business Name* will distinguish itself from the competition by offering an wide selection of toppings (35 in all), and offer the choice to have pizza made on traditional dough or focaccia bread. We will cater to our two target groups of families and college students with a theme each night:
  - Sunday-Family Day: Special Price for a Large Pizza and Drinks. No alcohol served.
  - Monday-Happy Day: 2-for-1 drinks all day long!
  - Tuesday-Free pitcher of beer with Large Pizza order.
  - Wednesday-Karaoke Night
  - Thursday-Open Mike Night
  - Friday-Performance by local musicians.
  - Saturday-\$1 shots for anyone over 21 years old wearing Wolf Pack clothing
- Funds Requesting: We are requesting a total of \$150,000 in the form of a 5-year loan at a rate to be negotiated at the time of financing. For the purposes of this report the rate is 12.5%.
- Collateral: No collateral is available at this time.
- Use of proceeds:
 

○ Construction/Lease Hold Improvements/Acquisition	\$4,575
○ Start-Up Advertising	\$15,000
○ Security Deposit (Last Month's Rent/CAM)	\$6,755.98
○ Employee Training Labor	\$8,262.67
○ Restaurant Equipment	\$26,278.61
○ Other Startup Expenses	\$4,405.25
○ Production Materials/Beginning Inventory	\$15,000
○ 10 months Rent/Cash Backup	<u>\$69,722.49</u>
○ Total	<u>\$150,000</u>
- Financial Projections

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$786,400	\$806,060	\$826,212	\$834,474	\$842,818
Cost of Goods Sold	\$536,908	\$548,606	\$560,596	\$565,512	\$570,477
Cash Expenses	\$228,933	\$228,933	\$228,933	\$228,933	\$228,933
EBITDA	\$20,559	\$28,521	\$36,683	\$40,029	\$43,408

*Proprietors -775-555-5555*

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## EXECUTIVE SUMMARY

The full-service restaurant industry in Nevada generated over \$1.45 billion in sales in 2002. This Industry has experienced an average growth rate of 68.5 percent over the last 5 years.

To take advantage of this market opportunity *Proprietors* will launch a new full-service pizzeria and bar in the Reno/Sparks Area. The new business will be called Business Name. The business will be located at Address. It will feature Dine-In, Take-Out, and Delivery services.

### Competitive Advantage.

Business Name will target market the middle-income pizza consumer in Reno/Sparks. The selected location of Business Name will be conveniently accessible to over 110,000 target market customers. It represents an attractive market opportunity for this venture. Please see Page 12 of the business plan for a more detailed description of our consumer base.

Our competitive analysis has identified significant marketplace gaps that will serve as the base of our competitive advantage. In the current economy, people are unhappy about having to make concessions in their lifestyle. We believe that our competitive pricing and a different theme each night will encourage guests to make Business Name a frequent stop on their restaurant circuit. In being competitive in quality and service, we have developed a system for Curbside Take-Out, where a guest can just pull up into a specially marked space, and have their pizza brought straight to their car. This concept is not currently in the Reno market. In addition, we will be uniquely positioned in the areas of: topping variety, crust options, and environment/ambiance.

Business Name is projecting sales of \$XXX during its initial year of operation. The average Nevada full-service restaurant generated \$1.2 million in sales in 2002. Our projections are extremely conservative relative to industry averages but reflect a realistic perspective of building the business from its inception.

*Proprietors* are the co-owners of the business. They bring 15 years of combined experience in the restaurant industry.

The company is a Limited Liability Corporation and has applied for all state and federal employer identification numbers and permits. Local business licenses and other regulatory requirements will also be satisfied.

Our operation will be highly efficient. They will employ such time tested industry techniques as: par sheets, inventory controls, and multiple spreadsheets to allow us to do the majority of the accounting ourselves with ease.

Our pricing objective will be to capture, build, and maintain market share. We will employ traditional food costing pricing methodology, aiming for an overall food cost of

20%-25%. By being selective in our product offerings we will be able maintain both sound profit margins and competitive prices in the marketplace.

Our market entry strategy will employ traditional restaurant industry advertising and sales methods. They are, of course, utilized in varying degrees with levels of sophistication tailored to the targeted markets. We will primarily use the following advertising mediums: Direct Mail, Digital Media, out-of-store signage, coupons, flyers around the University of Nevada, Reno and Truckee Meadows Community College, and radio commercials. We will initiate soft-opening procedures 2 weeks prior to the announced "Grand Opening" date, including several "Trial-Run" nights where select guests will be invited to enjoy free pizza and soda in exchange for detailed opinions on their dining experience.

The total business startup costs are estimated to be approximately \$150,000. This estimate includes insurance coverage, leasehold improvements, common restaurant equipment, professional services, utility hookups, and initial market entry advertising. It is important to point out that many pieces of equipment are included in the lease price of the building itself. The business will generate an immediate cash flow. As a result only a modest amount of operating capital will be needed to support the operation.

We are requesting a total financing package of \$150,000 at a negotiated rate for a term of 5 years. For the purposes of this plan we used a financing rate of 12.5%. \$80,277.51 of the requested amount will be for startup and equipment needs of the operation. \$69,722.49 will be necessary to meet the ongoing working capital needs of the startup company. Repayment of the loan will be made through the cash flow generated by the operation of the business.

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## **BUSINESS STRUCTURE**

### **Description of Business**

*Proprietors* propose to startup a pizzeria. The business will be called *Business Name* taking its name from the proprietors. *Business Name* will offer made-to-order pizzas on *Product Details*.

Our Mission in this venture will be “Mission.” “Description Of Mission”.

Our Vision for Business Name is “Vision”

Most products will be manufactured on site and retailed in a traditional pizzeria setting. Our facility will feature a main dining room, bar service area, service station, “pass-thru” window (called “the slide”) main kitchen, prep area, and walk-in. Our products will be served in a full-service dining pizzeria setting. Our dining room décor will feature a *Décor Detail*. The dining area will comfortably accommodate 66 dining customers during peak periods.

Business Name will be successful because it fills a unique gap in the marketplace. Product Description and Some Competitive Advantages.

Business Name will serve the middle-class pizza product niche market clientele. It will be open 7 days a week. Operating Hours.

### **Business Organization**

Business Name will be organized as a Limited Liability Corporation called Business Name

This business organizational structure was chosen because a Limited Liability Corporation generally limits liability of the owners per articles of organization, can be owned by a corporation, and has legal status. We will do business as Business Name.

Our search of existing trademarks indicates that there are no trademark restrictions on our name. We will trademark our name.

### **Management Team**

*Proprietors* offer a unique blend and extensive breath of experience relative to this venture. *Proprietors* have been involved in the food service industry for more than 15 combined years. They have managed local operations such as: Baja Fresh Mexican Grill, Jamba Juice, Mimi's Cafe, Chuck E. Cheese, Burger King, and Boomtown Casino (snack bar/fun center). They have extensive experience in many areas of restaurant operations including inventory, cost analysis and control, hiring and other employee relations,

vendor relations, scheduling, budgeting, and customer service, ordering and receiving, cash control, and employee training.

*Proprietors* presents a blend of skills that are invaluable to this operation. As a Chef, he had an emphasis in baking and pastry arts that makes him highly qualified to successfully guide this venture. He also spent 4 years in restaurant management at Baja Fresh Mexican Grill and Jamba Juice. *Proprietors* is a Certified Food Protection Manager, certified at both the National Level and with the Washoe County Health Department. He also has experience in full-service dining working as a server for Restaurant.

*Proprietors* also brings a strong resume of experience in restaurant management, specifically Front of House experience in developing training programs and excellent employee and customer relations, including executing labor laws. In her sophomore year of college *Proprietors* took a course in Human Resource Management. *Proprietors* is familiar with state laws regarding alcohol service. She also is familiar with the overall production of pizza from being a shift leader for Chuck E. Cheese for 3 years, making her indispensable to our operation. She brings additional management experience from her 2 years as a member of the Boomtown Hotel and Casino management team.

### **The Location**

The location of the business will be instrumental to its success. Our operation will target the middle-income pizza customer seeking a low- moderately priced menu. Key customer considerations relative to our location include: high vehicle traffic flow, high visibility, convenient and reliable accessibility, safe surroundings, and plenty of parking. Such locations are usually priced in the mid-range of the real estate market. We also considered a number of other factors including: total rent, competition, neighborhood stability, appearance of the building, proximity to customers, police and fire protection availability, taxes, political climate, noise environment, our initial and future space needs, accessibility to labor pool, any pending rezoning issues, planned or existing road construction, and satisfaction of current area business owners.

Business Name has a prospective location at Address

Our location satisfies our key customer needs of: high vehicle traffic flow near Northtowne Shopping Center, high visibility from El Rancho Drive going to and from housing developments, convenient and reliable accessibility, safe surroundings, and lots of parking. The location's traffic count is approximately 150,000 Average Daily Traffic count. The business is served by Cross Streets, and is very close to the US-395 on/off ramp. This location can be accessed by two entrances, one entrance regulated by a street light on Cross Streets. An analysis of crime and traffic statistics satisfies the safety needs of our customers. The on-site parking can accommodate XX cars.

In order to create a space that meets our standards, we will need to extend two non-load-bearing half walls to the ceiling, put up electric outdoor signage, replace the bar countertop, place tile over the existing floor in the front of the house, add under-bar lighting, and paint the walls to match our color scheme. Many of these repairs, specifically painting and flooring, can be carried out without a professional contractor;

those that cannot will be contracted out to West Coast Contractors. This quality contractor will enable us to capture competitive marketplace pricing and control our costs.

Examination of our Startup and Twelve-Month Cash Flow Projection (Figure 3 of the Attachments) provides detail for the cost considerations of our chosen location. Our moderately priced menu will allow us to accommodate disproportionate facility costs relative to our projected revenue potential. We will need to negotiate a “per-square-foot” lease cost that will support reasonable operating expenses and an opportunity for a profit. Our financial projections indicate we can reasonably accommodate a lease cost in the range of \$2.30 per square foot. Additional common area charges and maintenance expense experience provided by the landlord are also factored into our facility cost projections and are well within the reasonable range for operations of our type. The costs of our operation at this location will also be slightly higher than those of other businesses of our type, however this particular location compensates for this slightly higher cost by including a very large majority of equipment necessary such as ovens, chairs, shelving, prep tables etc.

Having spoken to the agent and the former owners of the business, we concluded that the pizza restaurant that was originally in this facility failed because the owners invested about \$350,000 into equipment and \$150,000 into building renovations, and then couldn’t pay back the huge loan they had to take out. In this aspect, their loss is our gain, because the equipment is used and under lease, we only have to pay a fraction of the cost of the equipment, and our loan is much smaller, meaning smaller monthly payments. The landlord is also in the process of putting a large electric sign for the shopping center on Street. This means that we have another advantage the previous owners didn’t; our name on the side of a street with 150,000 Average Daily Traffic Count.

## **THE MARKET**

### **The Product/Service**

Business Name will feature the following food and drink specialties and/or services:

#### Products

How Products Are Created.

#### Services

Services Offered

#### Dine-In Service

Our full-service dining room will be organized and supervised directly by *Proprietors*, who has extensive experience in Front of House operations and customer service coordination, training, and maintenance.

#### Take-Out Service

Our guests will have the option of placing an order via phone or fax. We will also offer order-placing via our website, which will place our business far above other pizzerias in convenience and modernization. Customers may walk-in to the restaurant to pick up their pizza, or they may pull into a specially-designated parking space and have the pizza brought straight to their car, a concept not currently found in the Reno market.

#### Delivery

We will offer delivery service to a select radius around the property. Assuming the delivery radius from the location we have chosen, this area will include a 15 mile radius to enable us to serve customers in Sparks, Reno, and Sun Valley. A flat \$X delivery fee will apply to all orders. Large orders requiring several trips will be negotiated on a case-by-case basis.

*Proprietors* experience will enable them to maintain the integrity and quality of our products and services that customers will expect.

All menu items will be based on recipes that have been developed and used during *Proprietors* years in the food service industry.

Business Name will maintain a web-based presence. A web-based e-commerce/informational site will provide menu and ordering information, the ability to place an order online, general information on the company, a contact link for questions and other customer feedback, information on our service and products, entertainment/special events calendar, driving directions, applications for employment etc. Our website will be designed by NAME, operating under independent contract.

Business Name will offer dine-in, delivery, and takeout lunch and dinner service to our customers. Dine-in, delivery and takeout services will be available during the following indicated hours:

#### Business Hours

Business Name will maintain a high quality pizza service operation. The Kitchen will be supervised by *Proprietors*, and the Dining Room will be supervised by *Proprietors*. *Proprietors* will share administrative responsibilities.

All facility and equipment (Figure 9 of the Attachments) needed for the delivery of a quality product and service have been accounted for in our business plan.

All featured and specialty food/drink items will be produced on-site daily under the supervision of *Proprietors*



*Proprietors* will be responsible for our food/drink product and equipment purchasing and inventory control duties. He has 4 years experience as the purchaser and inventory specialist in restaurants. Also as the kitchen manager, he will be most familiar with setting daily and weekly pars, preventing excessive or short ordering.

Our day-to-day suppliers include: Bonanza Produce and Costco. The broad selection these suppliers offer will enable us to capture competitive marketplace pricing and control our costs.

## **Market Trends**

The most recent US Census Bureau 2007 Statistical Abstract data for the industry demonstrates a modest sales growth in the national marketplace. Through a comparison of 2003-2004 data for the full-service eating places sector, including the pizzeria segment. In 2004, the full-service industry generated \$164 billion in sales, up 6% from 2003.

The industry has demonstrated significant contraction in recent years. A comparison of the most recent mandatory reporting National US Economic Census data for the full-service restaurant sector for 1997 and for 2002 shows the industry consisted of 195,659 establishments in 2002, an increase of 2.3 percent over 1997. Total gross receipts for the industry were \$144,649,964,000 in 2002, up 28.6 percent from 1997. The total number of individuals employed by the industry was 3,904,628 in 2002, up 7.2% percent from 1997. The average sales per business were \$739,296.24 in 2002, marking a 25.73 percent increase from 1997.

The state industry has demonstrated a strong sales growth pattern in recent years. A comparison of the most recent mandatory reporting Nevada US Economic Census data for the full-service sector for 1997 and for 2002 shows the industry consisted of 3,640 establishments in 2002, an increase of 8.65 percent over 1997. Total gross receipts for the industry were \$1,480,181,000 in 2002, up 68.5 percent from 1997. The total number of individuals employed by the industry was 30,377 in 2002, an increase of 25.72 percent from 1997. The average sales per business had grown to \$1,240,721.70 by 2002, marking a 55.09 percent increase over 1997.

Pizzas continue to be very popular with Americans. This traditional product is viewed as a comfort food and new topping options are rapidly capturing the interests of the health conscious public. A lucrative market niche exists for those operations that can create a unique leisurely dining experience and topping choices.

Technology has had a positive impact on the industry. Better supply chain services have expanded the availability of snack and specialty items and reduced cost of goods sold expenditures. Food service technology continues to make food safer, fresher, and easier to prepare and serve. Computerization has improved the customer access, service, and tracking capabilities of the industry. We will integrate much of this technology into our operation.

## **The Target Market**

Business Name will target the middle-class pizza market segment. The segment will be attracted by our menu, modern decor, accessible location, personal friendly service, and competitive product/service pricing.

The US Census Bureau 2007 Statistical Abstract data for the national marketplace shows that expenditures for food purchased away from home by all consumer units was \$2,434 per consumer unit (2.5 people) in 2004 up 10.0 percent from 2003. A viable target market base exists for Business Name

We will have two groups of target customers. One will be college-level students, ages 18-25, mixed gender, generally low-middle income. We will attract these customers by providing competitive pricing and catering to the wide variety of tastes this market represents. REASONS WHY YOUR TARGET MARKET WILL CHOOSE YOUR BUSINESS. 2008 enrollment at the University of Nevada, Reno is over 13,000 undergraduate students, and approximately 2,500 members of the target population attend Truckee Meadows Community College, bringing the estimated number of this target population to 15,500 people.

We will also cater in the early evenings to a family-style dining by creating a fun, family friendly atmosphere where people can get quality food for competitive pricing. To drive the family REASONS. The estimated number of people in households with children under the age of 18 in our market territory is 95,000

Our geographical area of operation will be local, and most of our regular clientele will be concentrated within 15-20 miles of the business. There are over 110,000 targeted customers in our market territory. Over 275,000 people reside within this market territory (According to the U.S. Census Bureau, the total population of Reno city, Sparks city, Spanish Springs CDP, and Sun Valley CDP). They provide a large target market base for Business Name.

## **The Competition**

Our analysis indicates a viable and competitive marketplace. According to the latest mandatory reporting Nevada US Economic Census 2002 statistics for the full-service restaurant sector, the total revenue generated by the sector was \$1,480,181,000. There were 1,193 competitors statewide in this marketplace during that time resulting in an average of \$1,240,721.70 of annual sales.

The most recent mandatory reporting Nevada US Economic Census 2002 data for the Reno/Sparks area for the full-service sector also showed total sales of \$184,681,000 generated by 233 competitors averaging \$792,622.31 in annual revenue.

Our competitive analysis of our major competitors (Figure 1 of the Attachments) indicates that success has come to the operations that have been able to differentiate themselves in the marketplace and maintain their market niche with quality products and service. Those that have not been able to do so have failed.

Business Name will find its most direct competitors to be three pizza-serving locations within a DISTANCE of the restaurant; Round Table Pizza, Pizza Plus, and Leonardi's Pizza (located inside Win-Co Grocery Store). These operations have demonstrated an ability to meet the demands of the targeted customer base we will be competing for.

Indirect competition will come from 9 fast food restaurants and 3 sandwich shops within one mile of the restaurant.

To compete, Business Name will need to take advantage of our competitor's weaknesses and minimize their strengths while finding a competitive advantage that will differentiate us in the marketplace.

Business Name will provide the highest quality products and service to compete with the best operations in our market territory. Round Table Pizza has a functional reputation that has been built from the quality they provide. We will utilize only quality suppliers and vendors. Our products and services will be equal or better than those of our competitors.

The pricing of our direct competitors is in the \$X to \$X range. The price range of Business Name will be generally lower than those of our competitors. We feel our pricing strategy will enable us to effectively enter, compete and grow market share in this marketplace.

Our competitive analysis also identified weaknesses of our competitors and that currently exist in their respective operations. These weaknesses include a lesser variety of toppings and crust options, low to no entertaining dining experiences, the lack of full-service wait-staff, and a failure to capitalize on the college-age target group. We intend to take full advantage of these weaknesses.

### **The Competitive Advantages**

Our primary market research was also successful in identifying some gaps in product and service that exist in this marketplace. There is a simple reasoning to our strategy in this area: college students eat a LOT of pizza. *Proprietors* can personally attest to this statement. College students want cheap, varied, flavorful food that they can enjoy in the company of friends. Business Name will deliver this need.

Business Name possesses some other important competitive advantages that will help position it in the marketplace and differentiate it from our competitors. We will also cater to the vegan market by offering purely vegan products, as opposed to other establishments that offer products with no meat products but still use dairy and egg products. As an extension of that philosophy, will we cater to "strange tastes" in pizza by

offering a wide variety of toppings, and continually expanding and responding to demand. As the menu stands, Business Name literally offers over XXX possible combinations of pizza. These gaps represent opportunities for our operation and will be the foundation for our competitive advantage in this marketplace.

### **Market Share Estimates**

Intense competition, accelerating business cycles and the segmentation of the marketplace will continue to be major factors in the full-service industry.

The most recent mandatory reporting Nevada US Economic Census 2002 data for the full-service restaurant, the average operation had gross annual sales of \$1,240,721.70. We are projecting revenue of \$867,640 during our initial year of operation. This has us working up our client base in the first three months so that in Month 4 we average \$2,500 in daily sales, and increase 1% each month after that. Our projections are in line relative to industry averages and reflect our revenue goal relative to this local market opportunity. We feel our sales projections for the business are well within our reach over the near-term.

## **MARKETING & SALES STRATEGY**

### **Pricing and Positioning**

Our primary pricing objective will be to capture, build, and maintain market share. We will be entering the highly competitive middle-scale full-service restaurant market. Our pricing will need to be sensitive to the expectations of our customers. We will, therefore, need to position our prices to attract this middle-scale market niche tier.

Our pricing will also be margin driven. While our price floor will be determined by our break-even point, we will need to employ a flexible pricing mechanism that will allow us to reflect competition and market conditions. At the same time, we will be selective in our menu and services offerings. We will choose only those items and services that will allow us to support sound profit margins.

We have illustrated our costs and this mark-up for an average product item to demonstrate our pricing competitiveness. This pricing approach has also been incorporated into our financial projections.

### Average Price of Menu Item –\$14.00

Food Materials	\$3.50
Labor	<u>\$4.20</u>
Total Costs	\$7.70

Price \$14.00 – Total Costs \$7.70 = \$6.30 gross profit: Represents an approximate 65% mark-up.

We feel we will be able to keep our cost of goods sold expenses at or under 25% percent by implementing the management techniques we have learned over the years. Such management techniques will include: selective use of drink and food wholesalers, a price bidding process integrated into our food purchasing procedure, portion controls, labor controls, and waste controls. A facility and equipment preventative maintenance program will also be used to implement and assure a cost efficient operation.

Other cost savings and enhanced revenue generation potential will be captured through efficiencies in our dining room operation. *Proprietors* will manage the restaurant floor. Specific ordering, customer service, and cleaning procedures will assure an efficient and high quality customer service operation. Expansion of hours to include lunch, dinner, and late-night service will also more fully utilize our facility and equipment.

Finally, value added and creative pricing strategies will also be employed. Such time tested industry strategies as: daily specials, value menu selections and discounts to targeted market customer groups will be utilized to grow market share and enhance margins.

### **Sales**

It will be our goal to create a regular client base that will fully utilize the facility. While our advertising will bring customers to us, it will be our service staff that will initiate and ultimately complete the sales process. All service staff will be trained to provide superior customer service catered toward the mesh of classic and modern customer service. The business's décor, table settings, food service menu and retail product layout are designed to enhance the dining experience of our customers. Our service staff will be schooled in our product offerings and will be trained to be able to recommend side dish and drink selections that will compliment the dining choice of the customer. Soft-touch techniques such as warm greetings and expressions of appreciation for patronage and quick food preparation will be employed by our staff.

Our sales approach will be supported by a year around marketing effort and campaign. There will be some revenue swings to the business that we will want to respond to in our sales efforts. Sales can be affected by the weather, special events, holidays, and the seasons. Walk-in traffic will be encouraged and solicited in our advertising and with outdoor "daily specials" signage.

We will generate and grow our customer base with a consistent sales and marketing effort. *Proprietors* will share responsibility for the creation of our marketing plan and budget, material development, targeted marketing, plan implementation, and direct sales. They have progressively responsible experience in all these areas. The rollout of the initial marketing campaign and its consistent application will generate immediate sales and create an almost immediate cash flow for the business.

Most consumer sales will be cash and credit card transactions. All major credit and debit cards will be honored. Local checks and travelers checks will not be accepted for payment.

### **Advertising and Promotion**

There are time tested advertising strategies employed by the industry. They are, of course, utilized in varying degrees with levels of sophistication tailored to the targeted markets. Business Name will primarily employ the following advertising mediums: Direct Mail, Digital Media, out-of-store signage, coupons, flyers around the University of Nevada, Reno and Truckee Meadows Community College, and radio commercials.

Our marketing message will need to reflect the demands of the target customer we are trying to attract. Our lunch, dinnertime and late evening patrons will all be seeking somewhat different benefits from our establishment. Therefore, our advertising message and menu/service offerings will be tailored to attract and meet the demands of our diverse customer base.

## **OPERATING REQUIREMENTS**

### **Production of the Service/Product**

The over-all business management and operational components of Business Name will be the divided responsibility of *Proprietors*. *Proprietors* will supervise the quality of our product, and *Proprietors* will supervise service delivery. *Proprietors* will oversee payroll, food and kitchen small-ware ordering, food safety and sanitation, and back-of house hiring, scheduling, and day-to-day operation, including food inventory and setting kitchen par levels. *Proprietors* will be in charge of human resource law compliance, dish, linen and service items ordering, customer service, and front of house hiring, scheduling, and day-to-day operations, including bar inventory and ordering. Limited Lead Cook and Lead Server positions will be filled, that person being in charge of front-of-house/back-of-house operations on slow shifts, when *Proprietors* is scheduled off. These positions will be limited to general supervision of the operation, and will include very minor administrative duties. The financial accounts payable/receivable/cash flow management duties of the business will be performed by both *Proprietors*.

The business is a 2,354square foot facility. It has seating for 66 dining room customers and the kitchen provides 1177 square feet of food preparation space.

The kitchen will be fully equipped. Adequate workstation, storage and freezer space is available for the projected needs and growth of the business.

All necessary equipment will be available to immediately begin service to our dining room and take-out customers. Two separate telephone systems will serve our customer service and business administration operations. Customer service/safety procedures and a point-of-purchase system have been developed. These procedures and systems include:

- Procedures

We have located and researched the key vendors and suppliers that will be needed to supply and service the administrative needs of Business Name. A complete list is integrated into the Equipment Cost Spreadsheet

An adequate area labor supply currently exists in the desired job classifications.

### **Staffing**

The positions of *Proprietors* will be salaried at net \$30,000/year each.

All staff will be employed in accordance with state labor law requirements. Key staff and other necessary management will require experience in the food service or pizza business. The positions of Lead Cook, Lead Server, Cook, Server, Busser, Dishwasher, and Bartender will be paid an hourly wage.

### **Management & Administrative Support**

*Proprietors* possess considerable core competencies relevant to this business venture. Resumes of all key principles and management are included in the Attachments. They demonstrate competencies in the following key operational areas of the business operation:

*Proprietor*

- Qualifications

Proprietor

- Qualifications

### **Regulatory Requirements**

Regulatory oversight is significant in the industry. We will make application for all necessary local, state and federal licenses, registrations and permits.

Our primary regulatory obligations include the following:

- Registration and compliance with Washoe County Health Regulations
- Fire and Building Codes

- All employees will be subjected to pre-employment drug testing. All outside hires to Lead positions or above will submit to background checks.
- Wait Staff Tip Tax Withholding: We will process tip-reporting on a day-to-day basis. Example: A waitress daily reports her tips, which total \$1,000 for the pay period. \$1,000 is added to the waitresses Gross Pay with her hourly wages. Taxes are calculated and deducted, then the \$1,000 is subtracted as an after-tax deduction “Tips Paid-Out”
- All employees under the age of 18 will be required to obtain a work permit. We will follow all federal and state child labor laws.
- Business Name will, upon securing funds for the operation, trademark the name “Business Name” and attempt to patent its unique idea of offering focaccia bread as a type of crust.
- *Proprietors* will be certified in OSHA regulations and Workplace First Aid/CPR.
- A training program for employee workplace safety will be developed for both Back-of-House (developed by *Proprietors*) and Front-of-House (developed by *Proprietors*).
- Employment guidelines and wages will be outlined in the Operations Manual and Employee Handbook.
- A product shelf-life chart, food rotation system, and labeling of expiration dates system will be put in place by *Proprietors*. Food will be marked for expiration as soon as it enters the restaurant. At no time will we mark the product expiration to last longer than the manufacturers’ expiration date.

Local, County, State and Federal regulatory contact information, applications and forms may be found at the following websites:



## **THE FINANCIAL PLAN**

### **Forecasted Start-up Budget**

Figures 3 and 3.1 of the Attachments illustrate the estimated start-up budget for Business Name.

- \$10,000 for starting inventory. This includes 1-2 cases of each ingredient, and accounts for sales tax also.
- \$26278.61 in equipment needed and delivery costs. This is outlined in Figure 9
- \$4,575 for lease improvement/remodeling costs. This includes painting, flooring for the dining room, replacing the bar top, and installing under-bar lighting.
- \$2.87/square foot/month (6755.98/month) includes lease of the building, CAM costs, and lease of most of the needed equipment that we would otherwise need to purchase. We would like to have 6 months lease payments in reserve (\$40,535.88 total)
- Business Name will need the following licenses at cost totaling approximately \$555.25:
  1. City of Sparks Business License
  2. City of Sparks Liquor License
  3. Washoe County Health Permit
  4. State of Nevada Tax and Use License
  5. City of Reno Business License (For Deliveries in Reno)
  6. Washoe County Business License (For Deliveries in Sun Valley)
- \$15,000 in Start-Up Advertising
- \$2,000 in utility hook-up deposits

### **Forecasted Break-Even Analysis**

Figure 4 of the Attachments illustrates the monthly and first year break-even point in sales for Business Name. Sales of \$60,473.98 and \$725,687.73 will be required monthly and annually respectively to reach the break-even point. Our sales projections show that starting in Month 2 we should be easily attaining this goal.

## **Forecasted Twelve-Month Cash Flow**

Figures 3 and 3.2 of the Attachments illustrate the projected first year cash flow of Business Name. We feel these are moderately conservative projections.

Key operating expenses for Business Name include Cost of Goods Sold (COGS), Labor, taxes, employee benefits, advertising, office supplies/equipment, insurance, legal/professional services, employee meals, production equipment/maintenance, rent, facility maintenance, travel, depreciation, utilities, interest expense, land leases/contracted labor. National benchmarking statistics relative to businesses of our type indicate we are generally under those experienced by similar ventures. According to the U.S. Census Bureau, in 2002 the average Food and Beverage store ran 27.68% operating expenses, excluding cost of goods sold (COGS); income, sales, and excise taxes; capital expenditures; funds invested; and interest expenses.

The business is a cash operation. Most in-store retail consumer purchases will be cash transactions. We are, therefore, assuming an immediate cash flow. The loan amount requested will support both our startup costs and provide us with 6 months of operating capital. This financial foundation will allow us to achieve a positive cash flow by our 4th month of operation.

## **Forecasted Five Year Cash Flow Analysis**

Figures 5 and 5.1 of the Attachments illustrate the projected five-year cash flow of Business Name. Our projections are moderately conservative. We assume increases in sales in years two and three of 2.5% each year. These projections reflect our aggressive marketing strategy and commitment to quality customer service. By years four and five we projected a leveling off of sales to 1% growth each year.

Our year-end cash balances show moderate growth over the five year period with all unused funds being channeled back into the businesses growth.

## **Forecasted Five Year Income Statement**

Figures 6 and 5.1 of the Attachments provide a Forecasted Income Statement for Business Name. You will note that the revenue projections are based on the business reaching a moderate sales level for its market area.

Our projections demonstrate an optimistic potential for average profit margins for the operation in its first five years, and an above average profit margin afterwards.

## **Forecasted Five Year Balance Sheet**

Figures 7 and 5.1 of the Attachments provide a Forecasted Five Year Balance Sheet for Business Name. This will be a predominantly cash business. The Five Year Balance Sheet indicates that we will make a moderate profit during our 5-year loan payoff term. After the loan is paid off profit is expected to increase by about \$40,000 per year

## THE SOURCES AND USES OF FUNDS

### Sources and Uses of Funds Statement

*Proprietors* will provide no cash equity investment for the initial business investment.

We are requesting a total financing package of \$150,000 at a negotiated rate for a term of 5 years. The financial section includes calculations of a 12.5% financing rate. \$80,277.51 of the requested amount will be for the startup of the business and acquisition of the necessary equipment and operating assets as proposed below:

○ Construction/Lease Hold Improvements/Acquisition	\$4,575
○ Start-Up Advertising	\$15,000
○ Security Deposit (Last Month's Rent/CAM)	\$6,755.98
○ Employee Training Labor	\$8,262.67
○ Restaurant Equipment	\$26,278.61
○ Other Startup Expenses	\$4,405.25
○ Production Materials/Beginning Inventory	<u>\$15,000</u>
○ Total	\$80,722.49

The additional \$69,722.49 will be allocated to operating capital to support the initial phase of the business's market entry and growth phase. Because Business Name will generate an immediate cash flow, the amount of operating capital needed to launch and operate the business will be modest.

### Personal Financial Statement

Figure 8 of the Attachments contains the Personal Financial Statement of *Proprietors* for your review.

## **Risk Analysis**

The operation of any business, let alone a restaurant, involves certain risks to employees, customers, and equipment. We have analyzed these risks and prepared solutions to the best of our ability.

### **Customer Injury/Illness**

A HACCP (Hazard Analysis Critical Control Point) system has been developed by our Certified Food Protection Manager, *Proprietors*. This will ensure that potentially hazardous foods stay at the proper temperatures, “Keeping Hot Food Hot and Cold Food Cold” to prevent customer illness. Employees will not be permitted to work in any part of the restaurant while ill, and hand washing procedures will be strictly enforced upon all employees and Back of House visitors (i.e. investors, County Health Inspector, etc.).

Safety in the dining area and outside sidewalks will be a priority to keeping our customers safe. “Slip and Fall” is the most common injury in a restaurant to both guests and employees alike. Spills of liquids on the floor will be immediately marked with a yellow Wet Floor sign BEFORE the spill is cleaned up to help prevent anyone from slipping on the spill. A snow shovel and ice melt will always be kept on site for inclement weather.

In the unlikely event of a customer injury, customer information will be collected in accordance with our insurance policy. First Aid will be performed if necessary, and professional medical services will be notified if necessary. All employees will be instructed to get a manager immediately if a customer is injured, and the proprietors notified as soon as possible if they are not on site at the time. All employees will be told as part of their orientation training to NEVER admit blame for the restaurant; that decision is to be made by the proprietors in conjunction with their insurance agent and attorney.

### **Employee Injury**

Safety equipment will be provided for all required duties, including slip-resistant floor mats, and hot pads and handlers. “Wonder Knives” containing a guide bar will be used in all prep work, all but eliminating the possibility of accidental serious cuts. Necessary

medical services will be provided as outlined in our Workers Compensation Insurance policy for any clocked in/salaried employee injured while performing their duties. Employees not clocked in will not under any circumstances be allowed into service areas.

### **Natural Disasters, Civic Misconduct, and Fire**

We are fortunate to be operating a business in an area with very few natural disasters. Hurricanes and tornados are a virtual impossibility in the Reno area, and the region has not experienced a severe earthquake in several years. The natural disasters we expect to encounter are moderate earthquakes, mild-moderate flash flooding, and possible endangerment from brushfire.

In the case of all natural disasters, fire, and civic misconduct (i.e. local rioting or looting), the restaurant will be closed and evacuated as soon as the disaster begins, or as soon as the surrounding area is placed on a Voluntary Evacuation status, depending on the situation and disaster. This will not only prevent us from having to scramble and get customers and guests to safety when a Mandatory Evacuation is ordered, but it is reasonable to believe that we will have an insignificant number of guests while the area is being evacuated.

After a disaster occurs, the restaurant will immediately be inspected for any immediate dangers, specifically possible natural gas leaks. If a leak is detected the restaurant will immediately be evacuated and utility personnel will be called. If not, the building will then be inspected for any structural damage. It is our goal to re-open the restaurant as quickly as possible without jeopardizing employee and guest safety. The Health Department will be immediately notified to schedule re-inspection and authorize the re-opening of the restaurant. Hourly employees will not be paid for time off due to unforeseeable close of the restaurant due to disaster.

We will make sure our insurance policies cover all of these circumstances.

### **Theft, Holdup, and Hostage Situations**

All steps to protect employees and customers during hold-up situations will be taken. We will comply with any reasonable demand that robbers make. Money can be replaced, lives cannot. Police will be notified as soon as possible, and anyone present will be asked to stay and fill out a police report. The store will be equipped with a burglar alarm and a time-lock safe. Cash Replacement Coverage will be included in our insurance policy.

### **Bad Economy/Temporary Low Demand for Product/Store Closure**

As couldn't be any more evident as it is currently, a bad economy can really affect the way a business operates. In addition to its regular plans for controlling labor in response to sales, Business Name is in a fairly good position to weather an economic storm. Part of our financing package will include 10.5 months of rent and utilities; this will cover the restaurant if it must be shut down for some reason for a short period of time. Since we are not attached to a corporate body, we can set pricing however we want; if the economy

demands we lower our prices to attract business, we can do that for a short period of time, insuring that while we may not make a profit for a few months, we will at least have enough money to pay our employees, food, rent, and utilities. These kind of short-term losses are acceptable to get the business on the other side of an economic storm.

### **Competitive Risks**

The most direct risk for day-to-day operations lies in the local pizza competition. Business Name will find its most direct competitors to be three pizza-serving locations within a mile of the restaurant; Round Table Pizza, Pizza Plus, and Leonardi's Pizza). These operations have demonstrated an ability to meet the demands of the targeted customer base we will be competing for. A detailed analysis of our competitors strengths and weaknesses can be found in Figure 1 of the Attachments.

Indirect competition will come from 9 fast food restaurants and 3 sandwich shops within one mile of the restaurant.

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