

Appendix B

Business Plan

for

Mikhail's Tacos, Inc.

Mikhail's Tacos, Inc.
4428 College Street
Reno, NV 89503
Mikhail Ramnikov, President
February 1, 20__

Table of Contents

I. Mission Statement

II. Executive Summary

III. The Business

- Strengths and Weaknesses
- Legal Structure
- Business Description
- Product Description
- Intellectual Property Description
- Location
- Management and Personnel
- Records
- Insurance
- Security
- Litigation

IV. Marketing

- Markets
- Competition
- Distribution and Sales
- Industry and Market Trends
- Industry Assessment
- Marketing Strategies
- Customer Service

V. Financials

- Uses of Funds
- Income Statement
- Cash Flow Statement
- Balance Sheet
- Income Projection
- Break-Even Analysis

VI. Supporting Documents

I. Mission Statement

The mission of Mikhail's Tacos, Inc. is to sell flavorful and unique gourmet Mexican food in a pleasing dining atmosphere.

II. Executive Summary

Mikhail Ramnikov is the president of Mikhail's Tacos, Inc. He is an experienced businessman who also specializes in creative food preparation. His brother, Alexei Ramnikov, is an experienced chef. The brothers enjoy preparing unique gourmet Mexican food. Together, the two have contributed \$50,000 in personal funds to advance the operations of the company.

Mikhail's Tacos, Inc. seeks to raise \$50,000 from investors to commence operations. Investors will receive a priority return of their money back from first profits and upon repayment shall own 25% of the then issued stock in the company.

Mikhail's special recipes feature anything but the traditional ingredients and toppings. Creative flavors will set Mikhail's apart from its competitors. Mikhail's will cater to the built-in market of college students, business people, and affluent shoppers that frequent the area. Amid a sea of fast-food restaurants that populate this area, Mikhail's will offer its fresh, expertly prepared menu in a relaxed dining environment.

Significant market research and target market evaluation suggest that Mikhail's Tacos is ideally situated to cater to an unfulfilled market segment. Proven marketing techniques and operational systems will allow management to be proactive rather than reactive to the conditions and obstacles associated with opening a new restaurant concept.

Having a sound operational plan allows management to focus on building sales rather than profit. The managing partners have an extremely high degree of confidence that the systems and controls incorporated in the business plan will yield a calculated return for a given sales volume.

We feel the business plan for Mikhail's Tacos represents a realistic expectation of success for all parties involved. Moreover, we will be providing a benefit to the community by providing a great product and secure jobs to community residents.

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III. The Business

Strengths and Weaknesses

Management believes that the strength of Mikhail's Tacos, Inc. is found in the fresh, quality ingredients used to prepare their uniquely flavored tacos, burritos, and other Mexican dishes. Mikhail's will provide creative alternatives to traditional Mexican food along with popular favorites – all for an affordable price in a comfortable setting.

The main weakness is the lack of brand recognition, as is common with most start-up businesses. Mikhail is a recent immigrant from Russia – and with his brother Alexei, prepares outstanding Mexican food from his own recipes. This amazing story, the likes of which could only take place in America, will separate Mikhail's from its competitors and lead to brand awareness.

Mikhail's can fill the niche of a creative and original locally owned hotspot, which is much desired in an area filled with chain restaurant clones.

Though Mikhail has never owned a food service business, he owned his own bicycle repair shop in Moscow for twelve years, managing every detail of the business successfully. Mikhail specializes in friendly, fast, and efficient customer service that will easily be carried over into the restaurant business. Alexei is a chef with over twenty years experience in the restaurant business.

Legal Structure

Mikhail's Tacos, Inc. is organized as a Nevada corporation. It has elected S Corporation status and is taxed as a flow-through entity. Mikhail Ramnikov is the president and Alexei Ramnikov is the secretary and treasurer of the company. Both serve on the Board of Directors.

Mikhail and Alexei Ramnikov's previous business experience can be found under the section titled "Management and Personnel."

Business Description

Mikhail's Tacos will sell gourmet tacos in a rented existing retail space on College Street, located equidistantly between the University of Nevada, Reno campus and a nearby stable business district. The food will be prepared quickly, but will not be fast food. Mikhail's will provide fresh, healthy food in a relaxed, sit-down environment.

The restaurant will include indoor and outdoor patio seating areas as well as a bar. All food will be prepared on site from ingredients purchased from a team of suppliers. The establishment

will be open Sunday through Thursday, serving lunch and dinner from 11:00 a.m. until 9:00 p.m. On Friday and Saturday, Mikhail's will be open from 11:00 a.m. until 11:00 p.m.

The restaurant décor will combine traditional Mexican elements with American surf culture and the music will be a blend of Mexican and American pop tunes. Every spot in the restaurant will remain clean, which is both pleasing to the customer and in keeping with Mikhail's fastidious nature.

A sample menu is found on the next page.

Mikhail's Tacos Menu

Appetizers

Homemade chips and salsa.....					2.25
Homemade chips and guacamole.....					4.75
Super Nachos "the works" with charbroiled chicken and black beans.....					8.25
Nachos chips with melted cheeses, sour cream, guacamole and salsa.....					5.75
Add Chicken.....	add 3.00	Add Steak.....	add 3.75	Add Fish.....	add 4.00
Coconut Crunchy Shrimp four prawns rolled in sweet coconut, fried and served with orange chili dipping sauce.....					8.95
Quesadilla grilled flour tortilla folded with melted cheeses.....					4.00
Add Sautéed Veggies.....	add 3.00	Add Chicken.....			add 3.00
Add Steak.....	add 3.75	Add Shrimp or Acapulco Shrimp....			add 4.00
Add Fish.....	add 4.00	Add Del Mar/Salmon Fish.....			add 5.00
Brie & Mango Salsa Quesadilla sweet & savory taste treat.....					6.95
Steak Ranchero Taquitos hot & spicy steak rolled in crispy corn tortilla.....					7.00
Chicken Mango Flautas chicken & mango salsa rolled in crispy flour tortilla.....					7.00
Warm flour tortillas (3) with citrus honey butter.....					1.00
Homemade, vegetarian pinto beans, black beans or rice.....					2.25

Soups and Salads

Chicken-Lime Tortilla Soup homemade comfort soup.....					4.50
Caesar Salad Tijuana classic with romaine, parmesan and tortilla strips.....					5.75
Tostada Salad flour tortilla shell topped with beans, lettuce, cheese and salsa.....					5.75
Mexicana Salad flour tortilla shell filled with mixed greens, topped with carrots, beets, garbanzo beans, pumpkin seeds and queso fresco, with homemade dressing.....					5.75
To any of the above salads:		Add Chicken.....			add 3.00
Add Steak.....	add 3.75	Add Shrimp or Acapulco Shrimp.....			add 4.00
Add Fish.....	add 4.00	Add Del Mar/Salmon Fish.....			add 5.00

Specialties

All Specialties served with choice of beans, rice and warm flour tortilla

Coconut Crunchy Shrimp seven prawns rolled in sweet coconut, fried and served with orange chili dipping sauce.....	14.95
Fresh Fish charbroiled and served with mango salsa (see board for today's fish).....	12.95
Chicken Breast spice-rubbed and charbroiled with mango salsa.....	10.95
Steak marinated and charbroiled served with Pico de Gallo salsa.....	12.50
Fajitas-Steak, Chicken, or Shrimp served with sautéed vegetables at above prices	
Coconut Crunchy Tofu vegetarian delight with orange chili dipping sauce.....	9.95
Enchiladas choose from chicken or shrimp with chipotle or verde salsa.....	9.25
Shashlyk Mikhail's specialty. Traditional Russian marinated pork grilled on a skewer with onions and served with spicy sour cream sauce.....	14.95

Tacos and Burritos

Guacamole, sour cream, cheese and mango salsa upon request.

All Tacos served with cabbage slaw, on corn tortillas, or flour tortilla upon request.

All Burritos served with rice and choice of beans wrapped in flour tortilla.

Burritos may be ordered on a whole wheat tortilla or may be ordered "wet" with salsa and cheese melted on top

Chicken spice rubbed and charbroiled with Pico de Gallo salsa.....	4.50/7.25
Chicken Verde chicken stewing in salsa verde.....	4.50/7.25
Buenos charbroiled fish with mango salsa and citrus honey butter.....	4.95/7.95
Baja San Felipe-style fried fish with sour cream chili sauce.....	5.25/8.60
Shrimp sautéed shrimp with garlic butter.....	4.85/7.95
Acapulco Shrimp as above with tomatoes, onions, cilantro, parmesan.....	4.95/8.00
Steak marinated and charbroiled with Pico de Gallo salsa.....	4.85/7.75
Steak Ranchero marinated spicy carne asada.....	4.85/7.75
Vegetarian vegetables sautéed in marinade with citrus honey butter.....	4.50/7.25
Tofu spice rubbed tofu, red pepper with citrus honey butter.....	4.50/7.25
Coconut Crunchy Tofu rolled in coconut flakes, with orange chili sauce.....	4.50/7.25

International Wraps

All International Wraps are served wrapped in a flour tortilla

Chicken Caesar Wrap crisp Caesar salad with charbroiled chicken and rice.....	7.75
Cajun Jambalaya Wrap shrimp, spicy sausage and Cajun seasoned rice.....	7.95
Del Mar Caesar Wrap crisp Caesar salad with spice-rubbed salmon and rice.....	8.60
Chicken Ranch Wrap crispy chicken, lettuce and ranch dressing.....	6.95
St. Petersburg Fish Wrap crispy trout, crunchy cabbage, dill and spicy sour cream sauce.....	8.95

Children's Plates

Baja Fish Taco fried fish with cabbage slaw wrapped in flour tortilla.....	4.75
Cheese Quesadilla flour tortilla folded with melted cheeses.....	2.95
Bean and Cheese Burrito in flour tortilla.....	3.25
Chicken and Cheese Wrap in a flour tortilla.....	4.15
Crispy Chicken Strips with ketchup or ranch.....	3.75
Pinto beans, black beans or Mexican rice.....	2.25
Charbroiled Chicken served in a bowl.....	3.00

Salsa Bar

Enjoy any of our five freshly made salsas on the salsa bar.

Twelve ounce salsa-to-go container with chips.....	3.50
Homemade chips and salsa.....	2.25

Desserts

Mexican Flan sweet cinnamon custard.....	3.00
Apple Changa apples in a crispy tortilla w/ vanilla ice cream.....	5.00
Churros two Mexican donuts rolled in cinnamon sugar.....	2.25

Beverages

Tequila Margarita frozen or on the rocks.....		4.75
Pint Margarita.....	7.50	Pitcher Margarita..... 15.25
100% Agave "sipping" Tequilas..... (please see server for selection and price)		
Beer/Cerveza Domestic.....	3.25	Mexican Beer..... 3.50
Micro-brew/Non Alcoholic	in bottle.....3.50	on tap..... 4.25
Wine, by the glass/bottle (please see selection & prices at register)		
Homemade Red Wine Sangria	glass.....4.00	Carafe..... 12.00
Hibiscus Flower Iced Tea or Lemonade (free refills)..... 1.85		
Vitamin Water (available in assorted flavors)..... 2.65		
Bottled Water/Orange Juice/Milk..... 1.85		
Horchata cinnamon rice drink..... 1.85		
Jarritos (strawberry, orange, grapefruit flavored soda)..... 1.85		
Freshly Brewed Latin Coffee/Hot Tea..... 1.85		
Coke/Diet Coke/Sprite/Root Beer, etc (free refills)..... 1.85		

Mikhail's Tacos gift certificates & logo wear

The Perfect Gift! Mikhail's T-shirt.....	14.95
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Mikhail's gift certificates are available in any denomination

Join us for Happy Hour! Daily 3:30 - 6:00 p.m.
Casual Catering available for your parties

After the brand and product have become easily recognized and popular, the company will consider expanding to one or more additional locations within three years of opening the original restaurant. Another goal is to establish Mikhail's as a catering option for events held around town. This service will further establish the brand identity among locals.

Product Description

Mikhail's will prepare made-to-order gourmet tacos with only the finest and freshest ingredients available. Mikhail's recipes use unique flavors to enhance tacos and burritos, including mango salsas and margarita-marinated mahi mahi. Traditional Mexican fare will be offered as well.

The bar will specialize in fruit-infused margaritas, but will also carry a variety of imported Mexican tequilas and Russian vodkas. A selection of beers will be available as well.

Fresh ingredients will be purchased from local suppliers. All tortillas will be hand-made on site by a team of two food preparation specialists expertly trained by Mikhail and his brother,

Alexei. The kitchen staff will prepare all food made-to-order, meaning that customers can add or leave out ingredients as they choose.

Although the restaurant is designed to offer a sit-down environment, it is expected that most patrons will want their food quickly since they will be students eating between classes and business people stopping in during their lunch breaks. Take-out orders will always be available. While a delivery service will not be offered immediately, this could be added if there is a demand.

Intellectual Property Description

The company has obtained the domain name www.mikhailstacos.com and has applied for a federal trademark registration of the name Mikhail's Tacos. All company recipes shall be treated as trade secrets until the company decides, in its sole discretion, to publish a cookbook of selected recipes.

Location

Mikhail's location, at the corner of State and College streets, was chosen because of its proximity to two major customer bases. To date, there are few inexpensive restaurants near the University of Nevada, Reno campus, which has an enrollment of 20,000 students, and is projected to grow to 30,000 students in the next eight years. The restaurant's proposed location will be within walking distance for easy student access. Mikhail's is equally close to a stable business and shopping district. This area is overloaded with unhealthy, fast food options, but is lacking a healthy, sit-down alternative.

This is a high-traffic, high-visibility location. These two streets are the main thoroughfares for students commuting to class as well as business people and shoppers accessing the nearby mall and surrounding businesses. It is within walking distance of the university's football and basketball venues. It is likely that Wolf Pack game days will attract a large crowd of customers.

It is expected that there may be a seasonal lapse in business from the college students during the summer months when a more limited summer session is held. However, customers from surrounding businesses and hungry shoppers will not have an "off season" and their business may even increase during popular shopping periods, such as December.

This location previously housed a pizzeria. (The pizza business closed due to the sudden death of the owner and not from a lack of business.) Many of the kitchen appliances (such as

refrigeration units, ovens, and microwaves) are already in place. A new hood will have to be purchased for the kitchen. Remodeling is planned for the dining room area. A bar must be installed, as well as new tables and booths to allow for more seating. The original wood flooring will be used, but new paint, moldings, and countertops will be added. The bathrooms are not in good condition and will have to be completely redone. A new brightly lit sign for both the exterior of the building and the shopping center marquis will be purchased and installed.

A computerized ordering system will be installed to ease in the ordering process. This system will also perform payment functions, such as credit card sales. This will assist the company with its record keeping. (See "Records" Section.)

There is adequate, well-lit parking available for customers and staff. Night patrons will have additional parking since many of the businesses in the shopping center will be closed in the evening.

Management and Personnel

Mikhail Ramnikov, President of Mikhail's Tacos, Inc. has had extensive business experience in Moscow before his move to the United States. He started up his own bicycle repair and supply shop and ran it successfully for over ten years. Although his experience has not been in the restaurant business, he has successfully marketed and managed a business from the ground up in the past. He will also serve on the Board of Directors for the corporation.

Alexei Ramnikov was trained as a chef in Moscow over twenty years ago. He worked at a successful hotel restaurant in Moscow as the head chef for 15 years before moving to Los Angeles five years ago. There he worked as head chef in a gourmet bistro until his move to Reno, NV. He is the secretary and treasurer of Mikhail's Tacos, Inc. and will serve on the Board of Directors.

Mikhail's will require food servers, busboys, kitchen staff, a dishwasher, a bartender, and a host/hostess. Mikhail himself will bartend and greet customers initially, with plans to hire additional help for these positions as business increases. Waiters and waitresses will be recruited from the student population. The dining room will only require two waiters per shift. However, when hiring students, hours and schedules will have to be flexible. Therefore, a staff of eight waiters and waitresses will be hired initially to rotate and cover shifts as their school schedules allow. Two busboys will be hired, but only one will work per shift. Mikhail will train all wait-staff as they are hired. The day will be broken into two shifts for food servers, one for lunch and

one for dinner.

Mikhail's brother, Alexei, is the trained cook with over ten years of restaurant experience. He will oversee the kitchen and will train his staff as they are hired. A staff of four food preparation experts and two dishwashers will be hired to assist Alexei. Only two cooks will work in the kitchen at all times. Additionally, Alexei will supervise most shifts and order ingredients from suppliers as needed.

Mikhail will be in charge of records and bookkeeping, including payroll. An attorney and accountant will be hired to advise Mikhail and Alexei on necessary matters.

Records

Mikhail is proficient in both record keeping and bookkeeping because of his previous business experience. At his bicycle shop, Mikhail handled both duties successfully. Initially, Mikhail will perform these functions. After two months, an outside bookkeeper will be hired. All records will be carefully kept at both the home office and the restaurant office. Employee files will be kept in a locked file cabinet and employees will not have access to the files.

Management will practice sound management procedures in order to control costs, insure quality of product and provide friendly customer service. The following systems will be used by management:

Point of Sale (POS) System

Careful evaluation and dutiful research will be used in the selection of a POS (point of sale) system that best meets the needs of Mikhail's tacos. The POS system will be configured with requisition printing, a process which forces food and beverage items to be registered in the system before the items can be prepared. Requisition printing has proven to reduce costs by as much as 3 – 5%. The POS system will also be the control center to regulate the flow of service and item preparation. Built-in cash controls will help in tracking sales and receipts.

Cash Audits

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

Scheduling System

Management will adopt a scheduling system that expedites the preparation of schedules, reflects anticipated labor budgets, and helps to regulate labor costs.

Operations Checklists

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

Order Guide

The restaurant will use an item specific order guide to track order history and maintain designated levels of product in inventory.

Weekly Inventory

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

Video Surveillance

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

Safety Reviews

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

Liability Reviews

Periodic assessments will also be done to evaluate the liability exposure of the restaurant. Alcohol awareness, employee relations and guest treatment will be scrutinized from time to time.

Insurance

Insurance for the building will include public liability and property damage coverage. A worker's compensation plan will also be purchased. Employees working full-time (30 hours/week) will have the option of being on the restaurant's health plan. The hour requirement will most likely limit the employees using this plan to Mikhail, Alexei, and the kitchen and busing staff. It is expected that the servers will be students working limited amounts of hours.

Security

The key security risks involved with the restaurant include stolen money and equipment. To combat these risks, an alarm system will be installed and will be activated during non-business hours. Only Mikhail and Alexei will have keys to the building and to the file cabinets containing personal information. No money will be left in the restaurant overnight. Mikhail or Alexei will remove all money earned during the day before leaving.

A computer system will be installed not only to ease in the ordering process, but also to keep track of what is being ordered and how it is being paid for. Mikhail will tend to most duties at the bar to eliminate the risk of having bar profits stolen.

Litigation

Neither the company nor Management are subject to any existing or threatened litigation.

IV. Marketing

Markets

Mikhail's Tacos will be attractive to a variety of different markets. The first market it will appeal to is college students because of the low prices, fast preparation, and close proximity to campus. It also will appeal to nearby business people because they can get a quick and healthy lunch and still get back to the office on time. Weary shoppers will be attracted to the restaurant's sit-down design. It will be a fresh alternative to the fast food establishments that surround the mall. It will also appeal to families because of the friendly and relaxed atmosphere that accompanies the low prices.

Other markets the restaurant will cater to are health-conscious eaters and diners that prefer to frequent locally owned restaurants rather than chains. The take-out option will attract another set of customers that want quality food quickly.

While the city of Reno suffered in the Great Recession, the University continued to expand, bringing more jobs and students to the local market. It is anticipated that this trend will continue.

Competition

The restaurant's main competition will be with two chain restaurants that offer the same basic category of food: Taco Bell and Baja Fresh. Both have national brand recognition. The prices are lower for both competitors, but the food qualifies as fast food and is not of the same quality.

Taco Bell has a location near the mall while Baja Fresh is located in a shopping center near campus. Both offer seating, but not a full-service restaurant. Mikhail's also offers a full bar, which neither of the competitors have. Mikhail's boasts the innovative use of gourmet ingredients, which will further separate them from the competition.

Other competitors include the variety of restaurants in the area, including Burger King, McDonald's, Pizza Hut, and a locally owned pub and sandwich shop. Mikhail's does have slightly higher prices, but they also offer a different product in a different environment. The product is still produced quickly as it is at these other restaurants. The fact that there is a dining room and bar encourages people to bring their friends and family to Mikhail's for an evening out, whereas you would most likely choose the other restaurants as strictly a fast dining option.

While many of these competitors are nationally recognized brands, Mikhail's can attract a following with the quality and creativity of the food, the low prices, and the service and friendly environment.

Distribution and Sales

Menu items will be offered both for dining-in, with casual service provided by the wait staff, and for take-out with patrons picking up their meals.

Pricing will range from \$4.50 for traditional tacos to a spice rubbed fish burrito at \$8.60. All menu items fall within this range except for certain specialty dishes, which will cost up to \$14.95, depending on the type of ingredients featured. Certain meals will include rice and beans.

Bar items will include beers priced from \$3.25 – \$4.25, and hard liquor drinks priced between \$4.75 and \$8.00, depending on the liquor called. Fresh fruit margaritas will sell at \$4.75 for individuals and at \$15.25 for pitchers. Prices for margaritas increase as top-shelf tequila is requested.

Industry and Market Trends

The identified markets in this area have many choices when it comes to eating out. However, most of these choices are limited to fast food options only. There are very few quality, dine-in restaurants in this area that offer affordable prices. Mikhail's will fill an in-between niche that has yet to be tapped. The restaurant is not a chain fast food restaurant, yet is not so upscale that it is too expensive or intimidating for the average diner.

Market research conducted informally by Mikhail and Alexei has shown that people in this

neighborhood enjoy Mexican cuisine on the whole, but don't like the greasy and unhealthy nature of most of their nearby options. Many diners have also commented on the lack of locally owned and operated restaurants in the area. It seems that in this area, a trend to move away from chain restaurants has been identified.

Market research experts have also identified this trend nationally. Research has shown that only 2.6% of Americans ate at a fast-casual chain restaurant in the last week, leading to the assumption that there are a great number of diners wanting to explore fresh tastes and ideas by taking chances on unknown names and brands.

This research also shows that the market for fast and casual food has grown at a rate of 5.7% per year since 2009. This growth has been attributed to the quick preparation taken from fast-food restaurants combined with the comfort and ambience of restaurant dining. Most of these types of restaurants have also put an emphasis on freshness and health consciousness. Many of these types of chains do not also offer alcoholic beverages, thus limiting the market. However, Mikhail's Tacos, Inc. will fulfill this desire for customers.

Overall, more and more Americans are predicted to dine out this year. For example, national research shows that this year there will be an increase of over 8 billion meals and 7 billion snacks eaten out. Young adults are found to make up a large portion of restaurant users – which bodes well for Mikhail's Tacos since it is targeting college students. A recent survey showed that the number of full-service restaurants offering food for takeout is increasing rapidly, showing there is a demand for this type of service. One survey revealed that many Americans consider takeout essential for their lifestyles.

Industry Assessment

According to the National Restaurant Association, industry sales for 2011 are expected to rise above the \$580 billion dollars spent on dine out meals in 2010. This is a 2.5% increase over 2009 sales. Restaurant industry sales account for 4% of the GNP for the United States.

Approximately 48% of all food dollars spent by consumers is spent in eating and drinking establishments. That figure is up dramatically since 1955 in which only 25% of all consumers spending for food and drink when to restaurants. A total of 43% of adults believe that eating away is as cost effective as cooking at home and cleaning up. Time is money.

The baby boomer population, the demographic segment that has the most significant impact in terms of marketing and menu mix, is getting older. In the coming years, over 20% of the

population will be between the ages of 50 and 64. The dining habits of this important demographic group will influence menus and restaurant concepts into the future. Mikhail's Tacos will keep up with these trends.

Households with income before taxes of \$30,000 or more spend more on dining out. Household incomes of greater than \$75,000 have increased to almost one quarter of all meals consumed outside the home. As one might imagine, higher income households tend to spend more of their food dollars in meals away from home.

The National Restaurant Association's most recent survey on restaurant spending found that the typical American household spent \$2,634 on food away from home. Households in metropolitan areas tend to spend more than households in rural areas. Households with income over \$70,000 spent an average of \$4,544 on food away from home. The report also showed that adults between 35 and 54 spend more on food away from home as a result of their higher incomes, averaging \$3,234 for meals outside the home.

The report discussed beverages and noted the continuing popularity of bottled water, coffee and espresso drinks, iced tea, and increasing wine sales at full service restaurants. Mikhail's will offer a full service bar to take advantage of these trends. However, while it will offer a brewed Latin coffee, it will not venture into espresso drinks.

Greater use of technology and more reliance on staff training will be used to increase productivity and gain higher revenues. More than two-thirds of restaurant operators say they are more productive than they were two years ago. Over twenty five percent of food-service operators say they are increasing their budget for technology spending.

Over sixty percent of all restaurants now have websites. In addition to posting information such as menu, nutrition and location, an increasing number are expected to offer other services such as reservations, delivery and takeout ordering.

Gift cards and gift certificates in restaurants continue to be the number one preference by consumers as compared to other retail industries. Gift card and gift certificate sales account for roughly 5% of annual restaurant sales. Mikhail's will offer gift cards from day one.

For more information about current trends and statistics, visit the National Restaurant Association website at restaurant.org.

Marketing Strategies

Advertising strategies include local TV advertisements to initially announce the Grand Opening.

Print advertisements will run in the local newspaper, campus newspaper, lifestyle magazine, and the local events calendar. The first two times these print ads run, they will include a coupon for a discounted menu item.

Promotional strategies will focus on notifying the campus and nearby businesses that we are open and will appeal to their needs. Alexei is adept at social networking strategies and Facebook, Twitter and other sites will be used to promote the restaurant. Coupons and take-out menus will be included in the packets students receive when they move into the dorms and register for classes. Take-out menus and coupons will also be distributed to the surrounding business offices.

PR also will include the distribution of press releases to local media focusing on the human-interest story behind the restaurant. The goal is to get a profile of Mikhail and Alexei into the local papers and onto the radio. This unique story of Russian immigrants specializing in Mexican food in America is bound to attract interested customers.

Mikhail's Tacos will aggressively seek to build a database of our guests. Guests will have an opportunity to be included in the database so they can participate in our promotions such as birthday or anniversary cards and frequent diner program.

The restaurant's marketing plan will include an active Frequent Diner program. The program will allow us to reward our guests for their continued patronage. The program shall have flexibility to allow us to be creative in our reward structure. Additionally, it should allow us to adapt to changing market trends.

We anticipate capitalizing on our customer database by instituting an effective email marketing strategy. We will give our customer the option to receive email communications from our restaurant. Customer's privacy will be protected and we will not email our customers without their permission.

Our email marketing strategy will include an awareness not to inundate our guests with email. Promotional content will be developed with the goal of enticement versus quantity. The program will incorporate tools to measure effectiveness and customer satisfaction.

Two main marketing strategies have been developed at this time. The first is to emphasize the freshness and flavor of the gourmet food that features adventurous ingredients. Food will be prepared quickly and is reasonably priced. This message will be directed toward surrounding business people looking for a quick and healthy lunch, and to students looking for great food that won't empty their pockets. Food will be served in a fun and friendly environment and will also

be available for take-out.

The second strategy focuses on the Russian brothers that have mastered (and reinvented) Mexican cuisine for Americans. Formerly bike mechanics, they are ready to bring their new take on tacos and burritos to their own restaurant. It is an "only-in-America" story that will resonate throughout Northern Nevada and beyond.

Customer Service

Customer Service at Mikhail's Tacos will be given special emphasis. It is estimated that only 1 in 22 customers who have a problem in a restaurant will tell management about it. Mikhail's Tacos shall engage in responsive and proactive customer service.

All guest complaints will be acknowledged by the staff and immediately referred to management. Programs will be in place to promptly deal with various types of guest complaints. More serious complaints will be documented and kept on file.

Training programs will include specific material to teach our employees about service attitudes, customer perception and how to deal with guest complaints. Management will conduct periodic staff meetings intended to review policy, increase guest satisfaction and to keep a general line of communication between staff and management.

V. Financials

The start-up costs for Mikhail's Tacos, Inc. will be approximately \$100,000, and includes leasehold improvements, permits, inventory, and working capital requirements. Start-up costs will be financed by shareholder investments.

Use of Funds

Capital Expenditures

Leasehold Improvements	30,000
Equipment and Furniture	<u>15,000</u>
Total Capital Expenditures	45,000

Working Capital

Rent (four months)	12,000
Salaries	10,000
Start-Up Inventory	8,000
Legal	2,000
Permits and Licenses	2,500
Printing	2,000
Graphic Design	1,000
Insurance	2,500
Working Capital Reserve	<u>15,000</u>
Total Working Capital	55,000

Total Use of Funds 100,000

Sources of Funds

Mikhail Ramnikov	25,000
Alexei Ramnikov	25,000
Shareholder Investments	<u>50,000</u>
Total Sources of Funds	100,000

Projected Income Statement – Mikhail's Tacos, Inc.

	Year One	Year Two	Year Three
Income			
Gross Sales	540,000	630,000	792,000
less returns and allowances	0	0	0
Net Sales	540,000	630,000	792,000
Cost of Sales	189,000	220,500	285,120
Gross Profit	351,000	409,500	506,880
Gross Profit Margin	65%	65%	64%
Operating Expenses			
General and Administrative Expenses			
Salaries and Wages	196,000	215,600	237,160
Employee Benefits	20,000	22,000	24,200
Payroll Taxes	15,000	16,500	18,150
Professional Services	2,500	2,700	2,900
Rent	36,000	37,800	39,690
Maintenance	2,000	2,200	2,400
Equipment Rental	1,000	1,100	1,200
Equipment and Furniture Purchase	2,200	2,500	2,900
Marketing and Advertising	24,000	26,000	28,000
Utilities	2,100	2,250	2,375
Insurance	1,200	1,400	1,600
Office Supplies	800	900	1,000
Postage	500	550	600
Entertainment	2,500	3,000	3,500
Travel	300	350	400
Bad Debt	100	150	200
Depreciation and Amortization	2,200	2,500	2,800
Total Operating Expenses	308,400	337,500	369,075
Net Income Before Taxes	42,600	72,000	137,805
Taxes on Income (35%)	14,910	25,200	48,232
Net Income After Taxes	27,690	46,800	89,573

Projected Balance Sheet

	Year 1	Year 2	Year 3
Current Assets			
Cash	85,390	134,190	226,063
Accounts receivable	1,000	1,500	2,000
Inventory	<u>500</u>	<u>750</u>	<u>1,000</u>
Total Current Assets	86,890	136,440	229,063
Non-Current Assets	351,000	409,500	506,880
Fixed assets—leasehold improvements	47,200	49,700	52,600
Accumulated depreciation	<u>-(2,200)</u>	<u>-(4,700)</u>	<u>-(7,500)</u>
Total Non-Current Assets	45,000	45,000	45,100
Total Assets =	<u>131,890</u>	<u>181,440</u>	<u>274,163</u>
Current liabilities			
Accounts payable	2,000	2,250	2,500
Non-Current Assets			
Notes Payable	-	-	-
Stockholder's Equity			
Contributed Capital	100,000	100,000	100,000
Retained Earnings	<u>29,890</u>	<u>79,190</u>	<u>171,663</u>
Total Stockholder's Equity	129,890	179,190	271,663
Total Liabilities and Stockholder's Equity =	<u>131,890</u>	<u>181,440</u>	<u>274,163</u>

Projected Statement of Cash Flows

	Year 1	Year 2	Year 3
Income from Operations	29,890	49,300	92,473
Changes in depreciation	2,200	2,500	2,800
Changes in inventory	(500)	(250)	(250)
Changes in receivables	(1,000)	(500)	(500)
Changes in payables	<u>2,000</u>	<u>250</u>	<u>250</u>
Net cash provided by operations	32,590	51,300	94,773
Cash used in investing activities			
Purchases of fixed assets	(47,200)	(2,500)	(2,900)
Cash from financing activities			
Proceeds from issuance of stock	100,000	-	-
Changes in cash position	85,390	48,800	91,873
Beginning cash	<u>-</u>	<u>85,390</u>	<u>134,190</u>
Ending cash balance	85,390	134,190	226,063

Break Even Analysis

	Year 1	Year 2	Year 3
Net sales	540,000	630,000	792,000
Cost of Goods sold	<u>189,000</u>	<u>220,500</u>	<u>285,120</u>
Gross profit	351,000	409,500	506,880
Gross profit percentage	65.00%	65.00%	64.00%
Total Operating Expenses *	<u>308,400</u>	<u>337,500</u>	<u>369,075</u>
Divided by Gross Profit Margin Percentage	<u>65.00%</u>	<u>65.00%</u>	<u>64.00%</u>
Break Even Sales	474,462	519,231	576,680
Average price per meal	\$ 6.50	\$ 6.50	\$ 6.50
Break Even Meals	<u>72,994</u>	<u>79,882</u>	<u>88,720</u>
Divided by # days	365	365	365
Number of meals per day required to break even	200	219	243

* This amount includes payroll which can fluctuate depending on the level of sales.

VI. Supporting Documents

Management

Mikhail's Tacos, Inc. will utilize the respective strengths of its management, combining business experience with years of training in food preparation.

Mikhail Ramnikov, President

Mikhail Ramnikov received a degree in business from his university in Moscow while also serving as an assistant manager in his father's grocery store. After achieving his degree, he started his own bicycle supply and repair shop from the ground up. For twelve years, he ran every aspect of the small business, from advertising to bookkeeping, from ordering to quality control. He managed a small team of skilled repairmen but did much of the sales himself. The shop was one of the most well-respected small businesses in the area. When Mikhail decided to move to America, he sold the business for a profit.

While Mikhail has always had a mind for business, he has always loved to cook. Since his days in his father's grocery store, he has always experimented with different flavors and recipes. He realized that this was his true passion and wanted to combine his business sense with his love of cooking.

Although he does not have prior experience in the food service industry, his business experience and success will carry over into this venture. He will act as president of Mikhail's Tacos, Inc., and will serve on the Board of Directors.

Alexei Ramnikov, Secretary and Treasurer

Alexei's love of food was born when he worked in his father's grocery store. He decided to pursue this love further by attending a respected culinary school in Moscow. Straight out of school, he was hired to work at the restaurant in the four-star Hotel Sieyna in Moscow. He worked there for fifteen years, growing under the instruction of some of the best chefs in the country, until he was appointed head chef at the restaurant.

After leaving Moscow, he landed a head chef position in a gourmet bistro in Los Angeles. His work at Le Bistro was featured in numerous trade magazines and attracted a group of loyal patrons. However, his desire to head his own kitchen in a partnership with his brother brought him to Reno. He will serve as secretary and treasurer for Mikhail's Tacos, Inc., and will also

serve on the Board of Directors.

Restaurant Industry Trends

Sales in the restaurant industry are expected to increase by 3.6 percent this year after three years of negative growth. In the specific area of fast casual dining, sales have increased 8% since 2006. Fast-food chains' popularity seems to be slipping, with only 3 percent of Americans eating at a fast-food chain every week. Restaurants with seated dining and full service by a waiter or waitress make up over half of all U.S. restaurant sales. It is estimated that restaurant sales will reach a record 604 billion dollars this year.

Fast casual restaurants, typically individually owned establishments, have become popular. They combine fast delivery of food with a casual but often full-service environment. Many of these restaurants do not have full bar service, which Mikhail's Tacos, Inc. will be offering.

Fast casual restaurants characteristically offer fresh ingredients rather than mostly fried foods. Many specialize in sandwiches or wraps and do a majority of their business during their lunch service. Most products are made to order, lessening the use of frozen ingredients. Foods contain a variety of interesting flavors and ingredients, offering the patron an extensive selection of menu items. They also offer the increasingly popular service of takeout meals. Examples of national chain fast casual restaurants are Pick Up Stix, Baja Fresh, Chipotle Grill, and Panera Bread.

Pricing at this type of establishment is more than the bargain fast-food pricing but less than the menu prices at a regular restaurant. Typically, the average cost per menu item is under \$10. For this price, people are expecting more: Good service, consistent taste, and a pleasing atmosphere.

There have been notable trends established among those who eat out. More young adults dine out than older adults. Diners aged eighteen to forty-four dine outside the home nearly twice as many times per week as those over sixty-five years of age.

Many of these diners are considered adventurous diners. They are usually well educated and enjoy trying new restaurants, usually individually owned ones. They consciously steer away from chain restaurants. They are considered adventurous because they move away from established brands and chains to try more creative foods, including ethnic cuisines.

Health consciousness among diners has become a popular trend. Restaurants have had to respond accordingly, offering foods with lowered calorie, fat, or carbohydrate content to meet

the consumer demand for such items. Vegetarian items have become common. Some restaurants highlight the more healthful items they offer, and some even offer nutritional breakdowns of dishes on their menus. A total of 71% of adults said they are trying to eat healthier at restaurants than they did two years ago.

Local Trends

Reno, Nevada, is the largest and leading city within the growing northern Nevada region. Located within a short drive of the skiing and outdoor recreation area of Lake Tahoe, Reno is a city on the rise. In 2011, there were 219,636 residents, a number that is expected to rise to 263,269 by 2025, according to the City of Reno.

Reno is home to the University of Nevada, Reno, an institution with nearly 20,000 students, a number expected to increase rapidly in the coming years. The school was recently rated one of the top national universities by *U.S. News and World Report*.

The business community in Reno is vibrant and resilient. The Reno area has attracted well-known businesses such as Barnes & Noble, Intuit, Microsoft Licensing, and Amazon. The business community is now garnering national media attention. Reno's national recognition includes the following:

- One of the Twenty Five Best Places to Live in 2010

Men's Journal Magazine

- Nevada #5 on the Seven Best States to Start a Business

US News and World Report

- Best Small City in America for Small Business

Dun & Bradstreet; Entrepreneur Magazine

- Ten Best Places to Live

Cities Ranked and Rated

- Top Three Booming Towns

Fortune

- One of the top cities for quality of life and a business-friendly atmosphere

Time

- #8 in the 50 Best Small Cities to Live In

Men's Journal

- #25 in the 150 Best Places for Business

Forbes

Tourism continues to bring thousands of people to the area each year. The Reno/Tahoe International Airport reports that about 10,500 passengers arrive and depart the airport every day.

A thriving arts and cultural district located downtown and not far from the proposed restaurant location near the university attracts people with its galleries, coffee shops, the Nevada Museum of Art, the Reno Aces ballpark, a Triple A baseball stadium, and the new Discovery Museum.

Visitors come to the area to take advantage of a wide range of recreational opportunities, including skiing and water sports, kayaking at the new white-water park on the river, hiking, camping, and fishing. Nightlife and entertainment attract many visitors as well.

The skyrocketing growth of the area combined with tourism and a booming business community amounts to promising demographics for Mikhail's Tacos, Inc.