Lite Bites Grill

A BUSINESS PLAN BY:

Bill Benson

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LITE BITES GRILL
(LBG Enterprises Inc.)

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(www.litebites.com)

MISSION

"To be the leading alternative to traditional fast-food restaurants, offering healthy and flavourful meals in a quick-service format."

COMPANY MANAGEMENT

Name	Position	Experience	Share
Bill Benson	President & GM	Operations Management Finance & Accounting	100%
Leonard Burgess	Restaurant Manager	Restaurant Management	

ADVISORY TEAM

Name	Position	Experience
Bonnie Vandenberg	Banker	Finance
Gordon Harlock	Accountant	Certified Management Accountant
Lorena Perlock	Dir. Of Marketing	Marketing
Ian Rollins	Lawyer	Commercial Law

EXECUTIVE SUMMARY

LITE BITES GRILL is an exciting new restaurant concept geared toward busy professionals who don't have the time to cook due to today's increasingly hectic lifestyle. The fast-food industry is experiencing explosive growth of 20 per cent per year, yet industry giants offer a very limited variety of healthful and nutritious meals. Research shows that lighter meal options are the fastest-growing menu items, and the majority of consumers take these options into consideration when determining where to eat. Furthermore, 2.5 per cent of the population can be considered vegetarian — another market segment that has been traditionally under-serviced. The LITE BITES GRILL concept is intended to fill these niche markets with a wide variety of tasty and healthful meals, including several attractive vegetarian offerings.

The typical customer is expected to be a homeowner, educated, mid- to upper-income, 25 to 54 years old, and health-conscious. Based upon this profile and factoring in the vegetarian population, the Winnipeg, Manitoba, test market is estimated to consist of 70,850 individuals, 16,942 of whom live within the vicinity of the original test restaurant location. The restaurants will be richly appointed and will possess a relaxing colour scheme consisting of muted earth tones. With an average meal price in the $6 to $9 range, first-year sales are anticipated to be $300,000, reaching $600,000 for each location within three years.

The business is led by Bill Benson, a seasoned operations manager and professional engineer, who is also nearing completion of an MBA. Bill is the sole owner of LBG, based upon his $47,000 equity investment. Day-to-day management will be handled by Leonard Burgess, who has over 20 years of industry experience, primarily with the Denny's chain. The management team is supported by an exceptional advisory group that will provide guidance in their areas of expertise.

A capital investment in equipment and leasehold improvements of $126,500 is required to launch the business. Financing has been arranged with the CIBC through the Canada Small Business Financing Act (CSBFA) program for $113,985 of this amount. The balance of the funding will come via an initial equity investment by the owner. This will provide for the necessary operating expenses as well as the portion of the capital investment not covered by the CSBFA loan. The owner estimates that up to $100,000 could be made available by refinancing his home and cashing in investments. This should provide for any contingencies as well as adequate reserve funds.

The first restaurant will open July 1, 2008, and is expected to post a healthy profit in the second year of operation. After three years, profitability is forecast to be more than double the industry average of 2.4 per cent net profit. By the end of the fifth year, the business will have three locations in operation and net profits (after tax) are forecast to be a healthy $63,200, with retained earnings reaching $100,000. A strong cash position will allow the flexibility to aggressively reduce debt to facilitate developing additional Winnipeg locations in years 3 and 5. Long term, the goal of the business is to have 20 company-owned locations across Western Canada.

LITE BITES GRILL

LITE BITES GRILL (LBG) is an incorporated business that plans the development of a chain of corporate-owned restaurants catering to busy, health-conscious professionals and vegetarians. Presently, the large fast-food outlets are under-servicing these rapidly growing market segments, with very limited product offerings. The LBG vision is to exploit this opportunity by developing a premium quick-service menu offering a wide variety of healthful and nutritious meals.

BUSINESS GOALS

The mission of the LITE BITES GRILL concept is "To be the leading alternative to traditional fast-food restaurants, offering healthy and flavourful meals in a quick-service format." Long term, the goal of the business is to have 20 company-owned locations across Western Canada.

THE INDUSTRY

North Americans spent over $120 billion on fast food in 2005 and fast-food sales are growing at a rate of more than 20 per cent per year (1). This can at least partly be attributed to today's increasingly hectic lifestyle. In 2004, 41 per cent of Canadians claimed to be short of time — a 19 per cent increase in just two years (2). A contributing factor is the return of women to the workforce, leaving them little time to shop, plan, or prepare meals as they once did. Not surprisingly, attitudinal studies reveal that Canadian consumers would like to simplify their lives — in the food realm, they do this by delegating some of the responsibility to foodservice.

It's estimated that 61 per cent of Canadian adults are either overweight or obese (3). Consequently, in choosing where to eat, consumers are taking their health into greater consideration. As evidence of this trend, a recent study by the Canadian Restaurant and Foodservices Association (CRFA) indicated that 60 per cent of fast-food customers rate the availability of healthful or nutritious foods as important in their decision of where to eat. In a further study by the CRFA, newer menu items such as veggie burgers and wrap sandwiches were "among the fastest-growing menu items in 2006." Furthermore, Canadians are eating more salads, while the popularity of French fries and hamburgers is slipping (4).

THE CONCEPT

A quick-service restaurant offering busy health-conscious consumers, including vegetarians, a healthy and flavourful alternative to traditional fast food.

The LITE BITES GRILL menu will include soups, veggie burgers, grilled chicken breast sandwiches, salmon burgers, tuna steak sandwiches, veggie pastas, Asian noodles, vegetarian chili, veggie wraps, and an assortment of fresh salads with low-fat dressings. Low-fat, multi-grain breads will be baked fresh on the premises. Several beverage options will be offered, including a juice bar. A small kids' menu will offer items like baked chicken nuggets and baked fries. Only lunch and dinner items will be offered, with hours of operation from 10:30 a.m. to 9:00 p.m.

The initial restaurant model is intended for a strip mall location, requiring approximately 2,000 square feet, with a seating capacity of 40 people. Bold signage will be employed to intrigue people from a distance. Both carry-out and dine-in options will be available and, based upon similar concepts, it's estimated that 40 per cent of sales will be taken out (5). Customers will be given a number once they've ordered and paid for their meals. Numbers will be called out as the orders are ready. For the benefit of take-out customers awaiting their orders, a small lounge area will be located next to the juice/coffee bar. The day's top news stories will be displayed in Plexiglas cases to help make the brief wait enjoyable.

In terms of physical amenities, the restaurant will be more richly appointed than typical fast-food outlets, with padded booths and chairs and wood trim throughout. Flooring will consist of low-maintenance ceramic tile. The colour scheme will consist of muted earth tones, while the décor will include baskets of fresh vegetables and fruit to convey a healthy image. High ceilings will help create an inviting open-air atmosphere within the confines of a small setting. Nutritional information (including fat grams, calories, cholesterol, etc.) will be posted so that customers can match their orders to their specific dietary needs. An open-kitchen concept will be used to allow the customers to see their food being prepared and to permit direct selection of various ingredients like spices, sauces, and dressings.

Winnipeg is an ideal test location as it's a demanding market. Evidence of the city's suitability as a test market is the fact that McDonald's uses Winnipeg to test the viability of new products. After two years of testing this model restaurant at the Polo Park location, LITE BITES GRILL will add a second and third location in years 3 and 5, respectively. Subsequently, the concept will gradually be rolled out across Western Canada with additional outlets that will remain company-owned.

MARKET ANALYSIS

TARGET MARKET

In considering the aforementioned trends, the target market for this concept is the on-the-go, health-conscious business professional. This concept will primarily appeal to adults within the range of 25 to 54 years of age, seeking tasty and healthful food on the run that's more appealing than what traditional fast food has to offer. Women are expected to comprise 60 per cent of the target market, based on prototypes of similar ventures in the United States.

A secondary, but not insignificant, market is the growing number of vegetarians who are typically poorly serviced, with limited offerings from the major fast-food chains — particularly for true vegan offerings. Vegans are strict vegetarians who refrain from eating any animal products, including all meats (beef, pork, seafood, fish, and poultry), dairy products, eggs, and honey. The number of Canadians who rarely or never eat meat is on the rise — approximately 2.5 per cent of the population can be considered vegetarian (6). This does not include people who occasionally or rarely eat meat or animal products.

Consumers want to eat healthy, but do not want to sacrifice taste. D'Lites, a vegetarian chain that grew to 86 locations throughout the United States before closing its doors, cut calories at the expense of flavour, and this led to its demise. Furthermore, consumers are finding a limited variety of healthy options available at the traditional fast-food chains. Most chains have little to offer beyond veggie burgers and salads. LITE BITES GRILL will offer a comprehensive menu of tasty and nutritious quick-service meals. All menu items will be health-oriented, so that consumers will not have to resist the temptations offered by calorie-laden menu items.

MARKET SIZE

A variety of detailed information for the target market is available in the 2006 Census data released by Statistics Canada (7). The typical customer profile for this concept is expected to be a homeowner, educated, mid- to upper-income, aged 25 to 54, and health-conscious. Using the relevant education and age demographics for the City of Winnipeg, we learn that 19.1 per cent of the individuals in our target age bracket have a university education. Assuming that the university-educated individuals within the age bracket of 25 to 54 are representative of the target market, it is estimated that this market in Winnipeg consists of 57,250 individuals. Furthermore, using this same methodology, the market in Canada for this concept is estimated to be 2,580,000.

These figures do not reflect the vegetarian component of the potential market. Using the 2.5 per cent approximation, vegetarians comprise an additional 13,600 Winnipeg customers and 607,000 Canadians. Only individuals over the age of 14 were considered in making these calculations. It was assumed that vegetarians under the age of 15 would not have much say in making decisions of where to dine, and consequently this segment of the market is not expected to comprise a significant portion of our clientele.

Thus, our total potential market size is expected to be 70,850 (57,250 + 13,600) Winnipeggers and 3,187,000 (2,580,000 + 607,000) Canadians.

ESTIMATED SALES AND MARKET SHARE

Based upon Census data (8), the typical household in the Winnipeg test market is spending $1,367.08 per year, on average, for food purchased from restaurants. It is assumed that this *household* data will apply to *individuals* in the target market, due to the higher income levels and hectic schedules that will make restaurant visits more common than at lower income levels. Based on this assumption, the 16,942 individuals in the Winnipeg target market spend a total of $23,161,069 in restaurants. This figure represents the total market potential for this concept in the market area of the test restaurant. This is expected to be a conservative estimate, as it does not include that spent by visitors to the city or commuters from surrounding areas.

O'Naturals (see "Competition" section below) appears to have achieved the highest sales success of similar concepts, with sales of $2,000 to $3,000 per day, roughly on par with a typical Burger King (9). However, based upon surveys of other restaurants, typical annual sales for a mature restaurant in this market are expected to be approximately $600,000. Using a start-up year factor of about 50 per cent, as recommended by the Canada Business Service Centre (10), the forecasted sales for the first year are $300,000. Using a "top down" approach to estimate sales (11) would yield our first-year sales forecast at an estimated market share of 1.3 per cent, which appears highly achievable.

Preliminary sales estimates are outlined in Appendix 1. Sales are expected to be relatively strong the first month due to grand opening sales promotions. The forecast tapers off for the next few months, followed by gradual growth as the business begins to establish itself.

COMPETITION

The fast-food industry is intensely competitive and the large traditional chains, with their considerable brand equity, are evolving product lines to address changes in consumer preferences. Among the primary competition:

MCDONALD'S (www.mcdonalds.com): The world's largest restaurant operator, McDonald's had a 43 per cent share of the quick-service hamburger market in 2006 — down slightly from the previous two years as

McDonald's struggled to expand its product line. Recent additions to the menu include salads, chicken burgers, veggie burgers, and a low-fat yogourt/granola snack. In 2006 McDonald's purchased a minority stake in the London, England, Pret a Manger, a 16-year-old chain specializing in fresh, handmade wraps, salads, and sandwiches that are free of additives and preservatives. The company plans to develop 20 Manhattan units by the end of the year and an additional 40 New York City shops before expanding into other markets.

BURGER KING (www.burgerking.com): Considered to have the burgers with the highest fat content in the industry, Burger King is revamping its product offerings to include a vegan-friendly veggie burger, a Chicken Whopper, and better-tasting coffee. It's not so much the vegetarian or health-conscious consumer that the chain is targeting, but rather the veto power this market segment may have over a minivan full of hungry, burger-eating family members. Market share at the number-two hamburger chain has eroded to 18.4 per cent in 2006, down from 19.6 per cent in 2004.

WENDY'S (www.wendys.com): The number-three hamburger chain, with a 13.2 per cent market share in 2006, has been boosting its market share for five consecutive years. Unlike its two larger rivals, who compete on price, Wendy's has been boosting market share without discounting core menu items. Recent additions to the menu include a popular line of salads.

SUBWAY (www.subway.com): With more than 17,000 locations in 75 countries, SUBWAY has now overtaken McDonald's as the largest restaurant chain by number of stores in the United States. SUBWAY is heavily promoting its low-fat line of subs (7 subs with 6 grams of fat or less) through its "Jared" campaign. Jared Fogle, SUBWAY's weight-loss hero, lost 245 pounds through his own diet and exercise regime, incorporating SUBWAY's "7 under 6" menu of low-fat sandwiches.

In addition to the large chains, there are many small concepts emerging, primarily in the United States, with plans to franchise out to regions that include the Canadian market. These are considered a distant threat, as the concepts are still being tested and developed in regional areas and do not have plans to aggressively pursue the Canadian market for the foreseeable future. These include:

TOPZ (www.topz.com): A Southern California concept with healthier versions of traditional fast-food fare — soy, turkey, and lean-beef burgers are on the menu, as well as baked "fries." Topz has six locations in the greater Los Angeles market. Franchising will add 10 to 12 stores in the next year, and in the longer term it plans 100 to 200 more.

O'NATURALS (www.onaturals.com): An emerging concept in the New England area of the United States that represents "family-friendly, tasty, natural, and organic fast food." Not specifically a low-fat or vegetarian concept, the company is targeting consumers with an ethical and environmental consciousness — offering meat from free-range livestock that has been raised without unnecessary chemicals and hormones. There is presently only one prototype location, in Falmouth, Maine. Plans included two new units in 2007 and three additional restaurants in 2008. From there, O'Naturals plan to roll out the concept throughout the Northeast and nationally, with the potential for several hundred locations.

HEALTHY BITES GRILL (www.hexs.com): Claims to be the United States' "first fast-food restaurant franchise to feature gourmet health food." The concept is presently being rolled out in the Fort Lauderdale, Florida, region.

MARKETING PLAN

PRICING

The pricing strategy employed will be that of a premium quick-service restaurant. Based upon similar concepts in the United States, the average meal will cost between $6 and $9. LBG will not be competing based on price, but rather will be focusing on value. The higher quality and more nutritious meals will command a higher price in the market. In support of this strategy, the focus group established for the purpose of defining this market indicated that many senior businesspeople are very conscious of their image. Consequently, there is a perception that executives would not come back to the office with a take-out bag from the typical fast-food chain because it would give the image that they have low standards. LBG's concept will appeal to a mid- to upscale market and will be priced accordingly.

A detailed breakdown of fixed and variable costs can be found in Schedule 2 (the financial statements follow the body of this business plan). Typical gross margins in this industry are approximately 70 per cent, while net margins are a slim 2.4 per cent. LBG margins are expected to be on par with the industry norm. However, after the second year of operation, net income is forecast to be more than double the industry average. Although the break-even sales volume of $318,900 is not expected to be achieved in the first year, it is anticipated the restaurant will be profitable in its second year of operation. As restaurants are a cash business, they have the significant advantage of having no potential credit issues that can negatively impact operations.

ADVERTISING AND PROMOTION

A multi-faceted promotional campaign is planned for the official launch of the concept and grand opening of the first restaurant. A complete summary of the first-year marketing budget is shown in Appendix 2. The Industry Canada SME Benchmarking Tool web site indicates that the typical company in this industry spends, on average, 3 per cent of gross sales on advertising. Based on first-year forecast sales of $300,000, this would put $9,000 into the advertising budget. However, due to the fact that this is a start-up, a 100 per cent premium will be used to bring the first-year advertising budget to $18,000. Factoring in expenses for sales promotions, personal selling, and the development of a Web site, brings the total first-year marketing budget to $25,125.

To help build brand awareness and to support general inquiries, a Web site will be developed and will go "live" approximately one month prior to the grand opening. The Web site will be established to ensure that information on the concept is readily available to the computer-savvy consumers that make up a large percentage of the target market. The site will include pictures of the restaurant, as well as a menu, complete with information on the applicable nutritional content. This nutritional information will compare and contrast with that of typical menu items at the large fast-food chains. In addition, general health and dietary facts will be provided in an interactive menu format. Patrick Doerksen, a freelance computer programmer, will develop the site for a quoted $2,500 fee plus $50 per month for updating. Other costs include $35 annually for a domain name and $20 per month for hosting services.

The promotions program will officially begin approximately one week prior to the grand opening of the restaurant. Two university marketing students will be hired to visit local businesses within the target market to conduct personal selling. Menus will be dropped off, in addition to sales promotions consisting of coupons for a free menu item. Eighty hours has been budgeted for this activity at $10 per hour. In addition, a promotional billboard will be developed and displayed approximately one week prior to the grand opening. It will be in place for a four-week period.

The marketing program will also include a comprehensive newspaper advertising campaign. This will include sponsoring a sampling campaign in conjunction with *The Winnipeg Sun*. For a nominal $1,500, the *Sun* offers a full-page wrap that is delivered with a free paper to approximately 3,000 to 4,000 homes and businesses within the target area. The wrap is issued the day of the grand opening. The front page announces the opening with the specials for that day. The second and third pages provide special coupons for the second and third days of the grand opening period. The back page of the wrap will have a ballot that can be dropped off to enter a draw for a Blu-Ray player. Thus, the wrap generates at least three days of traffic.

After the grand opening, an ongoing newspaper advertising program will be established. The campaign will stress the availability of a new alternative to traditional fast food — an alternative that offers more variety than the few bland options available from the big chains. Both *The Winnipeg Sun* and the *Winnipeg Free Press* will be utilized, as each paper targets different market segments. *The Winnipeg Sun* is number one in readership among adults 25–34, based on NADbank 2002 (13), an independent survey measuring 72 daily newspapers in 46 urban markets. The overall reach of the *Sun* is 266,400 weekly readers. Meanwhile, the *Winnipeg Free Press,* with a reach of 404,700 weekly readers, has higher readership in the 35+ category, and is more skewed to females than the *Sun*. Thus, the *Free Press* advertising will reach the mature female component of the target market. The budgeted $9,650 will include one more wrap-style campaign in the *Sun*, as well as four inserts in the *Free Press* at $2,000 each. These advertisements will be spread evenly throughout the remainder of the year.

A small radio budget of $2,500 will be established for the grand opening. Radio station BOB FM was chosen for the campaign due to its listener base being well represented by members of the target market. Radio advertising will begin on the day of the grand opening and the campaign will last for a period of three days. During the actual day of the grand opening, BOB FM will have on-air giveaways and live broadcasts on location.

MANAGEMENT TEAM

Bill Benson is the President and General Manager of the LITE BITES GRILL and will be responsible for overall operation of the business. Bill received a Bachelor of Science degree in Industrial Engineering from the University of Manitoba in 1995. He received his Professional Engineer designation in 1997 from the Association of Professional Engineers of Manitoba. Bill has held a variety of senior-level operations positions and is presently Operations Manager for Malon Plastics Inc. This position has overall P & L responsibility for the company's three divisions and includes direct and indirect supervision of 75 employees. To complement his diverse work experience, Bill has been working toward receiving a Masters of Business Administration in the part-time program at the University of Manitoba. He will graduate from the program in April 2008, at which time he plans to focus his efforts on developing and growing the LITE BITES GRILL restaurant concept. Bill has previous entrepreneurial experience, having founded and successfully run a private automobile wholesaling business for three years.

Leonard Burgess is the Restaurant Manager and will be in charge of running day-to-day operations. Leonard has 20 years' experience in the restaurant industry, working in a variety of capacities. His experience ranges from cooking and waiting tables through to managerial positions. One of his most recent achievements involved managing a Denny's restaurant for eight years in Calgary, Alberta. Leonard will assume a "hands-on" role at LITE BITES GRILL, supervising his staff as well as helping out as needed during peak demand. As Manager, he will be responsible for the hiring and training of all restaurant personnel. In addition, he will perform all purchasing of food supplies and management of the supply base. Basic accounting software will be utilized to maintain a system of bookkeeping. In this capacity, Leonard will report directly to the General Manager. A detailed resumé for Leonard, outlining his vast work experience in the food-services industry, can be found in Appendix 7.

MANAGEMENT COMPENSATION

Bill Benson will remain with his present employer for the first two years of operations. During this time, he will not draw a salary from the business, although he plans to work evenings and weekends furthering the development of the chain. As Restaurant Manager, Leonard Burgess will receive a salary of $30,000 per annum.

SHAREHOLDERS

Bill Benson will be the sole shareholder in the business, with 100 per cent ownership as a result of the $47,000 initial personal capital investment.

ADVISORY TEAM

To successfully launch and develop a new venture like this, a team of advisers has been assembled to support the management team. The team has been selected based on their relevant expertise and proven abilities.

Bonnie Vandenberg is a Financial Adviser with CIBC. LBG has consulted Bonnie regarding CIBC commercial banking for securing start-up capital. Bonnie, in conjunction with Al Taylor — CIBC's General Manager, Small Business — has helped LBG management determine the appropriate financing for the business. The CIBC will also provide financial guidance during periods of expansion. Bonnie is a Certified Financial Planner and has a Masters of Business Administration from the University of Manitoba.

Gord Harlock is the Controller of Malon Plastics Inc. and has held a variety of senior-level accounting positions over the past 20 years. Gord has several years' experience as a consultant specializing in setting up accounting systems for small businesses. He has a Bachelor of Commerce (Honors) and is a Certified Management Accountant (CMA). Gord will advise LBG in the set-up and implementation of its accounting system.

Lorena Perlock is Director of Marketing with *The Winnipeg Sun*. Lorena recently graduated with an MBA from the University of Manitoba and has extensive experience in the field of marketing. She will provide guidance to LBG in areas of marketing, advertising, and promotions.

Ian Rollins practises commercial law and is a partner in the firm Rollins & Rollins. The practice has emphases in the following areas of law: business organizations, corporate and commercial transactions, real estate, general contractual matters, and employment law. Ian's extensive academic accomplishments include a Masters degree in Law from Oxford University. He teaches the Commercial Law course at the University of Manitoba in the Asper School of Business. Ian has been retained by LBG to provide all legal advice.

OPERATIONS PLAN

LOCATION

The site chosen for the initial restaurant is at 1045 St. James Street in The Brick Plaza commercial complex. A detailed facility location and site plan are provided in Appendix 3. The site is ideally located at Ellice Avenue and St. James Street, an intersection with one of the busiest traffic counts in Winnipeg. The site offers additional benefits of superior access and egress, signage offering maximum exposure, and an excellent, well-lit parking lot with an ample supply of parking spaces.

The location is just north of the Polo Park Shopping Centre, Winnipeg's premier shopping complex. This site has all of the desirable features for this concept: (1) it is close to the downtown area, home to the employers of many business professionals, (2) it is within reasonable proximity of the mid- to upscale neighbourhoods of St. James, River Heights, Linden Woods, Tuxedo, and Whyte Ridge, and (3) the area is home to a number of large retail outlets and a major shopping centre, which is expected to ensure adequate traffic volume around the restaurant throughout all hours of the day and into the early evening. Census data for the relevant areas for the City of Winnipeg can be found in Appendix 4 (8). As indicated in the exhibit, it is estimated that 16,942 individuals who fit our target market profile reside within the vicinity of the original restaurant location.

FACILITIES

The total space available of 1,913 square feet will provide ample room for the dining area, kitchen, storage, and a small office. At present, the facility is serving as warehouse space for an adjacent business. Drywall is in place but the area is otherwise unfinished, with the exception of separate male and female handicap-accessible washrooms. The premises are zoned C-2, which is suitable for a restaurant.

The premises are available for lease at an asking rate of $12 per square foot, net. However, the listing agent felt that if the lessee developed the space, the lessor would reduce this amount to around $10 per square foot. Additional fees for common area management (CAM) amount to $4.06 per square foot. The CAM includes exterior building maintenance, real estate taxes, landscaping, and snow removal. Furthermore, a management fee of 5 per cent of net rent would be applicable. This would bring the total annual rent to $27,853, which equates to $2,321 per month. The lessor is requesting a lease of between a three- to five-year term. With the substantial investment in leasehold improvements, LBG will seek a five-year lease and will likely gain further concessions for doing so. The lessee will be expected to give a personal guarantee together with the first and last months' rent as a security deposit. All utilities and business taxes are separate.

In terms of general leasehold improvements, decorating and remodelling is estimated to be $55,000. This amount was based upon the average leasehold improvement cost for opening a SUBWAY restaurant in Canada (14).

Signex Manufacturing Inc. will provide and install a 5-foot 3 8-foot internally illuminated sign for the front entrance of the restaurant. The sign will have a white acrylic face with high-performance translucent graphics applied to the surface. Cost for the sign is $1,800. An additional fee of $155 is required for a standard City of Winnipeg permit.

EQUIPMENT

A wide variety of equipment is required to ensure the restaurant is capable of preparing the breadth of menu items to be offered. Due to the specific nature of some of the equipment and the lack of availability of good used equipment on the market, all items will be purchased new from Russell Food Equipment. All kitchen equipment will be of commercial quality, with National Sanitation Foundation (NSF) or equivalent approval. A detailed equipment listing can be found in Appendix 5. The optional dishwasher will be purchased to allow the staff to focus on cooking and service activities and to keep staffing levels to a minimum. The prices listed include delivery and setting in place. Also included is the mounting of the menu sign, the set-up of the storage shelves, and the set-up and testing of the walk-in cooler/freezer. Total cost of the equipment amounts to

$63,000. Due to the magnitude of the purchase, it is expected that a 5 per cent discount will be negotiated, reducing the total cost to $59,850. Lead time for delivery of the equipment is four to six weeks. The expected life of the equipment is approximately 10 years.

Electrical hook-up and plumbing costs are extra. Industrial Electrical Services has estimated $3,000 for electrical hook-up of the equipment, including the permit, labour, and all materials. The 200-amp service presently available on the premises was deemed sufficient to meet the electrical requirements of the installed equipment. Elmwood Plumbing and Heating has estimated $2,000 for all plumbing connections, including all materials.

Russell Food Equipment provides consultant services on a no-charge basis to its clients during new start-ups. In addition, the owner of LBG is a Registered Professional Engineer. Thus, design of the layout and the development of drawings and specifications for tendering the leasehold improvements will be performed at a minimal out-of-pocket expense.

SUPPLY CHAIN

SYSCO Food Services has been chosen to be the primary supplier for food and general supplies. SYSCO is a broadline food distributor, offering a complete line of products including produce, meats, poultry, seafood, frozen foods, paper, cleaning supplies, chemicals, dairy, and full beverage programs featuring Citavo fresh ground coffee and Sunkist premium juices. Over 9,000 items are carried at the local branch and 40,000 items are stocked by SYSCO's parent company. These are standard items and availability is not a problem. Nutritional information is available so that fat content, cholesterol, and calorie information can be passed on to LBG customers. Meats are cryogenically frozen and vacuum-packed in single-serving portions so that the entire case need not be thawed. Most menu items are available in a heat-and-serve format, minimizing the need to develop recipes from scratch.

Deliveries are offered free of charge on orders above $500 and will take place once per week. Orders can be made through a convenient Web-based system or via direct contact with a marketing associate. Specialists are on staff to assist with a wide range of matters, from nutritional information and cooking tips to kitchen design assistance.

Due to unpredictable market elements, the longest pricing contract that can be arranged is for a period of six months. Products like poultry are heavily dependent on weather conditions. Poultry is sourced locally and a hot dry stretch, for example, could lead to high death rates and significant upward price pressure. However, with SYSCO's nationwide network, items can be sourced in other regions, minimizing the impact of regional conditions. Until a credit history can be established, orders will remain C.O.D. for the first several months. However, a direct electronic funds transfer (EFT) service is offered at no charge to SYSCO customers. This system essentially provides up to one week of working capital by delaying electronic transfer of funds until the following Tuesday morning, allowing time for deposit of funds from the busy weekend period.

Additional benefits will be achieved by selecting specific brands to be utilized in the restaurant. For example, Campbell's Soups has a soup kettle program that provides some equipment, as well as slide cards and menu displays, when Campbell's Soup products are used exclusively. Similarly, a paper program is available whereby towel and paper dispensers are offered free of charge when paper products are purchased through SYSCO. Likewise, beverage equipment is provided at no charge when Citavo coffee and Sunkist juices are purchased exclusively.

Due to the size and stability of the SYSCO organization, backup suppliers are not deemed necessary. However, alternative suppliers are available if the need ever did arise. For example, To-Le-Do Foodservice distributes a full line of top-quality chilled and frozen products including beef, veal, pork, smoked meats, chicken, turkey, seafood, and fresh-cut produce.

HUMAN RESOURCES

Each LBG location will employ two full-time serving personnel and an additional four casual workers in a non-unionized environment. Serving personnel perform a range of duties, including taking customer orders, preparing meals, operating the cash register, and performing general clean-up activities. A staffing schedule can be found in Appendix 6. During peak periods, one full-time employee will be supported by two casual workers. It is also expected that the restaurant manager will assist staff during peak hours.

Employees hired must be personable and well organized. Previous restaurant experience is desired but not mandatory, as all employees will receive extensive training. To entice employees to work for LBG in this environment of low unemployment, a starting wage of $7 per hour will be paid to all casual labour. This represents a $0.50 per hour premium over the $6.50 per hour minimum wage that is typically paid in the industry. The two full-time employees will be paid a more attractive $8 per hour to help retain these key personnel.

Initial start-up training will consist of one week of "hands-on" training conducted by representatives of the foodservices supply industry and the equipment manufacturers. Likewise, ongoing training will be performed on an as-needed basis by various suppliers. New hires will receive a brief indoctrination to the company by the Manager. After indoctrination, the "buddy" system will be used for the following week by pairing up the new hire with an experienced employee.

Every effort will be made to create a fun, stimulating, and rewarding environment whereby employees feel appreciated and respected. Incentives will be provided to achieve targets in areas like customer satisfaction, workplace cleanliness, and safety. These promotions may include tickets for sporting events, T-shirts, gift certificates, and company-sponsored recreational activities. Additional benefits include vacation pay ranging from 4 per cent for new hires up to 8 per cent for employees with 10 years of tenure.

REGULATORY REQUIREMENTS

The foodservices industry is heavily regulated. Consequently, there are several permits and licences that will be obtained prior to the opening of the first restaurant:

- A Food Handling Establishment Licence (By-Law 6551/95) must be obtained from the City of Winnipeg Licence Branch. Licences are valid for one year and must be renewed annually. There is a $311 fee for each licence. To be approved, the premises must comply with applicable zoning regulations and must be examined by a Medical Health Officer and deemed to be in a fit, clean, and suitable condition.
- An Occupancy Permit must be obtained from the City of Winnipeg Zoning and Permits Branch. Five sets of detailed plans and specifications must be submitted to a Zoning Officer at the Plan Approval Office. The one-time fee of $585.85 includes the occupancy permit itself, the building permit for renovations (a variable fee, based on development costs), the fire department review fee, and the health department review fee.
- A Food Health Permit must be obtained from an Environmental Health Officer at Manitoba Conservation in order to operate a foodservice establishment. The Food Health Permit is issued upon completion of an inspection by an Environmental Health Officer and satisfactory compliance with the Food Service Establishment By-Law 5160/89. In addition, the applicant must register for the Certified Food Health Training Program. The Food Health Permit must be posted and displayed in a clearly visible location in the establishment. There is no cost for the permit itself. The premises are, however, subject to ongoing monitoring to ensure compliance.

INSURANCE PLAN

MILNCO Insurance has developed a comprehensive insurance program for LBG, with protection from a range of perils. A detailed outline of the insurance coverage can be found in Appendix 8. There are several key elements to the insurance plan. Firstly, the business premises insurance will provide coverage for loss of physical assets, including equipment, inventory, and improvements/betterments. Coverage is based on replacement cost of equipment and fixtures and actual cash value on inventory. Secondly, the $2,000,000 comprehensive general liability coverage will cover liability to customers injured on the premises or off the premises when attributed to products sold by LBG. Lastly, business interruption insurance will enable LBG to continue to pay the bills if the business were to be closed down by fire or any other insured peril. The annual premium for this package would be $1,798, with a $500 deductible applying to each loss.

IMPLEMENTATION SCHEDULE

A comprehensive implementation schedule has been developed to ensure that all phases of the venture have been adequately planned. The development of the concept has been broken down into four distinct components: preliminary phase, development phase, pre-opening phase, and growth phase.

The preliminary phase took approximately seven months to complete — the bulk of which was involved with the development of the formal business plan. The development phase will commence shortly. The first steps of this phase will be to register the business name at the Companies Office ($30 fee) and to contact the Tax Services Office to arrange for a business number, a Provincial Sales Tax (PST) number and a Goods and Services Tax (GST) number. Subsequently, the business will be incorporated and the financing will be formally secured, as previously arranged in the business plan. The development phase is expected to take three months, with the majority of the time consumed by leasehold improvements and installation of equipment. This work is expected to be completed by May 30, 2008.

The pre-opening phase is primarily involved with two elements. The first element consists of the hiring of the restaurant manager, after which the menu will be finalized. Cooking and serving personnel will be hired shortly thereafter. These employees will receive a comprehensive one-week training program to primarily become familiarized with the menu and equipment. The second element of the pre-opening phase involves the extensive grand opening advertising and promotion campaign, as outlined under the marketing plan. Lastly, the long-term growth of the restaurant is outlined in the growth phase. This involves the development of a comprehensive operations manual in addition to planned openings of the second and third locations.

FINANCIAL PLAN

FUNDING REQUESTED

The major capital costs involved in launching this concept are the fixtures and equipment, installation of the fixtures and equipment, and decorating and remodeling (leasehold improvements). These costs are $61,650, $10,000, and $55,000, respectively, for a total of $126,650. LBG will be financed through a combination of debt and an equity investment. The Canadian Imperial Bank of Commerce (CIBC) has agreed to finance a large portion of this major expenditure.

For fixtures, equipment, and installation, the CIBC will use the government-guaranteed Canada Small Business Financing Act (CSBFA) program, which allows financing up to 90 per cent of the cost. The interest rate is prime plus 2.25 per cent, which includes a 1.25 per cent administration fee paid to the federal government. Payments would be monthly for a period of seven years. Security would be via a general security agreement with a specific charge over the various pieces of equipment, the assignment of fire insurance, and a personal guarantee from the owner for 25 per cent of the loan amount. Likewise, renovation expenses also qualify for the CSBFA loan. Thus, CIBC has agreed to a loan for $113,985.

The balance of the funding will come via a $47,000 equity investment by the owner, giving him 100 per cent of the common shares in the corporation. Proceeds will fund operating expenses as well as the portion of the capital investment not covered by the CSBFA loan. The owner estimates up to $100,000 in total, including the initial investment, could be made available by refinancing his home and cashing in investments. This should provide for any contingencies as well as adequate reserve funds.

The second and third locations will be added in years 3 and 5, respectively. Growth will again be financed through the CIBC, under the same terms and conditions. For planning purposes, it is assumed that equipment and renovation costs will remain approximately the same. No further equity investment will be required on the part of the owner to finance the expansion.

FINANCIAL PROJECTIONS

Detailed financial projections have been provided in several schedules with this business plan. As indicated, LBG is expected to lose $13,264 in its first year of operations, primarily due to an aggressive promotions campaign. The $300,000 estimated first-year sales figure falls short of the break-even point of $318,900. However, operations are expected to be profitable in the second year. By year 4, profitability is forecast to be more than double the industry norm of 2.4 per cent net profit (as a percentage of sales). After five years, the business will have three locations in operation and net profits (after tax) are forecast to be a healthy $63,200, with retained earnings reaching $100,000.

As indicated in the cash flow projections in Schedule 4, the initial CIBC loan and $47,000 equity investment give the operation more than adequate cash flow. This will give the business the advantage of paying down debt more aggressively and/or possibly reducing the start-up capital required for the launch of the additional locations. Dividends will not be paid to the owner initially in order to maximize funds available for growth. The current and quick ratios provide further evidence that there should be no problem meeting financial obligations going forward. If cash is drawn down to reduce debt, it will be done under the condition that the current ratio be maintained at a minimum of 2:1.

RISK FACTORS

In undertaking any new business venture, there are many risks that must be identified and contended with. LBG has identified the key risks present in the foodservices industry as well as risks associated with this particular concept:

1. **Fire or other damage forcing closure:** LBG will limit the impact of a fire by ensuring the business has comprehensive insurance protection, including adequate business premises insurance as well as business interruption insurance.
2. **Liability for illness related to foods served:** The $2,000,000 comprehensive general liability insurance coverage will ensure the business has adequate liability coverage in the event a customer becomes injured on the premises or where an illness is attributed to products sold by LBG.
3. **Delays in construction from leasehold improvements and equipment installation:** Penalty clauses will be written into the contracts to ensure that LBG is compensated for damages resulting from delays to opening.
4. **Stagnant or inadequate sales:** If sales growth proves unacceptable and/or the concept is not well received in the marketplace, the theme will be modified accordingly, based upon further assessment of the market.
5. **Difficulties with suppliers:** This is considered to be a minor risk as there are several general suppliers to the foodservice industry so that a switch could be made if warranted.
6. **Limited experience of the owner in the foodservices industry:** This is not a major concern as LBG has an experienced advisory team, a seasoned restaurant manager, and reputable suppliers. In addition, were the situation severe enough, a consultant could be hired to guide the operation through short-term difficulties. The owner will seek out training opportunities to minimize the impact of any shortcomings.

DIVESTITURE/HARVEST STRATEGY

In the event that the LBG owner desires to exit the business, every attempt will be made to sell the business as a going concern. If a sale cannot be made, however, the assets of the business will be sold off individually. There is a market for used commercial cooking equipment and if satisfactory arrangements cannot be made locally, the equipment will be sold over the Internet. The proceeds of any such sale shall be used to pay off the debt obligations of the business and any remaining funds will be paid to the owner. Furthermore, due to the prime location(s) of the restaurant(s), subletting the premises is not expected to be difficult.

The owner does feel, however, that the concept has significant upside potential. As LBG adds locations and builds market share, it is expected to attract the attention of large national chains. LBG may become a takeover target as chains look to consolidation as a means to achieve growth targets while the market for traditional fast-food menu items stagnates. The owner would give serious consideration to selling the business if it could be sold for a substantial profit.

SCHEDULE 1 LBG REQUIRED START-UP FUNDS

ITEM	COLUMN 1 ESTIMATE OF MONTHLY EXPENSES BASED ON SALES OF $300,000 PER YEAR	COLUMN 2 NUMBER OF MONTHS OF CASH REQUIRED TO COVER EXPENSES*	COLUMN 3 CASH REQUIRED TO START BUSINESS (COLUMN 1 X COLUMN 2)*
Salary of Manager	$2,500	2	$5,000
All Other Salaries and Wages	$4,700	3	$14,100
Rent	$2,321	3	$6,963
Advertising	$1,500	3	$4,500
Delivery Expense/Transportation	$300	3	$900
Supplies	$100	3	$300
Telephone, Fax, Internet Service	$200	3	$600
Other Utilities	$700	3	$2,100
Insurance	$150	3	$450
Taxes Including Employment Insurance	$300	4	$1,200
Principal & Interest (Loan)	$1,734	3	$5,202
Maintenance	$450	3	$1,350
Legal and Other Professional Fees	$175	3	$525
Miscellaneous	$3,650	3	$10,950
Total Cash Requirements for Monthly Recurring Expenses: (A)			**$54,140**

START-UP COSTS THAT HAVE TO BE PAID ONLY ONCE

	CASH REQUIRED TO START BUSINESS
Capital Costs	
Fixtures and Equipment	$61,650
Decorating and Remodelling	$55,000
Installation of Fixtures and Equipment	$10,000
Starting Inventory	$7,500
Soft Costs	
Deposits with Public Utilities	$2,000
Legal and Other Professional Fees	$1,200
Licences and Permits	$1,052
Advertising and Promotion for Opening	$14,705
Accounts Receivable	$0
Cash	$5,000
Miscellaneous	$5,000
Total One-Time Cash Requirements: (B)	**$163,107**
TOTAL ESTIMATED CASH REQUIRED TO START BUSINESS: (A) + (B)	**$217,247**

SCHEDULE 2

PRO FORMA INCOME STATEMENT FOR LITE BITES GRILL
For The Year Ending June 31, 2009

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
1. Gross Sales	30,000	28,000	24,000	20,000	20,000	22,000	24,000	24,000	24,000	26,000	28,000	30,000	300,000
2. Less: Cash Discounts	0	0	0	0	0	0	0	0	0	0	0	0	0
A. NET SALES	$30,000	$28,000	$24,000	$20,000	$20,000	$22,000	$24,000	$24,000	$24,000	$26,000	$28,000	$30,000	$300,000
Cost of Goods Sold:													
3. Beginning Inventory	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
4. Plus: Net Purchases	8,940	8,344	7,152	5,960	5,960	6,556	7,152	7,152	7,152	7,748	8,344	8,940	89,400
5. Total Available for Sale	16,440	15,844	14,652	13,460	13,460	14,056	14,652	14,652	14,652	15,248	15,844	16,440	96,900
6. Less: Ending Inventory	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
B. COST OF GOODS SOLD	$8,940	$8,344	$7,152	$5,960	$5,960	$6,556	$7,152	$7,152	$7,152	$7,748	$8,344	$8,940	$89,400
C. GROSS MARGIN	$21,060	$19,656	$16,848	$14,040	$14,040	$15,444	$16,848	$16,848	$16,848	$18,252	$19,656	$21,060	$210,600
Less: Variable Expenses													
7. Owner's Salary	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Employees' Wages and Salaries	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	86,400
9. Supplies and Postage	100	100	100	100	100	100	100	100	100	100	100	100	1,200
10. Advertising and Promotion	14,705	70	2,070	70	70	3,720	70	70	2,070	70	70	2,070	25,125
11. Delivery Expense	360	336	288	240	240	264	288	288	288	312	336	360	3,600
12. Bad Debt Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Travel	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Legal and Accounting Fees	1,200	0	0	0	0	0	0	0	0	0	0	2,100	3,300
15. Vehicle Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Maintenance Expense	540	504	432	360	360	396	432	432	432	468	504	540	5,400
17. Miscellaneous Expenses	3,960	3,696	3,168	2,640	2,640	2,904	3,168	3,168	3,168	3,432	3,696	3,960	39,600
D. TOTAL VARIABLE EXPENSES	$28,065	$11,906	$13,258	$10,610	$10,610	$14,584	$11,258	$11,258	$13,258	$11,582	$11,906	$16,330	$164,625
Less: Fixed Expenses													
18. Rent	2,321	2,321	2,321	2,321	2,321	2,321	2,321	2,321	2,321	2,321	2,321	2,321	27,852
19. Utilities (Heat, Light, Power)	700	700	700	700	700	700	700	700	700	700	700	700	8,400
20. Telephone	200	200	200	200	200	200	200	200	200	200	200	200	2,400
21. Taxes and Licenses	1,052	0	0	0	0	0	0	0	0	0	0	0	1,052
22. Depreciation	825	825	825	825	825	825	825	825	825	825	825	825	9,900
23. Interest	702	628	689	660	676	648	662	656	628	642	615	629	7,835
24. Insurance	150	150	150	150	150	150	150	150	150	150	150	150	1,800
25. Other Fixed Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
E. TOTAL FIXED EXPENSES	$5,950	$4,824	$4,885	$4,856	$4,872	$4,844	$4,858	$4,852	$4,824	$4,838	$4,811	$4,825	$59,239
F. TOTAL OPERATING EXPENSES	$34,015	$16,730	$18,143	$15,466	$15,482	$19,428	$16,116	$16,110	$18,082	$16,420	$16,717	$21,155	$223,864
G. NET OPERATING PROFIT (LOSS)	($12,955)	$2,926	($1,295)	($1,426)	($1,442)	($3,984)	$732	$738	($1,234)	$1,832	$2,939	($95)	($13,264)
H. INCOME TAXES (estimated)													$0
I. NET PROFIT (LOSS) AFTER INCOME TAX													($13,264)

SCHEDULE 3 PRO FORMA INCOME STATEMENT FOR LITE BITES GRILL
For The Year Ending June 31

	2009	2010	2011	2012	2013
1. Gross Sales	300,000	400,000	900,000	1,000,000	1,300,000
2. Less: Cash Discounts	0	0	0	0	0
A. NET SALES	**$300,000**	**$400,000**	**$900,000**	**$1,000,000**	**$1,300,000**
Cost of Goods Sold:					
3. Beginning Inventory	7,500	7,500	7,500	15,000	5,000
4. Plus: Net Purchases	89,400	119,200	268,200	298,000	374,400
5. Total Available for Sale	96,900	126,700	275,700	313,000	389,400
6. Less: Ending Inventory	7,500	7,500	15,000	15,000	22,500
B. COST OF GOODS SOLD	**$89,400**	**$119,200**	**$260,700**	**$298,000**	**$366,900**
C. GROSS MARGIN	**$210,600**	**$280,800**	**$639,300**	**$702,000**	**$933,100**
Less: Variable Expenses					
7. Owner's Salary	0	0	30,000	40,000	60,000
8. Employee's Wages and Salaries	86,400	115,200	229,200	248,000	314,400
9. Supplies and Postage	1,200	1,200	2,400	2,400	3,600
10. Advertising and Promotion	25,125	12,000	43,125	30,000	55,125
11. Delivery Expense	3,600	4,800	10,800	12,000	15,600
12. Bad Debt Expense	0	0	0	0	0
13. Travel	0	0	0	0	0
14. Legal and Accounting Fees	3,300	2,800	6,300	7,000	9,100
15. Vehicle Expense	0	0	0	0	0
16. Maintenance Expense	5,400	7,200	16,200	18,000	23,400
17. Miscellaneous Expenses	39,600	52,800	118,800	132,000	171,600
D. TOTAL VARIABLE EXPENSES	**$164,625**	**$196,000**	**$456,825**	**$489,400**	**$652,825**
Less: Fixed Expenses					
18. Rent	27,852	27,852	55,704	55,704	83,556
19. Utilities (Heat, Light, Power)	8,400	12,000	27,600	31,200	39,600
20. Telephone	2,400	2,400	4,800	4,800	7,200
21. Taxes and Licenses	1,052	0	1,052	0	1,052
22. Depreciation	9,900	13,200	29,700	33,000	42,900
23. Interest	7,835	6,885	13,654	11,579	17,139
24. Insurance	1,800	2,400	5,400	6,000	7,800
25. Other Fixed Expeses	0	0	0	0	0
E. TOTAL FIXED EXPENSES	**$59,239**	**$64,737**	**$137,910**	**$142,283**	**$199,247**
F. TOTAL OPERATING EXPENSES	**$223,864**	**$260,737**	**$594,735**	**$631,683**	**$852,072**
G. NET OPERATING PROFIT (LOSS) (G = C – F)	**($13,264)**	**$20,063**	**$44,565**	**$70,317**	**$81,028**
H. LOSS CARRIED FORWARD	N/A	($13,264)	N/A	N/A	N/A
I. INCOME TAXES (estimated)	$0	$4,414	$9,804	$15,470	$17,826
J. NET PROFIT (LOSS) AFTER INCOME TAX	**($13,264)**	**$15,649**	**$34,761**	**$54,847**	**$63,202**

SCHEDULE 4

PRO FORMA CASH FLOW FORECAST FOR LITE BITES GRILL
12-Month Cash Flow Projections

Minimum Cash Required = 5000	July	August	September	October	November	December	January	February	March	April	May	June	2008/09 TOTAL	2009/10 TOTAL	2010/11 TOTAL
Cash Flow From Operations (during month)															
1. Cash Sales	30,000	28,000	24,000	20,000	20,000	22,000	24,000	24,000	24,000	26,000	28,000	30,000	300,000	400,000	900,000
2. Payments for Credit Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Investment Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Other Cash Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A. TOTAL CASH FLOW ON HAND	$30,000	$28,000	$24,000	$20,000	$20,000	$22,000	$24,000	$24,000	$24,000	$26,000	$28,000	$30,000	$300,000	$400,000	$900,000
Less Expenses Paid (during month)															
5. Inventory or New Material	-16,440	-8,344	-7,152	-5,960	-5,960	-6,556	-7,152	-7,152	-7,152	-7,748	-8,344	-8,940	-96,900	-119,200	-268,200
6. Owner's Salary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-30,000
7. Employee's Wages and Salaries	-7,200	-7,200	-7,200	-7,200	-7,200	-7,200	-7,200	-7,200	-7,200	-7,200	-7,200	-7,200	-86,400	-115,200	-229,200
8. Supplies and Postage	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-1,200	-1,200	-2,400
9. Advertising and Promotion	-14,705	-70	-2,070	-70	-70	-3,720	-70	-70	-2,070	-70	-70	-2,070	-25,125	-12,000	-43,125
10. Delivery Expense	-360	-336	-288	-240	-240	-264	-288	-288	-288	-312	-336	-360	-3,600	-4,800	-10,800
11. Travel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Legal and Accounting Fees	-1,200	0	0	0	0	0	0	0	0	0	0	-2,100	-3,300	-2,800	-6,300
13. Vehicle Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Maintenance Expense	-540	-504	-432	-360	-360	-396	-432	-432	-432	-468	-504	-540	-5,400	-7,200	-16,200
15. Rent	-2,321	-2,321	-2,321	-2,321	-2,321	-2,321	-2,321	-2,321	-2,321	-2,321	-2,321	-2,321	-27,852	-27,852	-55,704
16. Utilities	-2,700	-700	-700	-700	-700	-700	-700	-700	-700	-700	-700	-700	-10,400	-12,000	-27,600
17. Telephone	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-2,400	-2,400	-4,800
18. Taxes and Licenses	-1,052	0	0	0	0	0	0	0	0	0	0	0	-1,052	0	-1,052
19. Interest Payments (CIBC Loan)	-702	-628	-689	-660	-676	-648	-662	-656	-628	-642	-615	-629	-7,835	-6,884	-13,654
20. Insurance	-150	-150	-150	-150	-150	-150	-150	-150	-150	-150	-150	-150	-1,800	-2,400	-5,400
21. Other Cash Expenses	-3,960	-3,696	-3,168	-2,640	-2,640	-2,904	-3,168	-3,168	-3,168	-3,432	-3,696	-3,960	-39,600	-52,800	-118,800
B. TOTAL EXPENDITURES	($51,630)	($24,249)	($24,470)	($20,601)	($20,617)	($25,159)	($22,443)	($22,437)	($24,409)	($23,343)	($24,236)	($29,270)	($312,864)	($366,736)	($833,235)
Capital															
Purchase of Fixed Assets	-126,650	0	0	0	0	0	0	0	0	0	0	0	-126,650	-126,650	
Sale of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C. CHANGE IN CASH FROM PURCHASE OR SALE OF ASSETS	($126,650)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($126,650)	($126,650)	$0
Financing															
Payment of Principal of Loan	-1,032	-1,106	-1,046	-1,074	-1,059	-1,087	-1,072	-1,078	-1,106	-1,092	-1,119	-1,106	-12,977	-13,928	-27,970
Inflow of Cash From Bank Loan	113,985	0	0	0	0	0	0	0	0	0	0	0	113,985	113,985	0
Issuance of Equity Positions	47,000	0	0	0	0	0	0	0	0	0	0	0	47,000	0	0
Repurchase of Outstanding Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D. CHANGE IN CASH FROM FINANCING	$159,953	($1,106)	($1,046)	($1,074)	($1,059)	($1,087)	($1,072)	($1,078)	($1,106)	($1,092)	($1,119)	($1,106)	$148,008	$100,057	($27,970)
E. INCREASE (DECREASE) IN CASH	$11,673	$2,645	($1,516)	($1,675)	($1,676)	($4,246)	$485	$485	($1,515)	$1,565	$2,645	($376)	$8,494	$6,671	$38,795
F. CASH AT BEGINNING OF PERIOD	$0	$11,673	$14,318	$12,802	$11,127	$9,451	$5,205	$5,690	$6,175	$4,660	$6,225	$8,870	$0	$8,494	$15,165
G. CASH AT END OF PERIOD	$11,673	$14,318	$12,802	$11,127	$9,451	$5,205	$5,690	$6,175	$4,660	$6,225	$8,870	$8,494	$8,494	$15,165	$53,960
MEET MINIMUM CASH BALANCE	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Finance	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable

SCHEDULE 5 PRO FORMA BALANCE SHEET FOR LITE BITES GRILL

	OPENING			JUNE 31/09			JUNE 31/10			JUNE 31/11		
ASSETS												
Current Assets:												
1. Cash	26,835			8,494				15,165		53,960		
2. Accounts Receivable	0			0				0		0		
3. Inventory	7,500			7,500				7,500		15,000		
4. Other Current Assets	0			2,000				2,000		2,000		
A. TOTAL CURRENT ASSETS			$34,335			$17,994			$24,665			$70,960
Fixed Assets:												
5. Land and Buildings	0			0			0			0		
less depreciation	0	0		0	0		0	0		29,700	-29,700	
6. Furniture and Fixtures	65,000			65,000			130,000			130,000		
less depreciation	0	65,000		0	65,000		0	130,000		0	130,000	
7. Equipment	61,650			61,650			123,300			123,300		
less depreciation	0	61,650		0	61,650		0	123,300		0	123,300	
8. Trucks and Automobiles	0			0			0			0		
less depreciation	0	0		0	0		13,200	-13,200		13,200	-13,200	
9. Other Fixed Assets	0			0			0			0		
less depreciation	0	0		9,900	-9,900		9,900	-9,900		9,900	-9,900	
B. TOTAL FIXED ASSETS			$126,650			$116,750			$230,200			$200,500
C. TOTAL ASSETS			$160,985			$134,744			$254,865			$271,460
LIABILITIES												
Current Liabilities: (due within 12 months)												
10. Accounts Payable		0			0			0			0	
11. Bank Loans / Other Loans		12,977			13,928			27,970			30,045	
12. Taxes Owed		0			0			0			0	
D. TOTAL CURRENT LIABILITIES			$12,977			$13,928			$27,970			$30,045
Long-term Liabilities:												
13. Notes Payable (due after one year)		101,008			87,080			173,095			143,050	
14. Other Long-term Liabilities		0			0			0			0	
E. TOTAL LONG-TERM LIABILITIES			$101,008			$87,080			$173,095			$143,050
F. TOTAL LIABILITIES			$113,985			$101,008			$201,065			$173,095
NET WORTH (Capital)												
SHARE CAPITAL												
Common Shares			47,000			47,000			33,736			53,800
Preferred Shares			0			0			0			0
RETAINED EARNINGS			0			-13,264			20,064			44,565
G. TOTAL NET WORTH			$47,000			$33,736			$53,800			$98,365
H. TOTAL LIABILITIES AND NET WORTH			$160,985			$134,744			$254,865			$271,460
			BALANCED			BALANCED			BALANCED			BALANCED

SCHEDULE 6 FINANCIAL RATIOS FOR LITE BITES GRILL

Ratio		Formula		Year 1 figures	End of Year 1	Year 2 figures	End of Year 2	Year 3 figures	End of Year 3
1. Gross Margin/Sales	=	Gross Profit / Net Sales	=	$210,600 / $300,000	0.70	$280,800 / $400,000	0.70	$639,300 / $900,000	0.71
2. Current Ratio	=	Current Assets / Current Liabilities	=	$17,994 / $13,928	1.29	$24,665 / $27,970	0.88	$70,960 / $30,045	2.36
3. Quick Ratio	=	Current Assets - Inventories / Current Liabilities	=	$10,494 / $13,928	0.75	$17,165 / $27,970	0.61	$55,960 / $30,045	1.86
4. Net Profit/Sales	=	Net Income (After Tax) / Net Sales	=	($13,264) / $300,000	-0.04	$15,649 / $400,000	0.04	$34,761 / $900,000	0.04
5. Net Profit/Net Worth	=	Net Profit / Net Worth	=	($13,264) / $33,736	-0.39	$15,649 / $53,800	0.29	$34,761 / $98,365	0.35
6. Sales/Net Worth	=	Net Sales / Net Worth	=	$300,000 / $33,736	8.89	$400,000 / $53,800	7.43	$900,000 / $98,365	9.15
7. Fixed Assets/Net Worth	=	Fixed Assets / Net Worth	=	$116,750 / $33,736	3.46	$230,200 / $53,800	4.28	$200,500 / $98,365	2.04
8. Current Liabilities/Net Worth	=	Current Liabilities / Net Worth	=	$13,928 / $33,736	0.41	$27,970 / $53,800	0.52	$30,045 / $98,365	0.31
9. Total Liabilities/Net Worth	=	Total Liabilities / Net Worth	=	$101,008 / $33,736	2.99	$201,065 / $53,800	3.74	$173,095 / $98,365	1.76
10. Debt/Net Worth	=	Total Outstanding Debt / Net Worth	=	$87,080 / $33,736	2.58	$201,065 / $53,800	3.74	$173,095 / $98,365	1.76
11. Return On Assets	=	Net Income (After Tax) / Total Assets	=	($13,264) / $134,744	-0.10	$15,649 / $254,865	0.06	$34,761 / $271,460	0.13

SCHEDULE 7 BREAK-EVEN POINT FOR FIRST YEAR

OPERATING EXPENSES

Owner's Salary	0
Employees' Wages	86,400
Supplies and Postage	1,200
Advert. and Promotion	25,125
Delivery Expense	3,600
Bad Debt Allowance	0
Travel	0
Professional Fees	3,300
Vehicle Expense	0
Maintenance Expense	5,400
Other Variable Expenses	39,600
Rent	27,852
Utilities	8,400
Telephone	2,400
Taxes & Licences	1,052
Depreciation	9,900
Interest	7,835
Insurance	1,800
Other Fixed Expenses	0
TOTAL OPERATING EXPENSES	**$223,864**

CONTRIBUTION MARGIN = $\dfrac{\textbf{Gross Margin}}{\textbf{Net Sales}}$ **70.20%**

BREAK-EVEN POINT ($Sales) = $\dfrac{\textbf{Total Operating Expenses}}{\textbf{Contribution Margin}}$

$318,894.59

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APPENDICES

Appendix 1	Preliminary Sales Forecast
Appendix 2	Marketing Budget for First Year
Appendix 3	Facility Location and Site Plan
Appendix 4	Market Size of First Restaurant Location
Appendix 5	Detailed Equipment Listing
Appendix 6	Staffing Schedule
Appendix 7	Resumé: Leonard Burgess
Appendix 8	Insurance Proposal

APPENDIX 1 PRELIMINARY SALES FORECAST

	YEAR ONE	YEAR TWO	YEAR THREE
January	$30,000		
February	$28,000		
March	$24,000	$90,000 (Q1)	$120,000 (Q1)
April	$20,000		
May	$20,000		
June	$22,000	$90,000 (Q2)	$140,000 (Q2)
July	$24,000		
August	$24,000		
September	$24,000	$110,000 (Q3)	$160,000 (Q3)
October	$26,000		
November	$28,000		
December	$30,000	$110,000 (Q4)	$180,000 (Q4)
TOTAL	**$300,000**	**$400,000**	**$600,000**

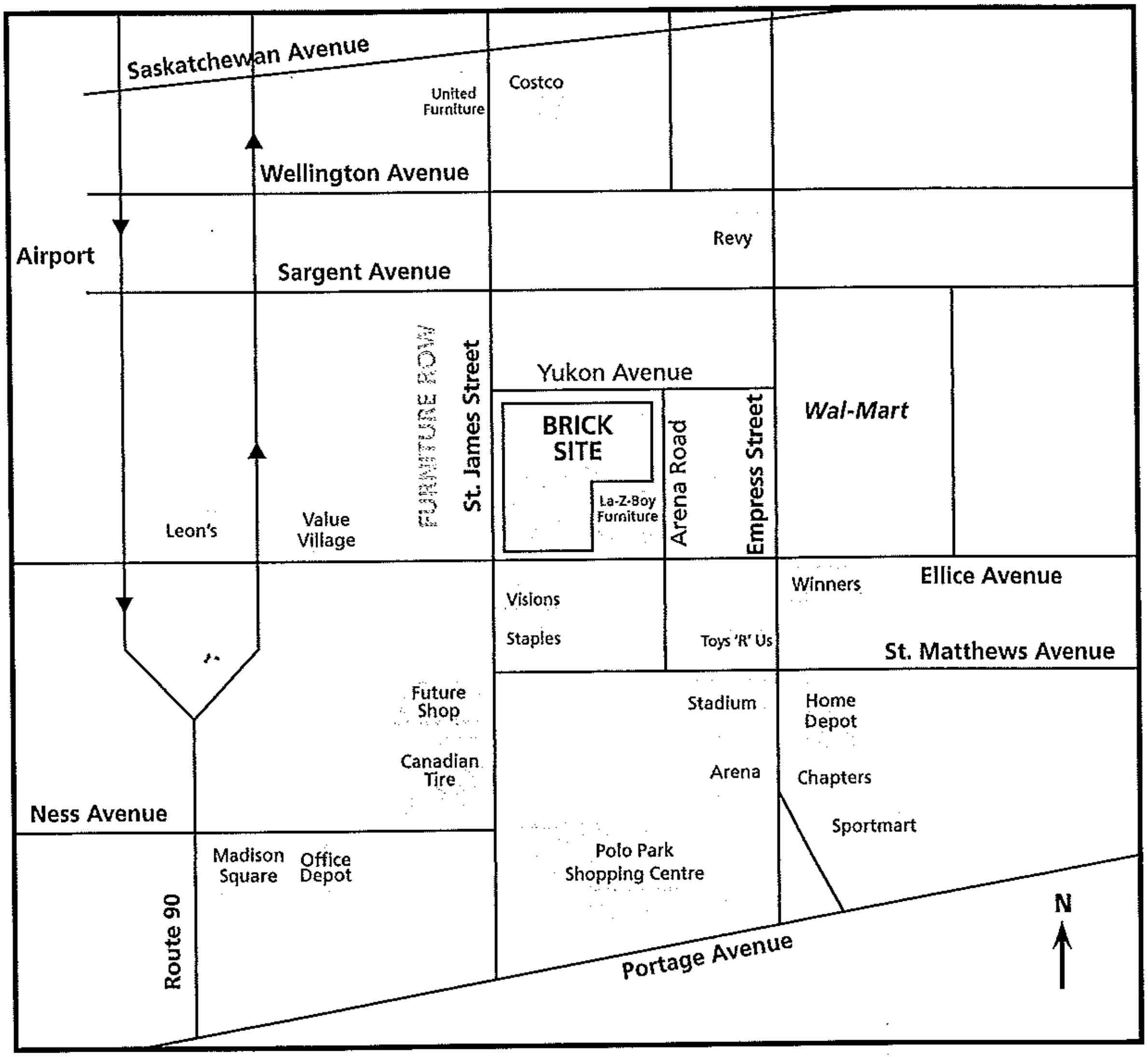
APPENDIX 2 MARKETING BUDGET FOR FIRST YEAR

Selling (direct costs)			
- Sales salaries for personal selling		$800	(80 hrs @ $10/hr)
- Printing menus/brochures/coupons		$250	
Advertising			
- Newspaper sampling campaign	$1,500		
- Ongoing newspaper advertising	$9,650		
- Radio promotion (Grand opening)	$2,500		
- Billboard (one month)	$4,350		
Sales promotions (coupons)	$2,500		(Coupons)
		$200	(Blu-Ray player — draw)
Web site	$2,500		(Development)
		$600	(Maintenance)
		$35	(Domain name)
		$240	(Hosting)
TOTAL MARKETING BUDGET (YEAR 1)	**$25,125**		

APPENDIX 3 FACILITY LOCATION AND SITE PLAN

THE BRICK PLAZA

1045 ST. JAMES STREET
IN WINNIPEG'S MOST POWERFUL SHOPPING AREA



HIGH TRAFFIC:

- Ellice Avenue & St. James Street has one of the busiest traffic counts in Winnipeg
- superior access and egress

RENT: $12 sq. ft., net
ADDITIONAL RENT: $4.06 sq. ft. + Management Fees

HIGH VISIBILITY:

- signage offering maximum exposure
- excellent, well-lit parking lot

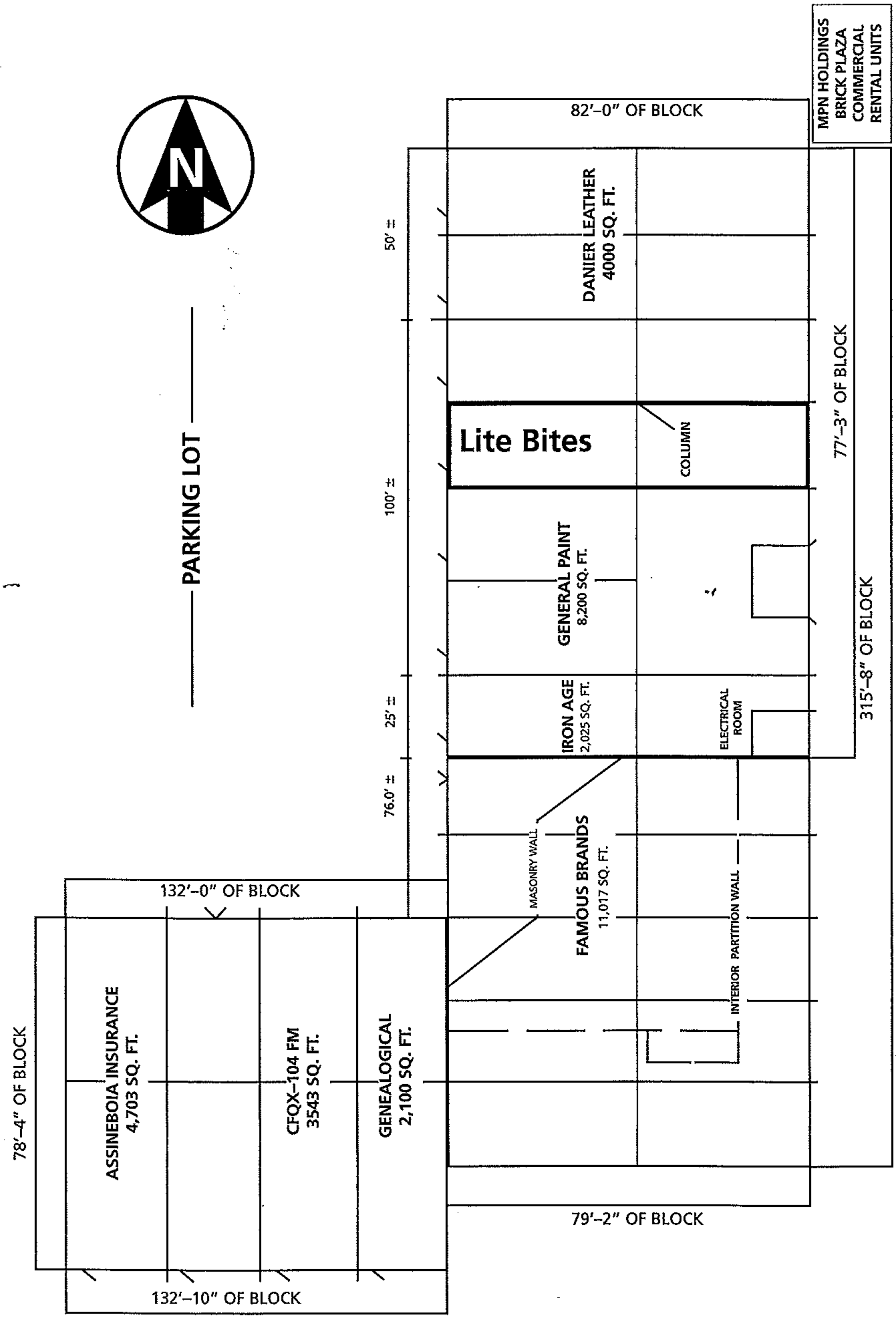
SPACE AVAILABLE:

- 1,913 sq. ft.

(Site plan on next page)

Areas and sizes are approximate. Reasonable efforts have been made to ensure that the information contained herein is accurate. All details are subject to final confirmations by all interested parties.

continued


MPN HOLDINGS
BRICK PLAZA
COMMERCIAL
RENTAL UNITS
N
PARKING LOT
82'–0" OF BLOCK
50' ±
DANIER LEATHER
4000 SQ. FT.
Lite Bites
COLUMN
77'–3" OF BLOCK
100' ±
GENERAL PAINT
8,200 SQ. FT.
315'–8" OF BLOCK
25' ±
IRON AGE
2,025 SQ. FT.
ELECTRICAL
ROOM
76.0' ±
MASONRY WALL
FAMOUS BRANDS
11,017 SQ. FT.
INTERIOR PARTITION WALL
132'–0" OF BLOCK
78'–4" OF BLOCK
ASSINEBOIA INSURANCE
4,703 SQ. FT.
CFQX–104 FM
3543 SQ. FT.
GENEALOGICAL
2,100 SQ. FT.
79'–2" OF BLOCK
132'–10" OF BLOCK

APPENDIX 4 MARKET SIZE OF FIRST RESTAURANT LOCATION

	POPULATION
St. James (Age 25–54)	15,295
River Heights (Age 25–54)	17,855
Fort Garry (Age 25–54)	20,995
Fort Rouge (Age 25–54)	19,885
Total (Age 25–54)	74,030
19.1% University Educated	*14,139*
Total Population over 15 (in above areas)	112,100
Vegetarian market (2.5%)	*2,803*
TOTAL MARKET	16,942

APPENDIX 5 DETAILED EQUIPMENT LISTING

951 Erin Street
Winnipeg, MB R3G 2W8

RUSSELL
FOOD EQUIPMENT LTD.

To: Bill Benson
From: Russell Food Equipment Ltd.
Fax: 1 page
Date: December 18, 2007

( ) Urgent (X) For Review ( ) Please Comment ( ) Please Reply ( ) Please Recycle

Hi Bill:

I have updated your budget quote for your business plan. Please note changes made.

1) 12" Electric Slicer added.
2) Delivery and set in place includes:
   - Set up and testing of Walk-in Cooler/Freezer
   - Set up of all storage shelving
   - Mounting menu signs
3) Electrical and plumbing connections by others
   - This part of your costing will vary by building depending on what plumbing and electrical is existing.
   - When you have selected a building location we take into consideration existing electrical and plumbing supply in our overall design.

I will mail out an original quote for your presentation.

Best wishes with your proposal and have a good holiday season.

RUSSELL FOOD EQUIPMENT LTD.

951 Erin Street
Winnipeg, MB R3G 2W8

RUSSELL
FOOD EQUIPMENT LTD.

To: **Bill Benson** **Fax: 1 page**
From: **Russell Food Equipment Ltd.** **Date: December 16, 2007**

( ) Urgent **(X) For Review** **( ) Please Comment** **( ) Please Reply** **( ) Please Recycle**

Hi Bill:

Further to your request for quotation we are pleased to submit the following.

1 only	3 Compartment Sink	2000.00	
1 only	Undercounter Dishwasher	5000.00	optional
1 only	2 Door Reach-In Cooler	2400.00	
1 only	Walk-in Cooler/Freezer Combo c/w Shelving	15,000.00	
2 only	Soup Warmers	600.00	
2 only	Pannini Grills	2000.00	
1 only	Electric Convection Oven	7000.00	
1 only	Microwave Oven	600.00	
1 only	Electric Range	4400.00	
1 only	Refrigerated Prep Table	4000.00	
1 only	4 Slice Toaster	1000.00	
1 only	Refrigerated Display Case	3500.00	
1 lot	Tables and Chairs	150.00/person	
1 only	12" Electric Slicer	1000.00	
1 lot	Menu Signage	2000.00	
1 lot	Smallwares	2000.00	
1 lot	Millwork	3000.00	
1 lot	Dry Storage Shelving	1000.00	
1 only	Delivery and Set in Place	2000.00	

Electrical and Plumbing Connections by others.

Please allow 4–6 weeks for delivery.

The above pricing is for budget purposes only, f.o.b. Winnipeg and all taxes are extra. Trusting this information will be helpful in developing your business plan. Overall equipment specified will depend on building layout, budget, and specific menu items.

Our consultant services are provided on a no-charge basis to our clients when we are handling the project. Where tendering is desirable or mandatory, we can provide drawings and specifications for equitable tendering at modest fees and have many advantages to offer over the independent consultant that we would be glad to review with you.

Food services require considerable investment. Professional planning can avoid pitfalls and give you a well-planned food facility that will go a long way toward ensuring an efficient and profitable operation.

RUSSELL FOOD EQUIPMENT LTD.

APPENDIX 6 STAFFING SCHEDULE

Shift Time	# Employees Mon. – Fri.	# Employees Sat./Sun.	Hrs./Shift	Total hrs./week
10:30 a.m.–11:30 a.m.	1	2	1	9
11:30 a.m.–1:00 p.m.	3	3	1.5	31.5
1:00 p.m.–4:00 p.m.	1	2	3	27
4:00 p.m.–5:00 p.m.	2	2	1	14
5:00 p.m.–6:30 p.m.	3	3	1.5	31.5
6:30 p.m.–8:00 p.m.	1	2	1.5	13.5
			TOTAL:	**126.5 HRS./WEEK** (506 hrs./month)

APPENDIX 7 RESUMÉ: LEONARD T. BURGESS

LEONARD T. BURGESS

RESUMÉ

Calgary, AB T2Z 1M3
Telephone: 555-2971

EDUCATION

1985–1990 High School Diploma: John Taylor H.S., Winnipeg, MB
1988–2000 Business Administration
Red River Community College, Winnipeg, MB

WORK EXPERIENCE

2006–2007 **General Manager,** *ABC Restaurant,* Calgary, AB
Responsibilities included: food & labour cost control, purchasing, maintenance, repairs, payroll, supervision, observation of sanitation standards, customer service, staff selection, computerized POS system management

1998–2006 **Restaurant Manager,** *Denny's Restaurant,* Calgary, AB
Responsibilities included: food & labour cost control, purchasing, maintenance, repairs, payroll, supervision, observation of sanitation standards, customer service, staff selection

1993–1998 **Head Cook,** *Boyd's Seafood Kitchen,* Calgary, AB
Responsibilities included: portion control, preparation of homemade chowders, general operation of kitchen

1992–1993 **Installation Supervisor,** *Pacific Warehouse Ltd.* Calgary, AB
Responsibilities Included: supervising job sites and crew, ensuring timely completion of installation of industrial shelving units

1988–1992 **Evening Supervisor,** *Jim's Fish & Chips Restaurant,* Winnipeg, MB
Responsibilities included: purchasing, customer service, balance cash out, supervision, cooking as necessary

1988–1992 **Owner/Manager,** *Jim's Seafood Shop* (Retail Fish Market), Winnipeg, MB
Responsibilities included: purchasing, customer service, payroll, supervision, staff selection, marketing, cost control.

INTERESTS

Fishing, big game hunting, cross-country skiing, hockey, model building

References available upon request.