

Verde

FINE EATERY

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John Smith

Primary Company Contact

3340 Shade Tree Rd.

Atlanta, GA 30326

(404) 555-6599

(404) 555-6588 fax

jsmith@verde.com email

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Contents

| | |
|---|----|
| 1. Financial Plan - Narrative..... | 4 |
| 1.1. Executive Summary..... | 4 |
| 1.1.1. Company Highlights..... | 4 |
| 1.1.2. Mission Statement..... | 4 |
| 1.1.3. Opportunity..... | 4 |
| 1.1.4. Management Team..... | 5 |
| 1.1.5. Market Overview..... | 5 |
| 1.1.6. Value Proposition..... | 6 |
| 1.1.7. Offering Summary..... | 6 |
| 1.1.8. Risk Factors..... | 7 |
| 1.1.9. Milestones..... | 7 |
| 1.2. Company Structure..... | 8 |
| 1.2.1. Key Goals..... | 8 |
| 1.2.2. History..... | 8 |
| 1.2.3. Legal Structure..... | 8 |
| 1.2.4. Facilities..... | 8 |
| 1.2.5. Operations..... | 9 |
| 1.2.6. Staffing..... | 9 |
| 1.3. Products and Services..... | 9 |
| 1.3.1. Product (Service) Description..... | 9 |
| 1.3.2. Market Conditions..... | 9 |
| 1.3.3. Pricing Strategy..... | 10 |
| 1.3.4. Cost..... | 10 |
| 1.3.5. Customer Service/Support..... | 10 |
| 1.4. Market Analysis..... | 10 |
| 1.4.1. Description of Market..... | 10 |
| 1.4.2. Market Size..... | 11 |
| 1.4.3. Segmentation..... | 11 |
| 1.4.4. Stability of Market..... | 11 |
| 1.4.5. Target Prospects..... | 11 |
| 1.4.6. Alternate Prospects..... | 12 |

| | |
|---|----|
| 1.4.7. Market Trends | 12 |
| 1.5. Marketing Strategy..... | 13 |
| 1.5.1. Image/Branding | 13 |
| 1.5.2. Promotion | 13 |
| 1.5.3. Sales Methods..... | 14 |
| 1.6. Competitive Positioning | 14 |
| 1.6.1. Direct Competition | 14 |
| 1.6.2. Indirect Competition..... | 15 |
| 1.6.3. Competitive Advantages..... | 15 |
| 1.6.4. Competitive Challenges | 15 |
| 1.7. Research and Development | 16 |
| 1.7.1. Objectives | 16 |
| 1.7.2. Technology..... | 16 |
| 1.7.3. Timelines..... | 16 |
| 1.8. Operations..... | 16 |
| 1.8.1. Production Facilities..... | 16 |
| 1.8.2. Subcontractors..... | 17 |
| 1.8.3. Quality Control and Best Practices | 17 |
| 1.9. Source and Use of Funds..... | 17 |
| 1.9.1. Existing Debt | 17 |
| 1.9.2 Existing Equity..... | 17 |
| 1.9.3. Projected Revenues | 18 |

1. Financial Plan - Narrative

1.1. Executive Summary

1.1.1. Company Highlights

The following chart highlights expected sales and gross margin for Verde during its first five years of operation:

| Year | Revenue | Gross Margin |
|------|-----------|--------------|
| 2015 | \$320,000 | \$104,000 |
| 2016 | \$430,000 | \$140,000 |
| 2017 | \$520,000 | \$169,000 |
| 2018 | \$625,000 | \$203,000 |
| 2019 | \$750,000 | \$244,000 |

1.1.2. Mission Statement

Verde's mission is to provide mid to high income visitors to the Main Street Town Center shopping center a sophisticated dining experience that combines a diverse menu of gourmet dishes with influences from around the world with a relaxed atmosphere and a stylish, modern decor. Verde will quickly find its place in the fore of consumers' minds as the premier destination for the best food around — and the highest quality of customer service. We will thrive in the marketplace by consistently providing our customers:

- A unique, sophisticated, high-end dining experience;
- A stylish, relaxed atmosphere;
- A diverse menu that appeals to every taste; and
- An unrivaled level of customer service.

1.1.3. Opportunity

Recent research has shown that American consumers increasingly seek out dining destinations that offer a variety of options to meet the demands of a wide range of tastes. The diversity of eateries available to Americans specializing in everything from Asian, Indian and other Eastern cuisine to Mediterranean and Middle Eastern dishes has created a consuming public of equally diverse tastes. Families, couples and other groups are thus increasingly faced with the daunting

task of choosing a dining destination that offers something for everyone. Verde will be the only restaurant in the Statesville market that can meet this demand.

Research also shows that the Main Street Town Center shopping center attracts customers from as far as 120 miles away, with more than 2 million people from the densely populated region of Georgia (outside of a 30-mile radius of Statesville) visiting the shopping center each year. With a diversity of chains and brand names represented, Main Street draws consumers from a broad range of demographic groups shopping at multiple price points. 25 percent of Main Street Town Center's shoppers fall into the \$150,000+ household income bracket, a demographic that has not been directly targeted by any of the four restaurants currently located within the shopping center. With its emphasis on mid to high-end fine dining, Verde will appeal directly to this group.

1.1.4. Management Team

Our management team has more than 20 years of combined experience in the restaurant industry, including restaurant conceptualization, development and expansion, and marketing and advertising, especially in midsize to large metropolitan areas.

Verde's founder John Smith holds a bachelor's degree from the University of Georgia in Restaurant Management and a master's in Business Administration from Georgia State University. He previously served as the President and CEO of the Delicious Eats restaurant chain, and as the restaurant's largest stakeholder will serve as Verde's General Manager.

Smith will preside over two assistant managers: Bob Adams, a graduate of the University of South Carolina with a bachelor's in Business Administration and former restaurant owner, and Matt Jones, a graduate of Auburn University and a former advertising executive with experience in marketing in the restaurant and other service industries. Each has a \$100,000 stake in Verde.

Verde has also tapped renowned three-star chef Robert Simon to head its kitchen staff. The restaurant will take advantage of the diverse talents of each member of our management team in everything from the development of our menu to hiring staff and developing cost-effective and innovative marketing programs.

1.1.5. Market Overview

1.1.5.1. Competition

While Verde will compete for food dollars with four additional restaurants in the Main Street Town Center shopping center, it will be the sole destination for mid to high-end fine dining. Also, none of the other four restaurants offers the broad selection that Verde promises its customers, as each specializes in either a specific (lower) price point or a particular type of cuisine. Verde will appeal directly to more wealthy consumers' as-yet unaddressed demand for a more sophisticated dining experience.

1.1.5.2. Strategy

Verde will carve out a successful niche in the Main Street Town Center shopping center by offering a menu that promises unlimited options in fine cuisine. From gourmet Italian pizzas to

fresh Alaskan crab and a wine list boasting top selections from Bordeaux and beyond, Verde's menu will capture the essence of sophisticated dining. Combined with a chic contemporary design with equally diverse influences, Verde will perfectly appeal to the higher end consumer's desire for a truly exquisite — and unique — dining experience.

1.1.6. Value Proposition

Verde's explicit appeal to mid to high income consumers offers an invaluable point of distinction from competing restaurants not only in the Main Street Shopping Center but in the Statesville market at large. Perhaps even more valuable, however, is our brand, into which we have invested hundreds of hours of research and development. The following guiding principles define the Verde brand and clearly distinguish the restaurant from other models in the Statesville market:

The Promise of a Brand. We have created a brand that clearly communicates to consumers the high-end product we sell and the distinguished level of service they can expect by dining at Verde.

Atmosphere. The creation of a unique and innovative dining atmosphere will differentiate Verde from our competitors, who rely on price — not the dining "experience" — to attract customers.

Product Quality and Diversity. The quality of our menu, by appealing to a wide variety of tastes, will maximize our accumulation of a loyal customer base, ensuring repeat business and continuous growth through positive word-of-mouth.

Experienced Management. John Smith, Bob Adams and Matt Jones boast more than 20 years of experience in the restaurant and related industries.

Excellent Customer Service. By hiring an experienced and skilled staff, Verde will ensure that each customer enjoys the highest level of service.

No direct competition. We are the only restaurant in the Main Street Town Center shopping center and within a 10-mile radius that caters directly to mid to high income patrons.

1.1.7. Offering Summary

Verde's managing partners are currently negotiating a 4,500 square-foot space in the Main Street Town Center shopping center in Statesville, Ga. The space is centrally located within the retail complex, which mixes more than 100 clothing, electronic, home furnishings and other retail stores, with price points ranging from promotional to high-end. The restaurant facade will retain maximal roadside visibility from the heavily trafficked Main Street strip.

Of the total 4,500-square-foot space, 900 square feet will be allocated to a state-of-the-art gourmet kitchen, with the remaining 3,600 square feet contributed toward a 100-square-foot managers' office, a 1,000-square-foot bar and a 2,500 square-foot dining area, each designed with a contemporary bent and accented by Eastern-influenced decor. The U-shaped bar will offer 20 stools, with standing room for an additional 50 patrons. The dining area will contain 40 tables with a maximum capacity of 200 patrons.

Capital requirements for the launch of Verde total \$700,000, of which \$550,000 will be allocated to start-up capital, and \$150,000 as cash reserve. The management team will be putting up \$450,000 of the total capital requirements; the \$250,000 sought by this proposal will be directed toward start-up expenses, including securing the Main Street Town Center lease, equipment purchase, design, construction and operational expenses associated with hiring staff and consultants in the lead up to a Jan. 2 soft opening and a Jan. 9 Grand Opening. The \$250,000 will be swapped in exchange for a 10% stake of equity in Verde. Each Verde investor will receive an equity stake in the restaurant proportional to his or her investment, a seat on the board of directors and regular dividends and profit sharing payments once the restaurant reaches profitable operations (Year 3).

1.1.8. Risk Factors

Through extensive research we have developed several strategies to help us address and avoid the risk traditionally associated with restaurant failure:

- **Obtain sufficient capital.** All investor capital will be held in escrow until the project is completely funded in order to ensure we have obtained the necessary funds to cover all expenses for the operation.
- **Maintain low overhead costs.** Verde will emphasize hiring multi-skilled, experienced managerial, wait and kitchen staff, and offer regular training programs designed to ensure that our employees exhibit maximal efficiency and deliver the unrivaled customer service promised by the Verde brand.
- **Build a sufficient customer base.** Based on sound research on local demographics, Verde has identified a prime location to reach its target customer.
- **Maintain high employee retention rates.** Verde has developed a series of incentive-based and educational programs designed to sustain employee satisfaction and encourage their continuous participation in the growth of our business.

1.1.9. Milestones

The following milestone table details chronologically the functions necessary to launch Verde on the scheduled soft opening, Jan. 2, 2015. Every function has been scheduled with due consideration to the time and resources required for proper execution. Each Managing partner has been assigned duties as determined by his specific area of expertise:

| Milestone | Start Date | End Date |
|---------------------------------|------------|----------|
| Initial Licensing and Creation | 9/14/14 | 9/29/14 |
| Location and Lease Signing | 10/05/14 | 10/08/14 |
| Leasehold Improvements | 10/25/14 | 12/25/14 |
| Purchasing of Equipment | 12/1/14 | 12/5/14 |
| Purchasing of Initial Inventory | 1/1/15 | 1/7/15 |
| Begin Hiring Employees | 12/29/14 | 12/30/14 |
| Training of Employees | 11/1/15 | 1/6/15 |
| Opening of Restaurant | 1/9/15 | |

1.2. Company Structure

1.2.1. Key Goals

Verde's objectives for the first five years of operation include:

- Keep food costs lower than 40.5% of revenue.
- Keep employee labor costs below 27.0% of total sales.
- Maintain a steady 20.0% annual increase in total customers served and secure a 58.0% customer return rate by the end of Year 1.
- Average sales between \$450,000 and \$600,000 annually.
- Achieve profitable returns for investors for Years 3 – 5, with the option of reinvesting profits in the expansion of the chain in year 3.
- Solidify Verde's position in the minds of high-end consumers who shop at Main Street Town Center as the premier destination for a unique fine dining experience.

1.2.2. History

With more than 15 years of experience in retail management, Verde's founder John Smith opened the first Delicious Eats restaurant in Columbia, S.C., in 1996 before expanding the restaurant model to a chain of more than 30 locations throughout the Southeast during the following 8 years. Smith originally partnered with Bob Adams, a Delicious Eats franchisee, in the expansion of the chain into Georgia in 2000. When Smith sold Delicious Eats to International Restaurant Management, Inc. in 2002, he and Adams jointly invested in a chain of breakfast eateries in the downtown Atlanta area called What's for Breakfast?, which continues to thrive as one of Atlanta's most profitable restaurant chains specializing in breakfast dishes.

Having identified an opportunity in the Statesville marketplace for a high-end restaurant chain, Adams and Smith recently joined with veteran marketing executive Matt Jones, who has spearheaded advertising and marketing campaigns for such high-end restaurant chains as Parfait and La Bella, on the development of the Verde restaurant concept. Each managing partner offers an extensive and distinct set of skills and experiences that, combined, will support Verde with the passion and expertise necessary to thrive in the challenging restaurant industry.

1.2.3. Legal Structure

Verde has been chartered as an LLC corporation based in Statesville County, owned by its principle founder John Smith, who currently holds a majority \$250,000 stake in the corporation and will function as its General Manager. Two additional managing partners, Bob Adams and Matt Jones, each have a \$100,000 stake in the restaurant. Each managing partner has an equity stake in the corporation proportional to his investment.

1.2.4. Facilities

We have identified an available 4,500 square-foot space at the Main Street Town Center shopping center in Statesville, Ga., centrally located within the retail complex.

1.2.5. Operations

All food production will take place in Verde’s state-of-the-art kitchen. Fresh vegetables, meats and dairy products grown by local farmers, combined with fresh meats and other commodities shipped directly from the country of origin, will be used to create most of the dishes from scratch. The Head Chef will exercise strict standards of sanitation, quality production and presentation over the kitchen and service staff.

1.2.6. Staffing

To fully accommodate our expected number of customers on a daily basis, Verde will hire the following personnel:

- 1 manager
- 2 assistant managers
- 1 head chef
- 2 sous-chefs
- 8 full-time servers
- 16 part-time servers
- 8 full-time food preparers
- 16 part-time food preparers
- 2 full-time bartenders

1.3. Products and Services

1.3.1. Product (Service) Description

The Menu. The Verde menu will be updated monthly by Head Chef Robert Simon and will contain a relatively short but diverse list of high-mid to high priced items, offering a gourmet blend of American staples with international influences — a mixture of the familiar and the exotic.

The Atmosphere. Customers will enjoy an atmosphere of casual sophistication while dining in Verde. Dimly lit for a romantic, cosmopolitan feel, on-trend contemporary furniture will be accented by decor that mixes Eastern and Western influences for a truly unique and stylish dining environment.

The Service. Customers will be invited to sit at one of 40 luxurious banquette-style tables (full capacity: 200 patrons) in the dining room to receive full service from a waitperson. A full wait staff at least 8 servers will be responsible for no more than five tables a piece, ensuring that every server has the time and resources necessary to give each table maximal care.

1.3.2. Market Conditions

Although the restaurant industry is very competitive, given the increasing time devoted to both work and leisure, more and more people are turning to food service providers for their meals rather than cook for themselves at home. Recent research has shown an increase in demand for higher-end restaurants due largely to the increase in mid to upper income households in the Statesville area. With no other restaurant catering to the demands of the mid to high-end consumer demographic, the Statesville market offers an excellent opportunity for a restaurant that directly targets this group of consumers. Additionally, the Main Street Town Center

shopping center saw in excess of 500,000 visitors in 2013 that fell into our target demographic. With that number expected to grow at a rate of 5 percent annually throughout the next five years, Statesville, and specifically Main Street Town Center, provide a fairly sizeable potential customer base.

1.3.3. Pricing Strategy

Prices will be placed substantially higher than those at the surrounding restaurants, but comparable to mid to high-end restaurants in nearby metropolitan areas. The higher prices will reflect the nature and promise of the brand: gourmet food served in a stylish, high-end dining atmosphere. Prices will be accessible mainly to the segment of Town Center customers who lean toward the higher end brands represented in the shopping center’s retail stores.

1.3.4. Cost

Based on current price indexes for food commodities and using conservative projections for other service expenses, the following chart delineates costs for all products and services required for Verde’s January launch:

| Start Up Expenses | Cost |
|---------------------------------|------------------|
| All Furniture | \$185,000 |
| Computer/Register System | \$5,000 |
| Refrigeration Room | \$20,000 |
| Kitchen Appliances | \$180,000 |
| Initial Food Inventory | \$25,000 |
| Lighting | \$5,000 |
| Miscellaneous supplies | \$5,000 |
| Staffing and Pay | \$125,000 |
| Total: | \$550,000 |

1.3.5. Customer Service/Support

Each customer service issue will be addressed directly by the manager or assistant manager on duty at the time of the issuance of the request, comment or complaint. Managers will use personal discretion in addressing each scenario on a case-by-case basis, reserving the option to distribute vouchers and other forms of reimbursement or compensation should the circumstances require it.

1.4. Market Analysis

1.4.1. Description of Market

Statesville is a mid-sized metropolitan economy, fueled mainly by the local home furnishings manufacturing industry. The town’s population is fairly diverse across all demographic measures, with a large portion of its residents falling into Verde’s target income bracket. There are several shopping centers and strip malls along Statesville’s main strips, which attract mostly

local residents. No other shopping destination generates even a fraction of the traffic seen at Town Center Shopping Center, which is located near the center of the city, where the majority of its mid to upper-income citizens reside. The food service market in Statesville consists mostly of national restaurant chains that specialize in low to mid-priced menus offering a range of standard American staples.

1.4.2. Market Size

Statesville has a population of 250,000, all located within a 10-mile radius of the Main Street Town Center shopping center, which is located fairly close to the center of the town's city limits. Of Statesville's entire population, 20%, or 30,000, belong to households with an income of \$150,000 or more, most of which are located in the same zoning district as Main Street Town Center. Thus, Verde has a potential local audience of 30,000. Additionally, according to research performed by Town Center, the shopping destination receives more than 2 million visitors each year from outside of Town Center's 10-mile radius. Of those, 25 percent fall within the \$150,000+ income bracket, from which we can infer that Verde's potential customer base amounts to around 530,000.

1.4.3. Segmentation

To effectively define our market, we have performed thorough analyses of both the Statesville area (defined as: within a 10-mile radius of Main Street Town Center) as well as Main Street Town Center's more than 2 million annual visitors. First, we divided each population into several household income brackets. Based on research obtained from International Restaurant Management, Inc., we isolated the income bracket most likely to seek out a restaurant destination like Verde — households with an income of \$150,000 or more. We then analyzed this group based on the head of household's age, having determined that our target age group was between 26 and 55.

1.4.4. Stability of Market

Population and economic growth trends in and around Statesville have remained steady for the last 10 years and have largely been untouched by the recent national mortgage crisis and housing bust. In addition to a 12% annual increase in new residents, tourism has increased at a rate of 24% during the last 3 years and is predicted to keep growing, though at a slightly slower rate, during the next five years.

Additionally, the Main Street Town Center shopping center is preparing for a \$20 million dollar expansion to debut in January 2015. The expansion will see the opening of more than 15 new retail stores, which Town Center's parent company, Market Place Malls, Inc., expects will spur a 5 percent average annual growth rate in the number of visitors the shopping center sees during the next five years.

1.4.5. Target Prospects

25% of Main Street Town Center's shoppers fall within our defined target customer description: a household with an income of \$150,000 or more with a head of household between the ages of 26 and 55. Research from International Restaurant Management, Inc. demonstrates that these mid to upper-income residents can be categorized into three distinct groups, each of which seeks a dining experience that offers more than the standard fast food or generic dishes served by the national chains represented at Town Center and elsewhere in Statesville.

The Businessperson. Their suits are tailored to impress, so why shouldn't the places they bring their clients to eat? Outside of the office, they want a destination and an atmosphere that reflects their status and reinforces the image they seek to project to their friends and neighbors. They don't mind spending top dollar on drinks and food if it means impressing the competition. Verde will offer the perfect blend of luxury and sophistication to help them put the finishing touch on their professional image.

The Wealthy Couple. The restaurant will offer an intimate atmosphere that will perfectly lend itself to date night for mid to high-income couples. With no time to cook after a long day at work, Statesville's wealthy couples will make Verde their premier destination for a delicious — and romantic — night out together.

The Trend Hopper. Statesville has no shortage of young, single professionals looking for undiscovered trendy nightlife hotspots. With its unique blend of stylish, modern decor and a top-shelf, gourmet menu, Verde will be the perfect place for the image conscious hipster to prove he or she's ahead of the pack when it comes to finding the Next Big Thing.

1.4.6. Alternate Prospects

The Out-of-Towner. As stated above, Main Street Town Center attracts more than 2 million visitors each year, the majority of whom come from outside of a 30-mile radius of Statesville. If they're willing to make the trek to gain access to higher end brands they can't get in their home towns, they're also likely to spend a little more than they normally would on dinner before they head back home. With its cosmopolitan atmosphere and eclectic menu, Verde will offer the perfect dining option to complement their shopping experience and complete this consumer's special sojourn to Statesville.

The Status Seeker. It's no secret that middle income couples and families feel constant pressure from their wealthier neighbors to match their devotion to higher-end brand names like Prada, Gucci and BMW, and the same can be said about the places they choose to relax — whether it's a country club or a high-end restaurant. Verde will offer this group the perfect place to prove that they too can keep up with the Joneses.

1.4.7. Market Trends

1.4.7.1. Social

According to the Statesville Department of Economic Development, 25% of households within a 5 mile radius make \$150,000 and above. This translates to roughly 112,500 people. From this, Verde can establish an appropriate marketing strategy to successfully comply with the needs of this market.

1.4.7.2. Economic

According to the Statesville Department of Economic Development, discretionary income increased 3.4% from 2012-2013. This increase in discretionary income indicates an increase of spending on items other than necessities. Verde plans to take advantage of this sudden growth of discretionary income within the Statesville area.

1.5. Marketing Strategy

In order to achieve our initial target of 50,000 customers (annually) by year 5 of operations, we will be implementing a series of advertising and promotional implementations to increase awareness of the facility.

There are approximately 50,000 people who enjoy fine dining, make \$150,000 or more, and have a high discretionary income. Given this information, we are able to identify the culture of the target market as well as the activities they engage in. This will allow for different approaches on marketing as well as identifying different trends in the behavior of the target customer.

1.5.1. Image/Branding

Verde offers unlimited fine dining selections in a sophisticated, stylish and relaxed atmosphere.

The name says it all. Verde's success rests on a brand that promises an elegant, sophisticated dining experience and a gourmet menu with something for every taste. Verde's product and customer service speak for themselves, and so much of our marketing to the surrounding community will rely on the positive word-of-mouth of our customers.

1.5.2. Promotion

Based on our target prospects' behaviors and demographics, we will use a variety of promotional tactics to build Verde's brand and bring in new customers.

1.5.2.1. Physical Presence

The space we are currently negotiating for Verde offers a prominent position within Main Street Town Center and sees heavy foot traffic throughout normal shopping center operating hours. The restaurant facade will also retain maximal roadside visibility from the heavily trafficked Main Street strip and will be reinforced by prominent signage on Town Center's roadside marquees.

1.5.2.2. Advertising

Focusing on the uniquely diverse product and high-end feel of the Verde brand, a mix of advertising vehicles will be created by local advertising agency Vertis Advertising to convey our presence and our brand message to the local community and to out-of-town visitors to Main Street Town Center:

Print media: Since research shows that approximately 35% of our demographic reads magazines associated with their lifestyles, we will develop and publish color strip advertisements in local newspapers and full-page ads in local lifestyle magazines.

Broadcast media: According to our research firm, 65% of people that make \$150,000 or more watch at least 3 hours of television a day, and 45% listen to the radio. Given this information, it is necessary to create 15 and 30-second radio spots.

Signage: We will use high visibility positioning on the Main Street Town Center roadside marquee and banners placed on lanterns throughout the shopping center.

Yellow Pages: To allow full accessibility to our customers, it is essential for Verde to list our contract information within local directories. Verde will create a full-page ad for the Yellow Pages.

1.5.2.3. Internet

Our research indicates that 90% of our target prospects use the internet to search and find information on businesses.

Verde has commissioned Top Line Designs to create a simple “business card” Web site that will feature the Verde menu and images of the restaurant interiors and roadside facade, and provide a brief history and description of the restaurant. Visitors to the website will be able to make call-ahead reservations and schedule special events using simple email forms. The look and feel of the site will reflect the brand message described above.

All print and additional marketing materials will contain the Verde domain name, Verdebarandrestaurant.com, which has already been secured by Verde's managing partners. We will work with Top Line to ensure that the Web site is informative and maintains high rank on top search engines like Google and Yahoo.

1.5.2.4. Public Relations

Verde has commissioned local Public Relations firm Statesville Public Relations to focus on the following ongoing publicity strategies in the lead up to and following the Grand Opening of the restaurant:

- Develop and maintain relationships with key editors at local dining publications, providing them with timely news about the restaurant’s launch, including progress reports and menu updates.
- Invite media to a soft opening event at which they will be treated to samples of Verde’s first full menu. Head Chef Robert Simon will be available for interviews along with each of Verde’s managing partners.
- Produce a Verde Restaurant Guide and press kit to be distributed pre-launch to all local media, including broadcast media, daily and community newspapers, and restaurant and entertainment guides or other lifestyle publications.
- Produce three press releases on and around the Jan. 9 Grand Opening: 1) Invitation to the public to attend the Grand Opening; 2) Grand Opening reminder; and 3) A follow-up press release about the Grand Opening.

1.5.3. Sales Methods

All sales will occur on restaurant premises and closed by either Verde's wait staff or bartenders. Verde will function only as a full-service restaurant. In other words, we will not (initially) offer catering or takeout options to our customers.

1.6. Competitive Positioning

1.6.1. Direct Competition

1.6.1.1. Overview

There are four additional restaurants in the Main Street Town Center shopping center: Chili's, Giovanni's Italian Restaurant, The Asian Market and Chipotle Mexican Grille. Each specializes in low to low-mid tier price points and a particular type of cuisine, from All-American staples to Classic Italian. With distinct specialties, each has made a successful entry into the Statesville market thanks to their 1) established brands, 2) strong (corporate) marketing support and 3) presence in a well-trafficked shopping center. All are relatively new but very profitable.

1.6.1.2. List of Competitors

Four restaurants currently reside in the Main Street Town Center Shopping Center and pose the most direct competition to Verde:

- Chili's
- Giovanni's Italian Restaurant
- The Asian Market
- Chipotle Mexican Grille

1.6.2. Indirect Competition

Verde faces indirect competition in the immediate surrounding area from several low to mid-priced national chains, including Applebee's, Domino's Pizza, Ruby Tuesday's, TGI Friday's and several prominent fast food chains. None of these pose a direct threat to Verde's business as none appeal directly to Verde's target (mid to high-income) customer.

1.6.3. Competitive Advantages

Verde boasts several assets that will place it in high competitive positioning in the Statesville marketplace, namely its status as the only local restaurant catering to the mid to high-end consumer:

- A sophisticated, unique, contemporary and exotic atmosphere, unlike that of any surrounding restaurant.
- The managing partners' thorough understandings of opening, operating and marketing restaurants to the consuming public.
- A gourmet menu developed by a three-star chef, which mixes the familiar with the exotic and is updated on a monthly basis.
- An extensive marketing campaign that skillfully communicates a consistent brand message through effective shopping center signage, external advertising media and professional public relations outreach initiatives.
- Proven employee relations initiatives aimed at high satisfaction and retention rates.

1.6.4. Competitive Challenges

Each of Verde's direct competitors (those located in the Main Street Town Center shopping center) are backed by large, vertically integrated corporations who offer not only large advertising and marketing budgets and low-cost commodities but also well-established and trusted brand names. While Verde offers many arguments for superiority over the competitors

in the shopping center, we will have to work hard, especially during the first six months of operation, to establish, maintain and distinguish the Verde brand from the surrounding four restaurants.

1.7. Research and Development

1.7.1. Objectives

Verde will conduct regular (and random) customer satisfaction surveys to ensure the quality of food and customer service. Answers gleaned from these surveys will be gathered in a database and analyzed for opportunities to improve the restaurant, such as menu modifications, server reviews, etc.

1.7.2. Technology

Our POS machines will be equipped with software that randomly assigns Customer IDs to receipts throughout regular operating hours alongside instructions for customers to use their ID numbers to log onto an online survey where they will be asked to answer questions about their dining experience. In exchange for completing the survey, each customer will receive a coupon for 20 percent off their next visit to Verde.

1.7.3. Timelines

Data gathered from the surveys will be reviewed on a monthly basis by Verde's General Manager, John Smith. Smith will generate monthly reports for review by all existing managing partners and additional investors. Appropriate actions regarding menu modifications, employee reviews, etc., will be taken on a consensus basis following the review by all parties of the data collected.

1.8. Operations

1.8.1. Production Facilities

Verde's managing partners are currently negotiating a 4,500 square-foot space at the Main Street Town Center shopping center in Statesville Georgia. The space was formerly a restaurant and needs minor structural modifications to meet the architectural/decorative requirements of the Verde brand's look and feel.

Of the total 4,500-square-foot space, 900 square feet will be allocated to a state-of-the-art gourmet kitchen, with the remaining 3,600 square feet contributed toward a 100-square-foot manager's office, a 1,000-square-foot bar and 2,500 square-foot dining area. The U-shaped bar will offer 20 stools, with standing room for an additional 50 patrons. The dining area will contain 40 tables with a maximum capacity of 200 patrons.

The restaurant will be open for lunch and dinner seven days a week. Full-menu service will begin at 10:30 a.m. and end at 10:00 p.m. A modified menu consisting mainly of appetizers will be served until the close of the bar at 2 a.m. The restaurant will be closed Christmas, Thanksgiving and New Year's Day.

1.8.2. Subcontractors

Verde has commissioned the services of several companies to perform various tasks in which they can offer superior skill and expertise to our business proposition, including everything from the interior design of the restaurant to the completion of advertising materials. The following chart lists each subcontractor and the services they will provide:

| Subcontractors | Purpose: |
|----------------------------|----------------------------|
| Can-Do Construction | Leasehold Improvements |
| Avionics | Install of sound equipment |
| The Install Wizards | Install of equipment |
| Top Line | Information Technology |

1.8.3. Quality Control and Best Practices

Product Quality. Great emphasis will be placed on sustaining the quality and integrity of our food products. They will constantly be tested to meet the highest sanitation and quality standards.

Food Production. All food will be prepared and assembled fresh on restaurant premises. The kitchen will be designed for high standards of sanitations and cleaned twice daily, at the afternoon shift change and at the close of the restaurant.

Employee Training & Education. Employees, who will be hired based on strict standards of proven experience, will be trained not only in their respective operational duties but in the philosophy and application of our brand and retail concept. They will also receive extensive training from the Head Chef about the content and origin of each menu item and will be continually updated on menu revisions.

1.9. Source and Use of Funds

1.9.1. Existing Debt

All available funds, totaling \$450,000, are derived for the initial investments of Verde's three managing partners. Thus, at this time, Verde has no existing debt to account for.

1.9.2 Existing Equity

\$450,000 of the funds needed is provided the management team. Verde is seeking \$250,000 in exchange of a 10% stake in Verde.

| Investor | Ownership |
|-----------------------------------|-----------|
| John Smith | 50% |
| Bob Adams | 20% |
| Matt Jones | 20% |
| Potential Outside Investor | 10% |

1.9.3. Projected Revenues

Projected revenues are based under the assumption of a target of 50,000 annual customers by year 5 at an average of \$15 per person. This is a conservative estimate that is based only off of the people that live in Statesville. This number does not include the other 500,000+ customers that visit Town Center each year.

| Year | Revenue | Gross Margin |
|-------------|-----------|--------------|
| 2015 | \$320,000 | \$104,000 |
| 2016 | \$430,000 | \$140,000 |
| 2017 | \$520,000 | \$169,000 |
| 2018 | \$625,000 | \$203,000 |
| 2019 | \$750,000 | \$244,000 |