

[REDACTED]

Pro Forma Financial Model Assumptions

Overview

The financial projections are based on the performance of the principals' existing restaurant at [REDACTED]. This facility seats approximately 120 customers. The projected transactions are being applied to a 324-seat restaurant in [REDACTED]. While the capacity of the new facility is much higher, the transaction count of the smaller, [REDACTED] facility is being applied. For example, on a recent Tuesday night, the slowest night for their existing restaurant, they had 757 transactions. The principals believe they will be able to meet these numbers and assert that they are a reasonable basis for the pro forma projections.

The owners will be rebranding a restaurant that is already in operation. They believe they will be able to quickly ramp to the numbers in the projections. The style of food offered by [REDACTED] is not currently available in the area. The primary styles in the area are [REDACTED] or Americanized approximations of true [REDACTED] menus. For those who know the true flavors of [REDACTED], the [REDACTED] difference is obvious and compelling. The principals have many clients that come to their [REDACTED] store specifically because of the menu and atmosphere.

The change in menu at the [REDACTED] store will be accompanied by a completely revamped décor, including new tables, chairs, flatware and plates. The bar will also be updated with new fixtures and glassware. Another major change will be the installation of a two of buffet lines that will allow buffet service in addition to the sale of menu items. In addition, the kitchen will be updated and expanded to handle the additional throughput the principals are expecting. This change will create a restaurant quite different from anything else in the area.

Local demographics featuring a large [REDACTED] population, many [REDACTED], will contribute to the success of the restaurant beyond the traditional 1, 3, 5 mile metrics. The existing [REDACTED] facility is already drawing from beyond these local boundaries.

Revenue

Modeled Products and Pricing

| Pricing | |
|----------------|----------------------|
| Product Lines | Sales Price Per Unit |
| M-SAT BUFFET | \$ 10.00 |
| SUN BRUNCH | \$ 14.99 |
| CHILD BUFFET | \$ 6.99 |
| ALCOHOL AVG. | \$ 11.00 |
| SOFT DRINKS | \$ 2.50 |
| FOOD+TOGO | \$ 12.00 |

Buffet services is accounted for separately from FOOD, which denotes menu based items. All TOGO items are menu items. There is no differentiation between which food items are served in-restaurant and packaged to go.

Sales Forecast – Transaction Count

Below are the principal’s projections for the restaurant for the first year. Because they are going to be closed for tenant improvements and will be rebranding the restaurant, they recognize that sales need to ramp to reflect the initial period of market capture and growth. The starting point for the projections are transaction counts for ██████████, which, while slightly increased to scale to the size of the new restaurant, only represent about two-thirds of the practical capacity of the ██████████ location, based on the number of turns per day (see *Analysis of Sales Forecast*, below).

| | Sales Forecast - Transaction Count | | | | | | | | | | | | Total |
|--------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | |
| | 8,200 | 8,700 | 9,000 | 9,100 | 9,200 | 9,300 | 9,400 | 9,600 | 10,400 | 10,200 | 10,300 | 10,400 | 113,800 |
| | 3,000 | 3,150 | 3,200 | 3,400 | 3,500 | 3,600 | 3,800 | 3,900 | 4,200 | 3,800 | 3,900 | 4,000 | 43,450 |
| | 750 | 775 | 800 | 825 | 850 | 875 | 900 | 925 | 1,000 | 925 | 950 | 975 | 10,550 |
| | 5,000 | 5,300 | 5,600 | 6,000 | 6,300 | 6,600 | 6,900 | 7,200 | 7,900 | 7,300 | 7,600 | 7,900 | 79,600 |
| | 8,000 | 8,250 | 8,500 | 8,750 | 9,000 | 9,250 | 9,500 | 9,750 | 10,750 | 10,000 | 10,250 | 10,500 | 112,500 |
| | 16,000 | 16,250 | 16,500 | 16,750 | 17,000 | 17,250 | 17,500 | 17,750 | 19,000 | 18,250 | 18,500 | 18,750 | 209,500 |
| Total Sales | 40,950 | 42,425 | 43,600 | 44,825 | 45,850 | 46,875 | 48,000 | 49,125 | 53,250 | 50,475 | 51,500 | 52,525 | 569,400 |

The lines above correspond to the products in the 'Product Lines and Pricing' chart above. These numbers are applied directly to Monthly cash flow. They are then ramped, using the Seasonality factors at the top of the 'Monthly' model:

| | | | | | | | | | | | | | |
|-----------------|------|------|------|-------|------|------|------|------|------|------|------|------|-----|
| Seasonality ==> | 1.5% | 2.0% | 5.0% | 10.0% | 8.3% | 8.3% | 6.0% | 6.0% | 8.3% | 8.3% | 8.3% | 7.0% | 79% |
|-----------------|------|------|------|-------|------|------|------|------|------|------|------|------|-----|

The principals believe that the restaurant will significantly outperform these estimates in Years 2 and 3 but are scaling them back to take into account the factors discussed above. This ramp reflects 79% of the basis forecast, which the principals believe to be a reasonable adjustment.

Analysis of Sales Forecast

The analysis that follows is based on the transaction counts, above, for [REDACTED] Please remember that the 'Monthly' launch projections are for 79% of this basis.

The restaurant will be open Sunday to Thursday 9 am to 11 pm and Friday and Saturday 9 am to 1:30 am, for 89 operating hours. The restaurant will be open every day except Thanksgiving and Christmas and a half day on Fourth of July. The basis for the transaction analysis is:

| | | | | | | | | | | | | | |
|------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Holiday | | | 1 | 1 | | | | | | | | | |
| Days /Mo | 30 | 31 | 29 | 30 | 31 | 28 | 31 | 30 | 31 | 30 | 31 | 31 | 31 |
| Sundays | 4 | 4 | 5 | 4 | 4 | 4 | 5 | 4 | 5 | 4 | 4 | 4 | 5 |
| Remainder | 26 | 27 | 24 | 26 | 27 | 24 | 26 | 26 | 26 | 26 | 26 | 27 | 26 |

On this basis, the number of daily transactions, by month, is as follows:

Sales per Day

| | | | | | | | | | | | | | |
|--|----------------------------------|----|----|----|----|----|----|----|----|----|----|----|----|
| | M-SAT BUFFET | 23 | 23 | 27 | 25 | 24 | 28 | 26 | 26 | 29 | 28 | 27 | 29 |
| | SUN BRUNCH | 54 | 56 | 46 | 61 | 63 | 64 | 54 | 70 | 60 | 68 | 70 | 57 |
| | CHILD BUFFET | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | ALCOHOL AVG. | 12 | 13 | 13 | 14 | 15 | 16 | 16 | 17 | 19 | 17 | 18 | 19 |
| | SOFT DRINKS | 19 | 20 | 20 | 21 | 21 | 22 | 23 | 23 | 26 | 24 | 24 | 25 |
| | FOOD+TOGO | 38 | 39 | 39 | 40 | 40 | 41 | 42 | 42 | 45 | 43 | 44 | 45 |
| | Total Hourly Transactions | 61 | 62 | 66 | 65 | 65 | 69 | 67 | 69 | 74 | 71 | 71 | 73 |

The total daily transaction number is based on the total of the MON-SAT BUFFET + FOOD – TOGO categories. The other line items will generally be components of the final ticket.

Number of Turns

When these daily sales are analyzed as turns, based on a total of seats (324), the following number of turns are:

| | | | | | | | | | | | | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| MON-SAT BUFFET | 0.91 | 0.93 | 1.08 | 1.01 | 0.98 | 1.12 | 1.04 | 1.07 | 1.16 | 1.13 | 1.10 | 1.16 |
| SUN BRUNCH | 2.17 | 2.28 | 1.85 | 2.46 | 2.53 | 2.60 | 2.20 | 2.82 | 2.43 | 2.75 | 2.82 | 2.31 |

Hourly Transactions by Product Line

When the daily numbers are divided by a 14-hour day, the number of hourly transactions by product line are determined.

| <i>Sales Per Hour (Based on 14 hour day)</i> | | | | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| M-SAT BUFFET | 23 | 23 | 27 | 25 | 24 | 28 | 26 | 26 | 29 | 28 | 27 | 29 | |
| SUN BRUNCH | 54 | 56 | 46 | 61 | 63 | 64 | 54 | 70 | 60 | 68 | 70 | 57 | |
| CHILD BUFFET | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | |
| ALCOHOL AVG. | 12 | 13 | 13 | 14 | 15 | 16 | 16 | 17 | 19 | 17 | 18 | 19 | |
| SOFT DRINKS | 19 | 20 | 20 | 21 | 21 | 22 | 23 | 23 | 26 | 24 | 24 | 25 | |
| FOOD+TOGO | 38 | 39 | 39 | 40 | 40 | 41 | 42 | 42 | 45 | 43 | 44 | 45 | |
| Total Hourly Transactions | 61 | 62 | 66 | 65 | 65 | 69 | 67 | 69 | 74 | 71 | 71 | 73 | |

Cost of Goods Sold

There are two major components to Cost of Goods Sold: Foodstuffs / Supplies and Labor. The calculation for the food components are based on the principals' experience at their [REDACTED] restaurant:

| Cost of Sales | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 | Month 8 | Month 9 | Month 10 | Month 11 | Month 12 | Totals |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Produce | 28,080 | 28,860 | 30,030 | 30,420 | 30,810 | 31,200 | 31,590 | 31,980 | 32,370 | 32,760 | 33,150 | 33,540 | 374,790 |
| Meat/food | 49,920 | 51,480 | 53,040 | 53,820 | 54,600 | 55,380 | 56,160 | 56,940 | 57,720 | 58,500 | 59,280 | 60,060 | 666,900 |
| Beverage | 11,700 | 11,856 | 12,012 | 12,480 | 12,948 | 13,416 | 13,884 | 14,352 | 14,820 | 15,288 | 15,912 | 17,784 | 166,452 |
| Liquor | 15,600 | 15,600 | 16,380 | 16,380 | 16,692 | 17,160 | 17,472 | 17,784 | 18,252 | 18,720 | 19,344 | 19,968 | 209,352 |
| Supplies | 80,100 | 80,100 | 80,100 | 80,990 | 81,880 | 81,880 | 81,880 | 83,660 | 83,660 | 83,660 | 85,440 | 85,440 | 988,790 |
| Totals | \$185,400 | \$187,896 | \$191,562 | \$194,090 | \$196,930 | \$199,036 | \$200,986 | \$204,716 | \$206,822 | \$208,928 | \$213,126 | \$216,792 | \$2,406,284 |

The second component, labor, is calculated on a base crew size and extrapolated to full time equivalents to derive the total labor cost:

| <i>Staffing (Typical Shift)</i> | <i>Total Weekly Restaurant Hours: 89</i> | | | |
|---------------------------------|--|-------------|-------------|---------------|
| | <i>Cnt</i> | <i>Rate</i> | <i>FTEs</i> | <i>Annual</i> |
| Cook | 3 | 12 | 6.68 | 166,608 |
| Prep | 4 | 9 | 8.90 | 166,608 |
| Dishwashers | 2 | 10 | 4.45 | 92,560 |
| Busboy | 4 | 9 | 8.90 | 166,608 |
| Host | 2 | 9 | 4.45 | 83,304 |
| Servers | 12 | 9 | 26.70 | 499,824 |
| Staff Per Shift | 27 | | 60.08 | 1,175,512 |

This is then applied to the model using the ‘Seasonality’ percentages.

Expenses

Officers Wages - ██████ per month for three individuals.

Advertising - ██████ will be taking over an operating restaurant and will have a soft opening, followed by increased advertising as the restaurant identity is changed.

Car and Truck Expenses - Expenses for vehicles used for catering and delivery plus the lease payment for a wrapped monster truck used for on road advertising.

Bank Charges - Account expense for handling cash deposits and other services.

Consulting and Professional Services - Accounting and Legal expense.

Entertainment and Business Meals - Rate based on experience in ██████ restaurant. Includes monthly cable television service.

Equipment Rental - Rate based on experience in ██████ restaurant.

Merchant Fees - Average merchant rate of 1.6% applied to 60% of purchases.

Office Supplies - Rate based on experience in ██████ restaurant.

Repairs and Maintenance - Rate based on experience in [REDACTED] restaurant.

Uniforms and Laundry - Uniforms, tablecloths, towels and other linens plus floor mats.

Utilities - Rate based on experience in [REDACTED] restaurant.

Debt Service

The monthly payment is based on the payment for the building purchase and tenant improvements of \$ [REDACTED] borrowed for 25 years at [REDACTED]%. The payment for this note will be \$ [REDACTED]. The cost of startup expense ([REDACTED]) and working capital ([REDACTED]) required are part of the owner's injection and are not added to the loan amount.

Years 2 and 3

The revenues for Year 2 is increased by 20% and Year 3 by 10%.

The costs of goods sold is projected by using the ratios for Year 1 and applying them against the revenues for Years 2 and 3.

To all expenses and costs of goods, 3% inflation is added.