



Hi Fries

Business Plan

By

CACHÉ

**Creative Asian
Capital Hawaii
Entrepreneurs**

Farin & Lara

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European Style Fries & Toppings

Table of Contents

I. Executive Summary	1
II. The Business Organization	2
A. Company Overview	2
B. Organizational Structure	5
C. Legal Ownership Structure.....	7
D. Special Laws & Regulations	8
III. Market/Business Environment	8
A. Market Opportunity Analysis	8
B. Target Market	10
C. SWOT Analysis.....	11
IV. Marketing, Sales and Distribution	14
A. Products/Services	14
B. Price	15
C. Place	16
D. Promotion	18
V. Finance and Accounting	21
A. Cost of Doing Business	21
B. Sources of Funding and Financing	21
C. Pro Forma Income Statement	22
D. Pro Forma Cash Flows	23
E. Breakeven Analysis	24
VI. Exit Strategy	25
VII. References	26
VIII. Appendices	29

I. Executive Summary

Creative Asian Capital Hawaii Entrepreneurs (CACHE) will create “Hi Fries”, a fast casual restaurant that will initially focus on European style French fries. Using only the freshest ingredients and cooking preparations, Hi Fries will provide its customers with mouth watering French “pomme frites”, Dutch “vlaamse frieten”, or British “chips” that is a staple in most major European cities. Hi Fries will provide the traditional toppings these European operations offer; however, it will create a unique spin with its global toppings and sauces. Its “Hi Time” for “Hi Quality” “Hi Fries”!

The principals of CACHE, Farin Fukunaga and Lara Shinsato, will open their first Hi Fries in the Ward/Kaakako mixed retail and residential area of Oahu. In this highly visible and trafficked area, the outlet will be geared primarily for take away customers. Customers will also have the option of eating their fries outside in a festive section that will feature high top tables with colorful umbrella coverings.

It is the intent of the owners to open four additional company owned outlets at strategic locations throughout Hawaii at the beginning of years 3, 4, 5, and 6. After opening and stabilizing these five outlets, the owners will focus on franchising this successful concept. The owners’ ten-year projections anticipate opening 16 franchise locations, with at least two being in Hawaii. Ultimately, becoming a franchisor will be CACHE’s exit strategy; however, the owners would entertain purchase offers from the likes of successful national companies such as Chipotle Mexican Grill, Panda Express, and even restaurant groups such as YUM!

Each new outlet has an average estimated startup cost of about \$165,000, however the first outlet will cost about \$205,000, due to product development costs and initial

brand launching. The total amount of funding required for this venture is \$300,000, which incorporates the startup costs and cash burn of about \$30,000 during the first six months of full operations. Of this \$300,000, CACHE expects to secure a bank debt loan of \$100,000 and equity financings of \$200,000. Of the \$200,000 of equity financing, the principals will contribute \$70,000 and the remaining equity of \$130,000 million will be sought from Outside Investors.

The venture will be structured so that all debt financing will be paid off first (estimated to be by the end of Year 2), then all equity risk capital will be paid back, and lastly any remaining available distributable funds will be split 50/50 to Outside Investors and the principals, respectively. Outside Investors are expected to receive back all of their capital invested by the end of Year 5. Total investment non-compounded returns to Outside Investors are expected to amount to \$3.9 million dollars, which would amount to a 10-year return of 3000% or an average annual return of 300%. The 10-year internal rate of return (IRR) for outside investors is estimated to be 56%.

II. Business Organization

A. Company Overview

1. Investment Opportunity – Hi Fries

CACHÉ will develop Hi Fries, an eatery providing fresh European Style French Fries. Instead of traditional, shoestring fries, Hi Fries specializes in fresh, thick cut “Frites”, twice cooked to perfection. Additionally, Hi Fries will offer a variety sauces and savory toppings along side the fries. Customers will be able to indulge in their cravings for a hot, savory snack or meal.

In European cities such as Amsterdam or Brussels, Frite shops dot heavily commuted streets. Locals and tourist flock to these eateries for a cone of fresh cooked Frites, topped with exotic sauces and toppings. Hi Fries intends to recreate the European Frite Shop, albeit while catering to American taste. Fries are a comfort food in the United States and Hawaii, but the majority of consumers have never experienced European Style Frites. Starting in Hawaii, Hi Fries aims to expose all of America to true taste, quality, and freshness.

Currently, there are no companies in Hawaii that regularly offer European Style Fries. Other food establishments carry pre-cooked frozen fries, but these lack the freshness and taste provided by Hi Fries' double fry cooking process and high quality standards. Only American grown russet potatoes, pure peanut oil, and salt go into the Fries. Hi Fries is also the only restaurant with sauces and toppings specifically tailored to pair well with French Fries. From American classics such as BBQ or Chili sauces to Asian Fusion, for example Spicy Sushi Sauce or Furikake, Hi Fries has the best accompaniments. No other vendor in Hawaii offers fries with all the “fixin’s.”



2. Mission Statement

CACHÉ's mission statement for Hi Fries is to prove the highest quality European style fries and accompaniments for the American palate. With this fresh take, fast service, and festive setting, Hi Fries will bring “a slice of Europe to America’s (and Hawaii’s)

shores”. Hi Fries intends to recreate the European Frite Shop, albeit while catering to American taste. The mantra is: it’s “Hi Time” for Hi Fries – Fresh, Fast, and Festive!

3. Vision Statement

CACHÉ envisions Hi Fries to become a “go to” snack/meal venue in Hawaii within three to five years. Hi Fries will have a store at a major Hawaii shopping and entertainment destination within 10 years. By the end of the 10th year, CACHÉ will have established a proven franchisor of Hi Fries outlets.

4. Short Term Goals

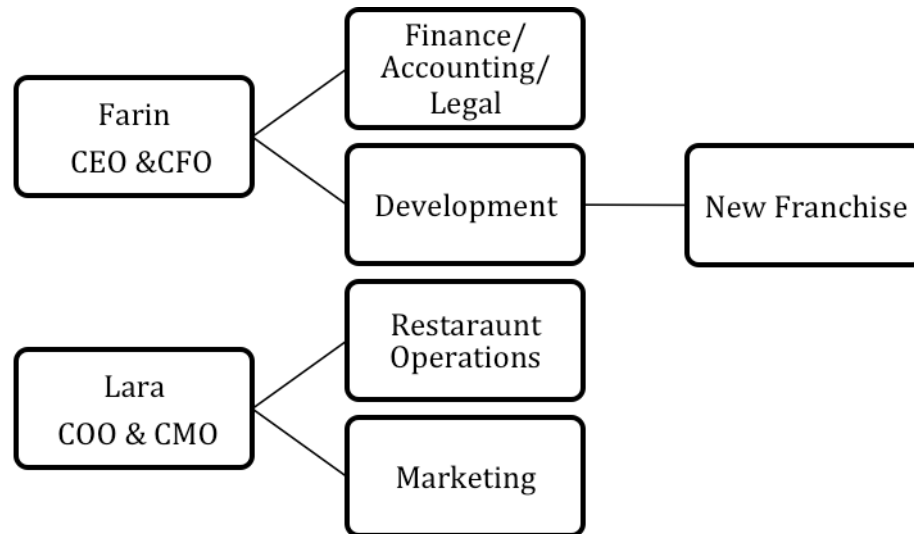
Net income for the initial store is projected to stabilize by the beginning Year 2. CACHÉ plans to pay off all debt financings by the end of Year 2, and return all equity financings by the end of Year 5. Hi Fries also plans to open a new outlet at the beginning of Year 3, and one new store per year for the next 3 years

5. Long Term Goals

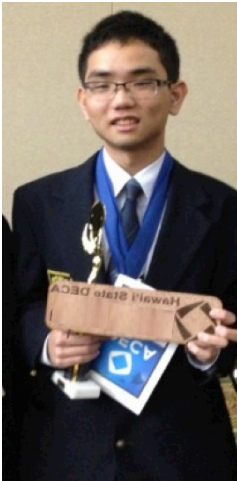
Once Hi Fries has developed a strong presence in Hawaii as a stand-alone outlet, CACHÉ plans to expand Hi Fries to other Hawaii locations and the Continental United States via franchising. By Year 10, Hi Fries projects to have 5 company owned stores, 2 franchises in Hawaii, and 14 franchises placed strategically across the Western States.

B. Organizational Structures

1. CACHÉ 's Investment Team Structure



Farin – Chief Executive Officer and Chief Financial Officer



Farin will be in charge of the financial and franchising side of CACHÉ 's venture. Besides keeping track of the company's financial information, he will be responsible for investor and financing relationships. Farin will be charged with developing and maintaining franchisee relationships.

As President of the DECA Business Club for the past two years, Farin has demonstrated strong leadership by the success of his organization in club standing and competitive situations. Within the DECA competitions, Farin has been state champion for the past three years and has attended the national competition where he won an outstanding presentation award. Farin has also been a manager of the school's snack/convenient store for the past two years where he had sales and financial responsibilities. He has also been President of the 4-H Executive Board and

a critical member of the state championship Mock Trial Team. Farin has excelled in his academic studies (3.7 GPA), is focused on an entrepreneurial career, and plans to enroll in Seattle University as a Business major.

Lara – Chief Operating Officer and Chief Marketing Officer

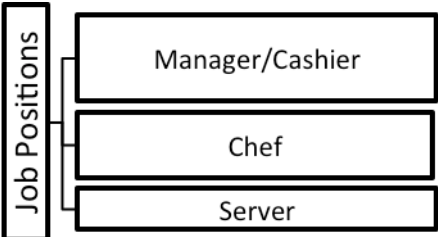


Lara will be in charge of all restaurant operations, in addition to human resources and food and beverage management. Aside from the day-to-day operations of Hi Fries, Lara will be responsible for interviewing, selecting, and training the employees needed to operate Hi Fries. She will be in charge of all restaurant quality control and for maintaining contacts with all vendors and suppliers.

Lara is President of the state champion Mock Trial Team and Pre Law Society. She has demonstrated strong analytical and logistical skills as chief legal and administrative attorney for her teams. Lara has also been a Vice President of DECA, a manager of the school’s student-run store, and a fellow of Center for Tomorrow’s Leaders, a leadership focused organization. She has also displayed a creative bent in creating promotional campaigns for the school store. Lara has maintained a 3.7 GPA and plans to enroll in Willamette University focusing in Business this fall.

2. Hi Fries Management Structure

Restaurant Operations:



Hi Fries will operate according to the organizational structure shown at left. During a typical shift, there will be three workers: one

manager/cashier, one head chef, and one server. Operationally, the head chef will be responsible for frying previously blanched fries, and then filling them in the cone containers of various sizes. The cashier will be responsible for taking orders of the customers and relaying them to the head chef. The cashier will also assist in serving the fries. The server will add sauces or toppings on fries, serve the fries to the customers, and maintain the store's eating areas.

In order to "hone down" procedures, Farin and Lara will be the cashier and chef, respectively during the first year of the initial store's operations.

Franchise Operations:

The CEO/CFO (Farin) will head up franchise development and sourcing financing, while the COO/CMO (Lara) will maintain existing operations and monitor franchise operations. Lara will also lead the marketing department in companywide promotions and branding. The actual staffing and operations of the franchisee's outlets will be the same as previously described in the restaurant operations section.

C. Legal Ownership Structure

Hi Fries will be operated as a limited liability company (LLC). The LLC was chosen for legal protection and the opportunity it provides to new businesses. Owners may have less personal liability for debts and actions under the LLC (Laurence). Farin and Lara will each own 50% of the LLC. After operations are stabilized and the franchise business model proven successful, CACHÉ will probably convert to a regular C corporation.

D. Special Laws and Regulations

Hawaii Law dictates that restaurants obtain several permits and are subject to inspection by the Department of Health. These permits include the Food Establishment Permit, Food Beverage License, and pass the Food Establishment Inspection. Also, Hawaii Administrative Rules, Title 11, Chapter 12 details sanitation, preparation, and storage rules that all restaurants must follow. According to Hawaii Franchise Law, Hi Fries must register with the state as a franchisor, and take steps to prevent miscommunication and conflict with potential franchisees. This includes creating a Uniform Franchise Offering Circular (UFOC) or a Franchise Disclosure Document (FDD). These documents communicate HiFries' operations, expectations, and regulations. (Hawaii Statutes - Section 482E-1: Purpose and intent.)

It will be up to the Franchisee to register for necessary permits, including business registration, GE Tax License, Department of Health permit, Federal ID number, and building permit. For tax purposes, the Franchisee will be a separate from Hi Fries and will pay the GE tax and Property Tax. The franchisee will operate their stores in accordance to both Department of Health guidelines and Hi Fries' operation manual.

III. Market/ Business Environment

A. Market Opportunity Analysis

1. Demographics of the Purchaser

Consumers off all ages are drawn to fries as comfort food. Over 6 million pounds of potatoes are consumed as frozen fries per year, and virtually every American has eaten fries at least once (Hex). Additionally, over 80% of the people we surveyed value freshness. Based on the previous information, customers show a pattern of selecting their

fries based on what's available, and although they currently purchase substitute products (such as frozen fries), they would find fresh fries more desirable and appealing.

According to our survey, 92% of consumers eat fries. 100% of consumers who eat fries eat them at least once a month, and 30% eat fries weekly. Analysis of primary research, such as age, gender, income, and education, displays that the appeal of fries is quite universal.

2. Market Size

Nationally, limited service, "fast food" restaurants grossed \$164 billion in sales in 2010, up 17% increase since 2005. Sit down restaurant sales grew only 10% over that time frame, indicating that more consumers prefer the convenience of fast food restaurants. More recently, "fast casual" chains such as Panera Bread and Chipotle Mexican Grill saw an 8% increase in customer visits from 2012 to 2013, while the rest of the restaurant industry was stagnant over that period ("Fast casual is," 2014). Eateries providing both fast service and higher quality food, such as Hi Fries, are a growing trend in the food industry.

According to the Hawaii State Data Book, the limited service, "fast food" restaurants account for \$3.6 billion in sales ("Hawaii state data," 2012). However, no restaurant in Hawaii specializes exclusively in fries, providing Hi Fries an opportunity to command a share of the fast casual market.

3. Size of Available Market

There are over 900,000 people in the City and County of Honolulu. From our survey, about 92% of people eat French Fries, making this an estimated 828,000 available consumer market. In regards to the initial store in the Ward/Kakaako area, approximately

70,000 people work within one mile of planned restaurant outlet. In addition, there are presently 2,400 residential units within walking distance, with another 2400 units projected to be built by 2017. A critical rail transit station is scheduled to be built in this area. Furthermore, the Ward/Kakaako area is currently going through their “forWARD” remodeling project, which is anticipated to result 7.5 billion dollars in economic impact to the area over the next decade (Ward Center Press Release).

B.Target Market

CACHÉ has strategically placed its first Hi Fries store in the busy Ward/Kakaako area in order to get the “buzz” going among area residents and workers, local retail customers who visit this area, and the numerous tourists who shop there. CACHÉ realizes that a younger under 35 years old demographic will probably visit its outlet initially, however, it feels that once the “buzz” is generated, the full force and universal appeal of Hi Fries offerings will attract the potential 92% of people who love fries. Primary research indicates that 100% of people who eat French Fries consume them at least once a month, making their repeat business quite lucrative. The average annual purchase per customer would be about \$60, assuming the average bill is \$5 and conservative visits of once a month

Currently, McDonalds holds a commanding 49% share of the national fast food industry (DiStefano, 2011). Burger King and Wendy’s both have about a 13% market share, while Jack in the Box and Sonic are declining into the single digits. Five Guys Burger & Fries, although small, are growing rapidly. Fast casual restaurants make up 7% of the national restaurant industry (Tristano, 2013).

The goal of Hi Fries is to first establish a lead in the Hawaii market, then gain market share nationally. In the \$3.6 billion Hawaii fast food market, our objective is to reach \$4.5 million in sales and achieve a 0.125% market share by year 10 ("Hawaii state data," 2012). Hi Fries hopes company stores and franchises gross \$16 million in sales and capture 0.06% of the \$31 billion national fast casual market by year 10. (Tristano, 2013).

C.SWOT Analysis

Opportunities

Hi Fries will be the first provider of fresh European style fries in Hawaii seven days a week. Currently, there are no “brick and mortar” restaurant in Hawaii that specializes exclusively in premium fries. As mentioned earlier, 92% of Hawaii



consumers eat fries, making for a very broad potential customer base. Over 60% of the Hawaii market has never eaten authentic European Style Fries, making this a prime opportunity to expose them to this delicious delicacy. At peak times, Frites shops in Europe service lines 20-30 minutes long, a testament to the popularity and customer loyalty that these shops enjoy. Hi Fries plans to recreate similar popularity and buzz in Hawaii. Once a strong presence is developed in Hawaii,

CACHÉ plans to duplicate the launch of Hi Fries statewide, and then franchise nationally starting with the West Coast. To the left is a picture of the typical rush at an Amsterdam Frite Shop.

Threats

A limited scale, European style French fry food truck circulates at the monthly “Eat the Street” events, a source of direct competition. Nationally, brick and mortar Frites shops have been gaining a following, while burger chains are offering fresh, thick cut French Fries. If Hi Fries expands nationally, these companies will be direct competition. See Competition Grid that follows.

Strengths

The strengths of HiFries are as follows: 1) all-natural fresh potatoes used for production, 2) authentic European-style fries with selection of sauces and toppings, and 3) fast and courteous service, and 4) a highly trafficked locations that has a festive atmosphere. Hi Fries’s all-natural fresh fries will not only be superior to other frozen counterparts in consumer image, but also in flavor. Moreover, Ward/Kakaako shoppers will be drawn to Hi Fries by its festive visual presentation and inviting aroma. The appealing cone containers and dozens of creative sauces and toppings provide customers an authentic European-style fries experience.

Weaknesses

CACHÉ ’s Hi Fries restaurants will be in leased space, hence will lack the freedom of a freestanding building. Each restaurant will be required to pay the monthly rent as well as percentage rent based on sales targets. Also, this is a new venture for owners Farin and Lara, both of whom have limited experience in the fast casual industry. Similar to many new entrepreneurs, both owners have limited start up capital will be need to seek both debt the equity financing.

Competitive Positional Analysis

Hi Fries will be uniquely positioned in the fries market due to its superior fresh product and unique toppings/sauces, fast and courteous service, and festive atmosphere. At most burger joints, fries are secondary to hamburgers, hence are made from frozen products and are poorly cooked. Eateries that do specialize in fries either have limited locations, such as Street Frites and Bruges Waffles and Frites, or suffer from the connotation of oily “fast food”, in the case of French Fry Heaven and Potato Corner. Combining both global and American flavors in sauces and toppings sets Hi Fries above the competition. Fresh, Fast and Festive! (See Appendix C for larger grid).

Grid Analysis of National and Local Competitors

Region	Type of Competition	Restaurant	Products	Prices	Customers	Strengths	Weakness	Key Assets	Knowledge / Skills
		HiFries	European Style Fries with Toppings and Sauces	2.50-4.50 0.50 Sauces and Toppings	Oahu Residents	Fresh cut Fries, Mix and Match Sauces and Toppings	Low brand awareness	Ward Location	Cooking Fresh Fries, Creating a range of sauces and toppings
National	Direct	French Fry Heaven	Belgian Style Fries served with a variety of sauces and toppings	3.00-6.00 Fries 1.00 Salts	Select Locations Nation Wide	Two types of European Style Fries, wide menu of sauces and toppings	Not in Hawaii	Slick Website	Creating ethereal Salts
		Bruges Waffles and Frites	Belgian Style Fries, Waffles	3.24-8.34	Shoppers in Utah	Authentic Euro-Style Fries, Homemade Mayo Sauce	Not in Hawaii	Featured on "Man vs. Food", Belgian Owners	Vast Menu
		Pommes Fries	Belgian Style Fries, Flavored Mayo	4.50- 7.75 Fries 1.00 Sauces	New York Residents and Tourist	Fresh Euro-Style Fries, a wide range of sauces	Pricey, Not in Hawaii	"Pommes Fries" Brand Image	Fried Twice Cooking Technique
		Potato Corner	Original Fries, Sweet Potato Fries, Tater Tots, Loopy Fries, "Jo Jo Chips", Chicken Tenders and Wings. BBQ, Cheddar, Cinnamon, etc. powered flavors.	2.99-7.99 for Fries, includes flavoring	Over 200 locations in California, New Mexico, and Texas, and the Philippines.	Wide range of menu items, "healthy" crisscross fries.	Not in Hawaii, Frozen fries.	Auto fryers for efficiency.	"No fry will ever be the same once you add any of our patented spices."
	Indirect	5 Guys Burgers and Fries	Regular Fries, Cajun Fries, Burgers, Sandwiches, Hot Dogs	3.59-5.59 Fries	Continental US	Fresh cut Fries, Burgers, and Sandwiches	Not in Hawaii (As of 2013)	1000+ Franchise Locations	"Perfect Fries" Recipe/Cooking Techniques
		McDonalds	Regular Fries Hamburgers, Sandwiches, American Fast Food	1.25 - 2.00 Medium Fries	Nationwide	Heavy Brand Loyalty, National Locations, Cost Effective Combo Meals	Frozen Fries, Unhealthy (salty and greasy) image	National Locations and Advertising, Brand Image	Speedy Service, Mass Cooking
Local	Direct	Street Frites	European Style Fries, a variety of sauces	5.00 for fries and 2 sauces	Oahu Residents	Fresh Fries, range of sauces	Only open once a month at "Eat the Street" events	Mobile Food Truck	Working food truck market and building hype
	Indirect	Gordon Biersch	Garlic Fries, Alcoholic Beverages, American Food	6.25 Garlic Fries	Nationwide	Alcoholic Beverages, Brand Loyalty	May not be a Family Friendly Environment, Frozen Fries	High Foot Traffic Locations (Shopping Centers)	Leveraging alcohol to produce sales
		Kua Aina	Regular Fries, Sweet Potato Fries, Burgers	2.25-3.25 Fries	Oahu Residents and Tourist	Local Company, Tourist Attraction	Limited locations, Frozen Fries	International Locations	Wide range of menu options

IV. Marketing, Sales, and Distribution

A.Product

Hi Fries' food and beverage menu will cater to people of different tastes and appetites. Its main attractions are European-style fries served in two sizes and with dozens of customized toppings and sauces. Unlike traditional fries from quick-serves or regular restaurants, Hi Fries will serve its fries in cone containers to advocate an authentic European "frites" experience. To satisfy each person's personal



cravings, customers are able to choose sauces and toppings from an extensive list. They may mix and match topping to create their personal favorites. The daily menu of customizations is divided into three sections: Classic, Special and Global. In addition, there will be one weekly special sauce and topping for every week of the month.

In order to develop the best European style fries experience, the principals have established in their start up budget that they will fly to Amsterdam and observe European Frite Shops first hand. Also, the principals will contract an industrial chef to fine tune their fries and sauces recipes and establish a process for quickly serving large batches of fries. Only after this research, consultation, and experimental refining will the principals begin operations.



Eventually, Hi Fries products will extend beyond its savory concept (russet potato and non-sweet sauces and toppings) and offer sweet products (sweet potato fries and sweet sauces and toppings). In addition, given the deep fried equipment set up, it's probably inevitable that Hi Fries should offer "popcorn" like chicken bites (similar to

the Japanese style Kara' age chicken). Furthermore, keeping in true European fashion, Hi Fries will explore the feasibility of selling beer and wine.

Hi Fries Menu			
Fries			
	My Fries	\$3.50	
	Hi Fries	\$5.00	
Sauces			
Classic Free	<u>Regional: \$0.25</u>	<u>Special: \$0.50</u>	<u>Global: \$0.50</u>
Ketchup	BBQ	Chipotle	Teriyaki
Mustard	Ranch	Nacho Cheese	Sweet Chili
Mayonnaise	Sweet Sour	Buffalo	Spicy Sushi
	Honey Mustard	Gravy	Curry
	Siracha	Brown Gravy	
	Malt Vinegar	Jalapeno Cheese	
Toppings			
Classic Free	<u>Regional: \$0.50</u>	<u>Special: \$0.75</u>	<u>Global: \$0.75</u>
Salt	Chili	Cheese	Furikake
Pepper	Garlic	Shrimp Flakes	Kimchee
	Bacon	Jalapenos	

B. Pricing

HiFries will offer two different sizes of fries: **My Fries (regular) for \$3.50 and HiFries (large) for \$5.00**. Sauces such as ketchup, mustard, and mayonnaise are available to customers for free. However, there will also be a premium list of sauces and

toppings available at a price. Customers will be able to purchase drinks of 3 different sizes: Keki size for \$1.25, My size for \$1.50, and Hi size for \$2.00. See chart above.

The projected average food bill per person will be \$4.82 with a beverage. Average variable cost per customer ranges between \$2.41 and \$2.89, fluctuating year to year due to increasing cost, such as principals taking salary. The contribution margin will be between \$1.93 and \$2.40 per customer, again fluctuating due to cost. By Year 5, the breakeven stabilizes at 335,341 customers per year per outlet.

This price is higher than most fast-food competitors including burger-chains such as McDonald's and Burger King due to increased cost. Preparing fries from scratch and using fresh ingredients requires more labor, hence higher prices. However, the superior French Fry experience will justify the high price for consumers.

C.Place (Distribution and Operations)

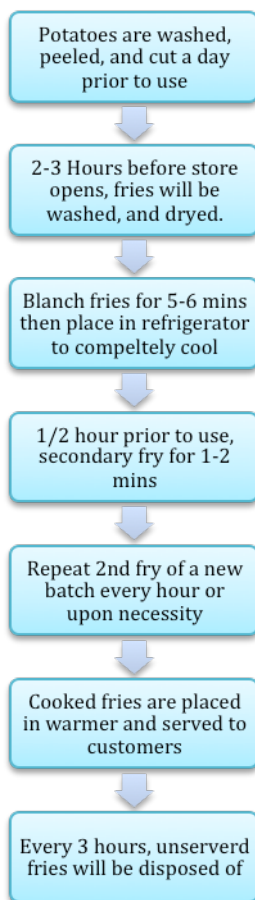
1. Restaurant Operations

Hi Fries will purchase its fresh russet potatoes from food wholesaler Armstrong Produce Ltd. For other essential ingredients and sauces, nationwide warehouses such as Costco, will also serve as primary suppliers, for they not only offer inexpensive prices but also convenient business deliveries.

The store manager will handle the majority of the food prep. Two hours before operating time and two hours afterwards, the manager and other workers will prepare potatoes by peeling, cutting, and washing 30-50 lbs. of potato. After completely drying the potatoes, the first fry will be done for 5-6 minutes, and then stored in the refrigerator until the second fry.

Half an hour prior to operating time, the head chef will do the second fry for 10lbs. of the potato fries for approximately 1-2 minutes. From there, the fries will be placed in the warmer and salted. The 2nd frying process will be repeated every hour or upon demand in 10 lbs. increments. Specialty sauces will be mixed and toppings will be cut to crumbles.

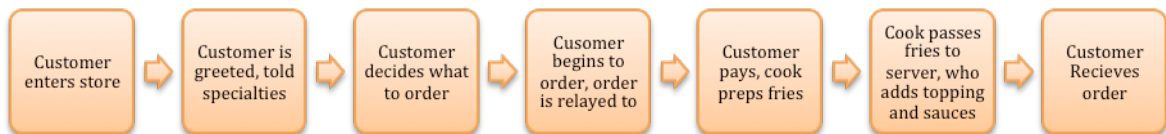
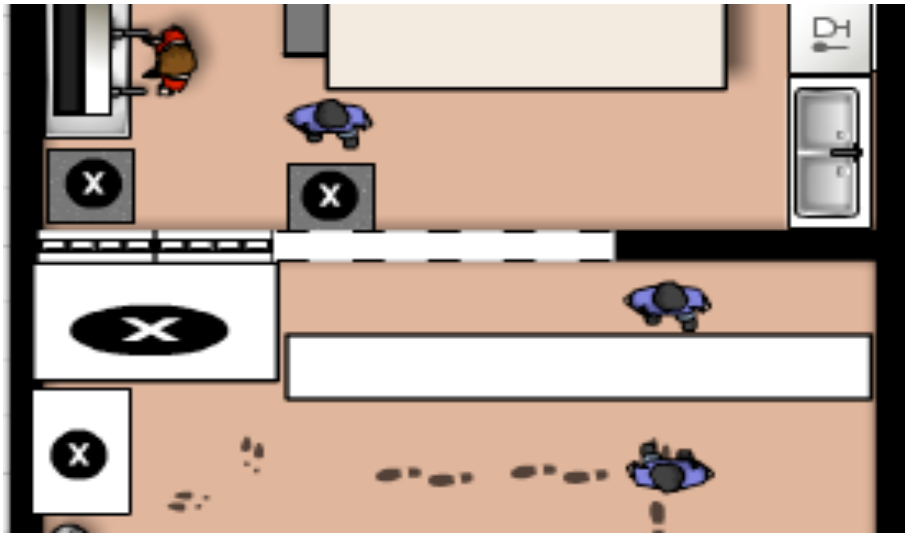
During operational hours, as a manager of HiFries, the cashier will assist customers with any questions and inquiries regarding HiFries. Upon entering the store, the customer will place his or her order with the cashier who will then slide the order back to the server. . The server will then fill the correct size cone with fries, coat the top with the sauce and toppings if applicable, and will place the order in the order window



for the cashier to then deliver to the customer. Upon order, the cashier will give the customer the appropriate sized cup that the customer will fill up at the drink dispenser. Next to the drink dispenser is the condiments bar containing free sauces (ketchup, salt, etc.).

After operational hours, the manager and both the chef and the server will clean up the eatery by cleaning up the entire store and refilling the drink dispenser, sauces and toppings, and paper goods for the next day. Store workers will also place all food products in the refrigerator, sanitize all work areas, empty all trash and recycle bins, and reset the ready cash for the next day.

2. Ordering Process Chart and Diagram



D. Promotions

1. Initial Launch Promotions

To promote the launch of the Hi Fries concept and the grand opening of the Ward/Kakaako store, CACHÉ will create an “A Slice of Europe” themed promotion. In order to generate “the buzz” appeal to Hi Fries, various forms of publicity, advertising, personal selling, sales promotions, and social media aspects will be implemented.

Although expensive, Hi Fries will have to rely on some radio and print advertising as a first step in letting the mass public know about the coming of Hi Fries and its “Slice of Europe” theme launch. Broadcast media, such as radio advertisements, will be utilized to reach the younger generation (people less than 30 years of age). Print advertisements in the Ward Magazine, and Hanahou Magazine will also be utilized in order to advertise to customers from out of state.

This initial advertising will be complimented by the use of social media to reach the under 35-target market. Hi Fries will create a presence on Facebook, Twitter, Instagram, and Yelp. Primary research indicates that approximately 80% of all respondents use some combination of social media and smart phones. In fact 71% of respondents use Facebook, and in conjunction with Twitter and Instagram, social media offers direct means of sending product visuals, coupons, and new product/location announcements to potential customers. Yelp will be utilized to receive feedback and attract new customers. During the initial launch period, Hi Fries will encourage customers to post a picture of their Hi Fries experience on our social media webpages in order for a chance to win an Italian Vespa scooter.

The highlight of this themed launch will be a week's worth of publicity and sales promotion. At the grand opening day, Hi Fries will hire European type models in attractive modern European garb and berets who will entice to partake in Hi Fries samples. Traditional and modern French and Dutch themed music will be piped in and the colorful high table umbrellas will make for a festive and fun atmosphere.

During this launch period, Hi Fries will be featuring daily discounts based on the customers' participation with the grand opening daily event. For instance, on the first day of the grand opening (where the theme of the day is Paris), if a customer places his or her order in a French accent, then they will get a free full size fries/drink combo. All customers will be able to sample a small portion of fries with sauce.

2. Ongoing Promotions

The primary tool for ongoing promotions will be the use of social media. Facebook will be used to update customers that “like” the Hi Fries Facebook page with store coupons, the new weekly specialty flavors, and various store contests. Similar to Facebook, Twitter will utilize social media by informing customers of special HiFries events that all “followers” will be able to view. An example would be an “Instagram Wall of Fame” where the top instagram picture featuring Hi Fries will be displayed in the store every month. Discounts and loyalty cards may be used depending on the perceived need.



Personal selling of the product will be conveyed through Hi Fries employees. As representatives of the Hi Fries brand, all employees must be service oriented and make sure that their priority is ensuring the best quality experience for all customers. This includes being friendly, efficient, and able to make relevant product suggestions to customers.

V. Finance and Accounting

A. Cost of Doing Business (Start up) and B. Sources of Funding

Hi Fries							
Initial Start-up Costs							
All Stores	Year <u>0</u>	Year <u>1</u>	Year <u>2</u>	Year <u>3</u>	Year <u>4</u>	Year <u>5</u>	Year <u>6</u>
Real Estate Costs							
Tenant Deposit	\$ 7,733			\$ 7,965	\$ 8,204	\$ 8,450	\$ 8,704
Site Improvement Costs	70,000			72,100	74,263	76,491	78,786
subtotal	\$ 77,733	\$ -	\$ -	\$ 80,065	\$ 82,467	\$ 84,941	\$ 87,489
Operating Assets							
Restaurant Equipment	\$ 52,330			\$ 53,900	\$ 55,517	\$ 57,182	\$ 58,898
Restaurant Furnishings	9,760			10,053	10,354	10,665	10,985
subtotal	\$ 62,090	\$ -	\$ -	\$ 63,953	\$ 65,871	\$ 67,847	\$ 69,883
Office Equipment & Supplies							
Desktop (Dell)	\$ 1,000			\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126
Desk	150			-	-	-	-
File Cabinet	100			-	-	-	-
Office Supplies	100			-	-	-	-
subtotal	\$ 1,350	\$ -	\$ -	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126
Promotional Costs							
Opening Promotions	\$ 5,000			\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
subtotal	\$ 5,000	\$ -	\$ -	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Professional Services							
Legal /Accounting	\$ 5,000			\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
subtotal	\$ 5,000	\$ -	\$ -	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Licenses & Fees							
Food Establishment Permit	\$ 25			\$ 26	\$ 27	\$ 27	\$ 28
Building Plan Review	200			206	212	219	225
LLC Registration	50			52	53	55	56
GE Tax License fee	20			21	21	22	23
subtotal	\$ 295	\$ -	\$ -	\$ 304	\$ 313	\$ 322	\$ 332
Technology Costs							
Registers	\$ 500			\$ 515	\$ 530	\$ 546	\$ 563
Point of Sale Software	1,500			1,545	1,591	1,639	1,688
Printers	250			258	265	273	281
Other	500			515	530	546	563
subtotal	\$ 2,750	\$ -	\$ -	\$ 2,833	\$ 2,917	\$ 3,005	\$ 3,095
subtotal - start up costs	\$ 154,218	\$ -	\$ -	\$ 158,484	\$ 163,239	\$ 168,136	\$ 173,180
Initial Launch Cost							
Research and Development							
Site Research	\$ 10,000						
Professional Food Consultant	20,000						
Grand Opening Promotions	20,000						
subtotal	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
total - startup costs	\$ 204,218	\$ -	\$ -	\$ 158,484	\$ 163,239	\$ 168,136	\$ 173,180

Funding		
Debt		
Bank Loan	\$ 100,000	
subtotal	\$ 100,000	
Equity		
Principals	\$ 70,000	
Outside Investors	130,000	
subtotal	\$ 200,000	
Total Sources of Funds	\$ 300,000	

B.

Sources of Funding

\$300,000 will be required for initial startup cost and cash reserves; 33% will be debt and 66% will be equity. CACHE will pursue a bank loan of \$100,000, to be paid off by the end of Year 2. Principals will contribute in \$70,000 in equity, and CACHE projects \$130,000 to be acquired from outside investors.

C. Pro Forma Income Statement (10 year)

HI Fries										
Income Statement										
Franchise and Stores										
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
	1	2	3	4	5	6	7	8	9	10
Stores										
Number of Stores	1	1	2	3	4	5	5	5	5	5
Revenue	\$ 527,425	\$ 843,880	\$ 1,371,305	\$ 2,215,185	\$ 3,059,065	\$ 4,020,033	\$ 4,345,982	\$ 4,476,361	\$ 4,610,652	\$ 4,748,972
Cost of Sales	97,690	156,303	253,993	410,296	566,600	744,590	804,962	829,111	853,985	879,604
Gross Margin	\$ 429,735	\$ 687,577	\$ 1,117,312	\$ 1,804,889	\$ 2,492,465	\$ 3,275,443	\$ 3,541,020	\$ 3,647,250	\$ 3,756,668	\$ 3,869,368
Operating Expenses										
Controllable Expenses	\$ 96,512	\$ 186,992	\$ 373,984	\$ 560,976	\$ 747,968	\$ 963,009	\$ 991,899	\$ 1,021,656	\$ 1,052,306	\$ 1,083,875
Payroll	28,954	56,098	112,195	168,293	224,390	288,903	297,570	306,497	315,692	325,162
Employee Benefits	41,193	41,193	82,386	123,578	164,771	212,143	218,507	225,062	231,814	238,768
Supplies	12,000	12,000	24,000	36,000	48,000	61,800	63,654	65,564	67,531	69,556
Maintenance	24,000	24,000	48,000	72,000	96,000	123,600	127,308	131,127	135,061	139,113
Other Operating Costs	12,000	12,000	24,000	36,000	48,000	61,800	63,654	65,564	67,531	69,556
Advertising and Promotion	2,400	2,400	4,800	7,200	9,600	12,360	12,731	13,113	13,506	13,911
Professional Services	2,400	2,400	4,800	7,200	9,600	12,360	12,731	13,113	13,506	13,911
subtotal	\$ 217,058	\$ 334,682	\$ 669,365	\$ 1,004,047	\$ 1,338,729	\$ 1,723,614	\$ 1,775,323	\$ 1,828,562	\$ 1,883,440	\$ 1,939,943
Occupancy Costs										
Monthly Rent	\$ 96,690	\$ 111,346	\$ 204,142	\$ 315,489	\$ 426,835	\$ 554,327	\$ 590,637	\$ 608,356	\$ 626,607	\$ 645,405
Property Insurance	1,800	1,800	3,600	5,400	7,200	9,270	9,548	9,835	10,130	10,433
subtotal	\$ 98,490	\$ 113,146	\$ 207,742	\$ 320,889	\$ 434,035	\$ 563,597	\$ 600,185	\$ 618,191	\$ 636,736	\$ 655,838
Operating Expenses - total	\$ 315,548	\$ 447,829	\$ 877,107	\$ 1,324,936	\$ 1,772,765	\$ 2,287,211	\$ 2,375,508	\$ 2,446,773	\$ 2,520,176	\$ 2,595,781
Store Income	\$ 114,188	\$ 239,748	\$ 240,205	\$ 479,953	\$ 719,701	\$ 988,232	\$ 1,165,512	\$ 1,200,477	\$ 1,236,492	\$ 1,273,586
Franchises										
Number of Franchises	0	0	0	0	1	2	4	8	12	16
Royalty and Fees	\$ -	\$ -	\$ -	\$ -	\$ 117,155	\$ 211,258	\$ 435,191	\$ 896,493	\$ 1,319,340	\$ 1,766,751
Franchise Cost	\$ -	\$ -	\$ -	\$ 75,000	\$ 61,800	\$ 61,800	\$ 123,600	\$ 247,200	\$ 247,200	\$ 247,200
Initial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,377	\$ 62,164	\$ 135,473	\$ 262,881	\$ 397,588
Recurring	\$ -	\$ -	\$ -	\$ 75,000	\$ 61,800	\$ 90,177	\$ 185,764	\$ 382,673	\$ 510,081	\$ 644,788
Total	\$ -	\$ -	\$ -	\$ 75,000	\$ 61,800	\$ 90,177	\$ 185,764	\$ 382,673	\$ 510,081	\$ 644,788
Net Franchise Margin	\$ -	\$ -	\$ -	\$ (75,000)	\$ 55,355	\$ 121,081	\$ 249,427	\$ 513,820	\$ 809,259	\$ 1,121,963
Net Operating Income	\$ 114,188	\$ 239,748	\$ 240,205	\$ 404,953	\$ 775,055	\$ 1,109,313	\$ 1,414,939	\$ 1,714,297	\$ 2,045,751	\$ 2,395,549
Corporate Payroll	\$ -	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000
Interest	5,678	4,947	0	0	0	0	0	0	0	0
Net Income	\$ 108,510	\$ 154,801	\$ 160,205	\$ 324,953	\$ 695,055	\$ 979,313	\$ 1,284,939	\$ 1,584,297	\$ 1,915,751	\$ 2,265,549

D. Pro Forma Cash Flows (10 year)

HI Files										
Cash Flows Ten Years										
Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
0	1	2	3	4	5	6	7	8	9	10
Cash Flow From Operations										
Net Income	\$ 108,510	\$ 154,801	\$ 160,205	\$ 324,953	\$ 695,055	\$ 979,313	\$ 1,284,939	\$ 1,584,297	\$ 1,915,751	\$ 2,265,549
Add(Subtract)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Other non-cash items	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 108,510	\$ 154,801	\$ 160,205	\$ 324,953	\$ 695,055	\$ 979,313	\$ 1,284,939	\$ 1,584,297	\$ 1,915,751	\$ 2,265,549
Cash Flow From Investing										
Initial Start Up Costs	\$ (204,218)	\$ -	\$ (158,484)	\$ (163,239)	\$ (168,136)	\$ (173,180)	\$ -	\$ -	\$ -	\$ -
Other Investments	-	-	-	-	-	-	-	-	-	-
Other Capital Expenditures	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ (204,218)	\$ -	\$ (158,484)	\$ (163,239)	\$ (168,136)	\$ (173,180)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)
Cash Flow From Financings										
Debt Financing - Received	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Financing - Payments	(11,853)	(88,147)	-	-	-	-	-	-	-	-
Equity Financing - Received	200,000	-	-	-	-	-	-	-	-	-
Equity Financing - Payments	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 300,000	\$ (11,853)	\$ (88,147)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow Before Reserves And Distributions										
	\$ 95,782	\$ 96,657	\$ 66,654	\$ 1,721	\$ 161,714	\$ 476,920	\$ 806,133	\$ 1,234,939	\$ 1,534,297	\$ 1,865,751
Owners'										
Return of Capital					\$ (70,000)					
Distributions					(100,000)					
Outside Investors						(400,000)				(1,000,000)
Return of Capital					(130,000)					
Distributions					(100,000)					(1,000,000)
Net Cash Flow	\$ 95,782	\$ 96,657	\$ 66,654	\$ 1,721	\$ 161,714	\$ 76,920	\$ 6,133	\$ 34,939	\$ (65,703)	\$ (134,249)
Beginning Cash Balance										
	-	95,782	192,439	259,094	260,814	422,529	499,448	505,582	540,521	474,817
Ending Cash Balance	\$ 95,782	\$ 192,439	\$ 259,094	\$ 260,814	\$ 422,529	\$ 499,448	\$ 505,582	\$ 540,521	\$ 474,817	\$ 340,568
Number of										
Company stores	0	1	1	2	3	4	5	5	5	5
Franchises	0	0	0	0	0	1	2	4	8	16

E. Breakeven Analysis

Hi Fries					
Break Even Analysis (Company Stores Only)					
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Variable Expenses					
Cost of goods sold	\$ 97,690	\$ 156,303	\$ 253,993	\$ 410,296	\$ 566,600
Payroll	96,512	186,992	373,984	560,976	747,968
Supplies	41,193	41,193	82,386	123,578	164,771
Employee Benefits	28,954	56,098	112,195	168,293	224,390
Total variable cost	264,348	440,586	822,558	1,263,143	1,703,729
Fixed Cost					
Corporate Payroll	\$ -	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Maintenance	12,000	12,000	24,000	36,000	48,000
Other Operating Costs	24,000	24,000	48,000	72,000	96,000
Advertising and Promotion	12,000	12,000	24,000	36,000	48,000
Professional Services	2,400	2,400	4,800	7,200	9,600
Monthly Rent	96,690	111,346	204,142	315,489	426,835
Property Insurance	1,800	1,800	3,600	5,400	7,200
Total Fixed cost	\$ 148,890	\$ 243,546	\$ 388,542	\$ 552,089	\$ 715,635
Break Even Analysis					
Annual Sales and Cost					
Fixed Cost	\$ 148,890	\$ 243,546	\$ 388,542	\$ 552,089	\$ 715,635
Sales - Units of Fries	109,500	175,200	284,700	459,900	635,100
Average Sales Price	4.03	4.03	4.03	4.03	4.03
Sales - Units of Drinks	54,750	87,600	142,350	229,950	317,550
Average Sales Price	1.58	1.58	1.58	1.58	1.58
Average Sale / Customer	4.82	4.82	4.82	4.82	4.82
Variable Cost / Customer	2.41	2.51	2.89	2.75	2.68
Contribution Margin	2.40	2.30	1.93	2.07	2.13
Annual Customers					
Customers required to B/E	61,972	105,802	201,583	266,696	335,341
Sales required to break even	\$ 298,498	\$ 509,613	\$ 970,957	\$ 1,284,586	\$ 1,615,227
Estimated Customers	109,500	175,200	284,700	459,900	635,100
Estimated Sales	\$ 527,425	\$ 843,880	\$ 1,371,305	\$ 2,215,185	\$ 3,059,065
Monthly Customers					
Customers required to B/E	5,164	8,817	16,799	22,225	27,945
Sales required to break even	\$ 24,875	\$ 42,468	\$ 80,913	\$ 107,049	\$ 134,602
Daily Customers					
Customers required to B/E	170	290	552	731	919
Sales required to break even	\$ 818	\$ 1,396	\$ 2,660	\$ 3,519	\$ 4,425
Hourly Customers					
Customers required to B/E	14	24	46	61	77
Sales required to break even	\$ 68	\$ 116	\$ 222	\$ 293	\$ 369
Customers Per Location	14	24	23	20	19
Sales Per Location	\$ 68	\$ 116	\$ 111	\$ 98	\$ 92

The Year 2 breakeven peaks at \$42,486 in revenue per month, or about 8,817 customers per month. The average bill per customer is assumed to be \$4.82, including drinks and toppings. Average variable cost per customer ranges between \$2.41 and \$2.89, spiking in Year 2 and 3 due to corporate officers begin to take salary. As more stores are opened, fixed cost such as corporate payroll are spread out over more locations, hence, the breakeven over four locations decreases and stabilizes in Year 5 at around 27,945

customers per month, or \$134,602 in sales per month. This equates to around 335,000 yearly customers over four locations, or \$1.6 million in sales. Note that in all cases, projected sales exceed the breakeven even amount by a significant margin.

VI. Exit Strategy

Based on our research, there are six general exit strategies that a business can contemplate. One, which is quite negative, is the liquidation of the business if it is not doing quite well or if the principals voluntarily or involuntarily separate from the business. The second and third deal with either principal (or partner) buyout or employee buyouts. CACHÉ 's principals are in this together and don't intend to sell out to each other or to its employees. Consequently, there are only three remaining exist strategies that CACHÉ would consider: the initial public offering (IPO), being acquired, or selling to a third party. The principals feel that the cost of underwriting an IPO will be too expensive and they feel that the company will be in an excellent position to be acquired rather than sell to a third party for a lesser price. Although it is the intent of the principals to continue franchising, they would consider being acquired probably from year eight onwards where cash flows have truly taken off from franchising. Possible suitors could be Chipotle Mexican Grill, Panda Express, Panera Bread or even a restaurant group such as Yum!. Besides the performance of Hi Fries, other signals to sell would include external factors such as the global/domestic economy, capital environment, and competitor situations. Based on 10th year net income of \$2.3 million and a capitalization factor of 10%, the company would not consider anything less than a \$23 million offering, both in cash and potential stock.

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VII. Appendices

- A. Assumptions and Footnotes**
- B. Financial Schedules**
 - a. Cash Flow**
 - i. 10 Years
 - ii. 1st Year
 - iii. 2nd Year
 - b. Income Statement**
 - i. 10 Years (Stores and Franchises)
 - ii. 10 Years (Stores)
 - iii. 10 Years (Franchises)
 - iv. 1st Year
 - v. 2nd Year
 - c. Loan Amortization 2 Years**
 - d. Payroll**
- C. Grid Analysis of National and Local Competitors**
- D. Collateral (Pictures and Graphics)**
- E. Survey**
- F. Charts**
- G. Layout of Store**
- H. Equipment Analysis**

A. Assumptions and Footnotes

General Assumptions

1. **CACHÉ Owned Stores vs. Franchising** – CACHÉ intends to employ two business models in this venture. It intends to first open and operate five HiFries restaurants in the first six years of the venture. The CACHÉ owned stores will be opened in high traffic areas across Hawaii. After gaining valuable experience in operating its own stores, CACHÉ will then be in a position to offer franchise opportunities to other entities beginning the fifth year of the venture. CACHÉ estimates that they will be able to franchise up to four new stores every year thereafter.
2. **Hours of Operation** - Stores will be open from 10 a.m. to 10 p.m., Sunday through Thursday. On Friday and Saturday, the hours will be 10 a.m. to 12 a.m. to accommodate late night shoppers and moviegoers. This equates to 365 operational hours per month.
3. **Prep Hours**- At least one manager will arrive 2 hours before opening and another will stay 2 hours after closing to prep and clean up.
4. **Ordering**- Potatoes and other produce will be purchased from Armstrong Produce, unless otherwise noted. All other ingredients will be source from food distributors such as Y. Hata. Smaller purchases will be made from Costco.

Footnotes to the Financials

Inflation Factor – Where applicable, inflation is assumed to be 3% per year.

Initial Start Up Costs

1. Initial start up costs can be broken down into the following categories: 1) Real Estate Cost 2) Operation Assets 3) Office equipment and supplies 4) Promotion 5) Professional Services 6) Licenses and Fees 7) Technology 8) Franchise cost. Site improvement costs for fast casual outlets were based on a \$115 per square foot estimate based on our discussion with restaurant owner Rick Nakashima of Ruby Tuesday. All other items were based on Internet estimates.
2. **Real Estate Costs** - Based on discussions with Hannah Murphy, Leasing Assistant for Ward Center and Kyle Michibata, Leasing Agent for Ward Center, a retail space of 600 square feet would cost around \$7,733 monthly. This includes \$5.50 per square foot base rent, common area maintenance charge, real property tax, marketing fee, and the Hawaii General Excise Tax. An additional Percentage Rent fee of 8% would be paid if sales exceed \$51,000.
3. **Promotional Cost** – Grand opening promotions for the first store will be \$20,000. This will include theme days, prizes, radio ads, samples, and discounts.

Sources of Funding

1. **Equity Financings** – CACHE will raise \$200,000 in equity financing. \$70,000 will be contributed by the principals, and the other \$130,000 being sold to outside investors.
2. **Debt Financings** – Debt for this venture will be \$100,000 in the beginning of years 0. Based on our discussions with officials from Bank of Hawaii, the terms of these loans would be as follows: 8 year term, fully amortizing, Prime + 2.5% (prime rate = 3.25 + spread of 2.75% = 6%). The loans will require a debt coverage ratio of 1.5 at stabilization. It would be fully guaranteed by the principals and would not incur any prepayment penalties. The loans would probably need to be co-signed by the principals' family. Besides the collateral of the venture itself (tenant improvements and FFE), the bank would require additional collateral from the principals and their family. Hi Fries plans to pay off the loan in full by the end of Year 2.
3. **Equity repayments and distributions** – All capital is projected to be returned to investors by the end of Year 5. Distributions are projected to begin in Year 5, and will be made annually base on the success of the company. Equity will be split 50/50 between outside investors and owners.

Income Statement Stores

1. **Revenues and Cost of Sales** –All stores are expected to hit stabilization within a year.
 - a. **Number of Customers** – based on survey results and industry standards, the average number per hour will be 40. Each customer will make one order.
 - b. **Average Bill Per Customer** - based on survey results and industry standards, we assume about 65% of orders will be My Fries (Normal Size), and 35% will be Hi Fries (Large Size), and 50% of people will purchase a drink. This results in an average bill of \$4-5. We assume a 3% increase each year after year 2.
 - c. **Cost of Food & Beverages** – based on review of industry standards, and current food prices, we estimated the cost of food and beverages to be approximately 10-12% of sales. Potatoes and salt are relatively inexpensive to buy, especially in bulk. Once the GET Tax and packaging cost factored, total food cost is about 20% of sales.
 - d. **Cost of Sauces and Toppings Sales**- The sales and cost of sauces and toppings are factored into the sales and cost of the fries. To clarify, the variable food and packaging cost of one My Fries order is \$0.51. A \$0.25 sauce and topping cost was added to the \$0.51, bring total variable cost to \$0.76. The \$3.50 price point includes one order of My Fries and \$0.25 worth of sauces and toppings. Hence, the margin on one unit of My Fries is \$2.74.

2. **Controllable Expenses** – expenses that are supposedly controllable by management; in other words, items that management could increase or decrease.
 - a. **Payroll**
 - i. **Owners** – As business owners, we would like to learn how to operate the restaurant due to our lack of experience in franchising. Therefore, the first two years, Farin Fukunaga and Lara Shinsato will be managers of the restaurant. They will not take pay for the first year. From year 2 to year 5 they will be paid \$40,000. From then on, they will be paid \$65,000. Their pay is the corporate payroll, and is not calculated into any of individual store payrolls.
 - ii. **Employee** – Each shift will have 1 manager, 1 server, and 1 manager. Three managers will be paid \$15.00. All other employees will be paid \$8.00 per hour. Salaries were made based on assumption but abide to Hawaii’s minimum wage limit.
 - b. **Employee Benefits** – Assumed to be about 30% of payroll
 - c. **Supply Cost-** Supplies will include recurring equipment such as gloves, paper towels, cleaning equipment, and uniforms. Note that gas and oil for the fryers are counted as fixed supply cost. Oil will be changed bi-weekly, no matter the usage, making this a fixed cost.
 - d. **Utilities** - Basic necessities such as water and electricity will be purchased monthly from the Hawaiian Electrical Company and the Hawaii Board of Water Supply. The costs are pro-rated based on the amount of water and electricity used per month.
 - e. **Maintenance** - Maintenance cost consist of periodic cleaning and checking of the grease trap, fryers, and kitchen vents. Specialized cleaning companies will be contracted for these services.
 - f. **Advertising and Promotion-** Expenses beyond landlord’s (shopping center’s) efforts. See Promotion section of plan.
3. **Occupancy Costs** - Based on discussions with Hannah Murphy, Leasing Assistant for Ward Center and Kyle Michibata, Leasing Agent for Ward Center, a retail space of 600 square feet would cost around \$7733 monthly. This includes \$5.50 per square foot base rent, common area maintenance charge, real property tax, marketing fee, and the Hawaii General Excise Tax. An additional Percentage Rent fee of 8% would be paid if sales exceed \$51,000.
4. **Taxes** – Assumes 4.7025 General Excise Tax. No income tax, as this flows through to members, thus no LLC income tax shown; also assumes members can use prior years operating losses to offset future taxable income.

Income Statement - Net Income From Franchisees

1. **Initial Franchise Fee** – Onetime fee of \$60,000 paid to Hi Fries Corporate.
2. **Royalty and Marketing Fee** – 5% of franchise’s gross sales will be paid to Hi Fries Corporate as a royalty. An additional 5% will be paid as a marketing fee.
3. **Technology Cost** – A tech fee of \$1000 will be accessed annually for the use of point of sales software.
4. **Start-Up Cost-** Legal documents, marketing materials, and government fees are a onetime cost. Materials will be re-used over the life of the company.

5. **Training Expenses-** Training expenses will be to hire trainers, design training procedures, and purchase training materials.
6. **Accounting/ Legal Expenses-** Accounting expenses will be for yearly audits of each store. Legal expenses include renewing licenses, certifications, etc.
7. **Marketing Expenses-** Marketing expenses will be for local and regional advertisements, commercials, promotions, etc.

Cash Flows

1. **Net Income from Owned Restaurants and franchises-** Derived from either monthly or yearly income statements.
2. **Initial Start Up Costs -** See initial start up costs schedule.
3. **Other Capital Expenditures –** \$50,000 will be budgeted to refurbish every store 5 years after it opened. This was based on a \$75 per sq. foot estimate.
4. **Financings –** See sources and uses of funds schedule.
5. **Distributions –** Distributions will be made 50/50 between owners and outside investors. Distributions are set based on the financial success of the company.

Break Even Analysis

1. **Variable Costs –** These include food cost, store payroll, supplies, and employee benefits. Note that corporate payroll is considered a fixed cost.
2. **Fixed Costs –** Fixed cost include corporate payroll, maintenance, other operating cost, advertising, professional services, rent, and property insurance. These are projected to stay relatively constant.

B. Financial Schedules

a. Cash Flow

i. 10 Years

HI Fries											
Cash Flows Ten Years											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operations											
Net Income	\$ 108,510	\$ 154,801	\$ 160,205	\$ 324,953	\$ 695,055	\$ 979,313	\$ 1,284,939	\$ 1,584,297	\$ 1,915,751	\$ 2,265,549	
Add(Subtract)	-	-	-	-	-	-	-	-	-	-	
Depreciation	-	-	-	-	-	-	-	-	-	-	
Other non-cash items	-	-	-	-	-	-	-	-	-	-	
Subtotal	\$ 108,510	\$ 154,801	\$ 160,205	\$ 324,953	\$ 695,055	\$ 979,313	\$ 1,284,939	\$ 1,584,297	\$ 1,915,751	\$ 2,265,549	
Cash Flow From Investing											
Initial Start Up Costs	\$ (204,218)	\$ -	\$ (158,484)	\$ (163,239)	\$ (168,136)	\$ (173,180)	\$ -	\$ -	\$ -	\$ -	
Other Investments	-	-	-	-	-	-	(50,000)	(50,000)	(50,000)	(50,000)	
Other Capital Expenditures	-	-	-	-	-	-	(50,000)	(50,000)	(50,000)	(50,000)	
Subtotal	\$ (204,218)	\$ -	\$ (158,484)	\$ (163,239)	\$ (168,136)	\$ (173,180)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	
Cash Flow From Financings											
Debt Financing - Received	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Debt Financing - Payments	-	(11,853)	(88,147)	-	-	-	-	-	-	-	
Equity Financing - Received	200,000	-	-	-	-	-	-	-	-	-	
Equity Financing - Payments	-	-	-	-	-	-	-	-	-	-	
Subtotal	\$ 300,000	\$ (11,853)	\$ (88,147)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Cash Flow Before Reserves And Distributions	\$ 95,782	\$ 96,657	\$ 66,654	\$ 1,721	\$ 161,714	\$ 476,920	\$ 806,133	\$ 1,234,939	\$ 1,534,297	\$ 1,865,751	
Owners'											
Return of Capital	-	-	-	-	-	-	-	-	-	-	
Distributions	-	-	-	-	-	-	-	-	-	-	
Outside Investors	-	-	-	-	-	-	-	-	-	-	
Return of Capital	-	-	-	-	-	-	-	-	-	-	
Distributions	-	-	-	-	-	-	-	-	-	-	
Net Cash Flow	\$ 95,782	\$ 96,657	\$ 66,654	\$ 1,721	\$ 161,714	\$ 76,920	\$ 6,133	\$ 34,939	\$ (65,703)	\$ (134,249)	
Beginning Cash Balance	-	95,782	192,439	259,094	260,814	422,529	499,448	505,582	540,521	474,817	
Ending Cash Balance	\$ 95,782	\$ 192,439	\$ 259,094	\$ 260,814	\$ 422,529	\$ 499,448	\$ 505,582	\$ 540,521	\$ 474,817	\$ 340,568	
Number of											
Company stores	0	1	1	2	3	4	5	5	5	5	
Franchises	0	0	0	0	0	1	2	4	8	12	

ii. 1st Year (Monthly)

HI Files Cash Flows Month to Month Year 1														
	Time	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Year Total		
	0	1	2	3	4	5	6	7	8	9	10	11	12	1
Cash Flow From Operations														
Net Income		\$ (12,147)	\$ (8,235)	\$ (4,324)	\$ (412)	\$ 3,499	\$ 7,411	\$ 11,323	\$ 15,223	\$ 18,751	\$ 22,279	\$ 25,807	\$ 29,335	\$ 108,510
Add(Subtract)														
Depreciation														
Other non-cash items														
Subtotal	\$	\$ (12,147)	\$ (8,235)	\$ (4,324)	\$ (412)	\$ 3,499	\$ 7,411	\$ 11,323	\$ 15,223	\$ 18,751	\$ 22,279	\$ 25,807	\$ 29,335	\$ 108,510
Cash Flow From Investing														
Initial Start Up Costs	\$	(204,218)												
Other Investments														
Other Capital Expenditures														
Subtotal	\$	(204,218)												
Cash Flow From Financings														
Debt Financing - Received	\$	100,000												
Debt Financing - Payments			(966)	(970)	(975)	(980)	(985)	(990)	(995)	(1,000)	(1,005)	(1,010)	(1,015)	(11,853)
Equity Financing - Received														
Equity Financing - Payments														
Subtotal	\$	300,000	(966)	(970)	(975)	(980)	(985)	(990)	(995)	(1,000)	(1,005)	(1,010)	(1,015)	(11,853)
Net Cash Flow Before Reserves & Owners' Distributions	\$	95,782	(13,108)	(9,201)	(5,294)	(1,387)	6,426	10,333	14,228	17,751	21,274	24,797	28,320	96,657
Required Reserves														
Owners' Distributions														
Net Cash Flow	\$	95,782	(13,108)	(9,201)	(5,294)	(1,387)	6,426	10,333	14,228	17,751	21,274	24,797	28,320	96,657
Beginning Cash Balance	\$	95,782	82,674	73,474	68,179	66,792	69,311	75,737	86,070	100,297	118,048	139,322	164,119	95,782
Ending Cash Balance	\$	95,782	82,674	73,474	68,179	66,792	69,311	75,737	86,070	100,297	118,048	139,322	164,119	192,439

iii. 2nd Year (Monthly)

HI Fries														
Cash Flows														
Month to Month														
Year 2														
	Month	13	14	15	16	17	18	19	20	21	22	23	24	Year Total
Cash Flow From Operations														
Net Income	\$	12,872	\$ 12,877	\$ 12,862	\$ 12,887	\$ 12,892	\$ 12,887	\$ 12,903	\$ 12,908	\$ 12,913	\$ 12,918	\$ 12,924	\$ 12,929	\$ 154,801
Add(Subtract)														
Depreciation														
Other non-cash items														
Subtotal	\$	12,872	\$ 12,877	\$ 12,882	\$ 12,887	\$ 12,892	\$ 12,897	\$ 12,903	\$ 12,908	\$ 12,913	\$ 12,918	\$ 12,924	\$ 12,929	\$ 154,801
Cash Flow From Investing														
Initial Start Up Costs														
Other Investments														
Other Capital Expenditures														
Subtotal		-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow From Financings														
Debt Financing - Received	\$	(1,020)	\$ (1,025)	\$ (1,030)	\$ (1,036)	\$ (1,041)	\$ (1,046)	\$ (1,051)	\$ (1,056)	\$ (1,062)	\$ (1,067)	\$ (1,072)	\$ (1,077)	\$ (86,147)
Equity Financing - Received														
Equity Financing - Payments	\$	(1,020)	\$ (1,025)	\$ (1,030)	\$ (1,036)	\$ (1,041)	\$ (1,046)	\$ (1,051)	\$ (1,056)	\$ (1,062)	\$ (1,067)	\$ (1,072)	\$ (1,077)	\$ (86,147)
Subtotal	\$	(1,020)	\$ (1,025)	\$ (1,030)	\$ (1,036)	\$ (1,041)	\$ (1,046)	\$ (1,051)	\$ (1,056)	\$ (1,062)	\$ (1,067)	\$ (1,072)	\$ (1,077)	\$ (86,147)
Net Cash Flow Before Reserves & Owners' Distributions	\$	11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 66,654
Required Reserves														
Owners' Distributions														
Net Cash Flow	\$	11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 11,851	\$ 66,654
Beginning Cash Balance		192,439	204,291	216,142	227,994	239,845	251,697	263,548	275,399	287,251	299,102	310,954	322,805	192,439
Ending Cash Balance	\$	204,291	\$ 216,142	\$ 227,994	\$ 239,845	\$ 251,697	\$ 263,548	\$ 275,399	\$ 287,251	\$ 299,102	\$ 310,954	\$ 322,805	\$ 334,656	\$ 259,094

b. Income Statement

i. 10 Years (Stores and Franchisees)

Hi Fries Income Statement Franchise and Stores										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Stores										
Number of Stores	1	1	2	3	4	5	5	5	5	5
Revenue	\$ 527,425	\$ 843,880	\$ 1,371,305	\$ 2,215,185	\$ 3,059,065	\$ 4,020,033	\$ 4,345,982	\$ 4,476,361	\$ 4,610,652	\$ 4,748,972
Cost of Sales	97,690	156,303	253,983	410,296	566,600	744,590	804,962	829,111	853,985	879,604
Gross Margin	\$ 429,735	\$ 687,577	\$ 1,117,312	\$ 1,804,889	\$ 2,492,465	\$ 3,275,443	\$ 3,541,020	\$ 3,647,250	\$ 3,756,668	\$ 3,869,368
Operating Expenses										
Controllable Expenses										
Payroll	\$ 96,512	\$ 186,992	\$ 373,984	\$ 560,976	\$ 747,968	\$ 963,009	\$ 991,899	\$ 1,021,656	\$ 1,052,306	\$ 1,083,875
Employee Benefits	28,954	56,098	112,195	168,293	224,390	288,903	297,570	306,497	315,692	325,162
Supplies	41,193	41,193	82,386	123,578	164,771	212,143	218,507	225,062	231,814	238,768
Maintenance	12,000	12,000	24,000	36,000	48,000	61,800	63,654	65,564	67,531	69,556
Other Operating Costs	24,000	24,000	48,000	72,000	96,000	123,600	127,308	131,127	135,061	139,113
Advertising and Promotion	12,000	12,000	24,000	36,000	48,000	61,800	63,654	65,564	67,531	69,556
Professional Services	2,400	2,400	4,800	7,200	9,600	12,360	12,731	13,113	13,506	13,911
subtotal	\$ 217,058	\$ 334,682	\$ 669,365	\$ 1,004,047	\$ 1,338,729	\$ 1,723,614	\$ 1,775,323	\$ 1,828,682	\$ 1,883,440	\$ 1,939,943
Occupancy Costs										
Monthly Rent	\$ 96,690	\$ 111,346	\$ 204,142	\$ 315,489	\$ 426,835	\$ 554,327	\$ 590,637	\$ 608,356	\$ 626,607	\$ 645,405
Property Insurance	1,800	1,800	3,600	5,400	7,200	9,270	9,548	9,635	10,130	10,433
subtotal	\$ 98,490	\$ 113,146	\$ 207,742	\$ 320,889	\$ 434,035	\$ 563,597	\$ 600,185	\$ 618,191	\$ 636,736	\$ 655,838
Operating Expenses - total	\$ 315,548	\$ 447,829	\$ 877,107	\$ 1,324,936	\$ 1,772,765	\$ 2,287,211	\$ 2,375,508	\$ 2,446,773	\$ 2,520,176	\$ 2,595,781
Store Income	\$ 114,188	\$ 239,748	\$ 240,205	\$ 479,953	\$ 719,701	\$ 988,232	\$ 1,165,512	\$ 1,200,477	\$ 1,236,492	\$ 1,273,586
Franchisees										
Number of Franchisees	0	0	0	0	1	2	4	8	12	16
Royalty and Fees	\$ -	\$ -	\$ -	\$ -	\$ 117,155	\$ 211,258	\$ 435,191	\$ 896,493	\$ 1,319,340	\$ 1,766,751
Franchise Cost										
Initial	\$ -	\$ -	\$ -	\$ 75,000	\$ 61,800	\$ 61,800	\$ 123,600	\$ 247,200	\$ 247,200	\$ 247,200
Recurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,377	\$ 62,164	\$ 135,473	\$ 262,881	\$ 397,588
Total	\$ -	\$ -	\$ -	\$ 75,000	\$ 61,800	\$ 90,177	\$ 185,764	\$ 382,673	\$ 510,081	\$ 644,788
Net Franchise Margin	\$ -	\$ -	\$ -	\$ (75,000)	\$ 55,355	\$ 121,081	\$ 249,427	\$ 513,820	\$ 809,259	\$ 1,121,963
Net Operating Income	\$ 114,188	\$ 239,748	\$ 240,205	\$ 404,953	\$ 775,055	\$ 1,109,313	\$ 1,414,939	\$ 1,714,297	\$ 2,045,751	\$ 2,395,549
Corporate Payroll	\$ -	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000
Interest	5,678	4,947	0	0	0	0	0	0	0	0
Net Income	\$ 108,510	\$ 154,801	\$ 160,205	\$ 324,953	\$ 695,055	\$ 979,313	\$ 1,284,939	\$ 1,584,297	\$ 1,915,751	\$ 2,265,549

ii. 10 Years (Company Owned Stores)

Hi Fries Income Statement Year All Stores										
	Year <u>1</u>	Year <u>2</u>	Year <u>3</u>	Year <u>4</u>	Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
Revenues	\$ 527,425	\$ 843,880	\$ 1,371,305	\$ 2,215,185	\$ 3,059,065	\$ 4,020,033	\$ 4,345,982	\$ 4,476,361	\$ 4,610,652	\$ 4,748,972
Cost of Sales	97,690	156,303	253,993	410,296	566,600	744,590	804,962	829,111	853,985	879,604
Gross Margin	\$ 429,735	\$ 687,577	\$ 1,117,312	\$ 1,804,889	\$ 2,492,465	\$ 3,275,443	\$ 3,541,020	\$ 3,647,250	\$ 3,756,668	\$ 3,869,368
Operating Expenses										
Controllable Expenses										
Payroll	\$ 96,512	\$ 186,992	\$ 373,984	\$ 560,976	\$ 747,968	\$ 963,009	\$ 991,899	\$ 1,021,656	\$ 1,052,306	\$ 1,083,875
Employee Benefits	28,954	56,098	112,195	168,293	224,390	288,903	297,570	306,497	315,692	325,162
Supplies	41,193	41,193	82,386	123,578	164,771	212,143	218,507	225,062	231,814	238,768
Maintenance	12,000	12,000	24,000	36,000	48,000	61,800	63,654	65,564	67,531	69,556
Other Operating Costs	24,000	24,000	48,000	72,000	96,000	123,600	127,308	131,127	135,061	139,113
Advertising and Promotion	12,000	12,000	24,000	36,000	48,000	61,800	63,654	65,564	67,531	69,556
Professional Services	2,400	2,400	4,800	7,200	9,600	12,360	12,731	13,113	13,506	13,911
subtotal	\$ 217,058	\$ 334,682	\$ 669,365	\$ 1,004,047	\$ 1,338,729	\$ 1,723,614	\$ 1,775,323	\$ 1,828,582	\$ 1,883,440	\$ 1,939,943
Occupancy Costs										
Monthly Rent	\$ 96,690	\$ 111,346	\$ 204,142	\$ 315,489	\$ 426,835	\$ 554,327	\$ 590,637	\$ 608,356	\$ 626,607	\$ 645,405
Property Insurance	1,800	1,800	3,600	5,400	7,200	9,270	9,548	9,835	10,130	10,433
subtotal	\$ 98,490	\$ 113,146	\$ 207,742	\$ 320,889	\$ 434,035	\$ 563,597	\$ 600,185	\$ 618,191	\$ 636,736	\$ 655,838
Total Operating Expenses	\$ 315,548	\$ 447,829	\$ 877,107	\$ 1,324,936	\$ 1,772,765	\$ 2,287,211	\$ 2,375,508	\$ 2,446,773	\$ 2,520,176	\$ 2,595,781
Store Income	\$ 114,188	\$ 239,748	\$ 240,205	\$ 479,953	\$ 719,701	\$ 988,232	\$ 1,165,512	\$ 1,200,477	\$ 1,236,492	\$ 1,273,586
Corporate Payroll	\$ -	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000
Interest	5,677.57	4,946.52	-	-	-	-	-	-	-	-
Net Store Income	\$ 108,510	\$ 154,801	\$ 160,205	\$ 399,953	\$ 639,701	\$ 858,232	\$ 1,035,512	\$ 1,070,477	\$ 1,106,492	\$ 1,143,586
# Stores	1	1	2	3	4	5	5	5	5	5

c. Loan Amortization 2 Years

Hi Fries							
Loan Amortization							
7 Year Amortization							
<div style="border: 1px solid black; display: inline-block; padding: 2px;">\$ 100,000</div> amt							
<div style="border: 1px solid black; display: inline-block; padding: 2px;">6.00%</div> int rate							
	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>	<u>Yr Interest</u>	<u>Yr Principal</u>	
0				<div style="border: 1px solid black; display: inline-block; padding: 2px;">100,000</div>			
1	1,461	500	961	99,039			
2	1,461	495	966	98,073			
3	1,461	490	970	97,103			
4	1,461	486	975	96,128			
5	1,461	481	980	95,147			
6	1,461	476	985	94,162			
7	1,461	471	990	93,172			
8	1,461	466	995	92,177			
9	1,461	461	1,000	91,177			
10	1,461	456	1,005	90,172			
11	1,461	451	1,010	89,162			
12	1,461	446	1,015	88,147	5,678	11,853	Yr 1
13	1,461	441	1,020	87,127			
14	1,461	436	1,025	86,102			
15	1,461	431	1,030	85,072			
16	1,461	425	1,036	84,036			
17	1,461	420	1,041	82,995			
18	1,461	415	1,046	81,949			
19	1,461	410	1,051	80,898			
20	1,461	404	1,056	79,842			
21	1,461	399	1,062	78,780			
22	1,461	394	1,067	77,713			
23	1,461	389	1,072	76,641			
24	77,024	383	76,641	0	4,947	88,147	Yr 2

d. Payroll**Hi Fries
Payroll
Year 1**

Note: First year's payroll only includes employee payroll and doesn't include salaries of managers as principals will take no salary in first year.

	Hours/ Week	Hourly Pay	Pay / Week	Pay / Month	Pay / Year
Managers					
Farin	58	N/A	N/A	N/A	N/A
Lara	58	N/A	N/A	N/A	N/A
total			N/A	N/A	N/A
Cooks					
A	16	\$ 8	\$ 128	\$ 555	\$ 6,656
B	16	8	128	555	6,656
C	16	8	128	555	6,656
D	16	8	128	555	6,656
E	16	8	128	555	6,656
F	18	8	144	624	7,488
G	18	8	144	624	7,488
total			\$ 928	\$ 4,021	\$ 48,256
Servers					
A	16	\$ 8	\$ 128	\$ 555	\$ 6,656
B	16	8	128	555	6,656
C	16	8	128	555	6,656
D	16	8	128	555	6,656
E	16	8	128	555	6,656
F	18	8	144	624	7,488
G	18	8	144	624	7,488
total			\$ 928	\$ 4,021	\$ 48,256
Store Total			\$ 1,856	\$ 8,043	\$ 96,512
Corporate					
CEO	N/A	N/A	N/A	N/A	N/A
CFO	N/A	N/A	N/A	N/A	N/A
Corporate Total					

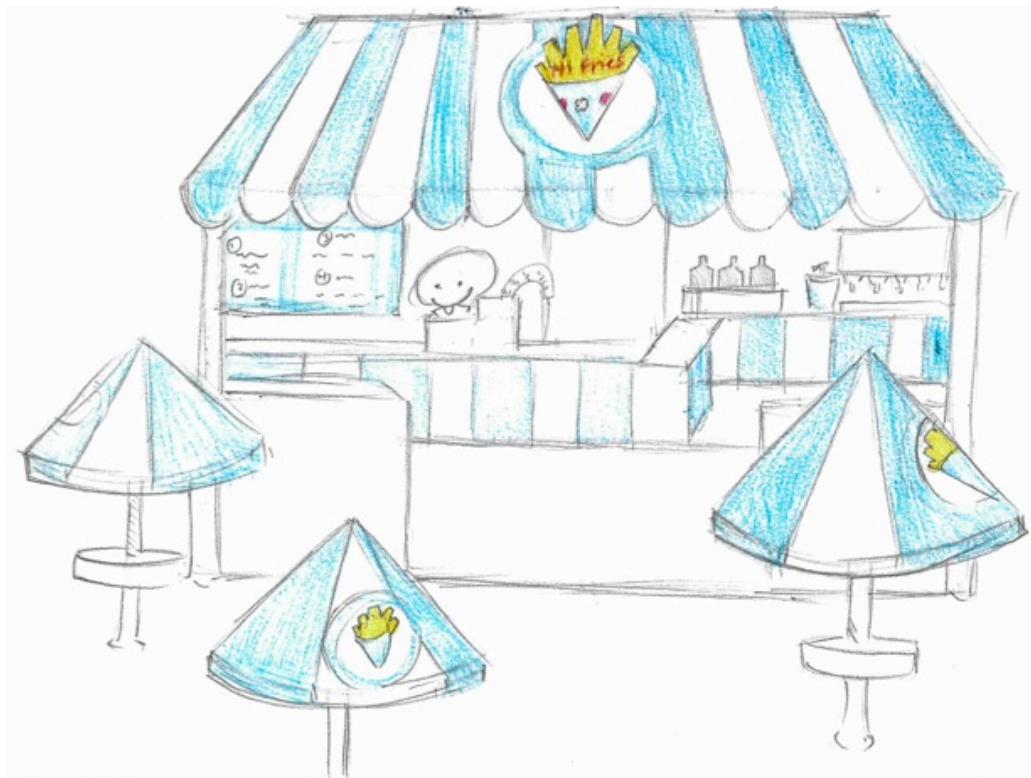
Hi Fries Payroll Year 2,3,4,5						
	Hours/ Week	Hourly Pay	Pay / Week	Pay / Month	Pay / Year	
Managers						
A	41	\$ 15	\$ 615	\$ 2,665	\$ 31,980	
B	41	15	615	2,665	31,980	
C	34	15	510	2,210	26,520	
total			\$ 1,740	\$ 7,540	\$ 90,480	
Cooks						
A	16	\$ 8	\$ 128	\$ 555	\$ 6,656	
B	16	8	128	555	6,656	
C	16	8	128	555	6,656	
D	16	8	128	555	6,656	
E	16	8	128	555	6,656	
F	18	8	144	624	7,488	
G	18	8	144	624	7,488	
total			\$ 928.00	\$ 4,021.33	\$ 48,256.00	
Servers						
A	16	\$ 8	\$ 128	\$ 555	\$ 6,656	
B	16	8	128	555	6,656	
C	16	8	128	555	6,656	
D	16	8	128	555	6,656	
E	16	8	128	555	6,656	
F	18	8	144	624	7,488	
G	18	8	144	624	7,488	
total			\$ 928	\$ 4,021	\$ 48,256	
Store Total			\$ 3,596	\$ 15,583	\$ 186,992	
Corporate						
CEO				\$ 3,333	\$ 40,000	
CFO				3,333	40,000	
Corporate Total				\$ 6,667	\$ 80,000	

C. Grid Analysis of National and Local Competitors

Region	Type of Competition	Restaurant	Products	Pricing	Customers	Strengths	Weakness	Key Assets	Knowledge / Skills	
National		HtFries	European Style Fries with Toppings and Sauces	2.50-4.50 0.50 Sauces and Toppings	Oahu Residents	Fresh cut Fries, Mix and Match Sauces and Toppings	Low brand awareness	Ward Location	Cooking Fresh Fries, Creating a range of sauces and toppings	
		French Fry Heaven	Belgian Style Fries served with a variety of sauces and toppings	3.00-6.00 Fries 1.00 Salts	Select Locations Nation Wide	Two types of European Style Fries, wide menu of sauces and toppings	Not in Hawaii	Slick Website	Creating ethereal Salts	
		Bruges Waffles and Frites	Belgian Style Fries, Waffles	3.24-8.34	Shoppers in Utah	Authentic Euro-Style Fries, Homemade Mayo Sauce	Not in Hawaii	Featured on "Man vs. Food", Belgian Owners	Vast Menu	
		Pommes Fries	Belgian Style Fries, Flavored Mayo	4.50- 7.75 Fries 1.00 Sauces	New York Residents and Tourist	Fresh Euro-Style Fries, a wide range of sauces	Priced, Not in Hawaii	"Pommes Fries" Brand Image	Fried Twice Cooking Technique	
		Potato Corner	Original Fries, Sweet Potato Fries, Tater Tots, Loopy Fries, "Jo Jo Chips", Chicken Tenders and Wings. BBQ, Cheddar, Cinnamon, etc. powered flavors.	2.99-7.99 for Fries, includes flavoring	Over 200 locations in California, New Mexico, and Texas, and the Philippines.	Wide range of menu items, "healthy" crisscross fries.	Not in Hawaii, Frozen fries.	Auto fryers for efficiency.	"No fry will ever be the same once you add any of our patented spices."	
		5 Guys Burgers and Fries	Regular Fries, Cajun Fries, Burgers, Sandwiches, Hot Dogs	3.59-5.59 Fries	Continental US	Fresh cut Fries, Burgers, and Sandwiches	Not in Hawaii (As of 2013)	1000+ Franchise Locations	"Perfect Fries" Recipe/Cooking Techniques	
		McDonalds	Regular Fries Hamburgers, Sandwiches, American Fast Food	1.25 - 2.00 Medium Fries	Nationwide	Heavy Brand Loyalty, National Locations, Cost Effective Combo Meals	Frozen Fries, Unhealthy (salty and greasy) image	National Locations and Advertising, Brand Image	Speedy Service, Mass Cooking	
	Local	Direct	Street Fries	European Style Fries, a variety of sauces	5.00 for fries and 2 sauces	Oahu Residents	Fresh Fries, range of sauces	Only open once a month at "Eat the Street" events	Mobile Food Truck	Working food truck market and building hype
		Indirect	Gordon Biersch	Garlic Fries, Alcoholic Beverages, American Food	6.25 Garlic Fries	Nationwide	Alcoholic Beverages, Brand Loyalty	May not be a Family Friendly Environment, Frozen Fries	High Foot Traffic Locations (Shopping Centers)	Leveraging alcohol to produce sales
			Kua Aina	Regular Fries, Sweet Potato Fries, Burgers	2.25-3.25 Fries	Oahu Residents and Tourist	Local Company, Tourist Attraction	Limited locations, Frozen Fries	International Locations	Wide range of menu options

D. Collateral (Graphics)

Rendering of Hi Fries Store



Working Menu

<h2 style="color: red; text-align: center;">Hi Fries</h2>			
<h3>1 Fries</h3>	<p>My Fries (Regular) \$3.50</p> <p>Hi Fries (Large) \$5.00</p> 		
<h3>4 Drinks</h3>	<p>Keiki Size \$1.25</p> <p>My Size \$1.50</p> <p>Hi Size \$2.00</p> 		
<h2 style="text-align: center;">2 Sauces</h2>			
<p>Classic Free</p> <p>Ketchup</p> <p>Mustard</p> <p>Mayonnaise</p>	<p>Regional \$0.25</p> <p>Barbeque</p> <p>Ranch</p> <p>Sweet Sour</p> <p>Honey</p> <p>Mustard</p> <p>Siracha</p> <p>Malt Vinegar</p>	<p>Special \$0.50</p> <p>Chipotle</p> <p>Nacho Cheese</p> <p>Buffalo</p> <p>Gravy</p> <p>Brown Gravy</p> <p>Jalapeno</p> <p>Cheese</p>	<p>Global \$0.50</p> <p>Teriyaki</p> <p>Sweet Chili</p> <p>Spicy Sushi</p> <p>Curry</p>
<h2 style="text-align: center;">3 Toppings</h2>			
<p>Classic Free</p> <p>Salt</p> <p>Pepper</p>	<p>Regional \$0.50</p> <p>Chili</p> <p>Garlic</p> <p>Bacon</p>	<p>Special \$0.75</p> <p>Cheese</p> <p>Shrimp Flakes</p> <p>Jalapeno</p>	<p>Global \$0.75</p> <p>Furikake</p> <p>Kimchee</p>

Fresh, Thick Cut, European Style Frites with Sauces



People of all Ages and Backgrounds Enjoy Frites



In Europe, the typical Frite Shop is brightly colored and easy for visitors to access.



Many Frite Shops carry a variety of sauces and toppings.



E. Survey

Hi Fries Survey

General Food Questions

- Do you eat French Fries?
 - Yes
 - No

If "No" please skip to question 15
- Where do you get French Fries? (Circle all that apply)
 - Fast Food** (e.g. McDonalds, Burger King)
 - Burger Joints** (e.g. Teddy's Bigger Burger, Honolulu Burger Company)
 - Regular Restaurants**
 - Homemade**
 - Other** _____
- How often do you get French Fries?
 - Daily
 - More than once weekly
 - Weekly
 - Monthly
 - Quarterly
 - Yearly
- When do you normally get French Fries? (Choose all that apply)
 - Morning
 - Lunch Time
 - Afternoon
 - Dinner
 - Early evening
 - Late night
- When you get French Fries is it... (Choose all that apply)
 - as a snack by itself
 - with a burger
 - with a sandwich
 - with a meal
 - Other _____
- Have you eaten European-Styles Fries? (Usually served in a cone with mayonnaise, etc.)
 - Yes
 - No
 - Don't know
- Where did you have your European Style fries?
 - Hawaii
 - Continental US
 - Europe
 - Other _____
 - Never had European Style Fries
- Who do you eat French Fries with? (Circle all that apply)
 - Myself
 - Friends
 - Significant Other
 - Family
 - Other _____

- How much do you spend on your average French Fry purchase?
 - \$0-\$0.99
 - \$1-\$1.99
 - \$2-\$2.99
 - \$3-\$4.99
 - \$5+
- On a scale of 1 to 5 how much do you factor the following into where you get French Fries? (1= not important and 5 = important)

a. Quality	1	2	3	4	5
b. Freshness	1	2	3	4	5
c. Healthiness	1	2	3	4	5
d. Service	1	2	3	4	5
e. Price	1	2	3	4	5
f. Sauces	1	2	3	4	5
g. Toppings	1	2	3	4	5
h. Other food	1	2	3	4	5

HiFries

- What beverages would you drink with French Fries? (Choose all that apply)
 - Water
 - Soda
 - Juice
 - Beer
 - Wine
 - Other _____
- If available, what types of **Sauces** would you put on French Fries? (Choose all that apply)
 - Classic** (Ketchup, Mustard, Mayo)
 - Regional** (E.g. BBQ, Ranch, Sweet Sour, Honey Mustard)
 - Pacific Rim** (E.g. Teriyaki, Sweet Chili, Spicy Sushi Sauce)
 - Sweet** (E.g. Chocolate Sauce, Nutella, Maple Syrup)
 - Other** (Your Ideas are Greatly Appreciated)

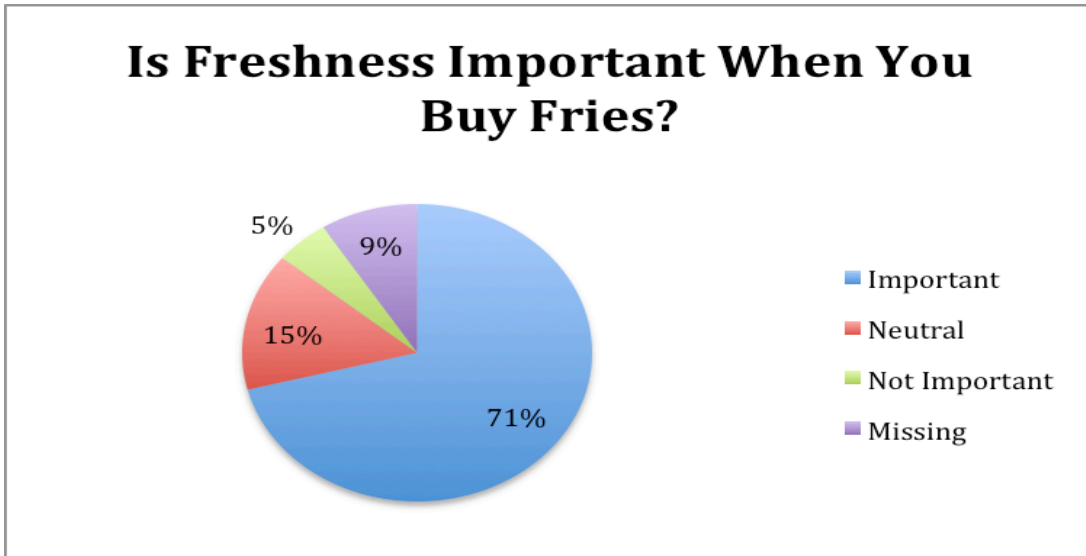
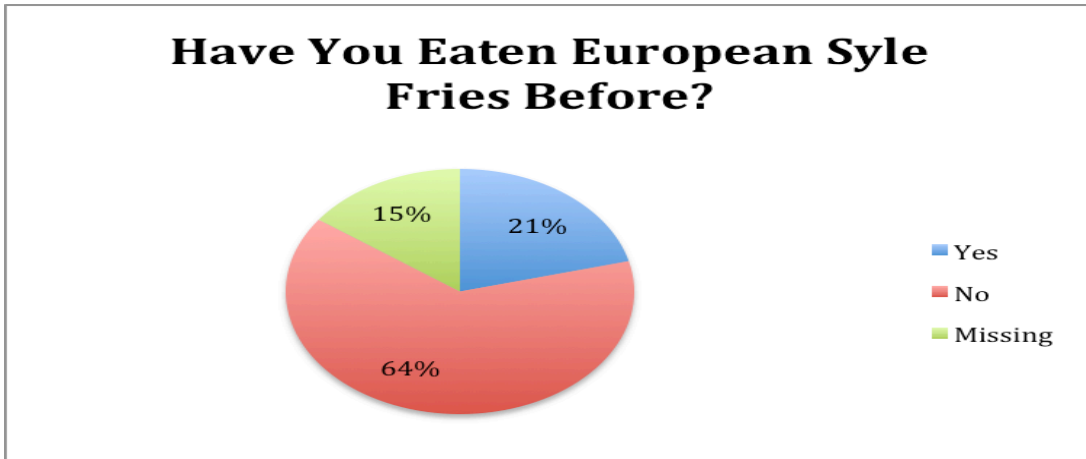
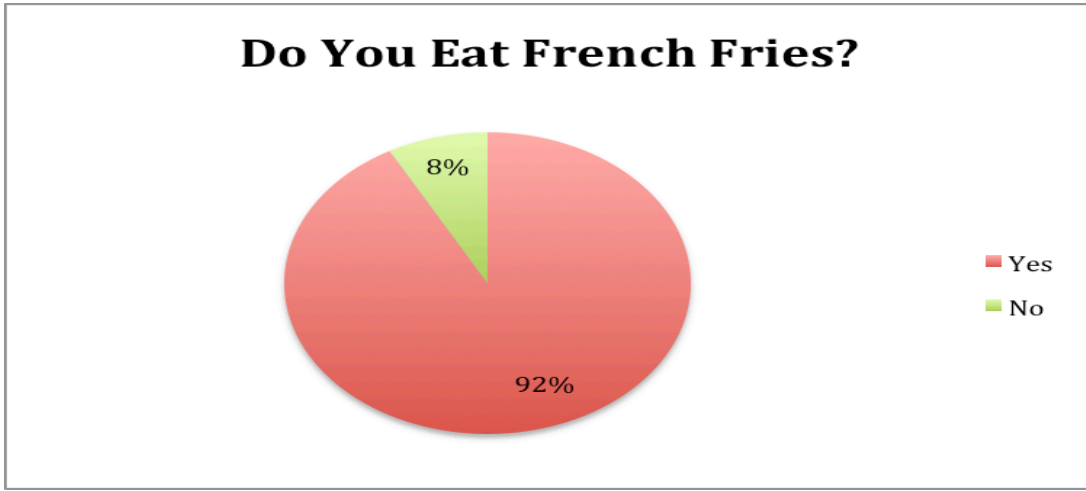
 - None**
- If available, what types of **Toppings** would you put on French Fries? (Choose all that apply)
 - Typical** (E.g. Bacon, Garlic, Chili, Cheese)
 - Pacific Rim** (E.g. Portuguese Sausage, Kimchee, Furikake)
 - Sweet** (E.g. Nuts, Whip Cream)
 - Other** (Your Ideas are Greatly Appreciated)

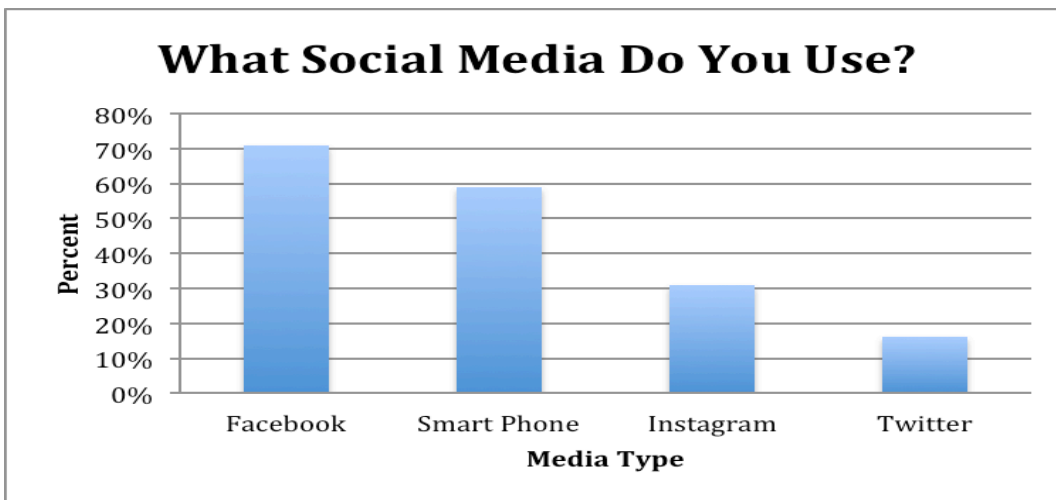
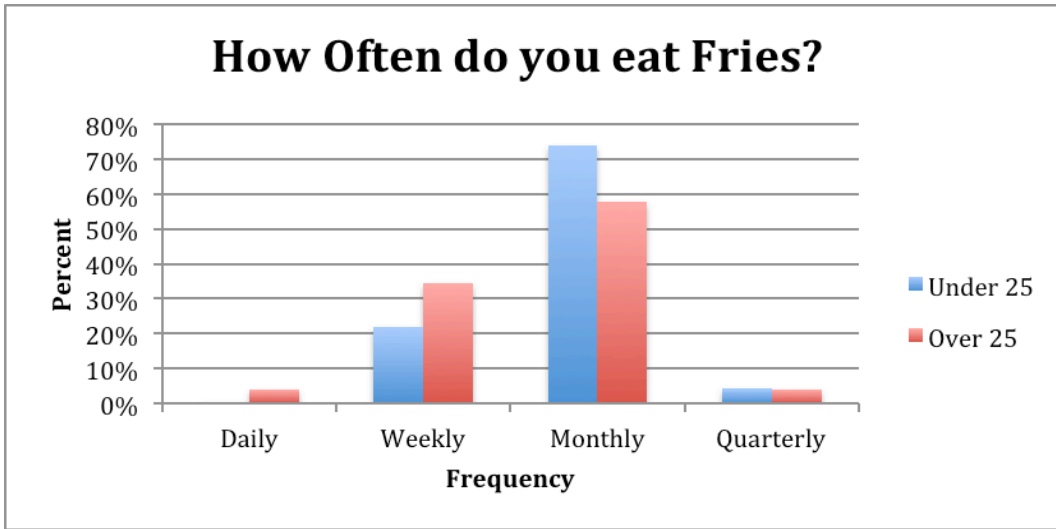
 - None**
- How much would you be willing to pay per serving for a reasonable amount of the above toppings? (**Choose one**)
 - \$0.25
 - \$0.50
 - \$0.75
 - Won't Pay

- How much would you be willing to pay for specialty fries?
 - \$0-\$2.99
 - \$3-\$4.99
 - \$5-\$7.99
 - \$8+

Background Information

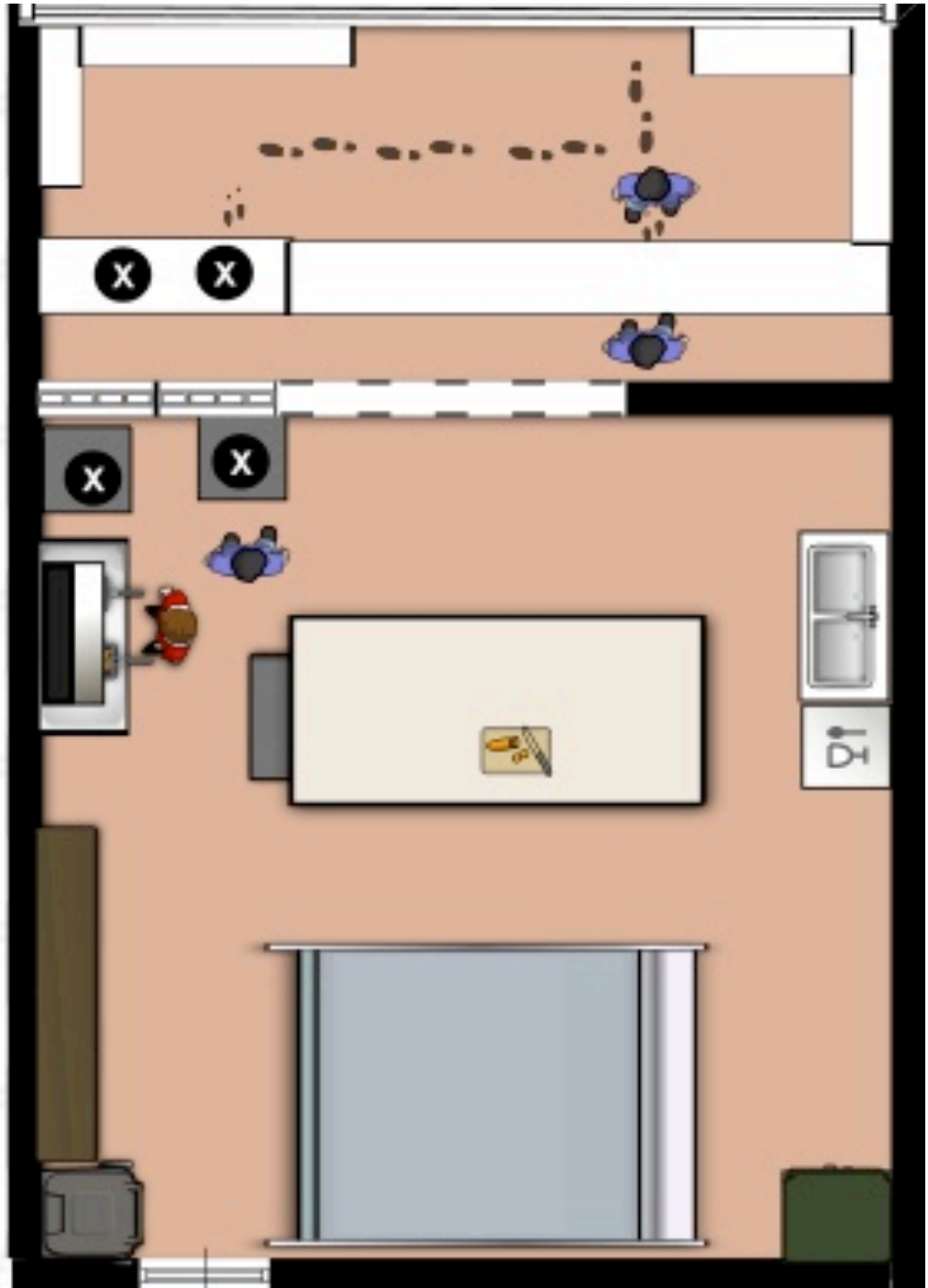
- Do you use... (Circle all that apply)
 - Facebook
 - Twitter
 - Smart Phone
 - QR Codes
 - Tumblr
 - Instagram
 - Don't use any of the above
- Gender
 - Female
 - Male
- Age
 - 0-12
 - 13-18
 - 19-25
 - 26-45
 - 46+
- Primary Ethnicity (Choose one that you most identify with)
 - Asian
 - Filipino
 - Pacific Islander
 - Caucasian
 - Hispanic/Latino
 - African American
 - Other _____
- Where do go shopping? (Circle all that apply)
 - Ala Moana
 - Waikiki
 - Ward
 - Pearl Ridge
 - Kahala Mall
 - Waikole
 - Other _____
- Where do you live?
 - East Oahu/ Kahala Side
 - Honolulu/ Town Side
 - Aiea / Central Oahu
 - Ewa / Leeward Oahu
 - Windward Side
 - Other _____
- Are you Allergic to any of the following?
 - Peanuts
 - Soy Products
 - Wheat
 - Other _____
- Do gluten free products appeal to you?
 - Yes
 - No

F. Charts (Derived from Surveys and SPSS software; available upon request)



G. Layout of Store

Hi Fries Store Layout



H. Equipment Analysis

The equipment needed for HiFries operations is, in general, similar to those of other quick-serve restaurants, such as McDonald, and Wendy's. However, aside from the typical grease traps, gas deep fryers and three-compartment sinks, HiFries needs storage space for both fresh potatoes and also blanched potatoes. Thus, an additional walk-in refrigerator is needed for storage. A list of major equipment is located below.

Hi Fries

Equipment Costs

Equipment	Unit Price	Units	Total
Walk in Freezer	\$ 7,000.00	1	\$ 7,000.00
Industrial Potato Peeler	1,100.00	1	1,100.00
Keen Kutter	350.00	1	350.00
Strainer	60.00	3	180.00
Sink	650.00	1	650.00
Bus Tub	30.00	10	300.00
Gas Fryer	1,000.00	2	2,000.00
Thermometer	20.00	2	40.00
Warming Station	1,500.00	1	1,500.00
Fry Scoop	20.00	5	100.00
Grease Trap	30,000.00	1	30,000.00
Oil Filtering Machine	2,000.00	1	2,000.00
Kitchen Utensils	100.00	1	100.00
Prep Table	300.00	2	600.00
Condiment Bar	700.00	1	700.00
Drink Dispenser	2,000.00	1	2,000.00
Safe	500.00	1	500.00
Other Equipment	5,000.00	1	5,000.00
subtotal			<u>\$ 52,330.00</u>
Furniture & Fixtures			
Outdoor Cocktail Table	\$ 1,250.00	4	\$ 5,000.00
Umbrella	40.00	4	160.00
Awning	4,500.00	1	4,500.00
Other items	100.00	1	100.00
subtotal			<u>\$ 9,760.00</u>