

Smiles, Inc.

Smiles, Inc.
Rehoboth, Delaware.

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Smiles, Inc.

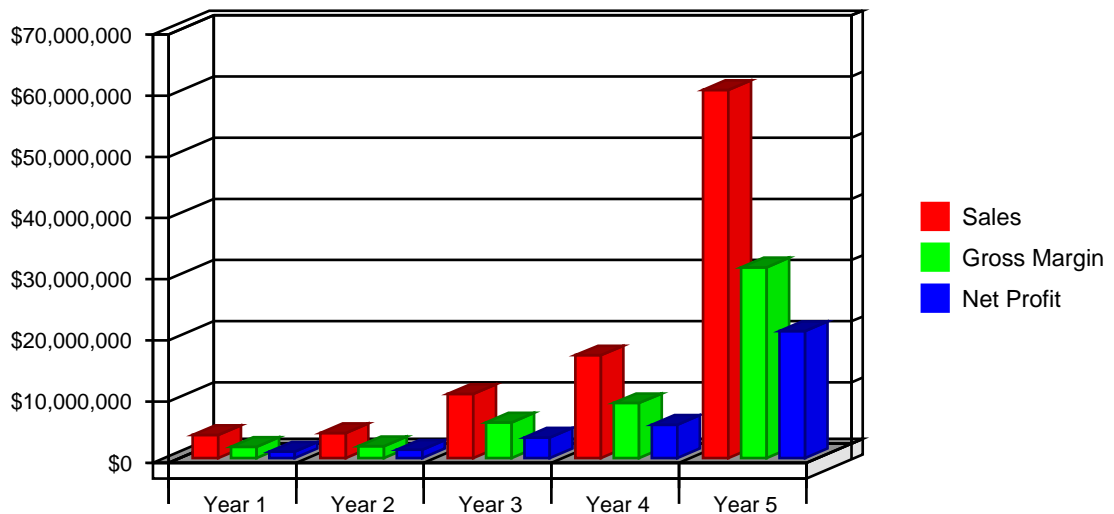
1.0 Executive Summary

Smiles, Inc. will aim to be the leading healthy fast food restaurant in America with a rapidly developing consumer brand and growing customer base. The signature line of innovative, premium, vegetarian meals will entice diners. Our unique ability to combine healthy eating with taste will allow diners to not only enjoy a guilt free meal, but have a healthy alternative to cooking for their family. Smiles, Inc. also serves distinctive salads, desserts, and beverages.

Smiles, Inc. will reinvent the dining experience for individuals, families, and take-away customers with discretionary income by selling high quality, innovative products at a reasonable price, designing tasteful, convenient locations, and providing industry benchmark customer service.

In order to grow at a rate consistent with our objectives, Smiles, Inc. is seeking an outside loan or investment of \$2,500,000.

Highlights



1.1 Objectives

Smiles objectives are to build brand awareness and customer service, while growing sales in our restaurant. Smiles intends to utilize the following strategies to achieve these objectives:

- Offer high quality, innovative menu items, only utilizing premium organic vegetables , while utilizing preservative free, artificial color and artificial flavor free ingredients.
- Provide an excellent dining value.
- Build brand awareness through inexpensive, guerrilla marketing tactics.
- Pursue disciplined restaurant growth.
- Provide superior customer service.
- Leverage the experience, intelligence, and skills of our sophisticated advisory board.

1.2 Mission

Smiles, Inc.'s mission is to provide the customer the finest healthy meal and dining experience. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

1.3 Keys to Success

Location, Location, Location.

Smiles, Inc.'s site selection is critical to success. We have identified the following site selection criteria:

- Daytime and evening populations.
- Shopping patterns.
- Car counts.
- Household income levels.

Our first restaurant will be located in Rehoboth, Delaware. We plan to open franchises in California and Chicago within the first 18 months of operation.

Smiles, Inc.

2.0 Company Summary

Smiles, Inc. is a gourmet healthy dining restaurant. Smiles, Inc. serves individuals, families, and take-away customers with fresh, creative, attractive and healthy dishes, salads and desserts. Our ingredients are organic, the way nature and god intended our food to be. Our meals will be tasty and healthy, and meet the growing demand for healthy fast food alternatives.

The restaurant in Rehoboth, Delaware will be the concept restaurant on which all future stores will be based.

2.1 Company Ownership

Smiles, Inc. is a privately held Delaware Corporation. The majority stock holders are Dona Stelfox and Ed Heffner.

2.2 Start-up Summary

Smiles, Inc. will incur the following start-up costs on equipment:

- Food Preparation machines.
- Commercial stove.
- Commercial refrigerators and freezers.
- Commercial dishwasher.
- Cabinets with cutting board surfaces.
- Autocashier units.
- HVAC unit.
- Chairs and tables.
- Beverage dispenser.
- Dishware and flatware.
- Assorted knives, mixing bowls, and other accessories needed in the production of food.
- Point-of-Sale terminal.
- Computer with Internet connection, CD-RW, and printer.
- Computer for high resolution LED roadside store sign
- Computer for consumer education
- Computer for LED menu boards and order panels.
- Overhead ventilation system for grill, passthru oven and stove area.

Please note that the following items which are considered assets to be used for more than a year will be labeled long-term assets and will be depreciated using G.A.A.P. approved straight-line depreciation method.

Additionally our summary calls for expenses such as land, construction, permits, insurance, and electricity.

Smiles, Inc.

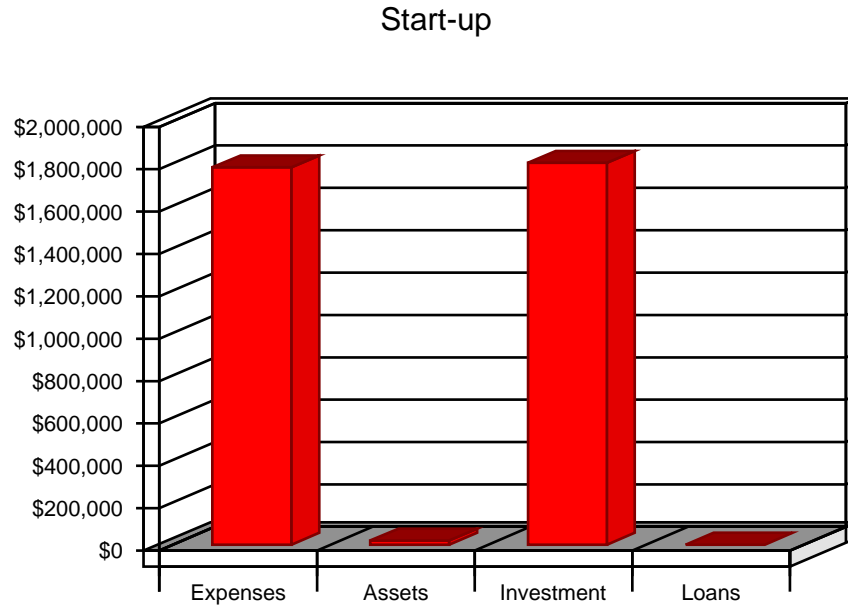
Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Land and Construction Costs	\$450,000
Stationery etc.	\$5,000
Menus	\$8,500
Insurance	\$4,500
Computers	\$5,000
Utilities	\$35,000
Advertising/Marketing	\$555,000
Equipment	\$650,000
Permits	\$9,500
Initial Inventory	\$24,500
Legal	\$35,000
Total Start-up Expenses	\$1,782,000
Start-up Assets	
Cash Required	\$20,000
Start-up Inventory	\$0
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$20,000
Total Requirements	\$1,802,000

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	\$1,782,000
Start-up Assets to Fund	\$20,000
Total Funding Required	\$1,802,000
Assets	
Non-cash Assets from Start-up	\$0
Cash Requirements from Start-up	\$20,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$20,000
Total Assets	\$20,000
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0
Capital	
Planned Investment	
Owner Capital	\$1,000
Outside Investment	\$1,800,000
Additional Investment Requirement	\$1,000
Total Planned Investment	\$1,802,000
Loss at Start-up (Start-up Expenses)	(\$1,782,000)
Total Capital	\$20,000
Total Capital and Liabilities	\$20,000
Total Funding	\$1,802,000

Smiles, Inc.



2.3 Company Locations and Facilities

At present we are planning on opening our first location in Rehoboth, Delaware. Additionally, our plans call for openings of locations in California and Chicago within the first eighteen months of operation.

3.0 Products

Smiles, Inc. will create gourmet healthy meals that are differentiated and superior to competitors. Customers can taste the quality and freshness of the product in every bite. The following are some characteristics of the product:

1. Smiles, Inc. lets the diner enjoy a healthy meal without losing taste and flavor.
2. All ingredients are organic and preservative free.
3. As no preservatives will be used, diners are assured the freshest meal possible
4. Ingredients are all top-shelf varieties, organic, and must meet Smiles, Inc. standards.

At Smiles, Inc., food is not the only product. Smiles, Inc. prides themselves on providing service that is on par with fine dining. This is accomplished through an extensive training program and only hiring experienced employees.

At A Glance--The prototype Smiles, Inc. restaurant.

Smiles, Inc.

- **Location:** an upscale mall, suburban neighborhood, or urban retail district.
- **Design:** bright, hip, and clean.
- **Size:** 1,200-1,700 square feet.
- **Employees:** six to seven full time.
- **Seating:** 25-30.
- **Type of Seating:** Always separate from main building.
- **Types of transactions:** 80% dine in, 20% take away, through our state of the art drive through units.

3.1 Product Description

We will sell healthy vegan sandwiches, shakes and smoothies. Along with organic fruit and vegetable snacks and soups. Our drink options will include freshly squeezed fruit juice, distilled water enhanced with essential oil and teas.

3.2 Competitive Comparison

In order to differentiate our product, healthy fast food, we will have to advertise and market our new offerings. Burger King, McDonald's, and Wendy's have multi million dollar marketing campaigns, yet their food as a whole remains among the most unhealthy and preservative laden meals available to consumers.

Smiles, Inc. will offer an alternative that will not only be healthy, but will be tasty. Adults will love our food for its nutritional details, and both adults and children will savor the taste of Smiles.

The closest competitor we have in the healthy eating area is Subway. However, the major disadvantage of Subway is their high sodium and preservative content, a fact we will utilize when making comparisons with their food.

3.3 Sales Literature

Although Smiles's has yet to print or distribute sales literature by itself, plans call for strategic marketing in nationwide publications, including Women's magazines and Men's Fitness magazines. We believe the demand for our food is already in the market, it is just a matter of reaching our target audience.

Smiles, Inc.

3.4 Sourcing

We will search the organic markets for the finest and freshest ingredients possible. We plan on having all vendors products tested by a 3rd party and deemed to be preservative and pesticide free before signing any long term contract. While this is a laborsome process, it will ensure that we serve only the freshest all organic meals, the way god intended us to eat.

3.5 Technology

Our restaurants as a whole will be innovative high technology establishments for customer satisfaction and health. The establishment will use a computer to track inventory, sales and other crucial aspects of profitability. Keynotes: There are autocashier units, that will be used for all dine in and drive through sales, a two lane food delivery system, ozone sanitation and food preservation systems.

3.6 Future Products

In keeping with the competition, Smiles Inc. will have to continuously create and market new offerings to our consumers. In today's fast food marketplace, customers grow tired of the same offerings and demand variety. In addition, every new product released is an opportunity to reach a new target audience.

4.0 Market Analysis Summary

The market can be divided into three target markets, individuals, families and take-away business. Please see the next session for an intricate analysis of the different segments.

Smiles, Inc.'s expansion strategy is to further gain foothold in the marketplace and then penetrate the existing markets by opening an additional restaurants in Southern California and Chicago by 2007. This approach enables Smiles, Inc. to increase brand awareness and improve operating and marketing efficiencies. For example:

- Franchising allows Smiles, Inc. to negotiate a fixed percentage contract with the food wholesalers.
- Marketing expenditures can be spread over multiple revenue centers. This strategy reduces risks involved with opening new restaurants given that Smiles, Inc. better understands the competitive conditions, consumer tastes, and spending patterns in the market. When the national market is saturated with additional restaurants, then Smiles intends to look at new markets within North American and eventually worldwide.

4.1 Market Segmentation

The market can be segmented into three target populations:

- **Individuals:** people that dine in by themselves.
- **Families:** a group of people, either friends or a group of non-nuclear relatives dining together.
- **Take away:** people that prefer to eat Smiles's food at another location.

Smiles, Inc. customers are hungry individuals between the ages of 15 and 45, making up 53% of the general population. Age is not the most defined demographic of this customer base; all age groups must eat health.

The most defined characteristic of the target market is health conscious consumers. Gourmet healthy dining restaurants have been very successful in high rent, mixed-use urban areas. These areas have a large day and night population consisting of business people and families who have household disposable incomes over \$40,000. Combining several key demographic factors, Smiles, Inc. arrives at a profile of the primary customer as follows:

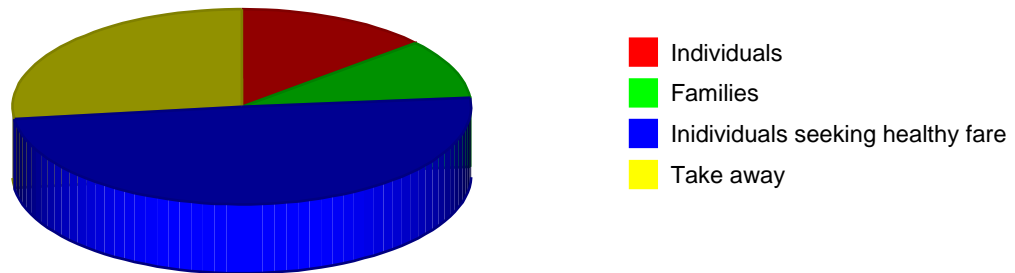
- Families who live nearby.
- Young professionals who work close to the location.
- Shoppers who patronize nearby stores.
- Individuals seeking healthier eating fare for a variety of reasons.

Table: Market Analysis

Market Analysis		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Individuals	8%	12,457	13,454	14,530	15,692	16,947	8.00%
Families	9%	8,974	9,782	10,662	11,622	12,668	9.00%
Individuals seeking healthy fare	15%	45,000	50,000	55,000	65,000	75,000	13.62%
Take away	10%	24,574	27,031	29,734	32,707	35,978	10.00%
Total	11.49%	91,005	100,267	109,926	125,021	140,593	11.49%

Smiles, Inc.

Market Analysis (Pie)



4.2 Industry Analysis

In 2004, global health food sales reached \$8 billion. Sales are estimated to grow by at least 15% for the next five years. The market is primarily made up of independent and chain stores. Though the barrier to entry into the health food market is low, due to insufficient capitalization, most entrants fail within their first six months. The most common reason is lack of tasteful items.

4.2.1 Industry Participants

The number of fast food companies is very large as companies have been in this field for nearly 75 years; however, the major and biggest companies are **McDonald's®**, **Burger King®**, **Wendy's®**, and **Taco Bell®**.

Some of our competition has recently introduced healthy menu items with lots of fanfare and admittedly some success. However, nutritionists still warn against the high preservative and sodium content in these "healthy" menu additions.

4.2.2 Competition and Buying Patterns

National Competition

- McDonalds
- Burger King
- Wendy's
- Taco Bell

Local Competition

As far as competition goes in this area, the only major competition in the healthy fast food arena is Subway. We strongly believe that once we compare their sodium and preservative content to ours, we will have a stronghold over the market.

5.0 Strategy and Implementation Summary

Smiles, Inc. will leverage their two competitive advantages, superior healthy product and industry bench marked customer service to build a loyal customer base, as well as uniqueness of product.

5.1 SWOT Analysis

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses Smiles must address. It also allows us to examine the opportunities presented to Smiles as well as potential threats.

Smiles has a valuable inventory of **strengths** that will help it succeed. These strengths include: a knowledgeable and friendly staff, healthy and unique fast food options, and a clear vision of the market need. Strengths are valuable, but it is also important to realize the **weaknesses** Smiles must address. These weaknesses include: a dependence on quickly changing consumer trends, and the cost factor associated with competing with our competition's marketing and advertising campaigns.

Smiles's strengths will help it capitalize on emerging opportunities. These **opportunities** include, but are not limited to, a growing population of consumers seeking healthy food options, and the growing obesity and heart disease rates worldwide. **Threats** that Smiles should be aware of include, the rapidly falling cost of Fast Food, and emerging competitors.

5.2 Competitive Edge

Smiles, Inc.'s competitive edge is quite simple - superior healthy product and superior service.

- **Product:** the product will have the freshest ingredients including organic vegetables and fruits, and preservative free bench marked. The product will also be developed to enhance presentation, everything will be aesthetically pleasing.
- **Service:** customer service will be the priority. All employees will ensure that the customers are having the most pleasant dining experience. All employees will go through an extensive training program and only experienced people will be hired.
- **Uniqueness:** There are currently no other healthy dining fast food restaurants that offer a diner what Smiles, Inc. offers, taste. Smiles will continue to add tasty and healthy items to our expanding menu selections.

5.3 Marketing Strategy

Smiles, Inc.'s advertising budget is very limited, so the advertising program is simple. Smiles, Inc. will do direct mail, banner ads, and inserts, with inserts in the Val-Pak likely to be the most successful of the campaigns. Initially we will also advertise our nationwide expansion in national publications.

Lastly, Smiles, Inc. will leverage personal relationships to get an article about the opening of Smiles in the media. We initially believe that this will not be too difficult, as diners will enjoy our true healthy fast food alternatives that have been lacking from the market.

5.4 Sales Strategy

The sales strategy will be to allow people to try the superior healthy product and service for themselves. In essence, the product will speak for itself. The marketing campaign will attract people into Smiles, Inc. and the sales strategy will be to let people experience Smiles, Inc., this will be sufficient to turn the person into a long-term customer.

Smiles, Inc.

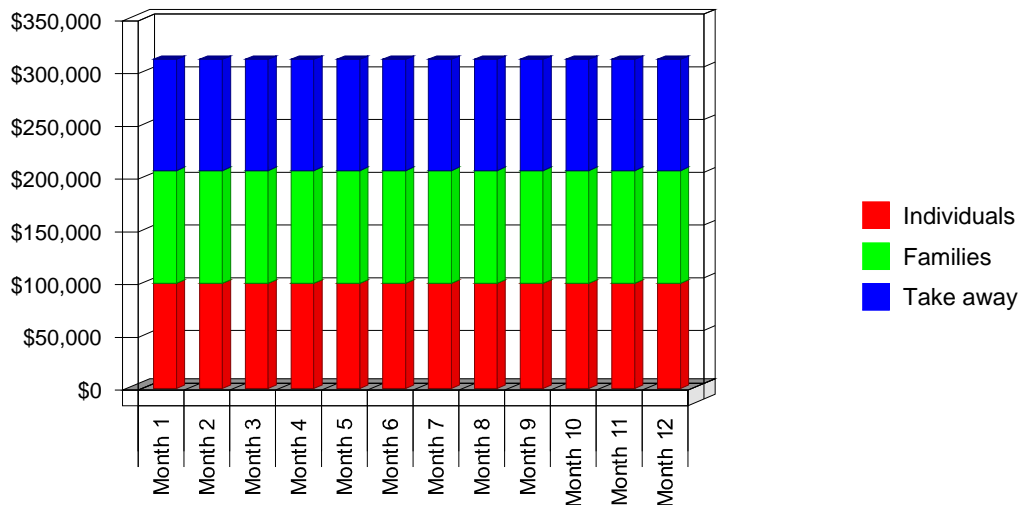
5.4.1 Sales Forecast

The first two months will be used to get the restaurant up and running. By month three things will get a bit busier. Sales will gradually increase with profitability being reached by the beginning of month four.

Table: Sales Forecast

Sales Forecast					
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales					
Individuals	\$1,195,000	\$1,250,000	\$3,350,000	\$5,450,000	\$18,550,000
Families	\$1,285,000	\$1,400,000	\$3,450,000	\$5,580,000	\$19,650,000
Take away	\$1,265,000	\$1,449,999	\$3,650,000	\$5,750,000	\$21,950,000
Total Sales	\$3,745,000	\$4,100,000	\$10,450,000	\$16,780,000	\$60,150,000
Direct Cost of Sales					
Individuals	\$600,000	\$700,000	\$1,500,000	\$2,550,000	\$9,000,000
Families	\$650,000	\$725,000	\$1,550,000	\$2,600,000	\$9,500,000
Take away	\$700,000	\$750,000	\$1,600,000	\$2,650,000	\$10,500,000
Subtotal Direct Cost of Sales	\$1,950,000	\$2,175,000	\$4,650,000	\$7,800,000	\$29,000,000

Sales Monthly



5.5 Milestones

Smiles, Inc. will have several milestones:

1. Business proposal and investor funding.
2. Set up of the restaurant.
3. Opening of the second store.
4. Profitability.

Smiles, Inc.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Business plan completion	1/1/2006	4/15/2006	\$300	Owner	Mgmt
Set up of the restaurant	5/15/2006	7/15/2006	\$750,000	Owner	Mgmt
Opening of the second store	2/10/2007	4/1/2007	\$350,000	Owner	Mgmt
Profitability	5/15/2006	9/15/2006	\$0	Owner	Mgmt
Totals			\$1,100,300		

6.0 Web Plan Summary

Smiles's website will be a dynamic marketing tool for the company that serves the needs of business development, sales, and recruiting. The company site will provide information about Smiles's menu items for target customers and potential business partners, such as nutritional content, new items, and franchising opportunities.

As the company grows, its recruiting needs can be addressed by posting career opportunities and FAQs about the company. Smiles will also communicate company news to create and maintain positive public relations with the community and investors. The goal will be to implement a functional and professionally designed website that can be adapted to meet the company's growing needs.

6.1 Website Marketing Strategy

We will maintain a two-way link between our website and our consumers. In addition to using the page as a sales tool, we will develop a monthly newsletter and a links page for other health sites.

6.2 Development Requirements

Creation of future versions of the Smiles website will continue to be outsourced to a yet undetermined company.

Smiles, Inc.

7.0 Management Summary

Ed Heffner, President

- Duties: Cook, Food Preparation and Company Management
- Experience: 20 years of supervisor duties

Dan Stelfox, Vice-President

- Duties: Cook, Food Preparation, Recipe Management, Assist with Management
- Experience: 10 years of cooking

Dona Stelfox, Assistant Vice-President

- Duties: Cook, Food Preparation, HR, and Menu Specialist
- Experience: 15 years in the food service industry.

Smiles, Inc.

7.1 Personnel Plan

Dan, Dona, and Ed will both be working full time. In addition to this management team, there will be five other full-time employees brought on board.

Table: Personnel

Personnel Plan	Year 1	Year 2	Year 3	Year 4	Year 5
Ed Heffner	\$36,000	\$136,000	\$250,000	\$350,000	\$450,000
Dona Stelfox	\$36,000	\$136,000	\$250,000	\$350,000	\$450,000
Dan Stelfox	\$36,000	\$136,000	\$250,000	\$350,000	\$450,000
Full time employee	\$26,000	\$36,000	\$36,000	\$36,000	\$36,000
Full time employee	\$26,000	\$36,000	\$36,000	\$36,000	\$36,000
Full time employee	\$26,000	\$36,000	\$36,000	\$36,000	\$36,000
Full time employee	\$26,000	\$36,000	\$36,000	\$36,000	\$36,000
Full time employee	\$26,000	\$36,000	\$36,000	\$36,000	\$36,000
Total People	8	8	12	15	18
Total Payroll	\$238,000	\$588,000	\$930,000	\$1,230,000	\$1,530,000

8.0 Financial Plan

The following sections will outline important financial information.

8.1 Important Assumptions

The following table details important financial assumptions.

Table: General Assumptions

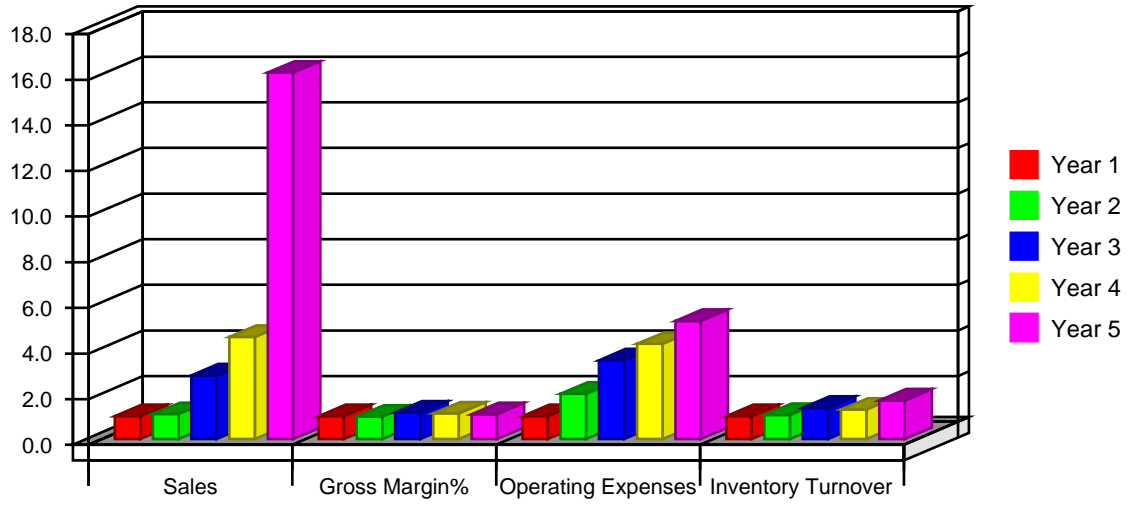
General Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Plan Month	1	2	3	4	5
Current Interest Rate	7.00%	10.00%	7.00%	10.00%	10.00%
Long-term Interest Rate	7.00%	10.00%	7.00%	10.00%	10.00%
Tax Rate	30.00%	0.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0

8.2 Key Financial Indicators

The following chart shows changes in key financial indicators: sales, gross margin, and operating expenses.

Smiles, Inc.

Benchmarks



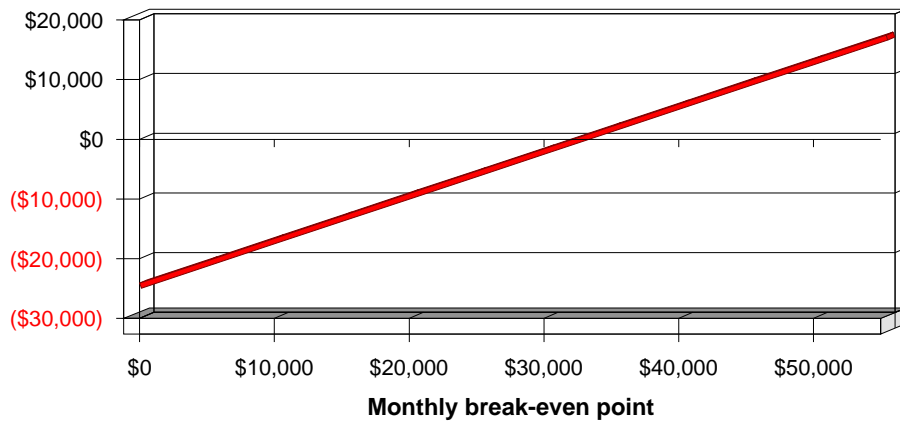
8.3 Break-even Analysis

The Break-even Analysis indicates that \$5,915 will be needed in monthly revenue to reach the break-even point.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$32,804
Assumptions:	
Average Percent Variable Cost	25%
Estimated Monthly Fixed Cost	\$24,603

Break-even Analysis



Break-even point = where line intersects with 0

Smiles, Inc.

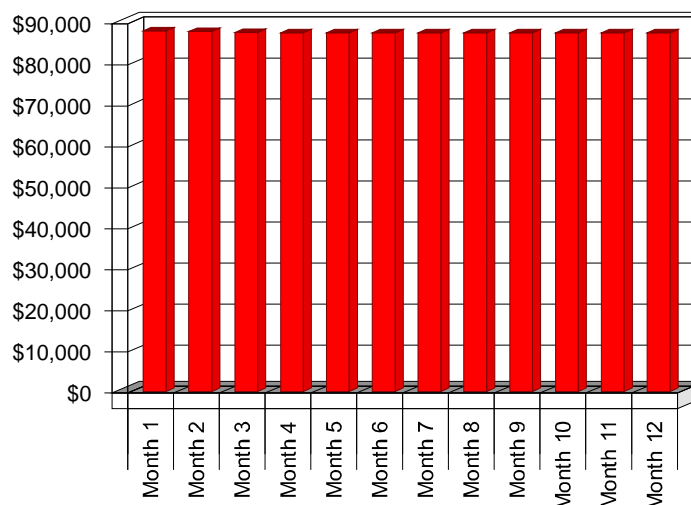
8.4 Projected Profit and Loss

The following table will indicate projected profit and loss.

Table: Profit and Loss

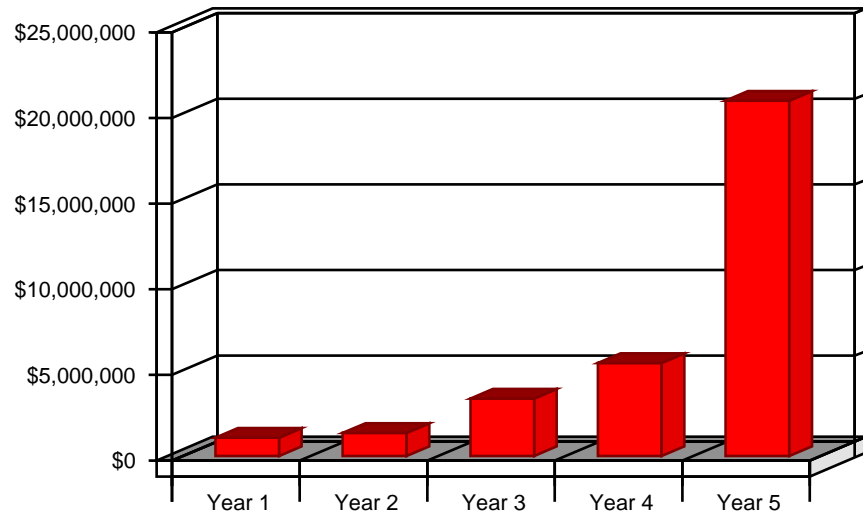
Pro Forma Profit and Loss					
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	\$3,745,000	\$4,100,000	\$10,450,000	\$16,780,000	\$60,150,000
Direct Costs of Goods	\$1,950,000	\$2,175,000	\$4,650,000	\$7,800,000	\$29,000,000
Other Production Expenses	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$1,950,000	\$2,175,000	\$4,650,000	\$7,800,000	\$29,000,000
Gross Margin	\$1,795,000	\$1,925,000	\$5,800,000	\$8,980,000	\$31,150,000
Gross Margin %	47.93%	46.95%	55.50%	53.52%	51.79%
Expenses					
Payroll	\$238,000	\$588,000	\$930,000	\$1,230,000	\$1,530,000
Sales and Marketing and Other Expenses	\$2,400	\$0	\$2,400	\$0	\$0
Depreciation	\$100	\$0	\$0	\$0	\$0
Utilities	\$6,000	\$0	\$6,000	\$0	\$0
Insurance	\$2,400	\$0	\$3,600	\$0	\$0
Rent	\$18,000	\$0	\$36,000	\$0	\$0
Payroll Taxes	\$28,337	\$0	\$41,958	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$295,237	\$588,000	\$1,019,958	\$1,230,000	\$1,530,000
Profit Before Interest and Taxes	\$1,499,763	\$1,337,000	\$4,780,042	\$7,750,000	\$29,620,000
EBITDA	\$1,499,863	\$1,337,000	\$4,780,042	\$7,750,000	\$29,620,000
Interest Expense	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$449,929	\$0	\$1,434,013	\$2,325,000	\$8,886,000
Net Profit	\$1,049,834	\$1,337,000	\$3,346,029	\$5,425,000	\$20,734,000
Net Profit/Sales	28.03%	32.61%	32.02%	32.33%	34.47%

Profit Monthly



Smiles, Inc.

Profit Yearly



Smiles, Inc.

8.5 Projected Cash Flow

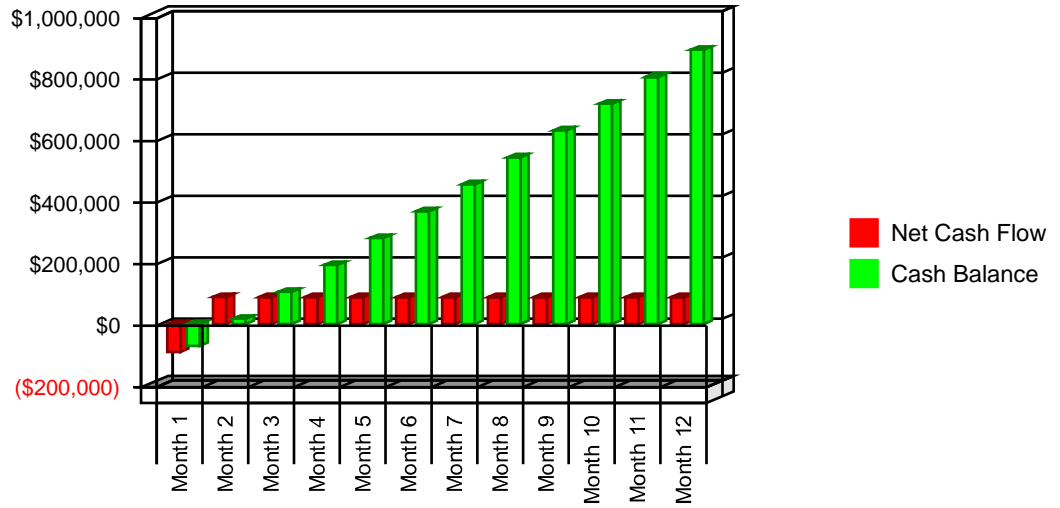
The following chart and table will indicate projected cash flow.

Table: Cash Flow

Pro Forma Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Received					
Cash from Operations					
Cash Sales	\$3,745,000	\$4,100,000	\$10,450,000	\$16,780,000	\$60,150,000
Subtotal Cash from Operations	\$3,745,000	\$4,100,000	\$10,450,000	\$16,780,000	\$60,150,000
Additional Cash Received					
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$3,745,000	\$4,100,000	\$10,450,000	\$16,780,000	\$60,150,000
Expenditures					
Expenditures from Operations					
Cash Spending	\$2,873,816	\$2,783,625	\$7,330,846	\$11,613,197	\$41,185,039
Bill Payments	\$0	\$0	\$0	\$0	\$0
Subtotal Spent on Operations	\$2,873,816	\$2,783,625	\$7,330,846	\$11,613,197	\$41,185,039
Additional Cash Spent					
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$2,873,816	\$2,783,625	\$7,330,846	\$11,613,197	\$41,185,039
Net Cash Flow	\$871,184	\$1,316,375	\$3,119,154	\$5,166,803	\$18,964,961
Cash Balance	\$891,184	\$2,207,559	\$5,326,714	\$10,493,516	\$29,458,477

Smiles, Inc.

Cash



Smiles, Inc.

8.6 Projected Balance Sheet

The following table will indicate the projected balance sheet.

Table: Balance Sheet

Pro Forma Balance Sheet					
	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	\$891,184	\$2,207,59	\$5,326,714	\$10,493,516	\$29,458,477
Inventory	\$178,750	\$199,375	\$426,250	\$684,447	\$2,453,487
Other Current Assets	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$1,069,934	\$2,406,934	\$5,752,964	\$11,177,964	\$31,911,964
Long-term Assets					
Long-term Assets	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$100	\$100	\$100	\$100	\$100
Total Long-term Assets	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)
Total Assets	\$1,069,834	\$2,406,834	\$5,752,864	\$11,177,864	\$31,911,864
Liabilities and Capital					
Current Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities					
Total Liabilities	\$0	\$0	\$0	\$0	\$0
Paid-in Capital	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000
Retained Earnings	(\$1,782,000)	(\$732,166)	\$604,834	\$3,950,864	\$9,375,864
Earnings	\$1,049,834	\$1,337,000	\$3,346,029	\$5,425,000	\$20,734,000
Total Capital	\$1,069,834	\$2,406,834	\$5,752,864	\$11,177,864	\$31,911,864
Total Liabilities and Capital	\$1,069,834	\$2,406,834	\$5,752,864	\$11,177,864	\$31,911,864
Net Worth	\$1,069,834	\$2,406,834	\$5,752,864	\$11,177,864	\$31,911,864

8.7 Business Ratios

The table shows projected business ratios.

8.8 Long-term Plan

8.9 Untitled

The following table outlines some of the more important ratios from the restaurant industry. The final column, Industry Profile, details specific ratios based on the industry as it is classified by the Standard Industry Classification (SIC) code, 5812, Eating Places.

Smiles, Inc.

Table: Ratios

Ratio Analysis						
	Year 1	Year 2	Year 3	Year 4	Year 5	Industry Profile
Sales Growth	0.00%	9.48%	154.88%	60.57%	258.46%	7.60%
Percent of Total Assets						
Inventory	16.71%	8.28%	7.41%	6.12%	7.69%	3.60%
Other Current Assets	0.00%	0.00%	0.00%	0.00%	0.00%	35.60%
Total Current Assets	100.01%	100.00%	100.00%	100.00%	100.00%	43.70%
Long-term Assets	-0.01%	0.00%	0.00%	0.00%	0.00%	56.30%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	32.70%
Long-term Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	28.50%
Total Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	61.20%
Net Worth	100.00%	100.00%	100.00%	100.00%	100.00%	38.80%
Percent of Sales						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	47.93%	46.95%	55.50%	53.52%	51.79%	60.50%
Selling, General & Administrative Expenses	91.28%	0.00%	51.74%	0.00%	0.00%	39.80%
Advertising Expenses	0.43%	0.00%	0.16%	0.00%	0.00%	3.20%
Profit Before Interest and Taxes	40.05%	32.61%	45.74%	46.19%	49.24%	0.70%
Main Ratios						
Current	0.00	0.00	0.00	0.00	0.00	0.98
Quick	0.00	0.00	0.00	0.00	0.00	0.65
Total Debt to Total Assets	0.00%	0.00%	0.00%	0.00%	0.00%	61.20%
Pre-tax Return on Net Worth	140.19%	55.55%	83.09%	69.33%	92.82%	1.70%
Pre-tax Return on Assets	140.19%	55.55%	83.09%	69.33%	92.82%	4.30%
Additional Ratios						
	Year 1	Year 2	Year 3	Year 4	Year 5	
Net Profit Margin	28.03%	32.61%	32.02%	32.33%	34.47%	n.a
Return on Equity	98.13%	55.55%	58.16%	48.53%	64.97%	n.a
Activity Ratios						
Inventory Turnover	10.91	11.50	14.87	14.05	18.48	n.a
Accounts Payable Turnover	0.00	0.00	0.00	0.00	0.00	n.a
Payment Days	0	0	0	0	0	n.a
Total Asset Turnover	3.50	1.70	1.82	1.50	1.88	n.a
Debt Ratios						
Debt to Net Worth	0.00	0.00	0.00	0.00	0.00	n.a
Current Liab. to Liab.	0.00	0.00	0.00	0.00	0.00	n.a
Liquidity Ratios						
Net Working Capital	\$1,069,934	\$2,406,934	\$5,752,964	\$11,177,964	\$31,911,964	n.a
Interest Coverage	0.00	0.00	0.00	0.00	0.00	n.a
Additional Ratios						
Assets to Sales	0.29	0.59	0.55	0.67	0.53	n.a
Current Debt/Total Assets	0%	0%	0%	0%	0%	n.a
Acid Test	0.00	0.00	0.00	0.00	0.00	n.a
Sales/Net Worth	3.50	1.70	1.82	1.50	1.88	n.a
Dividend Payout	0.00	0.00	0.00	0.00	0.00	n.a

Appendix

Appendix Table: Sales Forecast

Sales Forecast		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales													
Individuals	0%	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583	\$99,583
Families	0%	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083	\$107,083
Take away	0%	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417	\$105,417
Total Sales		\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083
Direct Cost of Sales													
Individuals		\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Families		\$54,167	\$54,167	\$54,167	\$54,167	\$54,167	\$54,167	\$54,167	\$54,167	\$54,167	\$54,167	\$54,167	\$54,167
Take away		\$58,333	\$58,333	\$58,333	\$58,333	\$58,333	\$58,333	\$58,333	\$58,333	\$58,333	\$58,333	\$58,333	\$58,333
Subtotal Direct Cost of Sales		\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500

Appendix

Appendix Table: Personnel

Personnel Plan		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Ed Heffner	0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Dona Stelfox	0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Dan Stelfox	0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Full time employee	0%	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167
Full time employee	0%	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167
Full Time Employee	0%	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167
Full time employee	0%	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167
Full time employee	0%	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167	\$2,167
Total People		3	7	7	7	7	7	7	7	7	7	7	7
Total Payroll		\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833

Appendix

Appendix Table: General Assumptions

General Assumptions	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Long-term Interest Rate	7.00%	10.00%	10.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Appendix

Appendix Table: Profit and Loss

Pro Forma Profit and Loss												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083
Direct Costs of Goods	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500
Other Production Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500	\$162,500
Gross Margin	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583	\$149,583
Gross Margin %	47.93%	47.93%	47.93%	47.93%	47.93%	47.93%	47.93%	47.93%	47.93%	47.93%	47.93%	47.93%
Expenses												
Payroll	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833	\$19,833
Sales and Marketing and Other Expenses	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Depreciation	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Utilities	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Insurance	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Rent	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Payroll Taxes	15% \$1,800	\$1,968	\$2,321	\$2,472	\$2,472	\$2,472	\$2,472	\$2,472	\$2,472	\$2,472	\$2,472	\$2,472
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$24,042	\$24,210	\$24,562	\$24,714	\$24,714	\$24,714	\$24,714	\$24,714	\$24,714	\$24,714	\$24,714	\$24,714
Profit Before Interest and Taxes	\$125,542	\$125,374	\$125,021	\$124,870	\$124,870	\$124,870	\$124,870	\$124,870	\$124,870	\$124,870	\$124,870	\$124,870
EBITDA	\$125,550	\$125,382	\$125,029	\$124,878	\$124,878	\$124,878	\$124,878	\$124,878	\$124,878	\$124,878	\$124,878	\$124,878
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$37,663	\$37,612	\$37,506	\$37,461	\$37,461	\$37,461	\$37,461	\$37,461	\$37,461	\$37,461	\$37,461	\$37,461
Net Profit	\$87,879	\$87,762	\$87,515	\$87,409	\$87,409	\$87,409	\$87,409	\$87,409	\$87,409	\$87,409	\$87,409	\$87,409
Net Profit/Sales	28.16%	28.12%	28.04%	28.01%	28.01%	28.01%	28.01%	28.01%	28.01%	28.01%	28.01%	28.01%

Appendix

Appendix Table: Cash Flow

Pro Forma Cash Flow	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083
Subtotal Cash from Operations	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083	\$312,083
Expenditures												
Expenditures from Operations												
Cash Spending	\$402,946	\$224,313	\$224,560	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666
Bill Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Spent on Operations	\$402,946	\$224,313	\$224,560	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$402,946	\$224,313	\$224,560	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666	\$224,666
Net Cash Flow	(\$90,863)	\$87,770	\$87,523	\$87,417	\$87,417	\$87,417	\$87,417	\$87,417	\$87,417	\$87,417	\$87,417	\$87,417
Cash Balance	(\$70,863)	\$16,907	\$104,430	\$191,847	\$279,265	\$366,682	\$454,099	\$541,516	\$628,933	\$716,350	\$803,767	\$891,184

Appendix

Appendix Table: Balance Sheet

Pro Forma Balance Sheet													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets	Starting Balances												
Current Assets													
Cash	\$20,000	(\$70,863)	\$16,907	\$104,430	\$191,847	\$279,265	\$366,682	\$454,099	\$541,516	\$628,933	\$716,350	\$803,767	\$891,184
Inventory	\$0	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750	\$178,750
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$20,000	\$107,888	\$195,657	\$283,180	\$370,597	\$458,015	\$545,432	\$632,849	\$720,266	\$807,683	\$895,100	\$982,517	\$1,069,934
Long-term Assets													
Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$8	\$17	\$25	\$33	\$42	\$50	\$58	\$67	\$75	\$83	\$92	\$100
Total Long-term Assets	\$0	(\$8)	(\$17)	(\$25)	(\$33)	(\$42)	(\$50)	(\$58)	(\$67)	(\$75)	(\$83)	(\$92)	(\$100)
Total Assets	\$20,000	\$107,879	\$195,641	\$283,155	\$370,564	\$457,973	\$545,382	\$632,790	\$720,199	\$807,608	\$895,017	\$982,425	\$1,069,834
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities													
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid-in Capital	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000	\$1,802,000
Retained Earnings	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)	(\$1,782,000)
Earnings	\$0	\$87,879	\$175,641	\$263,155	\$350,564	\$437,973	\$525,382	\$612,790	\$700,199	\$787,608	\$875,017	\$962,425	\$1,049,834
Total Capital	\$20,000	\$107,879	\$195,641	\$283,155	\$370,564	\$457,973	\$545,382	\$632,790	\$720,199	\$807,608	\$895,017	\$982,425	\$1,069,834
Total Liabilities and Capital	\$20,000	\$107,879	\$195,641	\$283,155	\$370,564	\$457,973	\$545,382	\$632,790	\$720,199	\$807,608	\$895,017	\$982,425	\$1,069,834
Net Worth	\$20,000	\$107,879	\$195,641	\$283,155	\$370,564	\$457,973	\$545,382	\$632,790	\$720,199	\$807,608	\$895,017	\$982,425	\$1,069,834