



## City of Madison Supplemental Class B License Application

<input checked="" type="checkbox"/> Seller's Permit Number <input checked="" type="checkbox"/> Federal Employer Identification # <input checked="" type="checkbox"/> Notarized Original Application Form <input checked="" type="checkbox"/> Notarized Supplemental Form <input type="checkbox"/> Orange Sign (Clerk's Office provides at time of application)	<input checked="" type="checkbox"/> Written Description of Premise <input checked="" type="checkbox"/> Background Investigation Form(s) <input checked="" type="checkbox"/> Notarized Transfer of Ownership <input checked="" type="checkbox"/> *Articles of Incorporation <input checked="" type="checkbox"/> Notarized Appointment of Agent * Corporation/LLC only	<input checked="" type="checkbox"/> Floor Plans <input checked="" type="checkbox"/> Lease <input checked="" type="checkbox"/> Sample Menu <input checked="" type="checkbox"/> Business Plan
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1. Name of Applicant/Partner/Corporation/LLC NOSTRANO, INC
2. Address of Licensed Premise 111 S. HAMILTON ST. MADISON, WI 53703
3. Telephone Number: (312) 571-2829 Anticipated opening date: 3/22/2010
5. Mailing address if not opening immediately 3262 HIGH POINT ROAD, MADISON, WI 53719
6. Have you contacted the Alderperson, Police Department District Captain, Alcohol Policy Coordinator, and the neighborhood association representative for the area in which you intend to locate?  Yes  No
7. Are there any special conditions desired by the neighborhood?  Yes  No

Explain. \_\_\_\_\_

8. Business Description, including hours of operation: FULL SERVICE, UPSCALE RESTAURANT OPEN 11-2<sup>30</sup>pm FOR LUNCH AND 5-10<sup>30</sup>pm FOR DINNER SERVICE

9. Do you plan to have live entertainment?  No  Yes—What kind? \_\_\_\_\_

10. Detailed written description of building, including overall dimensions, seating arrangements, capacity, bar size and all areas where alcohol beverages are to be sold and stored. **The licensed premise described below shall not be expanded or changed without the approval of the Common Council.**

PLEASE SEE ATTACHED DESCRIPTION, LEASE AND FLOOR PLAN

11. Are any living quarters directly or indirectly accessible and under control of the applicant?  Yes  No  
Please note that alcohol may be sold and stored only on the licensed premise, not in living quarters.

12. Describe existing parking and how parking lot is to be monitored STREET PARKING ON S. HAMILTON, S. CARROLL AND W. MAIN STREETS. CAPITOL SQUARE SOUTH RAMP ON S. FAIRCHILD

13. Describe your management experience, staffing levels, duties and employee training  
BACHELOR'S DEGREE IN HOSPITALITY MANAGEMENT WITH 12 YEARS OF EXECUTIVE MANAGEMENT EXPERIENCE. 16 FULLTIME POSITIONS WILL BE CREATED.

14. Identify the registered agent for your Corporation or LLC. This is your corporation's agent for service of process, notice or demand required or permitted by law to be served on the corporation

TIMOTHY DAHL 3262 HIGH POINT ROAD, MADISON, WI 53719

Name Address

WRITTEN DUTIES, RESPONSIBILITIES AND POLICIES WILL BE INCLUDED IN AN EMPLOYEE TRAINING MANUAL.

15. Utilizing your market research, who would you project your target market to be?

DOWNTOWN RESIDENTS, DAYTIME RESIDENTS (EMPLOYEES),  
DESTINATION DINERS AND THE UNIVERSITY POPULATION.

16. What age range would you hope to attract to your establishment? 18-74

17. Describe how you plan to advertise/promote your business. What products will you be advertising?

MAGAZINE AND NEWSPAPERS, TOURISM VISITOR GUIDES, PROFESSIONAL  
AND CULTURAL EVENTS PROMOTING REGIONAL AGRICULTURE AND

18. Are you operating under a lease or franchise agreement?  Yes (attach a copy)  No ARTISANS

19. Owner of building where establishment is located: PETER WADSACK

Address of Owner: 1115 HAMILTON ST #17, MADISON, WI 53703 Phone Number (608) 358-5938

N/A Private organizations (clubs): Do your membership policies contain any requirement of "Invidious" (likely to give offense) discrimination in regard to race, creed, color, or national origin?  Yes  No

21. List the Directors of your Corporation/LLC

TIMOTHY DAHL 3262 HIGH POINT ROAD, MADISON, WI 53719  
Name Address

ELIZABETH DAHL 3262 HIGH POINT ROAD, MADISON, WI 53719  
Name Address

WILMER; SANDRA DAHL 3262 HIGH POINT ROAD, MADISON, WI 53719  
Name Address

22. List the Stockholders of your Corporation/LLC

TIMOTHY DAHL 3262 HIGH POINT ROAD, MADISON, WI 53719 15%  
Name Address % of Ownership

ELIZABETH DAHL 3262 HIGH POINT ROAD, MADISON, WI 53719 15%  
Name Address % of Ownership

WILMER; SANDRA DAHL 3262 HIGH POINT ROAD, MADISON, WI 53719 35/35%  
Name Address % of Ownership

23. What type of establishment are you? (Check all that apply)  Tavern  Nightclub  Restaurant

Other Please Explain. \_\_\_\_\_

24. What type of food will you be serving, if any? CUISINE FROM THE COASTS OF FRANCE, ITALY

Breakfast  Lunch  Dinner AND SPAIN. SIMPLE, CLEAN FLAVORS FROM  
LOCALLY-GROWN SUSTAINABLE PRODUCTS.

25. Please submit a sample menu with your application, if possible. What might eventually be included on your

operational menu when you open?  Appetizers  Salads  Soups  Sandwiches  Entrees

Desserts  Pizza  Full Dinners (PLEASE SEE ATTACHED MENU)

26. During what hours of your operation do you plan to serve food? 11-2<sup>30</sup> PM (LUNCH), 5-10<sup>30</sup> PM (DINNER)

27. What hours, if any, will food service not be available? 2<sup>30</sup>-4<sup>30</sup> PM
28. Indicate any other product/service offered N/A
29. Will your establishment have a kitchen manager?  Yes  No
30. Will you have a kitchen support staff?  Yes  No
31. How many wait staff do you anticipate will be employed at your establishment? 7 FULL TIME POSITIONS  
During what hours do you anticipate they will be on duty? 10 AM - 11<sup>30</sup> PM
32. Do you plan to have hosts or hostesses seating customers?  Yes  No
33. Do your plans call for a full-service bar?  Yes  No  
If yes, how many bar stools do you anticipate having at your bar? 11  
How many bartenders do you anticipate you would have working at one time on a busy night? 2
34. Will there be a kitchen facility separate from the bar?  Yes  No
35. Will there be a separate and specific area for eating only?  Yes  No  
If yes, what will be the seating capacity for that area? 38
36. What type of cooking equipment will you have?  Stove  Oven  Fryers  Grill  Microwave
37. Will you have a walk-in cooler and/or freezer dedicated solely to the storage of food products?  Yes  No
38. What percentage of your overall payroll do you anticipate will be devoted to food operation salaries?  
72% (KITCHEN), 28% (WAITSTAFF)
39. If your business plan includes an advertising budget, what percentage of your advertising budget do you anticipate will be related to food? 90%  
What percentage of your advertising budget do you anticipate will be drink related? 10% (WINE/BEER DINNERS)
40. Are you currently, or do you plan to become, a member of the Madison—Dane County Tavern League or the Tavern League of Wisconsin?  Yes  No
41. Are you currently, or do you plan to become, a member of the Wisconsin Restaurant Association or the National Restaurant Association?  Yes  No

42. What is your estimated capacity? 49

43. Pursuant to Chapter 23 of the Madison General Ordinances, all restaurants and taverns serving alcohol beverages shall substantiate their gross receipts for food and alcohol beverage sales broken down by percentage. For new establishments, the percentage will be an estimate.

Gross Receipts from Alcoholic Beverages	26 %
Gross Receipts from Food and Non-Alcoholic Beverages	74 %
Gross Receipts from Other	0 %
<b>Total Gross Receipts</b>	<b>100%</b>

44. Do you have written records to document the percentages shown?  Yes  No  
You may be required to submit documentation verifying the percentages you've indicated.

**(PLEASE SEE ATTACHED BUSINESS PLAN)**

**Read carefully before signing:** Under penalty provided by law, the applicant states that the above information has been truthfully completed to the best of the knowledge of the signer. Signer agrees to operate this business according to law and that the rights and responsibilities conferred by the license(s), if granted will not be assigned to another. Any lack of access to any portion of a licensed premise during inspection will be deemed a refusal to permit inspection. Such refusal is a misdemeanor and grounds for revocation of this license.

Subscribed and Sworn to before me:

this 20 day of Jan., 20 10

(Officer of Corporation/Member of LLC/Partner/Individual)

  
(Clerk/Notary Public)

My commission expires 7/24/11

## **Description of the Building**

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Nostrano is located at 111 South Hamilton Street in the historic Jackman Building on the southernmost corner of Madison's Capitol Square. The restaurant leases rooms 11, 12, 13, 14, 15 and 16 of the Jackman Building's first floor and Room BU and the Alcove of the lower basement floor (see attached Lease). The restaurant measures approximately 1,850 square feet.

According to Mike Van Erem at Building Inspection, Nostrano's existing capacity is 49. The seating arrangement consists of 38 seats within the dining room and 11 in the bar area (see attached Floor Plan). Alcohol will primarily be stored in the secured basement unit, with functional product being placed at the service bar and the walk-in cooler located behind the bar. Alcohol will be sold at the bar, throughout the dining room and in permitted sidewalk café areas during the appropriate months.

# Appointment of New Liquor/Beer Agent

## To be completed by Corporate Officer or Member of LLC

I, TIMOTHY DAHL, officer/member for NOSTRANO, INC  
(Corporation/LLC), doing business as NOSTRANO, authorize and appoint  
TIMOTHY DAHL (Name) as the liquor/beer agent for the premise  
located at 111 S. HAMILTON ST.

Subscribed and sworn to before me this

20 Day of Jan., 20 10

TDAHL  
Signature of Officer/Member

Dennis J. Schmidt  
Notary Public, Dane County, Wisconsin

My Commission Expires 7/24/11

## To be completed by appointed Liquor/Beer Agent

I, TIMOTHY DAHL, appointed liquor/beer agent for  
NOSTRANO, INC (name of Corporation or LLC), being first duly sworn  
say I have vested in me, by properly authorized and executed written delegation, full authority  
and control of the premise described in the license of such corporation or limited liability  
company, and I am involved in the actual conduct of the business as an employee, or have a  
direct financial interest in the business of the licensee, therein relating to the intoxicating  
liquor/fermented malt beverage. The interest I have in the business is 15 %.

Subscribed and sworn to before me this

20 Day of Jan., 20 10

TDAHL  
Signature of Agent

Dennis J. Schmidt  
Notary Public, Dane County, Wisconsin

My Commission Expires 7/24/11

The appointed Liquor/Beer Agent must complete the other side of this form.

**Transfer of Ownership**  
(letter to surrender previous license)

*To be filed with the City Clerk at the time a new application is submitted  
for a change of ownership for any liquor and/or beer establishment*

The Class B Combination license for the premise located at  
Class of License  
111 South Hazelton Street will be relinquished upon the  
Street Address  
approval of the application and the issuance of the same type of license for the same  
premises to Nostram Inc.  
License Applicant

There have been no convictions for violations during the current license year, nor are  
there any pending violations against the present licensee except as follows:

\_\_\_\_\_  
\_\_\_\_\_

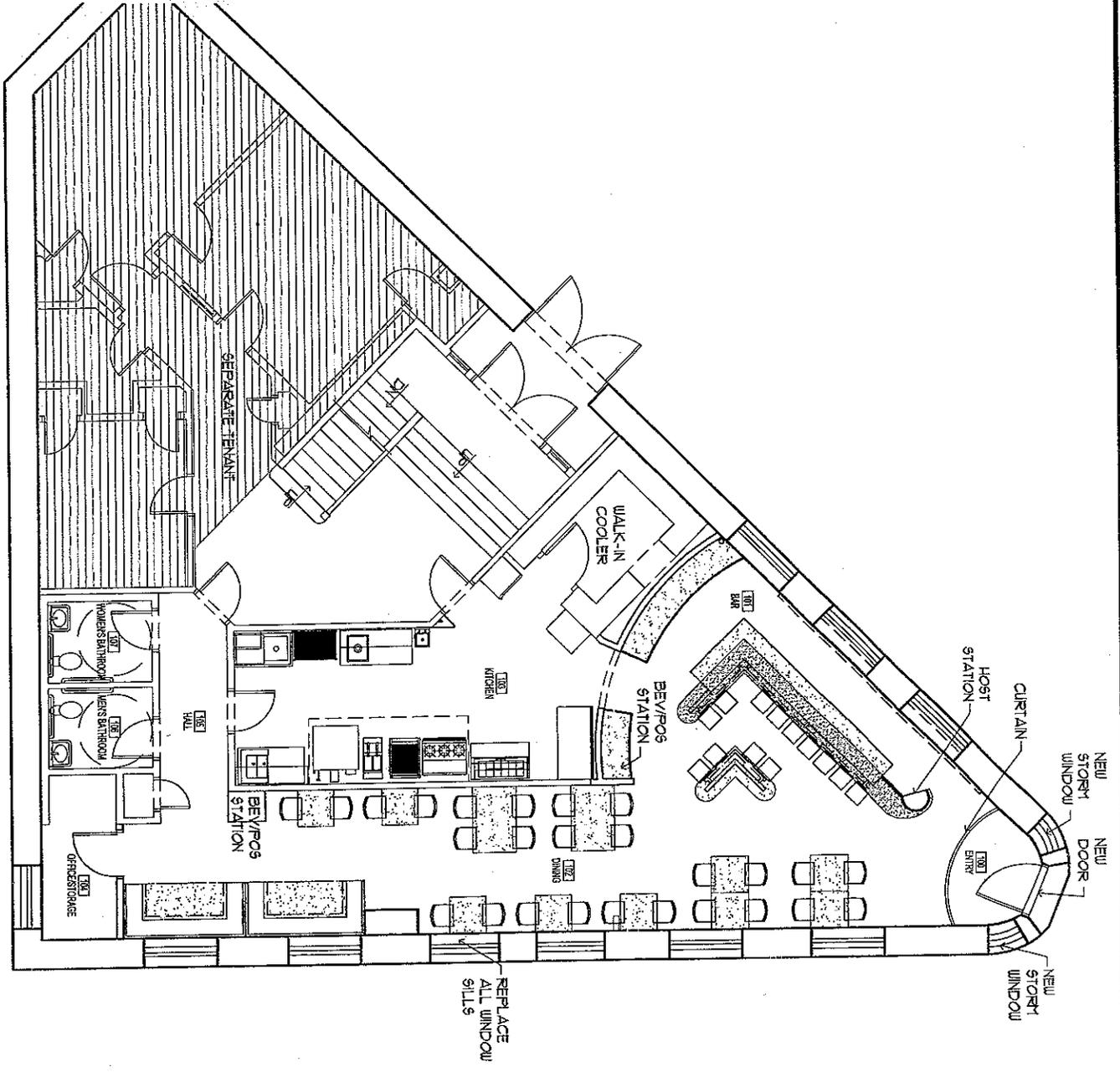
Giuseppe Sorzano  
Signature of Present License Holder

12-30-2009  
Date

Subscribed & Sworn  
before me Dec. 30, 2009

J. A. Gle  
James M. Gle

**1** MILLWORK/COORDINATION PLAN  
SCALE: 1/8" = 1'-0"



**CAPACITY**  
 BAR = 13  
 DINING = 36  
 TOTAL = 49

**TABLE SIZES**  
 DINING: 30X30, 30X34  
 BOOTH: 30X68

WISCONSIN  
 MARK R. ZINGG  
 A-58881  
 Madison  
 WI

*1.18.10*

<p><b>ZINGG DESIGN</b>          ARCHITECTURE          INTERIOR DESIGN          PLANNING</p>	<p>CONSULTANT</p>
	<p>PROJECT  <b>NOSTRAND RESTAURANT ALTERATION</b></p>
<p>11 S. HANLON ST.          MADISON, WI 53703</p>	<p>DATE: 1-18-10</p>
<p>SHEET TITLE  <b>MILLWORK/COORDINATION PLAN</b></p>	<p>DATE: 1-18-10</p>
<p>NOTE</p>	<p>DATE: 1-18-10</p>
<p>FILE NUMBER: 0972</p>	<p>DATE: 1-18-10</p>
<p>SCALE: SEE DRAWING</p>	<p>DATE: 1-18-10</p>
<p>DRYAN B. BEEL DRAWING</p>	<p>DATE: 1-18-10</p>
<p>NO. THIS DRAWING IS THE PROPERTY OF ZINGG DESIGN. IT IS TO BE USED ONLY FOR THE PROJECT AND SITE SPECIFICALLY IDENTIFIED ON THIS DRAWING. IT IS NOT TO BE REPRODUCED OR COPIED IN ANY MANNER WITHOUT THE WRITTEN PERMISSION OF ZINGG DESIGN.</p>	<p>DATE: 1-18-10</p>
<p>SHEET NUMBER</p>	<p>DATE: 1-18-10</p>
<p><b>A2.1</b></p>	<p>DATE: 1-18-10</p>
<p>ZINGG DESIGN, INC. 2002</p>	<p>DATE: 1-18-10</p>

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BUSINESS PLAN  
for

III Hamilton  
Full Service Restaurant  
in  
Madison, Wisconsin

Prepared  
by

Business Plans Etc.  
P.O. Box 364  
Washburn, Wisconsin 54891  
1-715-373-2485

November 19, 2009

Sandra and Will Dahl  
3262 S High Point Road  
Madison, Wisconsin 53719

11/19/09

Dear Sandra and Will,

Enclosed find the business plan compilation for III Hamilton. The plan includes your decisions, equity and debt commitments and inputs as specified, subject to established constraints as specified in the market and financial feasibility.

The business plan has been completed using procedures and methods generally considered reasonable for a project of this type and size. The feasibility study should be provided as a material basis for any review of the business plan.

The intended use of a business plan compilation is discussion with lenders, equity partners and other funding sources. The representations are made between the principal and funding sources.

The information contained in this study should not be used in part, in representations to others. It is recommended that a bound copy always be used for presentation to others.

Business Plans Etc. will be happy to answer questions about research, interpretation of findings as presented on the feasibility study and the decisions and commitments used as inputs for this business plan.

Sincerely,

Craig Schowalter  
Business Plans Etc.

## LIABILITY DISCLAIMER

Representations made by the owners are assumed to be true and there is no liability assumed by Business Plans Etc. for missing, false or misleading information provided as input for this document. When possible, information was verified through several sources. The possibility still remains that significant information may have been missing, withheld or otherwise not available at the time of writing.

All risk associated with a decision made by a user of this document is assumed by the user. In order to be valid, a comprehensive business plan requires prior determination of market and financial feasibility. Any use of this business plan should be accompanied by study of the feasibility study and performance of due diligence which would be reasonable for the level of risk and investment.

A feasibility study determines the "economic worth" of an opportunity and can provide a "material basis" for a business plan. Without a financially sustainable basis, numbers in any business plan have little value.

The business plan should be a compilation of final quotes and funding commitments to be used in representations to others. The plan should be based on a "success formula", attainable "upside potential", a "realistic time line" and a "reasonable chance" for success. Risk is inherent in any investment and should be considered in light of upside potential.

In order to create wealth for shareholders, the plan should provide for company profit, shareholder earnings, growth of equity and an appreciation of total business value.

To properly solicit equity funds from several investors, it is advisable to have a formal Prospectus prepared which includes the feasibility study (third party opinion), business plan (management, financing and operations) and the disclosure text required by law in the state of registration.

This business plan is based on assumptions, budgets and the facts known or believed to be true at the time of writing. Business Plans Etc. will answer any questions relating to the preparation of this plan, assumptions made and reliability of various sources used as inputs.

Use of this plan for any purpose assumes acknowledgment of all risk associated with interpretation and action based on content. Investors remain solely responsible for performance of due diligence and management remains solely responsible for performance of the business within the market.

**BUSINESS PLAN**  
**Research Abstracts By Section**

**BUSINESS DESCRIPTION:** The business under consideration is a full service, upscale restaurant (60-70 seat) with small holding bar (6-8 seat). The location is downtown and on the city square. The name of the restaurant is 111 Hamilton.

**BUSINESS TYPE:** Full Service Restaurant  
Upscale dining

**BUSINESS NAME:** 111 Hamilton

**BUSINESS ADDRESS:** Business location (former Peppino's)

111 South Hamilton Street  
Madison, Wisconsin  
1-608-251-9500

**BUSINESS STRUCTURE AND OWNERSHIP:** WI Corporation with shares closely held between family members.

<u>Ownership</u>	<u>Percent</u>
Will & Sandra Dahl	100.0%
Tim & Elizabeth Dahl	

A Board of Directors will be used to help develop market strategy and establish operating policy. Tim and Elizabeth will be employed by the business.

**Bookeeping/Taxes:** Financial records will be maintained within the business and a CPA used for financial accounting, payroll and year end taxes.

**BUSINESS HISTORY:** The site was operated as Peppino's yet the concept of 111 Hamilton is new. Upgrades to the space include remodeling, kitchen equipment, mechanical, electrical and HVAC work. Furniture and fixtures will also be upgraded.

Tim and Elizabeth Dahl have training and prior experience in a comparable restaurant setting located in Chicago, Illinois. Their personal goal is to live in Madison and own an upscale restaurant. (resumes available)

For a market area such as downtown Madison, the full service restaurant can provide a new food and service option for area residents, daytime residents (employees), visitors, tourists, business transients and the University community.

## MISSION STATEMENT

The mission of the foodservice establishment is to provide downtown Madison with an upscale restaurant which features everyday foods from the Mediterranean which have simple, clean flavors and are prepared, presented and served without pretension. The food concept is one of refined simplicity. The experience objective is to provide a third place where the simple pleasures of life such as good food, wine and conversation are always available.

## POSITIONING

The positioning of the restaurant will be as a provider of foods which are uncomplicated and which showcase the purity and quality of seasonally available, regional ingredients.

The full service restaurant (lower upscale) will be price positioned to provide quality food which can be afforded by patrons on a weekly or even daily basis. To optimize revenue in a location such as downtown Madison, the restaurant will need to serve a variety of groups and target customer types.

## OBJECTIVES

Business: To create a unique restaurant which has a loyal following. To market the restaurant in a manner which optimizes pull. To include the amenities, systems and service required to capture incremental revenue.

Shareholders: To create shareholder value by providing reasonable returns and upside potential for long term gains.

Community: To provide upscale lunches and dining for workers, visitors and residents of downtown and nearby communities.

## MARKET STRATEGY

For a market area such as downtown Madison, III Hamilton can provide a new food and service option for area residents, daytime residents (employees), visitors, tourists, business transients and the University population.

The Capitol Square is the focal point of downtown and current development standards encourage mixed use development. The daytime residents (employees), growth of households, tourism and destination traffic are favorable for development of retail businesses including restaurants.

The level of employment in the downtown is high (67,878) and creates a captive audience for food and beverage concepts. As a result, there are 224 establishments in the 1 mile market which capture an estimated \$196.2 million in sales. The average revenue per establishment is \$875,893 and there is one establishment for every 303 employees and 137 residents.

The goal of the menu development is to offer a differentiated product offering and concept which is new yet will have long term appeal. The proposed menu is Mediterranean in style and highlights foods from Italy, France and Spain.

### Possible Menu Offerings

Everyday foods of the Mediterranean  
market specials, fresh pasta, charcuterie  
Wines from Portugal, Italy, France and Spain  
Craft beers from U.S., Italy and Belgium

**Promotion Strategy** - To market to target groups downtown and to residents throughout the Madison metro area. To attract tourists and visitors by being included in visitor guides and receiving favorable food reviews.

**Advertising Strategy** - To run ads with positioning elements to help consumers identify the type of food and service. To create value by using words like fresh, regional, simple and seasonal. For print ads the goal is to create awareness of the concept, type of food and ambiance of the restaurant.

### Advertising Activities

Tourism Visitor Guide (restaurant section)  
Phone Directory Ads (phone book)  
Rack Cards (for hotels)  
Magazines and Newspaper  
Radio (local)  
Web Site

**Public Relations** - Create a favorable image by encouraging food writers to visit the restaurant. Become involved in the downtown community including professionals, cultural events, the arts and government. Collect articles in a display.

Promote regional agriculture and provide a platform to showcase ingredients used for seasonal menu items. Use educational pieces to help inform guests and visitors about sustainable agriculture and living practices.

**PRODUCTS AND SERVICES:** The restaurant will offer food and beverages which appeal to each of the target market segments served.

### **Restaurant, Menu and Products**

"Eco-restaurant" (regionally available foods)  
Simple elegance built on a base of sustainability  
Focus on "fresh" and "simple"  
project an image of "healthy living"  
Seasonal variation and rotation of menu items  
Source verified or certified meats and poultry  
Regional vegetables, fruits and food products  
Wine from smaller producers and uncommon varieties  
Micro-brew and craft beers  
High quality bakery, desserts and pastry

**PRICE POLICY:** The goal is to offer tiered pricing which allows consumers to purchase at several levels. The weighted average check (all day) is \$17 with beverage \$6 (\$23 total).

The dinner menu will have 3 price tiers which allow diners to enjoy meals for special occasions and enable them to afford them to dine out more often.

### **INDUSTRY TRENDS**

The restaurant industry continues to be impacted by trends, lifestyle changes and the economy. While some industry sectors are stagnant or are in decline, others are growing. The new economy and lingering recession have changed business and some permanent changes are expected. Also, a return to the basics of food quality, value, service and the overall experience is underway.

There are 945,000 restaurants in the U.S. (2009). Total sales including food, liquor and non-food sales are \$588.5 billion. Foodservice establishments earn 4% of the Gross Domestic Product and provide jobs for 9% of those employed. The restaurant industry is the nation's 2nd largest private sector employer with more than 13 million employees. Employment is forecasted to increase to 14.8 million by 2020 and growth in the foodservice industry continues to outpace the economy for the ninth consecutive year.

The 2008-2010 period marks the weakest time frame in U.S. foodservice history. The 2009 and 2010 years are likely to be the first consecutive years with real sales declines after adjustment for inflation. By 2009 21,425 units had closed and by the end of 2010, more than double this amount are expected to close and 94% will be from the full service sector.

Restaurant sales are expected to increase 2.5% in 2009 to \$566 billion, yet when adjusted for inflation, may show a decline of 1%. This includes the net effect of 2.5% menu price inflation and a sales decrease of 3.8% overall. Sales for 2010 are expected to fall -0.8%, including menu price inflation of 1.5%. (source: Technomic 2009-2010 Forecast)

While eating out used to be a special occasion, the trend is toward a lifestyle in which daily activity includes eating out. The consumer's propensity to consume food "away from home" is increasing as younger persons are more likely to eat out on any given day. There are significant differences in behavior between age groups.

Millennials have a higher propensity to eat meals away from home. In fact, Millennials eat more meals away from home than at home. Baby Boomers eat more meals out than the World War II generation, yet fewer than the Millennials and Gen X.

The Consumer Expenditure Survey tracks consumer purchases for "food at home" and "food away from home". There is a long term trend toward increased use of "food away from home". For example, in 1955 the food away from home was only 25% of the total food dollar. By 1999 the food away from home proportion grew to over 40% and by 2010 it is predicted to be 53%.

Recently, consumer expenditures for "food away from home" have been impacted by tighter budgets and choice. For some, discretionary dollars were shifted to purchase necessities. The recession is breeding a new type of frugality which will likely outlast it. The result has been a reduced incidence of eating out and lower spending, even among those who have not experienced earning declines.

While the recession has affected the frequency of eating out and restaurant sales, it is generally felt that consumers will continue to spend about 50% of their food dollars in restaurants. This spending reflects a lifestyle choice and preference. For example, 45% of adults feel that restaurants are an important part of their lifestyle. Despite this fact, 30% report not eating out as often as they would like as a result of the economy.

### Significant Lifestyle Changes

Reduced participation of women in the workforce  
More people eating at "non-traditional" times  
More people will eat alone

Consumers continue to eat out more and in 10-20 years, 15 of 21 meals (70+%) each week may be consumed outside the home. This includes prepared food purchased in restaurants, grocery delis, take outs and c-stores.

## DEMOGRAPHIC PROFILE

The total dollars spent on food away from home increases with income, yet the proportion of the food dollars decreases. For young families, the portion of the food dollar spent away from home and frequency of eating out is often higher than the average. New families are often strapped for time and opt to use quick service (QSR) options.

### Food Spending Away From Home By Household Income

<u>Income Range</u>	<u>Average</u> <u>Food Away</u> <u>(\$/Year)</u>	<u>Income</u> <u>Indexed</u>
<\$20,000	\$1,074	40.77
\$20-\$39,999	1,657	62.91
\$40-\$49,999	2,274	86.33
\$50-\$69,999	2,912	110.55
\$70-\$79,999	3,378	128.25
\$80-\$99,999	3,816	144.87
\$100,000 +	5,442	206.61
<u>Average</u>	<u>\$2,634</u>	<u>100.00</u>

source: 2007 BLS Consumer Expenditure Survey

The total amount of money spent on food away from home is dependant on income. Over a base threshold of spending, food away from home spending increases in direct proportion to the household income.

### Food Spending Away From Home By Age of Household Head

<u>Age Range</u>	<u>Average</u> <u>Food Away</u> <u>(\$/Year)</u>	<u>Age</u> <u>Indexed</u>
<25 years	\$2,015	76.50
25-34 years	2,694	102.28
35-44 years	3,238	122.93
45-54 years	3,173	120.46
55-64 years	2,715	103.08
65-74 years	1,933	73.39
75+ years	1,166	44.27
<u>Average</u>	<u>\$2,634</u>	<u>100.00</u>

source: 2007 BLS Consumer Expenditure Survey

**THE TARGET MARKET SEGMENTS:** The target segments include residents (downtown and nearby community), daytime residents (employees), destination diners, tourists and transients. The demand calculated for each segment and an estimated market share are used to identify a reasonable site potential.

**MARKET POTENTIAL**

Based on the information available and assumed to be true, a full service upscale restaurant located in downtown Madison could earn \$800,000 to \$1,300,000 in revenue. It should be noted that a significant portion (60-80+%) of the revenue will need to be developed from tourist, destination diner and transient traffic.

**Site Potential Report**  
**Full Service, Upscale Dining Restaurant**  
**Downtown Madison, Wisconsin**

	<u>Full Serve</u> <u>Demand</u>	<u>Market</u> <u>Share</u>	<u>Site</u> <u>Potential</u>
Primary Mkt	7,400,000	.0200	\$ 148,000
Secondary Mkt Increment	13,700,000	.0095	130,150
Daytime Res/Employees	15,600,000	.0189	295,000
Destination Diners	11,500,000	.0261	300,000
Tourism/Transient	8,100,000	.0219	177,600
<u>Total Potential</u> (full serve)	<u>\$ 56,300,000</u>	<u>.0187</u>	<u>\$1,050,750</u>

The quality of management and marketing has been identified as a primary factor causing actual revenue to vary by +/-30%.

**STRATEGY FOR GAINING MARKET SHARE** Serve lunches to serve professionals employed in the downtown and increase trial of menu items to stimulate dinner patronage. Use a variety of media channels to create interest in the restaurant concept and food ethic.

**CUSTOMER SATISFACTION:** Satisfaction will be determined by a survey letter or call backs and a Customer Satisfaction Index will be created to measure satisfaction.

**COMPETITION AND ALTERNATIVES:**

The level of employment in the downtown is high (67,878) and creates a captive audience for food and beverage concepts. As a result, there are 224 establishments in the 1 mile market which capture an estimated \$196.2 million in sales. The average revenue per establishment is \$875,893 and there is one establishment for every 303 employees and 137 residents.

The average total population per restaurant is 496 residents. The 1 mile primary market area has 30,653 residents and can be expected to support 61.8 restaurants. Within the 3 mile secondary market, 94,153 residents should be able to support 190 restaurants.

There are currently 224 total eating and drinking places within the 1 mile primary market area. The count includes all bars, cafes, food counters, quick serve restaurants and sit down restaurants. Within easy walking distance of the square, there are several primary competitors for the restaurant which is proposed. Primary competitors are defined as upscale full service. Several are only open for dinner.

**Significant Competitors and Comparables**  
**(full service, upscale dining)**

Harvest Restaurant  
608-255-6075

21 N Pinckney

French and American cuisines using fresh, seasonal and local ingredients.

L'Etoile Restaurant  
608-251-0500

25 N Pinckney

French cuisine using local, organic and natural raised ingredients.

Sardine  
1-608-441-1600

617 Williamson

American and French cuisine

Restaurant Magnus  
1-608-258-8787

120 East Wilson

European cuisine with flavors from South American foods

**ORGANIZATION, STAFFING AND MANAGEMENT**

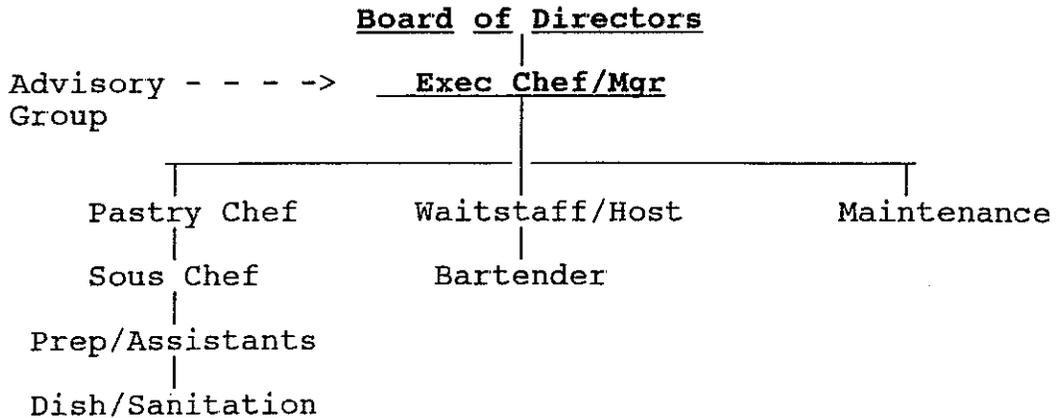
The functions which need to be filled for a property of this size are listed below. In cases where there is not sufficient work or money for a full time position, job design can be used to combine positions and functions into a full time position.

**Full Service Restaurant**

<u>Position</u>	<u>Initial FTE</u>	<u>Mature FTE</u>
Exec Chef/Mgr	1.00	1.00
Pastry Chef	1.00	1.00
Sous Chef	1.00	1.00
Food Prep	2.00	3.00
Bakery Assistant	1.50	2.00
Wait Staff	5.00	6.00
Bartender	1.50	2.00
Dish/Clean	2.00	2.50
Maintenance	0.50	0.50
<b><u>FTE Creation</u></b>	<b><u>15.50</u></b>	<b><u>19.00</u></b>

The Executive Chef/Mgr is a highly skilled person who will perform all food planning, production, operations and all management functions. The person will also perform all cost control and training functions.

**Restaurant Organization Chart**  
**Full Service Restaurant**  
**Madison, Wisconsin**



### WHAT NEEDS TO BE CHANGED?

The site is in need of renovation and the equipment package is old and in need of updating. The concept used by the prior tenant is dated and the owner lost enthusiasm. A fresh, new, relevant concept is needed. Decor, furnishings and equipment need to be updated.

### CRITICAL SUCCESS FACTORS:

1. Short Term - Complete the renovation and updating prior to opening the new concept. Employ a shakedown to insure service and food quality are exceptional. Open quietly and schedule a grand opening when staff is ready. Use the grand opening to create awareness and stimulate trial.

Create notoriety quickly after the grand opening. Use print media and seek publicity for the menu, concept and regional agricultural focus.

2. Mid-Term - Work to build patronage and repeat business. Seek to build local and regional identity. Grow revenue by marketing to target market segments.

Build weighted average check by combining food and beverages. Build frequency of patronage among users.

3. Long Term - Establish restaurant as an institution in Madison and regional destination.

**SOURCES AND USES OF CAPITAL**  
**Full Service Restaurant (leased space)**  
**(1,850 s.f. with downstairs storage)**

The existing business assets are being purchased and leasehold space is being upgraded. Actual construction costs may differ by +/-10% or more.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
		<b><u>BUILDINGS AND FF&amp;E</u></b>	
<u>Bank Loan</u>	\$ 175,000	Purchase Business/Assets (1)	95,000
6.5% Interest		Remodel Labor	
10 Yr Amort		Dining	40,000
		Kitchen	10,000
		Remodel Materials	20,000
<u>SBA Loan</u>	116,600	Equipment	
6.5% Interest		Kitchen/Dining	70,000
7 Yr Amort		Smallwares	15,000
		Mechanical/HVAC	15,000
		Electrical	10,000
<u>Equity (20%)</u>	102,725	Plumbing	15,000
		Exterior/Awning	10,000
		Contingency	5,000
		<u>Sub-Total</u>	<u>\$ 305,000</u>
		<b><u>LAND AND SITE WORK</u></b>	
<u>Total Sources</u>	<u>\$ 394,325</u>	Land/Site	-0-
		Contingency	-0-
		<u>Sub-Total</u>	<u>\$ -0-</u>
Cost \$/s.f. w/o equipment	\$ 118.92		
		<b><u>SOFT COSTS</u></b>	
Cost \$/s.f. w/ equipment	\$ 164.86	Prof Fees/Permits	\$ 15,000
		Security Deposit	10,000
		Initial Marketing	5,000
		Initial Inventory	9,000
		Initial Insurance	2,600
		Start Up (5 mos)	27,725
		Working Capital	20,000
		<u>Sub-Total</u>	<u>\$ 89,325</u>
		<b><u>TOTAL USES</u></b>	<b><u>\$ 394,325</u></b>

### Notes to Sources and Uses

Cost estimates for leasehold improvements and equipment were provided by vendors and rounded to obtain estimates. Estimates were also provided by the client.

- (1) No financials were provided to determine the value of the business. Unless the required input is available, only the equipment should be purchased. The \$95,000 should be reduced to a level commensurate with the value obtained.

Leasehold improvements attached to the building are assumed to become property of the landlord. All other upgrades and all equipment is assumed to be property of the client.

- (2) Quotes and estimates provided by;

Kessenich's Ltd  
Chet Gabris Sales  
1-608-249-1628

Van Acker Builders Inc.  
Jim Van Acker

Interior Motives LLC  
Judy Johnson

- (3) Start Up Occupancy (January-May)

Site Lease	\$21,500
PP Tax	125
CAM/RE TAX	1,825
Leasehold Deprec	2,295
FF&E Deprec	1,980

Total                      \$27,725

#### PROJECT PHASES

##### III Hamilton

##### Phase I (year 1-3)

Renovate/Upgrade  
Install New Concept  
Develop Staff  
Develop Market  
Obtain Publicity

Plan for Phase II

##### Phase II (year 3-5)

Solidify Concept  
Build Clientele  
Improve market pull  
Increase \$ capture

Plan for Phase III

##### Phase III (year 6-10)

Mature Concept  
Refine Menu  
Focus on Yield

Exit Strategy

## GENERAL ASSUMPTIONS

It is assumed that residents, downtown workers, destination diners, tourists and business transients can be attracted to the restaurant due to new concept and menu. It is further assumed that guests will return based on food and service quality.

It is assumed that the new concept and menu are capable of drawing evening diners from the greater Madison market. This pull and revenue capture are critical to the achievement of the revenue potentials calculated.

It is assumed that menu creation considers the average check requirements to optimize yield with a fixed number of seats and possible table turns. Perceived value, quality food and outstanding service are the critical success factors required return patronage.

The cost of goods for food is estimated at 30%, beverages at 25% and other (retail) at 65%.

Depreciation is assumed for leasehold improvements and all equipment purchased. A 50% residual value was used and a term of 10 years was used for pro-forma calculations.

The mature restaurant has the potential to meet or exceed the average restaurant revenue for state and downtown Madison. While the covers per day will vary throughout the year, an average cover estimate was used for revenue forecasting. The beverage revenue assumes an approximate mix of 75:25. The beverages in wine, beer, alcoholic drinks and non-alcoholic beverages such as coffee and tea.

## SPECIFIC ASSUMPTIONS

1. Assume food and beverage menu price increases of 2-3% per year to keep pace with inflation.
2. It is assumed that an adequate amount of space per patron is allocated. The amount of dining space for a restaurant patron varies from 14-16 sq ft per person. At 14 sq ft per person, 70 people would require 980 sq ft.

### Seating Capacity Assumptions

Restaurant seating	60-70
Bar seating	5-10

3. "Other Sales" include a small amount of retail and promotional items.

**LOANS AND TERMS**

1) Bank Loans - The loans shown in the Sources and Uses are made with the restaurant corporation (personal guarantee is assumed).

**Primary Loan** (Bank)

<u>Principal \$</u>	<u>Interest %</u>	<u>Amort</u>	<u>Payment</u>
\$ 175,000	6.5%	10 year	\$ 1,987.09

Annual Payment \$23,845.08

Interest Year 1	\$10,997	Principal Year 1	\$12,848
Interest Year 2	10,136	Principal Year 2	13,709
Interest Year 3	9,218	Principal Year 3	14,627
Interest Year 4	8,239	Principal Year 4	15,606
Interest Year 5	7,193	Principal Year 5	16,652

**SBA Loan** (bank or direct)

<u>Principal \$</u>	<u>Interest %</u>	<u>Amort</u>	<u>Payment</u>
\$ 116,600	6.5%	7 year	\$ 1,731.44

Annual Payment \$20,777

Interest Year 1	\$ 7,179	Principal Year 1	\$13,598
Interest Year 2	6,268	Principal Year 2	14,509
Interest Year 3	5,296	Principal Year 3	15,481
Interest Year 4	4,259	Principal Year 4	16,518
Interest Year 5	3,153	Principal Year 5	17,624

**DEPRECIATION AND REPAIR/REPLACEMENT**

The restaurant assumes depreciation for all equipment and leasehold improvements. A Set Aside is assumed and funds are to be invested in Zero Coupon Bonds at 4.5% interest.

**Equipment Depreciation**

(equipment, smallwares and awning)

\$ 85,000 total value  
\$ 47,500 50% basis  
\$ 4,750 7 year

**Leasehold Depreciation**

(remodel)

\$110,000 total value  
\$ 55,000 50% basis  
\$ 5,500 10 year

**STAFFING PLAN** Benefits and payroll taxes are assumed at 25% of payroll. This includes payroll taxes and insurance at 15% and benefits such as health insurance at 10%.

**STAFFING AND WAGE RATE ASSUMPTIONS**  
Full Service Restaurant, Madison, WI  
run date 10/12/09

staffbud.wks

	<u>Initial</u>	<u>Total</u>	<u>Ave</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
	<u>FTE</u>	<u>Hours</u>	<u>Hourly</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
			<u>Wage</u>	<u>Labor</u>	<u>Labor</u>	<u>Labor</u>	<u>Labor</u>	<u>Labor</u>
Exec Chef/Mgr	1	2080	\$19.23	\$40,000	\$44,000	\$48,400	\$53,240	\$58,564
Pastry Chef	1	2080	\$19.23	\$40,000	\$44,000	\$48,400	\$53,240	\$58,564
Sous Chef	1	2080	\$14.42	\$30,000	\$31,500	\$33,075	\$34,729	\$36,465
Food Prep	2	4160	\$10.00	\$41,600	\$43,680	\$45,864	\$48,157	\$50,565
Bakery Assistant	1.5	3120	\$12.00	\$37,440	\$39,312	\$41,278	\$43,341	\$45,509
Wait Staff	5	10400	\$6.00	\$62,400	\$65,520	\$68,796	\$72,236	\$75,848
Bartender	1.5	3120	\$10.00	\$31,200	\$32,760	\$34,398	\$36,118	\$37,924
Dish/Clean	2	4160	\$9.00	\$37,440	\$39,312	\$41,278	\$43,341	\$45,509
Maintenance	0.5	1040	\$8.00	\$8,320	\$8,736	\$9,173	\$9,631	\$10,113
	<u>FTE</u>	<u>Hrs</u>	<u>Ave \$/Hr</u>					
<u>Total Direct Labor</u>	14.50	\$28,080	\$10.27	\$288,400	\$304,820	\$322,261	\$340,794	\$360,496
<u>Total Labor w/Mgt</u>	15.50	32,240	\$10.19	\$328,400	\$348,820	\$370,661	\$394,034	\$419,060

**OPERATING EXPENSE BUDGETS (year 1)**

**Administrative**

Dues/Subscriptions	\$ 300
Bank Charges	500
Property Insurance	1,938
Liquor Liability Insurance	2,678
Credit Card Fees	12,000
Training	1,500
Office Supplies	3,500
Office Postage	800
Office Printing	500
Accountant Fees	4,500
Management Uniforms	200
BMI/ASCAP (background music)	250
License/Fees	1,600
Travel Expense	500
Chamber Membership	300
Phone Line (basic)	840
Legal Fees	200
Technology	3,000
Admin/Other	800

Total \$ 35,906

**Direct Operating Expenses**

Paper Supplies	\$ 4,200
Cleaning Supplies	1,500
China Replacement	2,000
LD/Local Phone	3,700
Laundry Supplies	1,500
Linen Supplies	6,500
Internet/Cable	1,560
Uniforms	800
Contract Services	2,500
Smallwares	4,000
Employee Food	6,000
Menus/Guest Checks	2,800
Other Direct	2,000
<u>Total</u>	<u>\$ 39,660</u>

**Utilities**

Electric	\$ 9,000
Gas	12,000
Water/Sewer	5,000
<u>Total</u>	<u>\$ 26,000</u>

**Maintenance**

Interior Repair	\$ 3,500
Exterior Repair	500
Floor/Carpet Care	1,500
Equipment Repair	3,000
Electrical Supplies	800
Plumbing Supplies	500
Pest Control	300
Trash Removal	3,600
Computer/POS	1,500
Other Maint/Repairs	1,500
<u>Total</u>	<u>\$ 16,700</u>

**Marketing**

Newspaper Ads	\$ 7,800
Magazine Ads	4,500
Radio (public/network)	3,000
Direct Mail Distribution	2,500
Direct Mail Printing	1,100
Brochure Printing	800
Other Direct Marketing	3,000
Complimentary Stays	500
Phone Charges LD	1,500
Promotional Printing	1,500
Copy Charges	1,200
Directory/Web Site	2,000
Other Marketing	600
<u>Total</u>	<u>\$30,000</u>

**Market Potential Assumptions**

Numerical assumptions are presented in budgets for capital expenditures, operating expenses and debt amortizations. The revenue assumptions assume growth which follows the normal distribution of product adoption, up to the market potential for the project.

**Sales Potential Summary for First Five Years**  
111 Hamilton, Madison, Wisconsin

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b><u>RESTAURANT</u></b>					
Food	\$714,000	\$768,443	\$827,036	\$890,098	\$957,968
Beverages	252,000	271,215	291,895	314,152	338,106
Other	2,000	2,100	2,200	2,300	2,500
<b><u>Sales Potential</u></b>	<b><u>\$968,000</u></b>	<b><u>\$1,041,758</u></b>	<b><u>\$1,121,131</u></b>	<b><u>\$1,206,550</u></b>	<b><u>\$1,298,574</u></b>
High (+10%)	\$1,064,800	\$1,145,934	\$1,233,244	\$1,327,205	\$1,428,431
Low (-10%)	\$ 871,200	\$ 937,582	\$1,009,018	\$1,085,895	\$1,168,717

note: See Demand Section for calculations

The statewide restaurant sales were \$7.33 billion in 2008 and with 11,971 eating and drinking establishments the average per location is \$612,313. Within the downtown Madison 1 mile market area eating and drinking establishment sales are \$196.2 million and the average is \$875,893 per location.

**Food and Beverage Forecast**

The recommended total average weighted check is \$17 plus \$6 beverage (alcoholic or non-alcoholic) for a total of \$23 all day. The recommendation by meal period is shown below.

**Minimum Average Check Recommendation**  
(shown by meal period)

<u>Meal Period</u>	<u>Sales Percent (%)</u>	<u>Average Check (\$)</u>
Lunch	25%	\$11-\$12
Dinner	75	\$17-\$19

It is recommended that the dinner menu have 3 price tiers which allow diners to enjoy meals for special occasions and enable them to afford them to dine out more often.

**Dinner Menu Price Tier Recommendations**

- < \$15 lunch and light meal options
- \$ 15-\$25 dinner options
- > \$25 dinner and special occasion options

The menu should be designed so that the customer mix will produce at least a weighted average check of \$17 without the beverage and \$23 with beverages.

**RESTAURANT FOOD/BEVERAGE REVENUE**

barl.wks

111 Hamilton

Downtown Madison, Wisconsin

run date 10/19/09

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b><u>Restaurant w/70 seats</u></b>					
Number of Seats	70	70	70	70	70
Lunch Patrons	10,000	10,250	10,506	10,769	11,038
Dinner Patrons	32,000	32,800	33,620	34,461	35,322
Total Guests	42,000	43,050	44,126	45,229	46,360
Ave Turns/Day	1.64	1.68	1.73	1.77	1.81
Ave Covers/Day	115	118	121	124	127
Ave Check Beverage	\$6.00	\$6.30	\$6.62	\$6.95	\$7.29
Ave Check Food	\$17.00	\$17.85	\$18.74	\$19.68	\$20.66
<b>Beverage Revenue</b>	\$252,000	\$271,215	\$291,895	\$314,152	\$338,106
Cost of Beverage 25%	\$63,000	\$67,804	\$72,974	\$78,538	\$84,527
<b>Food Revenue</b>	\$714,000	\$768,443	\$827,036	\$890,098	\$957,968
Cost of Food 30%	\$214,200	\$230,533	\$248,111	\$267,029	\$287,390
<b><u>TOTAL FOOD/BEV REVENUE</u></b>	\$966,000	\$1,039,658	\$1,118,931	\$1,204,250	\$1,296,074
<b><u>TOTAL COST OF FOOD/BEV</u></b>	\$277,200	\$298,337	\$321,085	\$345,567	\$371,917

**DEPRECIATION AND SET ASIDE INVESTMENT**

To insure repair and replacement funds, the depreciation is invested in a government guaranteed 10 year Zero Coupon Bond.

**SET ASIDE INVESTMENT**

setinv.wks

III Hamilton

10 Yr Zero Coupon Bond Inter 4.50%

	<u>EARNINGS BY YEAR</u>									
	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>YR 6</u>	<u>YR 7</u>	<u>YR 8</u>	<u>YR 9</u>	<u>YR 10</u>
Investment Yr 1	10250	10711	11193	11697	12223	12773	13348	13949	14577	15232
Investment Yr 2		10250	10711	11193	11697	12223	12773	13348	13949	14577
Investment Yr 3			10250	10711	11193	11697	12223	12773	13348	13949
Investment Yr 4				10250	10711	11193	11697	12223	12773	13348
Investment Yr 5					10250	10711	11193	11697	12223	12773
Investment Yr 6						10250	10711	11193	11697	12223
Investment Yr 7							10250	10711	11193	11697
Investment Yr 8								5500	5748	6006
Investment Yr 9									5500	5748
Investment Yr 10										5500
<b>TOTAL VALUE</b>	<b>\$10,250</b>	<b>\$20,961</b>	<b>\$32,155</b>	<b>\$43,851</b>	<b>\$56,075</b>	<b>\$68,848</b>	<b>\$82,196</b>	<b>\$91,395</b>	<b>\$101,008</b>	<b>\$111,053</b>

**RETURN ON INVESTMENT**

Based on the budgets, assumptions and revenue benchmarks, a return of 5-15+% on total investment is possible by year 5.

III Hamilton

dupont.wks

Return on Investment Calculation (DuPont Chart)

(based on year 3, year end)

<u>Revenue</u>		<u>Expenses</u>		<u>Net Income</u>	\$85,378
Food Revenue	\$827,036	Operating Expenses	\$630,015	<u>Net Income % (NI/S)</u>	7.62
Beverage Revenue	\$291,895	Cost of Sales	\$322,515		
Other Sales	\$2,200	Set Aside/Deprec	\$10,250	<u>ROI (NI/S) * (S/TA)</u>	<u>14.28</u>
		Interest	\$14,514		
		RE/PP Tax	\$4,774	(in percent)	
		Rent	\$53,685		
<b>Total</b>	<b>\$1,121,131</b>	<b>Total Expenses</b>	<b>\$1,035,753</b>		

<u>Current Assets</u>		<u>Long Term Assets</u>		<u>Total Assets</u>	\$597,704
Cash	\$162,224	Buildings/Land	\$0	<u>Asset Turns % (S/TA)</u>	187.57
Investments	\$0	FF&E	\$305,000		
Set Aside	\$32,155	Other Assets	\$89,325		
Accounts Receivable	\$0				
Inventory	\$9,000				
<b>Total</b>	<b>\$203,379</b>	<b>Total Fixed Assets</b>	<b>\$394,325</b>		

**BREAK EVEN POINT**

The break even point is forecast with the cost structure from Year 3. (Total Cost TC, Fixed Cost FC and Variable Cost VC). Break even point formulas assume linear relationships for TC, FC and VC. In rapidly growing businesses, this assumption may not be true and the break even formula may underestimate profit at high levels of sales.

**Break Even Point \$838,583**

The breakeven point is: 838,583

**PART 2: PROFIT ANALYSIS**

Enter starting sales: 700,000  
 Enter sales increment: 60,000

Net sales	Fixed expenses	Variable expenses	Total expenses	Profit or loss	Profit margin
700,000	177,988	551,426	729,414	-29,414	-4%
760,000	177,988	598,691	776,679	-16,679	-2%
820,000	177,988	645,956	823,944	-3,944	0%
880,000	177,988	693,221	871,209	8,791	1%
940,000	177,988	740,486	918,474	21,526	2%
1,000,000	177,988	787,751	965,739	34,261	3%
1,060,000	177,988	835,016	1,013,004	46,996	4%
1,120,000	177,988	882,282	1,060,270	59,730	5%
1,180,000	177,988	929,547	1,107,535	72,465	6%
1,240,000	177,988	976,812	1,154,800	85,200	7%
1,300,000	177,988	1,024,077	1,202,065	97,935	8%

**PRO-FORMA INCOME STATEMENT**

proincl.wks

III Hamilton (full service restaurant)

Madison, Wisconsin

run date 11/17/09

	<u>Ramp Up 5 mo</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>PERCENT</u>
<b>REVENUE</b>							
Food Revenue	228,669	714,000	768,443	827,036	890,098	957,968	73.77%
Beverage Revenue	75,000	252,000	271,215	291,895	314,152	338,106	26.04%
Other Sales	0	2,000	2,100	2,200	2,300	2,500	0.19%
	0	0	0	0	0	0	0.00%
	0	0	0	0	0	0	0.00%
<b>Total Revenue</b>	<b>\$303,669</b>	<b>\$968,000</b>	<b>\$1,041,758</b>	<b>\$1,121,131</b>	<b>\$1,206,550</b>	<b>\$1,298,574</b>	<b>100.00%</b>
<b>COST OF SALES</b>							
Cost of Food Revenue	68,601	214,200	230,533	248,111	267,029	287,390	30.00%
Cost of Beverage Revenue	18,750	63,000	67,804	72,974	78,538	84,527	25.00%
Cost of Other	0	1,300	1,365	1,430	1,495	1,625	65.00%
	0	0	0	0	0	0	0.00%
	0	0	0	0	0	0	0.00%
<b>Total Cost of Sales</b>	<b>\$87,351</b>	<b>\$278,500</b>	<b>\$299,702</b>	<b>\$322,515</b>	<b>\$347,062</b>	<b>\$373,542</b>	<b>28.77%</b>
<b>GROSS PROFIT</b>	<b>\$216,318</b>	<b>\$689,500</b>	<b>\$742,056</b>	<b>\$798,616</b>	<b>\$859,488</b>	<b>\$925,032</b>	<b>71.23%</b>
<b>OVERHEAD AND OPERATING</b>							
ADMIN	12,500	35,906	37,701	39,586	41,566	43,644	3.36%
DIRECT LABOR	120,000	328,400	348,820	370,661	394,034	419,060	32.27%
PR TAX/BENEFITS	30,000	82,100	87,205	92,665	98,509	104,765	8.07%
DIRECT OPERATING	18,000	39,660	41,643	43,725	45,911	48,207	3.71%
UTILITIES	8,000	26,000	27,300	28,665	30,098	31,603	2.43%
MARKETING	8,500	30,000	33,000	36,300	39,930	43,923	3.38%
REPAIRS & MAINT	5,000	16,700	17,535	18,412	19,332	20,299	1.56%
OTHER	0	0	0	0	0	0	0.00%
<b>Total Operating Exp</b>	<b>202,000</b>	<b>558,766</b>	<b>593,204</b>	<b>630,015</b>	<b>669,380</b>	<b>711,501</b>	<b>54.79%</b>
<b>NET OPERATING INCOME</b>	<b>\$14,318</b>	<b>\$130,734</b>	<b>\$148,852</b>	<b>\$168,602</b>	<b>\$190,107</b>	<b>\$213,531</b>	<b>16.44%</b>
<b>FIXED &amp; OCC EXPENSE</b>							
INTEREST	7,573	18,176	16,404	14,514	12,498	10,346	0.80%
LEASE	21,500	51,600	52,632	53,685	54,758	55,853	4.30%
DEPRECIATION	4,275	10,250	10,250	10,250	10,250	10,250	0.79%
REAL ESTATE/PP TAX	1,950	4,680	4,727	4,774	4,822	4,870	0.38%
<b>Total Occupancy</b>	<b>35,298</b>	<b>84,706</b>	<b>84,013</b>	<b>83,223</b>	<b>82,328</b>	<b>81,319</b>	<b>6.26%</b>
<b>NET PROFIT BEFORE TAX</b>	<b>(\$20,980)</b>	<b>\$46,028</b>	<b>\$64,839</b>	<b>\$85,379</b>	<b>\$107,779</b>	<b>\$132,212</b>	<b>10.18%</b>

**PRO-FORMA CASH FLOW STATEMENT**

procashl.wks

III Hamilton (full service restaurant)

Madison, Wisconsin

run date 11/17/09

	<u>Ramp Up 5 mo</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>PERCENT</u>
<b>CASH RECEIPTS</b>							
Food Revenue	228,669	714,000	768,443	827,036	890,098	957,968	73.77%
Beverage Revenue	75,000	252,000	271,215	291,895	314,152	338,106	26.04%
Other Sales	0	2,000	2,100	2,200	2,300	2,500	0.19%
	0	0	0	0	0	0	0.00%
	0	0	0	0	0	0	0.00%
<b>Total Revenue</b>	<b>\$303,669</b>	<b>\$968,000</b>	<b>\$1,041,758</b>	<b>\$1,121,131</b>	<b>\$1,206,550</b>	<b>\$1,298,574</b>	<b>100.00%</b>
<b>CASH DISBURSEMENTS</b>							
Cost of Food Revenue	68,601	214,200	230,533	248,111	267,029	287,390	30.00%
Cost of Beverage Revenue	18,750	63,000	67,804	72,974	78,538	84,527	25.00%
Cost of Other	0	1,300	1,365	1,430	1,495	1,625	65.00%
	0	0	0	0	0	0	0.00%
	0	0	0	0	0	0	0.00%
ADMINISTRATIVE	12,500	35,906	37,701	39,586	41,566	43,664	3.36%
DIRECT LABOR	120,000	328,400	348,820	370,661	394,034	419,060	32.27%
PR TAX/BENEFITS	30,000	82,100	87,205	92,665	98,509	104,765	8.07%
DIRECT OPERATING	18,000	39,660	41,643	43,725	45,911	48,207	3.71%
UTILITIES	8,000	26,000	27,300	28,665	30,098	31,603	2.43%
MARKETING	8,500	30,000	33,000	36,300	39,930	43,923	3.38%
REPAIRS & MAINT	5,000	16,700	17,535	18,412	19,332	20,299	1.56%
LOANS P+I	18,593	44,622	44,622	44,622	44,622	44,622	3.44%
REAL ESTATE/PPROP TAX	1,950	4,680	4,727	4,774	4,822	4,870	0.38%
DEPRECIATION	4,275	10,250	10,250	10,250	10,250	10,250	0.79%
LOC INT	0	0	0	0	0	0	0.00%
LEASE	21,500	51,600	52,632	53,685	54,758	55,853	4.30%
LESS DEPRECIATION	-4,275	-10,250	-10,250	-10,250	-10,250	-10,250	-0.79%
<b>TOTAL DISBURSEMENTS</b>	<b>\$331,394</b>	<b>\$938,168</b>	<b>\$994,887</b>	<b>\$1,055,610</b>	<b>\$1,120,644</b>	<b>\$1,190,408</b>	<b>91.67%</b>
<b>OPENING CASH BALANCE</b>	<b>\$20,000</b>	<b>\$20,000</b>	<b>\$49,832</b>	<b>\$96,703</b>	<b>\$162,224</b>	<b>\$248,130</b>	
NEW CASH IN	\$27,725						
NET CASH FLOW	(\$27,725)	\$29,832	\$46,871	\$65,521	\$85,906	\$108,166	8.33%
<b>CLOSING CASH BALANCE</b>	<b>\$20,000</b>	<b>\$49,832</b>	<b>\$96,703</b>	<b>\$162,224</b>	<b>\$248,130</b>	<b>\$356,296</b>	

**PRO FORMA BALANCE SHEET - OPENING AND FIRST FIVE YEARS**

balsh.t.wks

III Hamilton (full service restaurant)

Line items:	Period:	At Loan					
		Disbursement	Year 1	Year 2	Year 3	Year 4	Year 5
<b>[CURRENT ASSETS]</b>							
Cash Balance (less AP/AR 15 days)		20000	26869	72325	136333	320622	327056
Cash for Payables (AP 15 days)		0	22963	24378	25891	27508	29240
Accounts Receivable		0	0	0	0	0	0
Inventory/Cash		9000	9000	9000	9000	9000	9000
Prepaid expenses		27725	0	0	0	0	0
Invest Set Aside Account		0	0	0	0	0	0
Deprec Set Aside Account		0	10250	20961	32155	43851	56075
<b>Total current assets</b>		<b>\$56,725</b>	<b>\$69,082</b>	<b>\$126,664</b>	<b>\$203,379</b>	<b>\$400,981</b>	<b>\$421,371</b>
<b>[FIXED ASSETS]</b>							
Building and Improvements		0	0	0	0	0	0
Less accumulated depreciation		0	0	0	0	0	0
Land/Sitework		0	0	0	0	0	0
Equipment/Leaseholds		305,000	305,000	305,000	305,000	305,000	305,000
Less accumulated depreciation		0	14,525	24,775	35,025	45,275	55,525
Other Intangibles		0	0	0	0	0	0
Less accumulated amortization		0	0	0	0	0	0
<b>Total fixed assets</b>		<b>\$305,000</b>	<b>\$290,475</b>	<b>\$280,225</b>	<b>\$269,975</b>	<b>\$259,725</b>	<b>\$249,475</b>
<b>[OTHER ASSETS]</b>							
Other Assets		0	0	0	0	0	0
Organization Expense		32600	32600	32600	32600	32600	32600
Pre-Opening Expense		0	0	0	0	0	0
<b>Total assets</b>		<b>\$394,325</b>	<b>\$392,157</b>	<b>\$439,489</b>	<b>\$505,954</b>	<b>\$693,306</b>	<b>\$703,446</b>
<b>[CURRENT LIABILITIES]</b>							
AP Expenses 15 days		0	16870	17919	19041	20241	21527
AP wages/taxes/benefits 15 days		0	6093	6459	6850	7267	7713
Current portion, long-term debt		0	28,218	30,108	32,124	34,276	36,571
Other Current Liabilities		0	0	0	0	0	0
<b>Total current liabilities</b>		<b>\$0</b>	<b>\$51,181</b>	<b>\$54,486</b>	<b>\$58,015</b>	<b>\$61,784</b>	<b>\$65,811</b>
<b>[LONG-TERM DEBT]</b>							
SBA Loan		116,600	103,002	88,493	73,012	56,494	38,870
Bank Loan		175,000	162,152	148,443	133,816	118,210	101,558
		0	0	0	0	0	0
		0	0	0	0	0	0
		0	0	0	0	0	0
<b>Total liabilities</b>		<b>\$291,600</b>	<b>\$316,335</b>	<b>\$291,422</b>	<b>\$264,843</b>	<b>\$236,488</b>	<b>\$206,239</b>
<b>[OWNER EQUITY]</b>							
Initial Capital Stock		102,725	102,725	102,725	102,725	102,725	102,725
Retained Earnings/Stock Value		0	-72,931	-19,497	53,007	246,314	262,270
Net Income		0	46,028	64,839	85,379	107,779	132,212
Dividends Paid/Owner Draw		0	0	0	0	0	0
<b>Net Owner Equity</b>		<b>\$102,725</b>	<b>\$75,822</b>	<b>\$148,067</b>	<b>\$241,111</b>	<b>\$456,818</b>	<b>\$497,207</b>
<b>Total equity and liabilities</b>		<b>\$394,325</b>	<b>\$392,157</b>	<b>\$439,489</b>	<b>\$505,954</b>	<b>\$693,306</b>	<b>\$703,446</b>

## CONTINGENCY PLANS

Contingency plans are possible for the capital investment (Sources and Uses) and for operating funds.

For the capital investment plan, the actual amount of equity required depends on need. Equity may come from cash created through equity share sales, retained earnings, an arranged sale of assets and possible gap funding from private or public sources.

For the operating funds, contingency plans are several fold. An operating line of credit could be used in cases where revenue does not cover inventory or operating expenses. If used, the line of credit should be paid down according to a planned amortization schedule.

For any inventory purchase, a revolving fund, line of credit or revenue sharing may be used. Lines of credit should only be used to buy inventory and be re-paid when the inventory sells. Revenue sharing funds are reinvested and a portion of the landed margin is shared for use of the principle.

All direct expenses are tied to revenue and therefore kept largely variable. If revenue should be below forecast, variable expenses should be reduced in proportion.

note: Significant, continuing and growing operating deficits call for careful analysis and possible contingency plan deployment.

In the case where additional funds are needed for capital improvements or expenses, the following options exist.

First, additional cash equity can be sought from existing or new owners.

Second, existing equity partners could loan money to the corporation.

Third, management could loan money to the business.

Fourth, commercial debt could be used if there is a probability of future positive cash flow which is strong enough to service debt.

Fifth, new management could be sought using an operating agreement (with or without ownership equity).

Sixth, assets could be sold (equipment or real property)

Seventh, the business could be sold or liquidated. The remaining debt may not be paid unless guaranteed.

**LIST OF ADDITIONAL EXHIBITS**  
**(to be provided by client)**

The additional exhibits should be provided to the lender to complete your application. A checklist is provided below.

**Business Organization**

Corporation or LLC  
Articles of Organization  
Bylaws

**Important Documents**

Personal Financial Statement (owners)  
Credit Report of Owners (within last three months)  
Personal Guarantee Offer  
Lease Option Letter or Agreement  
Letter of Lender Commitment  
    Personal cash investment  
    Bank loan or home equity line  
    Small Business Administration  
    Other (Personal Promissory Note)  
Insurance coverage  
    Personal property  
    Professional or Personal Liability  
    Other  
Sales Tax Certificate and Number  
Seller's or Peddler's Permit (if required)  
Vendor and Supplier List  
Vendor quotes for equipment and supplies

**Supporting Exhibits**

Any Key Contracts or Purchase Orders  
Letters of Support or Reference (2)  
Any Supporting Articles  
    Other Exhibits  
        Equipment Quotes  
        Supply or Vendor Quotes

**Personal Submissions**

Resumes for Key Persons

note: An owner is defined as any person who owns 20% or more of the business.

note: Key contacts, addresses and phone numbers.