

Executive Summary

On December 15, 1997, Pablo Martinez created a corporation named Martinez Enterprises, Inc. with the intentions of launching a Mexican restaurant to be located in Waldorf, MD named Salsa.

In order to make this venture possible, Mr. Martinez is seeking to obtain a loan of \$50,000 that will be used to remodel the potential site, purchase equipment and inventory, and for working capital. As collateral for the loan, he is willing to pledge the business assets of Salsa's as well as his personal residence, recently valued at \$185,000 with a mortgage balance of \$108,000. Mr. Martinez also has \$20,000 of his own capital to invest and has one investor that has committed to \$20,000. Mr. Martinez will also offer his personal guarantee.

Pablo Martinez has personally been employed at Chi-Chi's in Baltimore, MD since October of 1991. Over this period of time he has held positions as cashier, assistant manager, and, for the past three years, store manager. He knows the business inside and out and is extremely excited about the prospects of this new opportunity.

After studying the feasibility of this venture Mr. Martinez feels very satisfied with its safety and potential for profit. He has made conservative projections based on his experience in the field, Mexican restaurant industry averages, and historical information from other Mexican restaurants in this same market area.

I. THE BUSINESS

Salsa will begin operations in June of 1998 under the corporation named Martinez Enterprises, Inc. The corporation was created January 8, 1998 and will have subchapter-S status. All 1000 shares of the corporation will be owned by two individuals, Pablo Martinez (65%) and Ricky Garcia (35%).

Salsa's restaurant will specialize in several types of mexican dishes and desserts. Salsa's original marinara sauce will make the pasta's unique and separate Salsa's from the competition.

The business is located at 1709 Crain Highway (Route 301). The location is prime because it is on the southbound side of Route 301. This will make it convenient for commuters to stop and pick up dinner on their way home from their jobs in Washington, DC/Northern Virginia. The location has a daily traffic count of 55,000 vehicles, and it is in the center of the city's fastest growing market.

The facility Salsa will be located in is a 1500 square foot stand alone building, that was previously a yogurt store which ceased operations when the owner retired. 1000 square feet will comprise the cooking and storage area and 500 square feet will be designated for the counter line and for five four- person tables. Outdoor seating will consist of six circular picnic tables covered with an umbrella located just outside the premises.

Food, soda, and snack items will be purchased through Gallagher Food Services, Inc. in Lancaster, PA, Johnson Produce in Fairfax, VA, and Coca-Cola. All of the distributors have been in business in excess of five years and have very good reputations throughout the industry. Food will be received at least three times per week to insure freshness.

The hours of operation will be Sunday through Thursday from 2:00 P.M. to 11:00 P.M. and Friday and Saturday from 4:00 P.M. to 12:00 A.M. These hours are subject to change based on time and customer demands.

Salsa's restaurant will be more efficient because Mr. Martinez will be owner and manager. Pablo Martinez, allowing him to more closely manage employees and interact with customers will operate it. This will allow him to control labor costs and food costs resulting in better profit margins.

II. PRODUCTS AND SERVICES OFFERED

The primary products that will sell Salsa's restaurant will be Ensalada de Mariscos, Gazpacho, Paella Valenciana, and Spanish Sausages served with homemade sauce. Salsa will also offer side dishes and deserts such as mozzarella sticks, Mussels in Green Sauce, fried green bananas, and sweet fried plantains.

Salsa's Ensalada de Mariscos should be far the most popular food on the menu making up approximately 40 percent of gross sales. Salsa's Ensalada de Mariscos, as well as the other authentic Mexican dishes, can be ordered with Salsa's own homemade salsa.

Salsa's restaurant will also offer caesar salad, tossed salads, and soups of the day. These items should make up approximately 25 percent of sales and are slightly less profitable than Ensalada de Mariscos because of higher cost of goods.

Also included on Salsa's menu will be Ceviche and Lechon Asado. Both of these items should make up about 10 percent of gross sales. These items are less profitable but are offered to diversify Salsa's menu and reach a larger customer base.

Salsa's restaurant will also offer Shrimp Cocktails, Flan and Rum Cake. These products should account for around 25 percent of sales. They have an above average markup and will be suggested to everyone that places an order. The Flan will be made fresh each day with Salsa's own special recipe. The rum cake will be baked fresh daily and there will be a selection of four different types.

All food products will be fresh with supplies coming in to the store three days per week. They will be inspected upon arrival to insure quality and freshness.

III. MARKET ANALYSIS

The Mexican restaurant industry continues to grow. U.S. consumers now spend a whopping 44 million dollars per year on Mexican food. During the period 1993 to 1996, the U.S. Spanish market grew at 53%. This has generated a boom in Mexican restaurant openings over the last two years (Source: National Restaurant Association).

Both sales and traffic for Mexican restaurants rose 10% in 1996. According to NPD's CREST figures, a recognized national marketing research firm that analyzes food purchases. This is better than double the growth achieved by the restaurant industry as a whole.

One of the best things about the Spanish food market is that it targets just about anyone who can eat. Some of our main customers though, tend to be individuals ranging in age from children over two to individuals in their mid-50's. People over this age generally have more restrictive diets.

The market area that Salsa's restaurant will be based on is a 15-mile radius of Waldorf, MD. The population within that market area is 104,750 and the average household income is \$48,514. These figures should continue to grow due to the relocation of two large military facilities in Aberdeen, MD and the continued growth in new housing starts in the city area. According to the State Highway Administration, the traffic count on Crain Highway, at the proposed Salsa's location is 55,000 cars per day.

Some of Salsa's key competitors around the Waldorf area are Chi-Chi's, Casa Salsa, and the fast food chain restaurants. Chi-Chi's is a larger freestanding restaurant located on St. Patrick's Drive in Waldorf. They offer similar products but charge an average of 15% more for their food. Their strength is a very nice dining area, which seats up to 50 people. Chi-Chi's generate approximately \$24,000 per month in gross sales.

Casa Salsa is a Mexican restaurant similar in size to the proposed Salsa's. It is located in LaPlata, which is demographically much smaller than Baltimore. Casa Salsa's prices and food quality is very similar. Customer service has been their biggest weakness. Casa Salsa's grosses around \$16,000 per month.

A fast food chain restaurant such as Taco Bell is also a competitor. While they do not offer the same products they still compete for the same market share. This store has the advantage of national marketing campaigns and is relatively inexpensive. A gross income of this store varies substantially.

IV. APPROACH TO SELLING

Salsa's restaurant will use a variety of methods to advertise its products. Among those being used currently include direct mailings, flyers and menus that are left on doorsteps, and mailer coupons.

Salsa's restaurant will set up a database of customers who have purchased food in the past that will be used to generate mailing lists. This will enable Salsa's to send method of advertising because it hits families that are more likely to purchase mexican dishes from Salsa's. Salsa's Plans to mail out 1000 pieces per month at a cost of approximately \$190 per 1000.

Another method of advertising that will be used is leaving Salsa's menus and flyers on the doorsteps in local neighborhoods where local zoning laws allow. This is very efficient because our only expense is the cost of the pieces themselves. We anticipate distributing 2000 of these pieces per month at a total cost of \$200.

The third primary area of advertising will be our participation in the Mailbox Mailer coupon program. Mailbox Mailer sends a variety of coupons in the mail to 15,000 homes per month. The cost is \$600 per month and is carried out on a one-year contract.

Other areas of advertising will be implemented after the business is more established. Menus will be taken to the larger hotels in the area and distributed in each room. We will also target local schools and other large social functions soliciting their business.

Customer service is an extremely important aspect of a business's ability to attract and keep customers. The employees must be mentally and physically focuses on producing a quality product and pleasing the customer. For example, each customer receives a coupon for discounts for future purchases.

V. MANAGEMENT AND PERSONNEL

Owner/Operator- Pablo Martinez: Pablo will be responsible for the day-to-day operations of Salsa’s restaurant. He will perform such duties as purchasing, budgeting, record management, payroll, and quality assurance. Pablo graduated from the University of Maryland with a B.A. in Management. He has worked in the restaurant industry for six years in a variety of positions. Most recently, he was the store manager of Chi-Chi’s in Baltimore, MD. Pablo will draw a salary of \$32,000 per year.

Salsa’s restaurant will also hire 6 part-time cooks and 8 part-time cashiers. These positions will only require that the employee be 16 years of age. Recruitment efforts will be high as turnover for these positions. These employees will receive between \$5.50 and \$7.00 per hour depending on experience.

Team of Professional Advisors

Accountant-----Jim Edmonds, CPA
Attorney-----Robert Hutchings
Business Consultant-----Jim McGinnis, SBDC
Restaurant Advisor-----Mark Lewis

VI. FINANCIAL INFORMATION

SOURCES AND USES OF FUND

SOURCES:

Owner's Capital-----	\$20,000.00
Investor Capital-----	\$20,000.00
Bank Loan-----	<u>\$50,000.00</u>
Total-----	\$90,000.00

USES:

Remodel Facility-----	\$38,500.00
Purchase Equipment-----	\$27,700.00
Purchase Smallwares-----	\$2,000.00
Security System-----	\$1,400.00
Initial Inventory-----	\$2,000.00
Office Supplies-----	\$250.00
Rent Deposit-----	\$3,325.00
Electric Deposit-----	\$700.00
Water and Sewer Deposit-----	\$400.00
Gas Deposit-----	\$650.00
Telephone Deposit-----	\$275.00
First Payroll-----	\$2,300.00
Liability Insurance-----	\$1500.00
Grand Opening Advertising-----	\$2,500.00
Legal and Professional Fees-----	\$800.00
Miscellaneous-----	\$500.00
Working Capital-----	\$5,200.00
Total-----	\$90,000.00

Financial Assumptions

Cash Sales- Projected gross sales are based on the average of the monthly sales of three local Mexican restaurants, the National Restaurant Associations industry survey of sales per square foot for Mexican restaurants, and the average monthly sales of eight miscellaneous Mexican restaurants with similar market demographics as Waldorf in the Mid-Atlantic region.

Other Income- This accounts for Bob's jukebox revenues.

Cost of Goods Sold- This figure is based on 35% of Cash Sales, which is the hot dog Restaurant industry average.

Payroll- This is based on one full-time owner/manager, one assistant manager, and six Part-time cooks and six part-time cashiers according to the labor schedule located in the Appendix of this plan.

Payroll Taxes/Benefits- This number is calculated at 15% of the Payroll expense. It accounts for FICA, FUTA, and workman's compensation benefits.

Insurance- This is for liability and was quoted by Kemper Business Insurance.

Advertising- After a large Grand Opening advertising campaign, Salsa' will spend 2% of gross sales on advertising. See Approach to selling section of this plan for more detail.

Gas, Electric, Water & Sewer, and Telephone- These are estimates obtained from the respective utility companies for Salsa's facility.

Loan Repayment- This was calculated based on a loan of \$50,000 financed at 10.5% for five years.

Purchase Equipment and Purchase Smallwares- A list of equipment and smallwares and their prices can be found in the Appendix of this plan.

Remodel Facility- This is based on quote from H & H Contractors for completely remodeling Salsa's facility.

Other Cash Expenses- These are expenses not budgeted for that do not fit into any of the above categories.