Vultaggio, LLC

d/b/a

Auntie Anne's

Strategic Business and Marketing Plan

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Table of Contents

Appendixes

Executive Summary

The purpose of this business plan is to raise and examine the allocation of $263,000 of equity and debt funds for the development of a pretzel bakery franchise in Reno, Nevada. Vultaggio, LLC ("the Company" doing business as Auntie Anne's) is a business devoted to providing customers with an expansive line of soft pretzel products and beverages. The Company was founded by Biagio Vultaggio and Gerald Caron.

The Founders – Biagio Vultaggio and Gerald Caron

The Management of the Company is an extremely knowledgeable, qualified, and experienced two person team committed to brining their Auntie Anne's franchise to profitability within the first year of operation. Mr. Vultaggio and Mr. Caron are an experienced entrepreneur that will be able to effectively manage his franchise on a day to day basis. Their biographies can be found in the fourth section of the business plan.

The Products

The Auntie Anne's franchise offers a wide selection of specialty soft pretzel products that are in year round demand. This franchise specializes in a number of soft pretzel based products that differentiate the store from other franchised soft baked pretzel stores. The business also provides customers with an expansive line of fountain sodas and bottled beverages.

The products offered by the Auntie Anne's franchise will be further discussed in the next section of the business plan.

Service

The Company will pride itself on delivering high quality Auntie Anne's baked goods at reasonable prices. The business' primary objective is to offer highly efficient value chain management so that our business can run to its fullest potential without sacrificing quality.

The Financing

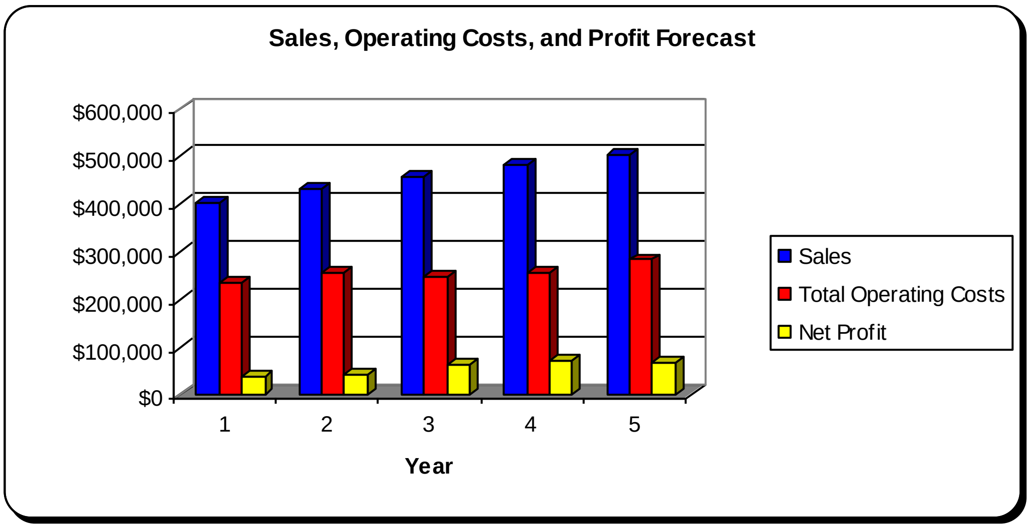
At this time, Management is seeking a loan of $184,000 for the development of his Auntie Anne's franchise. The terms, interest rate, and loan covenants are to be determined at the time of negotiation. This business plan assumes that the Owner will receive a 7 year loan with a 7% interest rate due on the balance of the loan. The funds will be used for the following:

- Development of the Company's Meadowood Mall (in Reno) based location.
- Initial marketing and advertising expenses.
- Working capital.

Sales Forecasts

The company anticipates a healthy rate of growth upon the commencement of operations. Below is a chart that exemplifies Management's vision for growth during the first five years of operations.

Proforma Profit and Loss (Yearly)					
Year	1	2	3	4	5
Sales	$403,065	$431,280	$457,156	$480,014	$504,015
Cost of Goods Sold	$83,600	$89,451	$94,819	$99,559	$104,537
Operating Income	$319,466	$341,828	$362,338	$380,455	$399,477
Total Operating Costs	**$235,718**	**$255,057**	**$245,866**	**$254,543**	**$283,344**
EBITA	**$83,748**	**$86,771**	**$116,471**	**$125,911**	**$116,134**



The Future

As time progresses, Management may seek to develop additional franchised locations throughout the greater Washoe County area. The costs associated with the development of these locations are relatively low, and through reinvestment, Management may be able to establish a sizable network of franchises. However, this business plan assumes that he will only develop the initial Reno based franchise during the first five years of operation.

The Financing

2.1 Funds Required

A total capital investment of $184,000 is sought from a lending institution for the development of the Auntie Anne's franchise. The financing will be used for the following:

Projected Startup Costs	
Franchise Fee	$30,000
Buildout of Kiosk with Signage	$125,000
Utility Draw to Kiosk Location	$28,000
Equipment	$25,000
Initial Inventory	$3,500
Training	$3,000
Grand Opening Advertisements	$1,000
Working Capital	$45,000
Misc. Development costs	$2,500
Total Startup Costs	$263,000

Management will contribute $79,000 towards the development of the franchise.

2.2 Investor Equity

At this time, the Company is not seeking an equity investment from a third party.

2.3 Management Equity

Mr. Vultaggio will retain a 73% interest in the business. Mr. Gerald Caron, the Company's other owner, will retain a 27% ownership.

2.4 Board of Directors Composition

Mr. Vultaggio and Mr. Caron will act as the sole directors of the business

2.5 Exit Strategies

The Management has discussed and planned for a possible exit strategy. The strategy would be to sell the Company to a larger entity at a significant premium. Since, franchised bakeries maintain a moderate risk profile once operations are established; the Management feels that the Auntie Anne's franchise could be sold for three times earnings by the fifth year of operations.

Auntie Anne's Products

Auntie Anne's started in 1998 when two entrepreneurs purchased a small farmer's market in Pennsylvania. In the 23 years that the Company has been in business, Auntie Anne's has become the leading soft pretzel franchiser in the United States. Below is description of the products that the business will offer through its franchised location.

Baked Soft Pretzels

The Company will make available all of the products that the Auntie Anne's franchise offers throughout its franchise program. These products include:

- Original Soft Pretzels
- Cinnamon Sugar Soft Pretzels
- Almond Pretzels
- Garlic Pretzels
- Pretzel Dogs
- Pretzel Sticks
- Pretzel Nuggets

The business also now has a number of home baking kits for people that want to make their own pretzels.

Beverages

Customers may also purchase canned and bottled sodas, iced teas, lemonades, and fountain drinks.

Please note that the preliminary pricing schedule for these products can be found in the seventh section of the business plan.

Overview of the Organization

4.1 Registered Name

Vultaggio, LLC. The business is registered as a limited liability company in the State of Nevada. The Company will do business under the trade name, Auntie Anne's.

4.2 Commencement of Operations

Management expects the business will commence full business operations in mid 2011 after the proper capital is secured and the Auntie Anne's kiosk location is developed.

4.3 Vision Statement

Through his diverse areas of expertise and knowledge, Management expects to build a business that will achieve $500,000 of revenue by the fifth year of operations.

4.4 Mission Statement

Management's mission is to develop and operate the Auntie Anne's franchise so that it conforms to the standards set forth by the franchise agreement while concurrently providing the Reno community with a large line of pretzel based foods.

4.5 Organizational Objectives

- Providing high quality baked pretzels and beverages to Reno customers.
- Develop strong relationships with Auntie Anne's vendors and suppliers
- To launch the franchise four months after the closing of the transaction.
- To turn a profit within the first six months of operations.
- Remain within the letter of the law regarding the sale of food and beverage items to the general public.
- Remain within exacting standards set forth in the Company's franchise agreement.
- Continually integrate new products and promotions that have been developed by the Auntie Anne's franchise company.

4.6 Organizational Values

- Complete disclosure and transparency regarding all financial transactions.
- To run a successful business that provides a continuous stream of income for Management and a safe, secure job for all of our employees.

4.7 Founders and Management Team

Biagio Vultaggio – Mr. Vultaggio began his professional career in 1996 as a sales manager and advisor with GF Tate & Company. Here, he trained all new employees within the Company's sales division. He held this position until 2001.

Starting in 2001, Mr. Vultaggio was a private banking manager with First Savings Bank based in Las Vegas. Here, he developed sales and relationships with individuals and companies in regards to depository and investment functions. He held this position until April of 2007.

At this time, Mr. Vultaggio is the Vice President of Corporate Development with 1st Commerce Bank. Here, he oversees many of the major banking operations within the private banking department.

Biagio holds a bachelors degree from the University of Phoenix as well as an MBA from the University of Phoenix.

Gerald Caron - At 19, Gerald joined the USAF as an enlisted man January 1956. Here, he trained as an electronics' technician on flight simulators. In November 1957, Gerald started training to be an Navigator, and was commissioned as a Second LT. In October 1958, he became number one in his class and then trained to be a Navigator/Bombardier on B-52's. Gerald retired from the USAF in 1976 as a Major. During his USAF career, Mr. Caron went to night school and full time for last two semesters at Golden Gate University where he earned a degree in Business.

January 1976 to April 1981, he was a district manager for Household International. After this position, and from April 1981 to April 1985, Mr. Caron was a Regional Manager for Gulf Coast Collection Agency. In 1985, Mr. Caron was one of first 500 employees hired for the Merchant Marketing Department of Discover Financial Services (Discover Card). His last position was Regional Vice President for Relationship Management. He retired in 2001.

Strategic Analysis

5.1 External Environment Analysis

Due to intense competition, bakeries must look for ways to differentiate their place of business from others in order to achieve and maintain a competitive advantage. Management feels that by maintaining strong ties to the local economy and having a franchised bakery that specifically provides pretzels, the business will be able to develop a market for its products quickly in its targeted Reno market.

Currently, the economic outlook in the United States is moderate. The collapse of the real estate market, the issues regarding sub prime mortgage loans, increasing oil prices, and other deleterious economic changes have led many economists to believe that the economy is heading for a period of continued sluggish growth. However, this should have a limited impact on the Company's ability to generate sales of food and beverages from its franchised Auntie Anne's location.

A primary concern for the Company is its ability to price its services affordably during times of economic recession or spikes of oil prices. As of May 2011, the price of oil and its associated refined energy products have reached a multiyear high and have retracted back towards more normalized pricing. As oil prices increase again in the future, the Company may experience significantly higher energy costs. Also, this is a concern for the business as higher oil prices often translates into lower discretionary income among the Company's targeted demographics.

5.2 Industry Analysis

Bakery Industry Analysis

The retail baking shop industry has experienced a healthy level of growth over the past decade. The U.S. Economic Census estimates that there are over 25,000 individual stores that are operated by 3,500 companies in the United States. This number is expected to increase at a rate of 5% per annum. While the growth rate of the number of establishments has increased 5% per year, the revenues generated per establishment have increased at a rate of 10% per year. This trend is expected to increase as demand for baked goods (including pretzels) has increased with the decrease in the low-carb diet craze. Additionally, these businesses aggregately have generated more than $1 billion dollars in each of the last five years. The industry employs approximately 20,000 people and generates annual payrolls in excess of $210 million dollars.

5.3 Customer Profile

As many people enjoyed baked soft pretzels and beverages, it is difficult to determine the average customer of Auntie Anne's. However, Management has conducted the following analysis of the greater Reno area coupled with expected demographic profile of the average person living within the city limits. Among customers, Management expects the following:

- Male or Female
- Between the age of 15 and 70
- Has an annual income exceeding $35,000
- Lives within the city limits of Reno.
- Frequents the Meadowood Mall.

Reno is a large sized city with an estimated population of 220,000 people. The city is a frequent destination among people that have an interest in gambling and casino entertainment. It is the county seat of Washoe County. The estimated median household income in Reno is $40,000 while median family income is $49,000.

5.4 Competitive Analysis

Competition within the soft pretzel industry is somewhat limited. By far Auntie Anne's maintains an expansive competitive advantage due to its status as a household name. Additionally, the Company will maintain a substantial competitive advantage by being the only provider of soft pretzel goods and beverages within the Meadowood Mall. The only other competitor within the Company's targeted area is Wetzel's Pretzels. However, they are located outside of the mall's premises.

Key Strategic Issues

6.1 Sustainable Competitive Advantage

The Company will be able to maintain successful business operations because of the following:

- Price all pretzels and beverages at no lower than 70-80% markup.
- Ability to effectively target the core market of individuals seeking an alternative from traditional fast food restaurants.
- An effective logistic system to handle all processes of the Auntie Anne's franchise.
- Ownership of a brand name recognizable franchise that provides soft pretzel products that are demanded by the general public.
- Experienced entrepreneurs (Biagio Vultaggio and Gerald Caron) that will be able to effectively develop the operations of his franchise to profitability within the first year of operations.

6.2 Basis for Growth

The Company will grow through three main avenues:

- The successful marketing and growth of Auntie Anne's franchise via aggressive marketing and advertising campaigns launched by the parent company.
- Acquisition and marketing of additional and franchised locations.
- Implementation of local sales campaigns that will draw a significant amount of traffic to the Company's localized Reno market.

Marketing Plan

7.1 Marketing Objectives

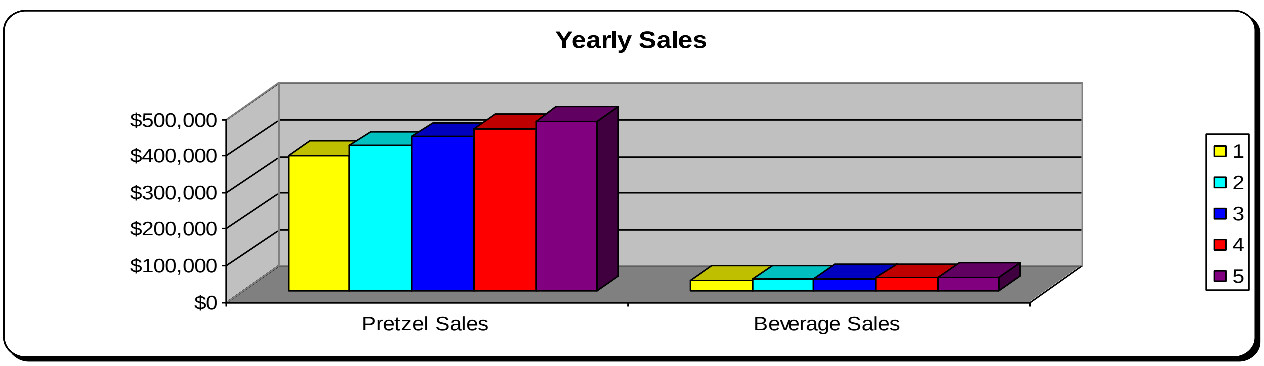
- Establish a strong presence in targeted Bluffton area markets.
- Establish connections with Auntie Anne's approved suppliers and vendors.
- Produce small advertising campaigns that focus on developing ties with the local Bluffton economy.

7.2 Sales Forecasts

Yearly Sales Forecast					
Year	**1**	**2**	**3**	**4**	**5**
Growth (%)	0.0%	7.0%	6.0%	5.0%	5.0%
Pretzel Sales	$373,200	$399,324	$423,283	$444,448	$466,670
Beverage Sales	$29,865	$31,956	$33,873	$35,567	$37,345
Totals	**$403,065**	**$431,280**	**$457,156**	**$480,014**	**$504,015**

Cost of Sales Forecast					
Year	**1**	**2**	**3**	**4**	**5**
Growth (%)	0.0%	7.0%	6.0%	5.0%	5.0%
Pretzel Sales	$74,640	$79,865	$84,657	$88,890	$93,334
Beverage Sales	$8,960	$9,587	$10,162	$10,670	$11,203
Totals	**$83,600**	**$89,451**	**$94,819**	**$99,559**	**$104,537**

Gross Profit					
Year	1	2	3	4	5
Total	**$319,466**	**$341,828**	**$362,338**	**$380,455**	**$399,477**



7.3 Sales Assumptions

Year 1

- Management intends to launch full business operations developing an Auntie Anne’s franchise within the Meadowood Mall in Reno, Nevada.
- Management expects sales of approximately $403,000 in the first year.
- Gross profits from sales will be approximately $319,000 dollars.

Year 2

- Sales are expected to reach approximately $431,000 of revenue.
- Gross profits will be approximately $341,000.
- At this time, Management will implement a broad local marketing campaign that will work concurrently with the marketing provided by the Auntie Anne’s franchiser.

Years 3-5

- Gross sales are expected to reach $504,000 dollars in the fifth year of operations.
- The Owners may plan to expand his franchise base starting the forth or fifth year of operations.

7.4 Marketing Strategies

The Auntie Anne’s franchiser maintains an extensive infrastructure to maintain an aggressive marketing and advertising campaign. The methods of these advertisements include print and media advertising in addition to Internet and alternative mediums. The franchise has been extremely successful in maintaining its customer base throughout the United States and on an international level.

At the onset of operations, Auntie Anne’s will launch a grand opening marketing campaign which will include increased signage on the outside of the business’s location while concurrently distributing circulars and discounts to local Reno residents.

Management will also maintain advertisements among local channels. Management will maintain print advertisements in selected local Reno newspapers and community circulars. The business will also regularly offer discount coupons within these print channels.

7.5 Product Marketing

The parent Company has developed an innovative way to attract consumers to the Auntie Anne’s franchised locations. The focus of their marketing campaigns expounds that the Company offers a delicious assortment of pretzels with a number of toppings/flavors accompanied with a broad selection of bottled and fountain beverages.

7.5.1 Price

The Company anticipates that it will achieve gross margins of 70%-80% for the pretzels, baked goods, beverage, and ancillary products that are offered. The Auntie Anne's franchiser has developed many pricing models that will allow the Owner to determine the appropriate pricing of the Company's baked goods and beverages. The expected pricing of pretzels will range from $1.75 to $4.50 depending on the number of toppings associated with the customer's order. Beverages will have a price range of $1.50 to $3.00 depending on size and whether or not the product is bottled.

7.5.2 Distribution

All products and services will be rendered through the business's Reno based franchised location. The business will be located in the Meadowood Mall in Reno, Nevada.

7.5.3 Promotion

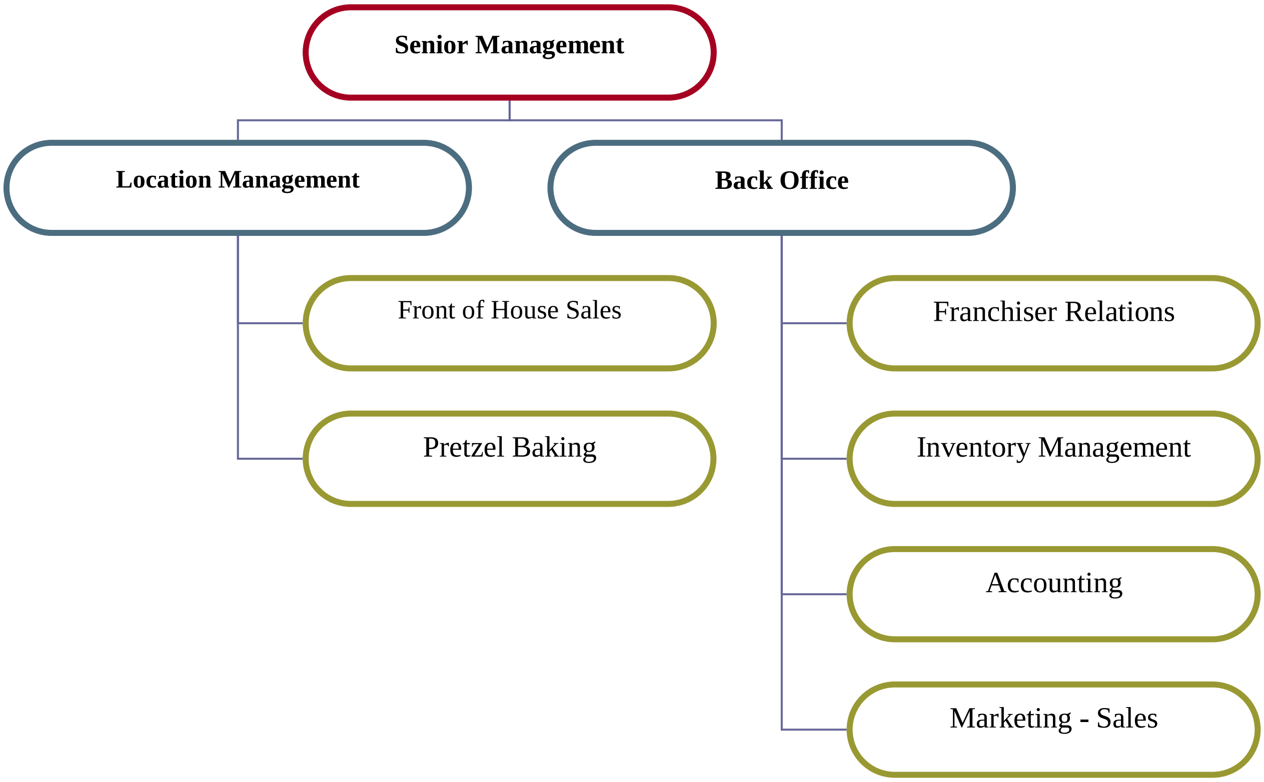
As part of the franchise program, the Auntie Anne's franchisor will manage most aspects of the business's marketing and advertising campaigns. A portion of the royalties generated by the store will go to the franchiser for this purpose. These fees represent approximately one to three percent of the franchise's total revenues. The Company will also provide sales literature throughout the location.

From time to time, the Management may promote the business on its own by sponsoring local community events and programs.

Organizational Plan

8.1 Corporate Organization

The Company will be organized as follows:

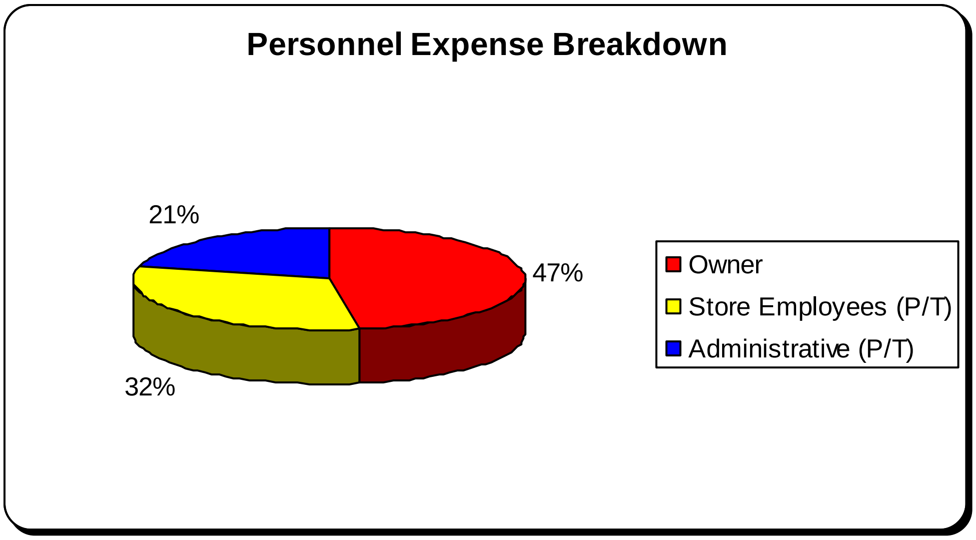


8.2 Organizational Budget

Personnel Plan - Yearly					
Year	1	2	3	4	5
Owner	$45,000	$46,350	$47,741	$49,173	$50,648
Store Employees (P/T)	$30,000	$30,900	$15,914	$16,391	$33,765
Administrative (P/T)	$20,000	$20,600	$21,218	$21,855	$22,510
Total	**$95,000**	**$97,850**	**$84,872**	**$87,418**	**$106,923**

Numbers of Personnel					
Year	1	2	3	4	5
Owner	1	1	1	1	1
Store Employees (P/T)	2	2	1	1	2
Administrative (P/T)	1	1	1	1	1
Totals	**4**	**4**	**3**	**3**	**4**

8.2 Organizational Budget (Cont.)



Financial Plan

9.1 Underlying Assumptions

The Company has based its proforma financial statements on the following:

- Vultaggio, LLC through its Auntie Anne's franchise will achieve an annual growth rate of approximately 5 % per store.
- Management shall settle all short term payables at the end of each month.
- Management will acquire $184,000 of debt financing for the development of his retail pretzel store.

9.2 Financial Highlights

- Positive cash flow and profitability in each year of operation.
- A moderately liquid business that can be easily sold to a third party for a significant earnings multiple.
- Very high transactional volume.

9.3 Sensitivity Analysis

The Company's revenues are somewhat sensitive to the overall conditions of the economy. During times of economic recession, the Company may have a decrease in its top line revenues as people will demand fewer beverages/food products from retail locations. However, the Company's revenues provide high levels of operating income for the business, and the Auntie Anne's franchise would need to have a significant decrease in its top line income before the Company becomes unprofitable.

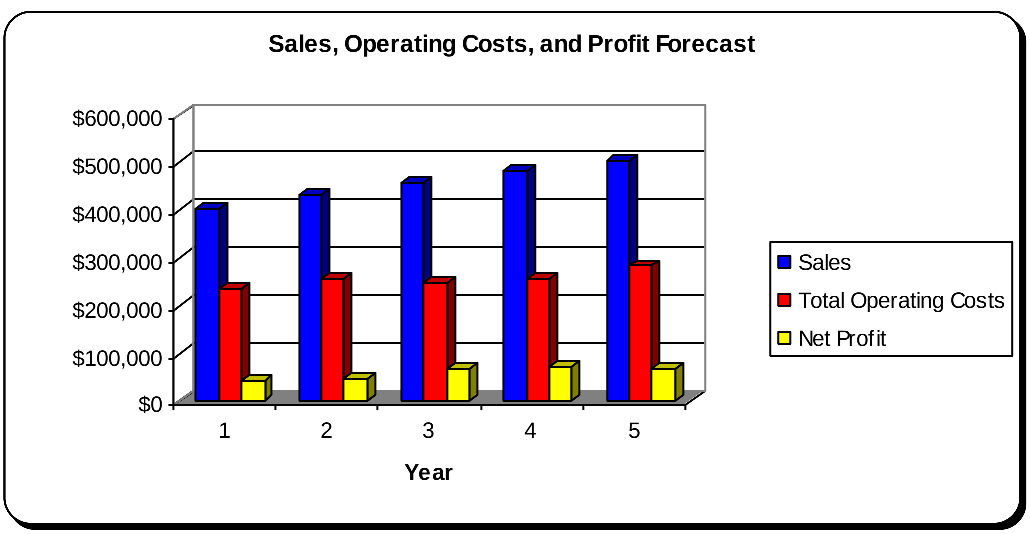
9.4 Source of Funds

Financing	
Equity Financiers	
Initial Owner Capitalization	$79,000.00
Total Equity Financing	$79,000.00
Banks and Lenders	
Banks and Lenders	$184,000.00
Total Debt Financing	$184,000.00
Total Financing	**$263,000.00**

9.5 Financial Proformas

A) Profit and Loss Statements

Proforma Profit and Loss (Yearly)					
Year	1	2	3	4	5
Sales	$403,065	$431,280	$457,156	$480,014	$504,015
Cost of Goods Sold	$83,600	$89,451	$94,819	$99,559	$104,537
Gross Margin	79.26%	79.26%	79.26%	79.26%	79.26%
Operating Income	$319,466	$341,828	$362,338	$380,455	$399,477
Expenses					
Payroll	$95,000	$97,850	$84,872	$87,418	$106,923
Rent and Utilities	$47,500	$59,000	$60,180	$61,384	$62,611
Marketing Expenses	$12,092	$12,938	$13,715	$14,400	$15,120
Equipment Leasing Costs	$27,600	$27,876	$28,155	$28,436	$28,721
Insurance Costs	$2,015	$2,156	$2,286	$2,400	$2,520
Franchise Fees	$24,184	$25,877	$27,429	$28,801	$30,241
General and Administrative Expenses	$3,000	$3,900	$5,070	$6,591	$8,568
Miscellaneous Costs	$10,077	$10,782	$11,429	$12,000	$12,600
Payroll Taxes	$14,250	$14,678	$12,731	$13,113	$16,039
Total Operating Costs	**$235,718**	**$255,057**	**$245,866**	**$254,543**	**$283,344**
EBITA	**$83,748**	**$86,771**	**$116,471**	**$125,911**	**$116,134**
Federal Income Tax	$23,607	$25,108	$35,450	$39,144	$36,538
State Income Tax	$3,577	$3,804	$5,371	$5,931	$5,536
Interest Expense	$12,211	$10,685	$9,048	$7,293	$5,411
Net Profit	**$44,353**	**$47,173**	**$66,602**	**$73,543**	**$68,648**
Profit Margin	**11.00%**	**10.94%**	**14.57%**	**15.32%**	**13.62%**

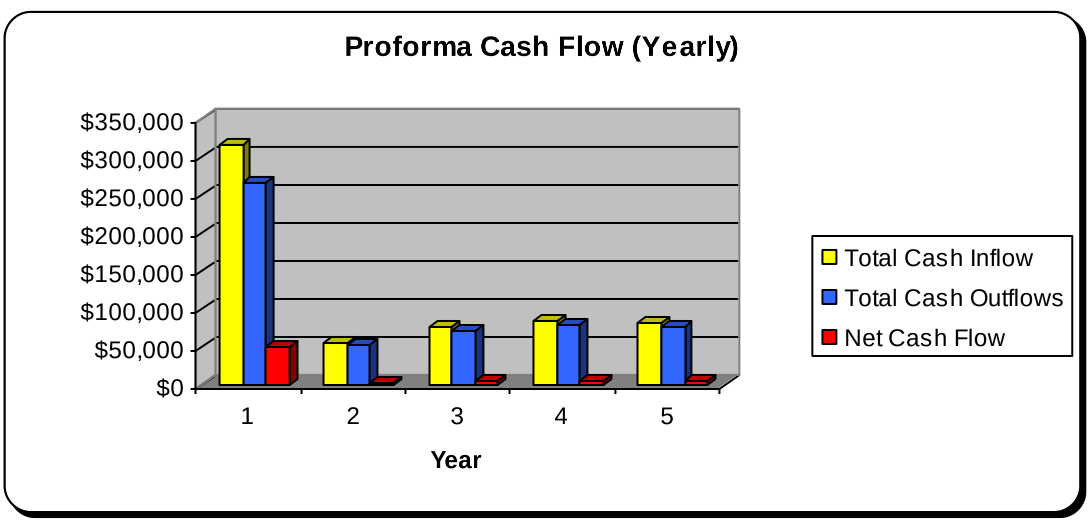


B) Common Size Income Statement

Proforma Profit and Loss (Common Size)					
Year	1	2	3	4	5
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	20.74%	20.74%	20.74%	20.74%	20.74%
Operating Income	79.26%	79.26%	79.26%	79.26%	79.26%
Expenses					
Payroll	23.57%	22.69%	18.57%	18.21%	21.21%
Rent and Utilities	11.78%	13.68%	13.16%	12.79%	12.42%
Marketing Expenses	3.00%	3.00%	3.00%	3.00%	3.00%
Equipment Leasing Costs	6.85%	6.46%	6.16%	5.92%	5.70%
Insurance Costs	0.50%	0.50%	0.50%	0.50%	0.50%
Franchise Fees	6.00%	6.00%	6.00%	6.00%	6.00%
General and Administrative Expenses	0.74%	0.90%	1.11%	1.37%	1.70%
Miscellaneous Costs	2.50%	2.50%	2.50%	2.50%	2.50%
Payroll Taxes	3.54%	3.40%	2.78%	2.73%	3.18%
Total Operating Costs	58.48%	59.14%	53.78%	53.03%	56.22%
EBITA	20.78%	20.12%	25.48%	26.23%	23.04%
Federal Income Tax	5.86%	5.82%	7.75%	8.15%	7.25%
State Income Tax	0.89%	0.88%	1.17%	1.24%	1.10%
Interest Expense	3.03%	2.48%	1.98%	1.52%	1.07%
Net Profit	11.00%	10.94%	14.57%	15.32%	13.62%

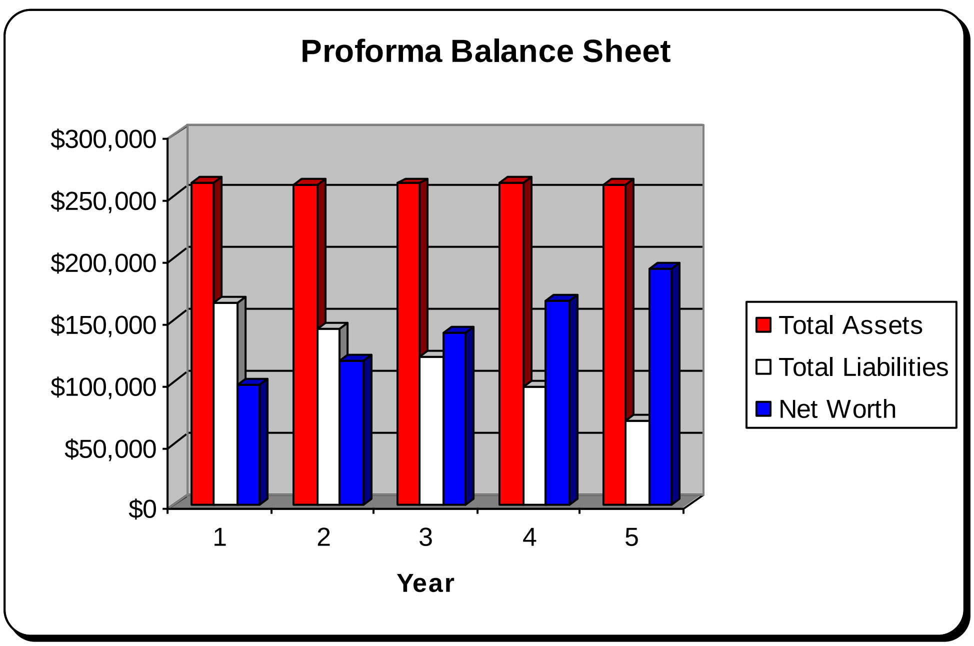
C) Cash Flow Analysis

Proforma Cash Flow Analysis - Yearly					
Year	1	2	3	4	5
Cash From Operations	$44,353	$47,173	$66,602	$73,543	$68,648
Cash From Receivables	$0	$0	$0	$0	$0
Operating Cash Inflow	**$44,353**	**$47,173**	**$66,602**	**$73,543**	**$68,648**
Other Cash Inflows					
Equity Investment	$79,000	$0	$0	$0	$0
Increased Borrowings	$184,000	$0	$0	$0	$0
Sales of Business Assets	$0	$0	$0	$0	$0
A/P Increases	$7,500	$8,625	$9,919	$11,407	$13,118
Total Other Cash Inflows	**$270,500**	**$8,625**	**$9,919**	**$11,407**	**$13,118**
Total Cash Inflow	**$314,853**	**$55,798**	**$76,521**	**$84,950**	**$81,765**
Cash Outflows					
Repayment of Principal	$21,113	$22,640	$24,276	$26,031	$27,913
A/P Decreases	$6,000	$7,200	$8,640	$10,368	$12,442
A/R Increases	$0	$0	$0	$0	$0
Asset Purchases	$217,000	$0	$0	$0	$0
Dividends	$20,915	$22,080	$38,093	$42,761	$36,661
Total Cash Outflows	**$265,029**	**$51,920**	**$71,010**	**$79,160**	**$77,016**
Net Cash Flow	**$49,824**	**$3,878**	**$5,511**	**$5,790**	**$4,749**
Cash Balance	**$49,824**	**$53,702**	**$59,214**	**$65,003**	**$69,753**



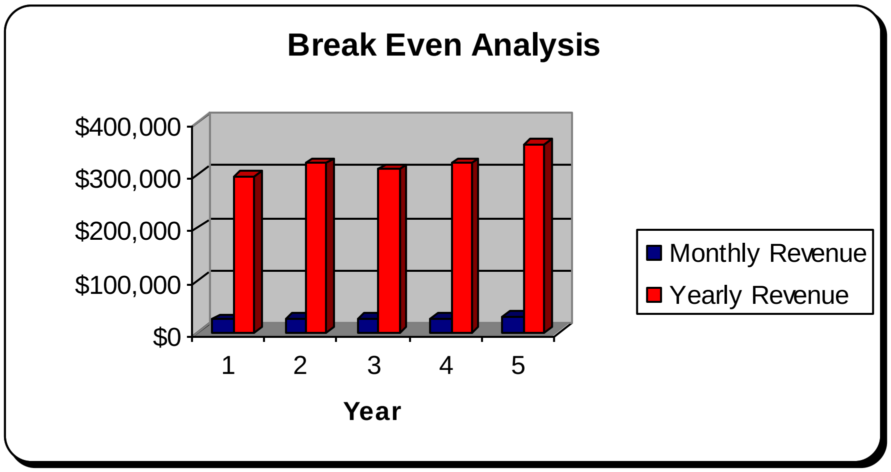
D) Balance Sheet

Proforma Balance Sheet - Yearly					
Year	1	2	3	4	5
Assets					
Cash	$49,824	$53,702	$59,214	$65,003	$69,753
Amortized Startup Costs	$188,500	$188,500	$188,500	$188,500	$188,500
Inventory	$3,500	$3,500	$3,500	$3,500	$3,500
FF&E	$25,000	$25,000	$25,000	$25,000	$25,000
Accumulated Depreciation	($5,425)	($10,850)	($16,275)	($21,700)	($27,125)
Total Assets	**$261,399**	**$259,852**	**$259,939**	**$260,303**	**$259,628**
Liabilities and Equity					
Accounts Payable	$1,500	$2,925	$4,204	$5,242	$5,918
Long Term Liabilities	$162,887	$140,247	$115,970	$89,939	$62,026
Other Liabilities	$0	$0	$0	$0	$0
Total Liabilities	**$164,387**	**$143,172**	**$120,174**	**$95,181**	**$67,944**
Net Worth	**$97,012**	**$116,681**	**$139,765**	**$165,122**	**$191,684**
Total Liabilities and Equity	**$261,399**	**$259,852**	**$259,939**	**$260,303**	**$259,628**



9.6 Breakeven Analysis

Monthly Break Even Analysis					
Year	1	2	3	4	5
Monthly Revenue	$24,783	$26,817	$25,850	$26,763	$29,791
Yearly Revenue	$297,402	$321,802	$310,206	$321,154	$357,491



9.7 Business Ratios

Business Ratios - Yearly					
Year	1	2	3	4	5
Sales					
Sales Growth	0.0%	7.0%	6.0%	5.0%	5.0%
Gross Margin	79.3%	79.3%	79.3%	79.3%	79.3%
Financials					
Profit Margin	11.00%	10.94%	14.57%	15.32%	13.62%
Assets to Liabilities	1.59	1.81	2.16	2.73	3.82
Equity to Liabilities	0.59	0.81	1.16	1.73	2.82
Assets to Equity	2.69	2.23	1.86	1.58	1.35
Liquidity					
Acid Test	0.30	0.38	0.49	0.68	1.03
Cash to Assets	0.19	0.21	0.23	0.25	0.27

9.8 General Assumptions

General Assumptions					
Year	**1**	**2**	**3**	**4**	**5**
Federal Tax Rate	33.0%	33.0%	33.0%	33.0%	33.0%
State Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%
Personnel Taxes	15.0%	15.0%	15.0%	15.0%	15.0%

SWOT Analysis

Strengths

- Efficient back office support for managing the ongoing inventory management, payroll, accounting, and franchise relations that Mr. Vultaggio will face on a day to day basis.
- High gross margins from the sale of pretzels and soft drinks to the Reno general public.
- High transactional volume.
- A specialized offering of pretzel goods that are in demand year round.
- Marketing and ongoing support from the Company's franchiser, Auntie Anne's.
- A highly experienced owner-operator, Biagio Vultaggio.

Weaknesses

- Adverse economic market conditions can impact revenue.
- Competitors operating in targeted Reno markets.
- Moderately high operating costs.
- Low barriers to entry.

Opportunities

- Expansion of number of franchised Auntie Anne's locations operated by Mr. Vultaggio.
- Increase in the number of products offered by the Company's pretzel bakery.

Threats

- No patent protection on new business strategies.
- Regulatory and health related oversight is increasing.
- Heavy competition from other quick service bakeries and other pretzel franchises.

Critical Risks and Problems

Development Risk – **Low**
A majority models, strategies, and products that the business will offer have been developed by the Auntie Anne's franchiser. The primary development risk faced by the Company is Management's ability to secure the requisite capital needed to establish his franchise in Reno.

Financing Risk – **Moderate**
The Company will moderate amount of debt financing to enable Management to purchase and develop the retail Auntie Anne's location and associated equipment. The landlord will require a significant rent deposit in order to establish the location as well. However, the highly predictable streams of revenue will allow Auntie Anne's to easily service the $184,000 of debt sought in this business.

Marketing Risk – **Low/Moderate**
All advertising is handled through the franchise's parent company. The Auntie Anne's Franchise has developed an extensive marketing and advertising campaign that the Owner will capitalize through the ownership of his franchise. Mr. Vultaggio will also use local marketing strategies that will further increase the visibility of the business.

Management Risk – **Low/Moderate**
The business's owners, Biagio Vultaggio and Gerald Caron, are experienced and knowledgeable regarding all aspects of the Company's franchise operations and services. The owner is fully committed to working towards the success of the Auntie Anne's franchise.

Valuation Risk – **Moderate**
The risk that Owner pays too much for the venture is offset by:

- Owner and Banker funds will be in a business that generates strong margins from a large number of transactions.

- The Company will have additional value as it is a franchised operation.

Exit Risk - **Low**
There is a great demand for established franchised restaurants and the Management of the Company feels that the full sale of all franchised assets could occur within one year of marketing the Company for sale. The Company would most likely solicit the help of a qualified business broker.

Reference Sources

All statistics and market information was obtained through:

1. U.S. Government Bureau of Labor Statistics

2. U.S. Economic Census
   Pretzel Shops – NAICS 722213

Expanded Profit and Loss Statements

Profit and Loss Statement (First Year)							
Months	1	2	3	4	5	6	7
Sales	**$32,475**	**$32,678**	**$32,880**	**$33,083**	**$33,285**	**$33,488**	**$33,690**
Cost of Goods Sold	$6,743	$6,783	$6,824	$6,865	$6,906	$6,946	$6,987
Gross Margin	0.0%	79.2%	79.2%	79.2%	79.3%	79.3%	79.3%
Operating Income	$25,733	$25,894	$26,056	$26,218	$26,380	$26,541	$26,703
Expenses							
Payroll	$7,917	$7,917	$7,917	$7,917	$7,917	$7,917	$7,917
Rent and Utilities	$3,958	$3,958	$3,958	$3,958	$3,958	$3,958	$3,958
Marketing Expenses	$1,008	$1,008	$1,008	$1,008	$1,008	$1,008	$1,008
Equipment Leasing Costs	$2,300	$2,300	$2,300	$2,300	$2,300	$2,300	$2,300
Insurance Costs	$168	$168	$168	$168	$168	$168	$168
Franchise Fees	$2,015	$2,015	$2,015	$2,015	$2,015	$2,015	$2,015
General and Administrative Expenses	$250	$250	$250	$250	$250	$250	$250
Miscellaneous Costs	$840	$840	$840	$840	$840	$840	$840
Payroll Taxes	$1,188	$1,188	$1,188	$1,188	$1,188	$1,188	$1,188
Total Operating Costs	$19,643	$19,643	$19,643	$19,643	$19,643	$19,643	$19,643
EBITA	$6,089	$6,251	$6,413	$6,575	$6,736	$6,898	$7,060
Federal Income Tax	$1,902	$1,914	$1,926	$1,938	$1,949	$1,961	$1,973
State Income Tax	$288	$290	$292	$294	$295	$297	$299
Interest Expense	$1,073	$1,063	$1,053	$1,043	$1,033	$1,023	$1,013
Net Profit	$2,826	$2,984	$3,142	$3,300	$3,458	$3,617	$3,775

Profit and Loss Statement (First Year Cont.)						
Month	8	9	10	11	12	1
Sales	**$33,893**	**$34,095**	**$34,298**	**$34,500**	**$34,703**	**$403,065**
Cost of Goods Sold	$7,028	$7,069	$7,109	$7,150	$7,191	$83,600
Gross Margin	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%
Operating Income	$26,865	$27,027	$27,188	$27,350	$27,512	$319,466
Expenses						
Payroll	$7,917	$7,917	$7,917	$7,917	$7,917	$95,000
Rent and Utilities	$3,958	$3,958	$3,958	$3,958	$3,958	$47,500
Marketing Expenses	$1,008	$1,008	$1,008	$1,008	$1,008	$12,092
Equipment Leasing Costs	$2,300	$2,300	$2,300	$2,300	$2,300	$27,600
Insurance Costs	$168	$168	$168	$168	$168	$2,015
Franchise Fees	$2,015	$2,015	$2,015	$2,015	$2,015	$24,184
General and Administrative Expenses	$250	$250	$250	$250	$250	$3,000
Miscellaneous Costs	$840	$840	$840	$840	$840	$10,077
Payroll Taxes	$1,188	$1,188	$1,188	$1,188	$1,188	$14,250
Total Operating Costs	$19,643	$19,643	$19,643	$19,643	$19,643	$235,718
EBITA	$7,222	$7,383	$7,545	$7,707	$7,869	$83,748
Federal Income Tax	$1,985	$1,997	$2,009	$2,021	$2,032	$23,607
State Income Tax	$301	$303	$304	$306	$308	$3,577
Interest Expense	$1,003	$992	$982	$971	$961	$12,211
Net Profit	$3,933	$4,092	$4,250	$4,409	$4,567	$44,353

Profit and Loss Statement (Second Year)					
			2		
Quarter	Q1	Q2	Q3	Q4	2
Sales	$86,256	$107,820	$116,445	$120,758	$431,280
Cost of Goods Sold	$17,890	$22,363	$24,152	$25,046	$89,451
Gross Margin	79.3%	79.3%	79.3%	79.3%	79.3%
Operating Income	**$68,366**	**$85,457**	**$92,294**	**$95,712**	**$341,828**
Expenses					
Payroll	$19,570	$24,463	$26,420	$27,398	$97,850
Rent and Utilities	$11,800	$14,750	$15,930	$16,520	$59,000
Marketing Expenses	$2,588	$3,235	$3,493	$3,623	$12,938
Equipment Leasing Costs	$5,575	$6,969	$7,527	$7,805	$27,876
Insurance Costs	$431	$539	$582	$604	$2,156
Franchise Fees	$5,175	$6,469	$6,987	$7,245	$25,877
General and Administrative Expenses	$780	$975	$1,053	$1,092	$3,900
Miscellaneous Costs	$2,156	$2,695	$2,911	$3,019	$10,782
Payroll Taxes	$2,936	$3,669	$3,963	$4,110	$14,678
Total Operating Costs	**$51,011**	**$63,764**	**$68,865**	**$71,416**	**$255,057**
EBITA	**$17,354**	**$21,693**	**$23,428**	**$24,296**	**$86,771**
Federal Income Tax	$5,022	$6,277	$6,779	$7,030	$25,108
State Income Tax	$761	$951	$1,027	$1,065	$3,804
Interest Expense	$2,818	$2,721	$2,623	$2,522	$10,685
Net Profit	**$8,753**	**$11,743**	**$12,999**	**$13,678**	**$47,173**

Profit and Loss Statement (Third Year)					
		3			
Quarter	Q1	Q2	Q3	Q4	3
Sales	$91,431	$114,289	$123,432	$128,004	$457,156
Cost of Goods Sold	$18,964	$23,705	$25,601	$26,549	$94,819
Gross Margin	79.3%	79.3%	79.3%	79.3%	79.3%
Operating Income	**$72,468**	**$90,584**	**$97,831**	**$101,455**	**$362,338**
Expenses					
Payroll	$16,974	$21,218	$22,915	$23,764	$84,872
Rent and Utilities	$12,036	$15,045	$16,249	$16,850	$60,180
Marketing Expenses	$2,743	$3,429	$3,703	$3,840	$13,715
Equipment Leasing Costs	$5,631	$7,039	$7,602	$7,883	$28,155
Insurance Costs	$457	$571	$617	$640	$2,286
Franchise Fees	$5,486	$6,857	$7,406	$7,680	$27,429
General and Administrative Expenses	$1,014	$1,268	$1,369	$1,420	$5,070
Miscellaneous Costs	$2,286	$2,857	$3,086	$3,200	$11,429
Payroll Taxes	$2,546	$3,183	$3,437	$3,565	$12,731
Total Operating Costs	**$49,173**	**$61,467**	**$66,384**	**$68,843**	**$245,866**
EBITA	**$23,294**	**$29,118**	**$31,447**	**$32,612**	**$116,471**
Federal Income Tax	$7,090	$8,862	$9,571	$9,926	$35,450
State Income Tax	$1,074	$1,343	$1,450	$1,504	$5,371
Interest Expense	$2,420	$2,316	$2,210	$2,102	$9,048
Net Profit	**$12,710**	**$16,597**	**$18,216**	**$19,080**	**$66,602**

Profit and Loss Statement (Fourth Year)					
		4			
Quarter	Q1	Q2	Q3	Q4	4
Sales	$96,003	$120,004	$129,604	$134,404	$480,014
Cost of Goods Sold	$19,912	$24,890	$26,881	$27,877	$99,559
Gross Margin	79.3%	79.3%	79.3%	79.3%	79.3%
Operating Income	**$76,091**	**$95,114**	**$102,723**	**$106,527**	**$380,455**
Expenses					
Payroll	$17,484	$21,855	$23,603	$24,477	$87,418
Rent and Utilities	$12,277	$15,346	$16,574	$17,187	$61,384
Marketing Expenses	$2,880	$3,600	$3,888	$4,032	$14,400
Equipment Leasing Costs	$5,687	$7,109	$7,678	$7,962	$28,436
Insurance Costs	$480	$600	$648	$672	$2,400
Franchise Fees	$5,760	$7,200	$7,776	$8,064	$28,801
General and Administrative Expenses	$1,318	$1,648	$1,780	$1,845	$6,591
Miscellaneous Costs	$2,400	$3,000	$3,240	$3,360	$12,000
Payroll Taxes	$2,623	$3,278	$3,540	$3,672	$13,113
Total Operating Costs	**$50,909**	**$63,636**	**$68,727**	**$71,272**	**$254,543**
EBITA	**$25,182**	**$31,478**	**$33,996**	**$35,255**	**$125,911**
Federal Income Tax	$7,829	$9,786	$10,569	$10,960	$39,144
State Income Tax	$1,186	$1,483	$1,601	$1,661	$5,931
Interest Expense	$1,993	$1,881	$1,768	$1,652	$7,293
Net Profit	**$14,175**	**$18,328**	**$20,058**	**$20,982**	**$73,543**

Profit and Loss Statement (Fifth Year)					
			5		
Quarter	Q1	Q2	Q3	Q4	5
Sales	$100,803	$126,004	$136,084	$141,124	$504,015
Cost of Goods Sold	$20,907	$26,134	$28,225	$29,270	$104,537
Gross Margin	79.3%	79.3%	79.3%	79.3%	79.3%
Operating Income	**$79,895**	**$99,869**	**$107,859**	**$111,854**	**$399,477**
Expenses					
Payroll	$21,385	$26,731	$28,869	$29,939	$106,923
Rent and Utilities	$12,522	$15,653	$16,905	$17,531	$62,611
Marketing Expenses	$3,024	$3,780	$4,083	$4,234	$15,120
Equipment Leasing Costs	$5,744	$7,180	$7,755	$8,042	$28,721
Insurance Costs	$504	$630	$680	$706	$2,520
Franchise Fees	$6,048	$7,560	$8,165	$8,467	$30,241
General and Administrative Expenses	$1,714	$2,142	$2,313	$2,399	$8,568
Miscellaneous Costs	$2,520	$3,150	$3,402	$3,528	$12,600
Payroll Taxes	$3,208	$4,010	$4,330	$4,491	$16,039
Total Operating Costs	**$56,669**	**$70,836**	**$76,503**	**$79,336**	**$283,344**
EBITA	**$23,227**	**$29,033**	**$31,356**	**$32,517**	**$116,134**
Federal Income Tax	$7,308	$9,135	$9,865	$10,231	$36,538
State Income Tax	$1,107	$1,384	$1,495	$1,550	$5,536
Interest Expense	$1,534	$1,415	$1,293	$1,169	$5,411
Net Profit	**$13,277**	**$17,100**	**$18,703**	**$19,567**	**$68,648**

Expanded Cash Flow Analysis

Cash Flow Analysis (First Year)								
Month	1	2	3	4	5	6	7	8
Cash From Operations	$2,826	$2,984	$3,142	$3,300	$3,458	$3,617	$3,775	$3,933
Cash From Receivables	$0	$0	$0	$0	$0	$0	$0	$0
Operating Cash Inflow	$2,826	$2,984	$3,142	$3,300	$3,458	$3,617	$3,775	$3,933
Other Cash Inflows								
Equity Investment	$79,000	$0	$0	$0	$0	$0	$0	$0
Increased Borrowings	$184,000	$0	$0	$0	$0	$0	$0	$0
Sales of Business Assets	$0	$0	$0	$0	$0	$0	$0	$0
A/P Increases	$625	$625	$625	$625	$625	$625	$625	$625
Total Other Cash Inflows	**$263,625**	**$625**	**$625**	**$625**	**$625**	**$625**	**$625**	**$625**
Total Cash Inflow	**$266,451**	**$3,609**	**$3,767**	**$3,925**	**$4,083**	**$4,242**	**$4,400**	**$4,558**
Cash Outflows								
Repayment of Principal	$1,704	$1,714	$1,724	$1,734	$1,744	$1,754	$1,764	$1,775
A/P Decreases	$500	$500	$500	$500	$500	$500	$500	$500
A/R Increases	$0	$0	$0	$0	$0	$0	$0	$0
Asset Purchases	$217,000	$0	$0	$0	$0	$0	$0	$0
Dividends	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Outflows	**$219,204**	**$2,214**	**$2,224**	**$2,234**	**$2,244**	**$2,254**	**$2,264**	**$2,275**
Net Cash Flow	**$47,247**	**$1,395**	**$1,543**	**$1,691**	**$1,839**	**$1,988**	**$2,136**	**$2,284**
Cash Balance	**$47,247**	**$48,642**	**$50,186**	**$51,877**	**$53,716**	**$55,704**	**$57,840**	**$60,123**

Cash Flow Analysis (First Year Cont.)					
Month	9	10	11	12	1
Cash From Operations	$4,092	$4,250	$4,409	$4,567	$44,353
Cash From Receivables	$0	$0	$0	$0	$0
Operating Cash Inflow	**$4,092**	**$4,250**	**$4,409**	**$4,567**	**$44,353**
Other Cash Inflows					
Equity Investment	$0	$0	$0	$0	$79,000
Increased Borrowings	$0	$0	$0	$0	$184,000
Sales of Business Assets	$0	$0	$0	$0	$0
A/P Increases	$625	$625	$625	$625	$7,500
Total Other Cash Inflows	$625	$625	$625	$625	$270,500
Total Cash Inflow	**$4,717**	**$4,875**	**$5,034**	**$5,192**	**$314,853**
Cash Outflows					
Repayment of Principal	$1,785	$1,795	$1,806	$1,816	$21,113
A/P Decreases	$500	$500	$500	$500	$6,000
A/R Increases	$0	$0	$0	$0	$0
Asset Purchases	$0	$0	$0	$0	$217,000
Dividends	$0	$0	$0	$20,915	$20,915
Total Cash Outflows	**$2,285**	**$2,295**	**$2,306**	**$23,231**	**$265,029**
Net Cash Flow	**$2,432**	**$2,580**	**$2,728**	**-$18,039**	**$49,824**
Cash Balance	**$62,555**	**$65,135**	**$67,863**	**$49,824**	**$49,824**

Cash Flow Analysis (Second Year)					
		2			
Quarter	Q1	Q2	Q3	Q4	2
Cash From Operations	$9,435	$11,793	$12,737	$13,209	$47,173
Cash From Receivables	$0	$0	$0	$0	$0
Operating Cash Inflow	**$9,435**	**$11,793**	**$12,737**	**$13,209**	**$47,173**
Other Cash Inflows					
Equity Investment	$0	$0	$0	$0	$0
Increased Borrowings	$0	$0	$0	$0	$0
Sales of Business Assets	$0	$0	$0	$0	$0
A/P Increases	$1,725	$2,156	$2,329	$2,415	$8,625
Total Other Cash Inflows	**$1,725**	**$2,156**	**$2,329**	**$2,415**	**$8,625**
Total Cash Inflow	**$11,160**	**$13,950**	**$15,066**	**$15,624**	**$55,798**
Cash Outflows					
Repayment of Principal	$5,513	$5,610	$5,708	$5,809	$22,640
A/P Decreases	$1,440	$1,800	$1,944	$2,016	$7,200
A/R Increases	$0	$0	$0	$0	$0
Asset Purchases	$0	$0	$0	$0	$0
Dividends	$4,416	$5,520	$5,962	$6,182	$22,080
Total Cash Outflows	**$11,369**	**$12,930**	**$13,614**	**$14,007**	**$51,920**
Net Cash Flow	**-$209**	**$1,020**	**$1,451**	**$1,616**	**$3,878**
Cash Balance	**$49,615**	**$50,635**	**$52,086**	**$53,702**	**$53,702**

Cash Flow Analysis (Third Year)					
		3			
Quarter	Q1	Q2	Q3	Q4	3
Cash From Operations	$13,320	$16,651	$17,983	$18,649	$66,602
Cash From Receivables	$0	$0	$0	$0	$0
Operating Cash Inflow	**$13,320**	**$16,651**	**$17,983**	**$18,649**	**$66,602**
Other Cash Inflows					
Equity Investment	$0	$0	$0	$0	$0
Increased Borrowings	$0	$0	$0	$0	$0
Sales of Business Assets	$0	$0	$0	$0	$0
A/P Increases	$1,984	$2,480	$2,678	$2,777	$9,919
Total Other Cash Inflows	**$1,984**	**$2,480**	**$2,678**	**$2,777**	**$9,919**
Total Cash Inflow	**$15,304**	**$19,130**	**$20,661**	**$21,426**	**$76,521**
Cash Outflows					
Repayment of Principal	$5,911	$6,015	$6,121	$6,229	$24,276
A/P Decreases	$1,728	$2,160	$2,333	$2,419	$8,640
A/R Increases	$0	$0	$0	$0	$0
Asset Purchases	$0	$0	$0	$0	$0
Dividends	$7,619	$9,523	$10,285	$10,666	$38,093
Total Cash Outflows	**$15,258**	**$17,699**	**$18,739**	**$19,314**	**$71,010**
Net Cash Flow	**$46**	**$1,432**	**$1,922**	**$2,112**	**$5,511**
Cash Balance	**$53,749**	**$55,180**	**$57,102**	**$59,214**	**$59,214**

Cash Flow Analysis (Fourth Year)					
			4		
Quarter	Q1	Q2	Q3	Q4	4
Cash From Operations	$14,709	$18,386	$19,857	$20,592	$73,543
Cash From Receivables	$0	$0	$0	$0	$0
Operating Cash Inflow	**$14,709**	**$18,386**	**$19,857**	**$20,592**	**$73,543**
Other Cash Inflows					
Equity Investment	$0	$0	$0	$0	$0
Increased Borrowings	$0	$0	$0	$0	$0
Sales of Business Assets	$0	$0	$0	$0	$0
A/P Increases	$2,281	$2,852	$3,080	$3,194	$11,407
Total Other Cash Inflows	**$2,281**	**$2,852**	**$3,080**	**$3,194**	**$11,407**
Total Cash Inflow	**$16,990**	**$21,237**	**$22,936**	**$23,786**	**$84,950**
Cash Outflows					
Repayment of Principal	$6,339	$6,450	$6,564	$6,679	$26,031
A/P Decreases	$2,074	$2,592	$2,799	$2,903	$10,368
A/R Increases	$0	$0	$0	$0	$0
Asset Purchases	$0	$0	$0	$0	$0
Dividends	$8,552	$10,690	$11,545	$11,973	$42,761
Total Cash Outflows	**$16,964**	**$19,732**	**$20,908**	**$21,555**	**$79,160**
Net Cash Flow	**$26**	**$1,505**	**$2,028**	**$2,231**	**$5,790**
Cash Balance	**$59,239**	**$60,745**	**$62,773**	**$65,003**	**$65,003**

Cash Flow Analysis (Fifth Year)					
		5			
Quarter	Q1	Q2	Q3	Q4	5
Cash From Operations	$13,730	$17,162	$18,535	$19,221	$68,648
Cash From Receivables	$0	$0	$0	$0	$0
Operating Cash Inflow	**$13,730**	**$17,162**	**$18,535**	**$19,221**	**$68,648**
Other Cash Inflows					
Equity Investment	$0	$0	$0	$0	$0
Increased Borrowings	$0	$0	$0	$0	$0
Sales of Business Assets	$0	$0	$0	$0	$0
A/P Increases	$2,624	$3,279	$3,542	$3,673	$13,118
Total Other Cash Inflows	**$2,624**	**$3,279**	**$3,542**	**$3,673**	**$13,118**
Total Cash Inflow	**$16,353**	**$20,441**	**$22,077**	**$22,894**	**$81,765**
Cash Outflows					
Repayment of Principal	$6,797	$6,916	$7,038	$7,162	$27,913
A/P Decreases	$2,488	$3,110	$3,359	$3,484	$12,442
A/R Increases	$0	$0	$0	$0	$0
Asset Purchases	$0	$0	$0	$0	$0
Dividends	$7,332	$9,165	$9,898	$10,265	$36,661
Total Cash Outflows	**$16,617**	**$19,192**	**$20,296**	**$20,911**	**$77,016**
Net Cash Flow	**-$264**	**$1,249**	**$1,781**	**$1,984**	**$4,749**
Cash Balance	**$64,739**	**$65,988**	**$67,769**	**$69,753**	**$69,753**