

ORDINANCE NO. 07-09-11-A

AN ORDINANCE APPROVING A CONDITIONAL USE PERMIT FOR USE OF THE PROPERTY LOCATED AT 11905 BEE CAVE ROAD, SUITE 100 AS A RESTUARANT; PROVIDING FOR AN EFFECTIVE DATE AND PROVIDING FOR CERTAIN CONDITIONS; PROVIDING FOR AMENDMENT TO THE CITY OF BEE CAVE'S ZONING MAP; PROVIDING FOR A SAVINGS CLAUSE, SEVERABILITY, REPEALER, EFFECTIVE DATE, AND PROPER NOTICE AND MEETING.

WHEREAS, an application for a Conditional Use Permit has been filed by the Owners of the property described in Exhibit "A", for operation of a restaurant; and,

WHEREAS, a restaurant is an authorized use in areas zoned for Planned Development – Retail District upon the granting of a Conditional Use Permit; and,

WHEREAS, approval of the Conditional Use Permit has been recommended by the Planning and Zoning Commission; and,

WHEREAS, Applicant has submitted a proposed Concept Plan and other necessary information and has complied with the requirements of the City of Bee Cave Ordinances Section 14.158 for issuance of a Conditional Use Permit, except as otherwise noted in this Ordinance; and,

WHEREAS, the notice as required by the City's Zoning Ordinance has been published in the official newspaper and given to adjacent property owners; and,

WHEREAS, the City Council has conducted a Public Hearing on the Application for issuance of a Conditional Use Permit wherein public comment was received and considered; and,

WHEREAS, the City Council finds that the use of the subject property as a restuarant is an appropriate use for the Property and is a compatible use with the surrounding properties and neighborhoods.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BEE CAVE, TEXAS:

Section 1. Findings of Fact. All of the above premises are hereby found to be true and correct legislative and factual findings of the City of Bee Cave and are hereby approved and incorporated into the body of this Ordinance as if copied in their entirety.

Section 2. The City Council finds that the information submitted in the Application for a Conditional Use Permit submitted by Applicant meets the requirements of the City of Bee Cave Zoning Ordinance for the Property described in Exhibit A, which is attached hereto and incorporated herein.

Section 3. Uses. A Conditional Use Permit is hereby authorized for use of the Property as a restaurant as shown on the proposed Concept Plan, which is attached hereto as Exhibit B and incorporated herein.

Section 4. Site Plan. A site plan required by the City's Zoning and Non-Point Source Ordinance shall be submitted and approved before issuance of a building permit or site development permit for any structures or facilities identified in the Concept Plan that are not already constructed on the Property. The site plan shall be reviewed and approved pursuant to the City's site plan ordinance.

Section 5. Conditions. The Conditional Use Permit is subject to the following terms and conditions:

1. Permittee shall not commence use of any existing structure for a restaurant until the City issues a Certificate of Occupancy ("CO") for such building, which CO will be issued when the building complies with the City's current building code requirements. In addition, as a condition to issuance of the CO, Permittee shall provide proof to the City that Permittee has received all of the authorizations required by the State of Texas for operation of a restaurant.

2. Permittee shall not commence any new development on the Property until it has secured all permits and approvals as required by the City of Bee Cave zoning regulations, ordinances or any permits required by regional, State and Federal agencies.

3. This Conditional Use Permit authorizes development of the subject property only as a restaurant.

Section 6. Official Zoning Map. The City Secretary is hereby authorized and directed to make the necessary changes so as to reflect the provisions of this Ordinance on the Official Zoning Map of the City of Bee Cave, Texas.

Section 7. Savings Clause. The repeal of any ordinance or part of ordinances effectuated by the enactment of this Ordinance shall not be construed as abandoning any action now pending under or by virtue of such ordinance or as discontinuing, abating, modifying or altering any penalty accruing or to accrue, or as affecting any rights of the City under any section or provisions of any ordinances at the time of passage of this ordinance.

Section 8. Severability Clause. If any provision, section, sentence, clause or phrase of this Ordinance or application of the same to any person or set of circumstances is for reason held to be unconstitutional, void, invalid, or unenforceable, the validity of the remaining portions of this ordinance or its application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council of the City of Bee Cave in adopting, and the Mayor in approving this Ordinance, that no portion thereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality or invalidity of any portion, provision or regulation.

Section 9. Repealer Clause. The provisions of this Ordinance shall be cumulative of all other ordinances or parts of ordinances governing or regulating the same subject matter as that

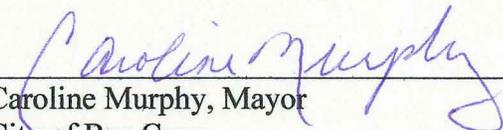
covered herein; provided, however, that all prior ordinances or parts of ordinances inconsistent or in conflict with any of the provisions of this Ordinance are hereby expressly repealed to the extent that such inconsistency is apparent. This Ordinance shall not be construed to require or allow any act which is prohibited by any other ordinance.

Section 10. Effective Date. This Ordinance shall take effect immediately from and after its passage and publication as may be required by governing law.

Section 11. Proper Notice and Meeting. It is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public and that public notice of the time, place and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551 of the Texas Government Code.

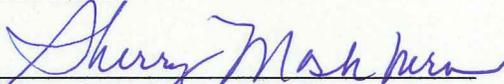
PASSED AND APPROVED this 11th day of September, 2007.

APPROVED:



Caroline Murphy, Mayor
City of Bee Cave

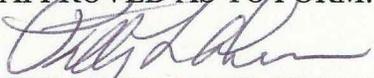
ATTEST:



Sherry Mashburn, City Secretary
City of Bee Cave, Texas

[SEAL]

APPROVED AS TO FORM:



Patty L. Akers, City Attorney

BReAd BaR

Gourmet Salads and Sandwiches

Bee Cave, Texas



The Bread Bar

Santa Elena Hospitality Group

www.santaelenahospitalitygroup.com

1. Executive Summary

The Bread Bar is a fast casual restaurant concept serving gourmet salads and sandwiches and distinguishing itself from the competition by providing the highest quality ingredients and a staggering number of customized items that can be created from the restaurant's more than 100 ingredients.

Fresh baked artesian breads are prepared daily and their scent fills the air. Additionally, a comprehensive selection of fresh, organic beverages ranging from Odwalla Juice, to Republic of Tea, to a selection of bottled waters from around the world at the H2O bar are offered. Beer and Wine is also available to complement dining options.



Consisting of approximately 60 seats in 2,800 square feet of space, The Bread Bar's cozy neighborhood atmosphere includes soft seating in addition to traditional table seating. Guests can browse a selection of international newspapers or watch subtitled television on flat screen monitors in the soft seating area. The goal is to create a clean, comfortable atmosphere where guests can work on their computers, enjoy a meal or gather for casual business meetings; while offering food that is on par with a two or three star sit down restaurant but featuring the speed and convenience of a fast casual eatery. Although The Bread Bar doesn't offer full table service, servers do deliver orders to customer's tables.

Menus are stacked by the door next to a container of pencils and are printed in standardized test format: list of ingredients, instructions on how many to choose from each category and blank circles which are filled in so that when the guest gets to the register, the order is ready to be given to the cashier. Once a basic bread or lettuce choice is made, the guest will choose up to six items from a selection of 100 unique fillings and toppings.

If there is an ingredient the guest doesn't recognize there is a handy food glossary that defines featured ingredients such as garlic aioli or white truffle oil. In order to build a menu that caters to everyone; menu items are a balance between familiar ingredients and more exotic ones which may provide a first-time dining experience. Stocking such a variety of ingredients requires daily deliveries, digital scales and rigid food storage procedures to ensure that costs are controlled and waste is minimized.

The Bread Bar

The menu consists of eight signature sandwiches and eight signature salads; in addition, customers can create their own sandwiches and salads by choosing six items from the list of 23 proteins, 22 vegetables and 14 cheeses, among other ingredients.

Ordering is done at a walk up farmers market style counter section, displaying the days freshly baked breads, juices and beverages, and a selection of gourmet retail items from sauces to snacks.

The per-person average check is approximately \$10.00, but prices vary widely. Signature salads and sandwiches range from \$9.00 to \$14.00, and a six item create-your-own sandwich is priced at \$9.00. Many of the specialty items, including filet mignon, lobster tail, etc., carry additional charges.

The Bread Bar joins a number of sandwich shop contenders in the \$150 Billion dollar business – one of the largest segments of the restaurant industry. However the Bread Bar fills a niche that does not currently exist in mass – a quick casual, high quality, high service, sandwich operation.

Management feels that this segment is an emerging market with many of the top chefs in the country moving to the middle and lower end of the restaurant market. Examples include Tom Colicchio's *Wichcraft*, Alain Ducasse's *Spoon*, and Lawry's Prime Rib's *Carvery*. As the American consumer becomes more savvy about food, the demand for better food at every level rises, and the sheer volume and cost effectiveness of casual dining makes it a logical new market.

Further, the current competitors sited above are located primarily on the Eastern Coast and have not yet arrived in the Southwestern Market.

The location chosen for this first unit is in a marketplace where demand far exceeds the supply with only two restaurants in the current five mile radius. Market demographics place approximately 30,000 residents and an additional 18,000 office workers within a five mile radius (*see appendix B*) and current options are overwhelmed at both restaurant and dinner and unable to meet demands.

Management has secured an option on an extremely favorable lease in a prime location fronting Bee Cave Road (approximate traffic count of 18,000 cars daily). Space consists of 2800 square feet of interior and 500 square feet of exterior patio space and landlord will build out to tenants specifications.

A unique opportunity exists to create a new product in the fast casual restaurant arena, in a very under-served market in North Austin. Investors will be limited to (12) limited partnership shares with 5% ownership per share at a cost of \$30,000 per share.

Management feels that it has set a conservative and achievable 15% profit margin on operations to create an Internal Rate of Return for investors in excess of 30% over the four to five year project life with the following assumptions:

- Business growth of 7% per year and average check growth at 5% per year over the five year period.
- Expense growth of 3.5% per year; with the exception of rental rate which is locked in by contract.
- Limited Partners are paid out first dollars of free cash flow until 100% of their investment has been returned; thereafter profits are split by ownership percentage with the General Partner.
- ~~Assumes exit at the end of year four or five at General Partner's discretion based on the following formula.~~
 - Sale of asset at a 3 cap rate (extremely conservative in the industry) or greater, to an outside party.
 - Sale to GP based on operating cash flows; used to repay investors at a 2.5 cap rate.

1.1. Objectives

- To become the premier quick-casual restaurant in every market entered.
- To offer high quality food in a unique and comfortable surrounding.
- To be recognized as a brand for culinary excellence, knowledgeable service, and gracious hospitality.

1.2. Mission

Driven by a commitment to be the premier gourmet sandwich and salad purveyor in the market, we will deliver an unmatched combination of culinary excellence, knowledgeable and speedy service and gracious hospitality.

1.3. Keys to Success

- Offer fresh, simple, and delicious menu items of a consistently high quality level.
- Treat every customer as if they were the only customer.
- Design and employ strict financial controls.
- Understand that the distinction between service and hospitality is the foundation of our success - service is the technical delivery of a product, while hospitality is how the delivery of that product makes its recipient feel.
- Stay true to our core competency, market and mission, while enhancing the product and improving operational efficiency.

2. Company Summary

The Bread Bar is a fast casual concept that caters to both the lunch and dinner consumer. The fast casual dining concept is among the fastest growing segments in today's restaurant industry. It provides consumers a dine-in experience without the wait and formality of a traditional dining establishment; offering fully prepared starters, main courses, and desserts in an expedited manner at a level somewhere between fast food and traditional dining.

The Bread Bar will offer distinctive service noticeable the moment a guest steps through the door. The staff will be trained to take personal pride, working as a team to go above and beyond for our guests, their coworkers and themselves. That level of commitment will show through in our service.

We will deliver the same quality and variety of food being served in more formal five star restaurants to a broader audience by delivering it in a faster, friendlier and more comfortable environment. What makes us different is the ingredients. All will be of the highest quality; meats cooked and hand carved on site; artisan breads baked fresh daily; produce locally sourced and organically grown; and soups made from scratch. The Bread Bar will offer ingredients and signature combinations previously reserved for fine dining.

Our atmosphere will render us a community hub, with overstuffed couches and chairs, combined with dining tables, wood floors and elegant case goods which will encourage our guests to use the Bread Bar as a gathering place for work, family and fun. In addition, we will offer complimentary wi-fi and daily newspapers in order to create an atmosphere appropriate for a group having a business meeting, a meeting of family and friends, or an individual who just wants a place to slow-down and relax.

2.1. Company Ownership

Austin Bread Bar LP, is a Texas Limited Partnership made up of one General Partner (Santa Elena Hospitality Group, LP) which provides management oversight, accounting, marketing and financial planning to the company and ownership oversight to the partnership. The General Partner has contributed \$30,000 to the company and shall own a 40% equity position in the company.

Twelve (12) Limited Partners will each provide \$30,000 to the partnership in return for a five (5) percent equity position to each partner. No additional cash calls are anticipated from any of the limited partners and cash distribution to partners is expected to begin year one (2008) and will be made annually following the closing of company financials in December of each year.

2.2. Start-up Summary

A location has been located at Bee Cave Road and Highway 71, in Bee Cave, Texas and is currently under option to the General Partner while financing is arranged. It consists of 2,775 square feet of end cap space in a newly constructed retail facility with approximately 200 feet of frontage on Bee Cave Road. Financing is expected to take approximately 45 days to complete; followed by approximately 120 days of interior fit out for an opening anticipated in September 2007.

2.3. Company Locations and Facilities

The Bread Bar will be located in an end cap position of a new strip mall development on Bee Cave Road approximately one half mile from the intersection of Highway 71, in Austin, Texas. Ample parking is available and approximately 18,100 cars per day pass this location (txdot 2006).

Site Reports estimate that approximately 11,854 housing units containing approximately 29,939 residents are located within a 5 mile radius of the location with an average annual income of \$140,898; as well as approximately 400 business and offices containing approximately 12,000 -14,000 consumers in a similar radius.

Growth in family households increased 24.94% over the past six years and is estimate to grow 15.41% from its current level by 2011.

Currently there are two restaurants within this radius and three others just outside this radius, averaging approximately 150 lunch covers and 120 - 140 dinner covers per day, seven days per week. *Please see appendix B – Site Statistics.*

2.4. Product Description

All menu products are delivered multiple times weekly in order to ensure the peak of freshness. Where possible all proteins are prepared on site and carved daily. Breads are ordered from the La Brea Bakery in Los Angeles, California and arrive frozen and par baked and are freshly baked multiple times daily as needed. Sauces are provided by the project's sister restaurant The Ocotillo at Lajitas, The Ultimate Hideout and serve to form the basis for our retail product offering.

3. Market Analysis Summary

Management has identified over 11,854 single family residences within a five mile radius of the proposed restaurant location, with approximately fifty percent of those having children in the home. Average annual income in the area exceeds \$140,000 per year and median home values are in the \$400,000 - \$600,000 range. With only two other restaurants on Bee Cave Road servicing this entire population base, we feel that there is an exceedingly strong market for a new dine-in, take-out and delivery operation such as the one proposed.

Additionally, there are approximately 400 listed businesses in the same five mile radius with an average of 20-40 employees per business address and a further 200-400 in an extended radius. This creates an extremely strong demand for lunch time dine-in, take-out delivery and catering business.

Existing supply is insufficient to meet current demand within a five mile radius, and with additional residential housing and commercial construction proceeding at a rapid pace, will remain insufficient for the foreseeable future.

3.1. Market Segmentation

While the Bread Bar offers a product totally unique to the proposed location, it does face competition from a variety of competing segments within the restaurant industry as a whole.

- **Fast food:** Offers the convenience of fast service. The food product is not competitive, but people are often willing to sacrifice quality for convenience.
- **Take out:** Take away service allows a customer to enjoy already prepared food in their home.
- **Sit down dining:** For customers that have the time to have a leisurely meal. Food service takes longer however the menu options are more extensive.
- **Sandwich shops:** Considered to be part of the fast food segment, they are a direct competitor of The Bread Bar as their food product is healthier than the fried alternatives of fast food. This competition comes primarily during lunch hours; however The Bread Bar will be steps above the average sandwich shop operation.
- **Grocery markets:** Serving prepared foods.

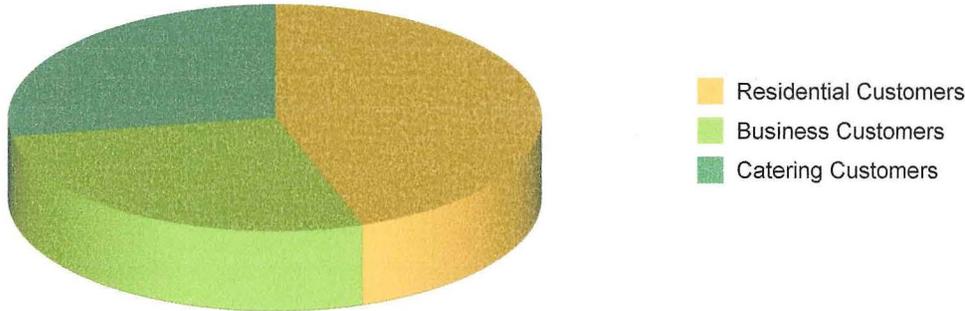
Customer buying patterns typically revolve around several different factors:

- **Location:** The restaurant is located near to work or home.
- **Convenience:** People eat out as it is quicker than preparing a meal themselves. Factors of convenience relative to sit down restaurants are the time it takes to be seated and served and the hours of operation.
- **Quality:** The menu items must meet minimum levels of quality for people to be willing to spend money on the food, particularly when there are so many different options available.

Management believes that The Bread Bar caters to all of these buying patterns at the highest level.

Market Analysis							
		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Residential Customers	10%	29,939	31,435	33,006	34,656	36,388	5.00%
Business Customers	5%	4,300	4,515	4,741	4,978	5,227	5.00%
Catering Customers	5%	4,300	4,515	4,741	4,978	5,227	5.00%
Total	5.00%	38,539	40,495	42,488	44,612	46,842	5.00%

Market Analysis



3.2. Target Market Segment Strategy

The Bread Bar will focus on families and individuals for dinner, take-out and delivery; and for individuals and local businesses for lunch and catering of office meetings. Most dinner service is traditionally for families and as more households become two income families, the adults have less time to prepare meals. Going out to dinner, or electing take-out or delivery eliminates the need to prepare a meal and offers time to spend quality time with each other. As the Bread Bar will offer healthier and more elegant forms of fresh food, we expect to compete favorably with more fast food oriented restaurants.

3.2.1. Market Needs

The neighborhood in which The Bread Bar is proposed is growing quickly, with demand for quality dining far outpacing the supply. Management has identified 8 new subdivisions comprised of single family residences matching our target audience which are currently in various stages of build out and which should add approximately 50% to the current base number of residences in the next several years.

Additionally, new construction of office complexes are in various stages of completion all along Bee Caves Road, adding an anticipated 1 million square feet of additional office space within the next twenty four months.

All of this development will continue to place an increased demand on the area restaurants and by entering the marketplace now, Bread Bar will remain ahead of future competition by securing its place in the community and garnering a reputation for high quality food and service in a comfortable atmosphere.

3.3. Industry Analysis

The **fast casual restaurant industry** is a type of restaurant which is similar to a fast food restaurant in that it does not offer full table service, but promises a somewhat higher quality of food and atmosphere. It is a growing concept to fill the space between fast-food and casual dining. The typical cost per guest is in the \$6-\$10 range.

Counter service accompanied by handmade food (often visible via an open kitchen) is typical. Alcohol may be served. Dishes like steak, which require experience on the part of the cook to get right, may be offered. The menu is usually limited to an extended over-counter display, and options in the way the food is prepared are emphasized. Overall, the quality of the food is presented as much higher than conventional factory-made fast food. While full table service is not offered, conveniences like non-plastic utensils and plates are common.

The moderate volume music and nontraditional decor pioneered by Starbucks are fully embraced by fast casual restaurants - approximately half of the customers eat in the establishment, compared with a quarter of fast food customers.

Technomic Information Services created the term "fast casual restaurants" to describe restaurants with the following classifications:

- Limited-service or self-service format
- Average check between \$6 and \$9
- Made-to-order food with more complex flavors than fast food restaurants
- Upscale or highly developed decor

3.3.1. Industry Participants

There are multiple examples of participants in the **fast casual** segment of the restaurant industry from independents to publicly traded companies, to franchises; while none of these are in the immediate area of our proposed location they offer some background on the segment of the industry we intend to pursue. A few of the better known competitive examples are as follows:

Chipotle Mexican Grills:

Chipotle's menu consists of five types of items:

- Burrito (filled with rice and either black beans or pinto beans)
- Fajita burrito (a burrito with onions and green peppers grilled in soy oil instead of beans)

The Bread Bar

- "Burrito Bol" (burrito ingredients in a paper bowl, without any tortilla)
- Hard or soft tacos (no rice or beans unless asked for)
- Salad (served with a container of "chipotle-honey" vinaigrette)

and one of five fillings:

- Chicken thighs marinated in a semi-spicy chipotle pepper adobo and grilled
- Carnitas (shredded pork) seasoned with thyme, bay leaves, juniper berries, and cracked pepper; seared and then braised; virtually no spice
- Barbacoa (shredded beef) seared and then braised in chipotle pepper adobo with cumin, garlic, and other spices; very spicy
- Steak marinated in a spicy chipotle pepper adobo and then grilled; lean, medium-rare, and spicy
- Vegetarian (guacamole), guacamole is also available as an extra cost option with one of the other four fillings

There are various additional toppings. In addition, four salsas are available: a mild fresh tomato, medium roasted chili corn, green [tomatillo](#)-chile-based, and hot red chile-tomatillo. Shredded cheese, shredded romaine lettuce and sour cream can also be added at no extra cost. The price depends only on the filling ordered. Additionally, there are several so-called "secret items" not listed on the regular menu but available by request, such as quesadillas. Tacos can also be ordered individually.

Chipotle is also noted for its ability to handle fax orders, making it popular among office workers picking up lunch. In late 2005 Chipotle added the ability to order online using the moniker "DSL" or "Don't Stand in Line". As with faxed-in orders, those who have placed their orders online may skip to the front of the line to pay for their already-prepared food, as long as they have called to confirm their order previous to pick up, and allow 10 to 15 minutes to be prepared.

Au Bon Pain:

Au Bon Pain is a fast-casual bakery/cafe chain headquartered in Chicago, Illinois. Louis Rapuano founded Au Bon Pain in 1976. The principals included Rapuano, Pavailler Machinery, and two minor investors. Pavailler contributed baking machinery to the venture.

Attorney Dick Bernstein, who had studied in Paris, suggested the name "Au Bon Pain", which literally means "at good bread" and is officially translated as "the place of good bread." Corporate colors red, white and blue mirrored the French tricolor. The concept of Au Bon Pain, to place baking equipment in full public view so customers could see and smell the baking was revolutionary at that time.

The first Au Bon Pain bakery, established in Chicago's Sears Tower in 1976, became an instant success. Within a short time two additional outlets opened, in Hackensack, New Jersey and in New York's CitiCorp Building.

In 1991, the company went public as Au Bon Pain Co. Inc. In 1999 Au Bon Pain Co. Inc. (later renamed Panera Bread Company) sold its Au Bon Pain division to Bruckmann, Rosser, Sherrill & Co. Inc., which then sold it to Compass Group in 2000.

Currently there are approximately 230 cafes in the United States and abroad. Most of the stores in the northeast United States are company-owned, while more isolated locations are generally franchised. Boston, New York, Pittsburgh, Philadelphia, Washington DC, and Chicago are all home to numerous Au Bon Pain locations in their respective urban centers. The stores have been particularly successful in transportation facilities such as airports and train stations, as well as shopping centers and business districts in cities. While it has focused on urban locations, the chain has begun expanding into suburban areas such as Woburn, Massachusetts which opened in July 2004 as well as Pembroke, Massachusetts which opened the following year.

Au Bon Pain has attempted to differentiate itself from similar fast casual chains by emphasizing both hospitality and the diversity, quality, and freshness of its menu and ingredients. The chain focuses on

The Bread Bar

serving coffee drinks, baked goods (with a focus on croissants and bagels), and lunch items such as soup, salads, and sandwiches. In recent years the chain has undergone a brand identity upgrade which has incorporated colors, design, and imagery from traditional French motifs. In 2004, Au Bon Pain hired Chef Thomas John, executive chef from Boston's *Mantra* restaurant, which was named one of *Esquire's* Best restaurants of 2001 and Conde Nast Traveler's Top Restaurants of 2003. John was named one of "America's Best New Chefs" in 2002 by *Food & Wine*. As a continuation of the new strategy, many cafes are being built or renovated into "Marketplace" stores, in which the product is made available in a self-serve fashion to customers. In addition to retail cafes, Au Bon Pain also runs a catering division.

Schlotsky's:

Schlotsky's is a privately held franchise chain of restaurants specializing in sandwiches. As of November 20, 2006, Schlotsky's has nearly 380 franchised and company-owned locations in 36 states in the United States and in six other countries around the world, generating \$210 million in systemwide revenue. Most of the locations are across the south and southwestern United States.

In 1981, the company had 100 franchise stores and \$18 million in sales. Real Estate investors, John and Jeff Wooley and Gary Bradley purchased the company for less than \$3 million. Bradley split with the Wooleys in 1982. Bradley took the real estate business and the Wooleys kept Schlotsky's.

The Wooleys expanded Schlotsky's menu to include panini specialty pizzas, toasted wraps, freshly tossed salads, gourmet soups, and other items. The Wooleys also took the company public on December 15, 1995, trading as BUNZ on NASDAQ.

The chain peaked in 2001 with 759 stores and over \$400 million in sales, when same store sales started to plateau. In 2003, the company posted an \$11.7 million loss. The Schlotsky's board of directors relieved the Wooley brothers from day-to-day management on June 17, 2004 and named Sam Coats as the new chief executive officer of the company.

On November 21, 2006, Schlotsky's was acquired by FOCUS Brands, parent company of Carvel and Cinnabon.

Wolfgang Puck Express

Wolfgang Puck Gourmet Express features Wolfgang's most popular dishes in a contemporary, fast-casual setting with very affordable prices. The extensive menu features Wolfgang Puck's hand-crafted gourmet pizzas, a variety of pastas, sandwiches, soups, fresh salads, including Wolfgang's famous Chinois™ chicken salad, and Wolfgang's classics, such as ginger salmon and rosemary rotisserie chicken with garlic mashed potatoes. They use only the finest ingredients to prepare their food fresh-to-order in just minutes.

In addition, with Puck To Go service, you can call in your order and they will have it ready when you arrive.

3.3.2. Competition and Buying Patterns

In general the fast-casual industry competes with all other segments of the restaurant industry vying for a consumer's business - from traditional sit-down family style restaurants (such as Chili's) to fast food restaurants (McDonald's and Taco Bell), to delivery restaurants (Domino's, Mr. Gatti's).

While the industry is fraught with competition, the immediate area in which we plan our first location is under-served to meet the current demands and we feel that we have a significant market advantage through the timing of our opening, the specific nature of our offering, and our ability to serve both the dine-in, to-go, and delivery segments of the market with a single product offering.

3.3.3. Main Competitors

There are two existing restaurants within a five mile radius of our proposed location on Bee Cave Road, both of which are solidly booked for both lunch and dinner on a consistent and daily basis. These include:

El Arroyo

A Tex-Mex style sit down restaurant offering to-go food, however no catering or delivery of any kind is offered. This unit is part of a four unit chain, and is located at 12432 Bee Cave Road approximately one tenth of a mile from our proposed location. Offering Lunch and Dinner only, with an average check of approximately \$15.00. The restaurant is approximately eight years old and is maintained extremely well, service is very good and food quality is also very good. Typical fare ranges from Hamburgers, to traditional Mexican items.

The Bee Cave Bistro

A Continental style sit down restaurant offering no to-go, catering or delivery of any kind. This unit is an independent operator, and is located at 11715 Bee Cave Road approximately one mile from our proposed location. They offer lunch and dinner only, with an average check of approximately \$11.00 at lunch and \$16.00 at dinner. The restaurant is approximately four years old and the decor is dated with service being extremely casual and food quality very basic. Typical fare runs from salads to meatloaf.

Further afar, there are approximately ten restaurants within a ten mile radius of the proposed location. They range the gamut from traditional family style sit down dining to fast food and Bar-B-Q venues. All appear to be extremely busy at both lunch and dinner periods and while some offer to-go, none offer catering or delivery service. Some examples include:

County Line on the Hill, BBQ Cuisine, 6500 Bee Cave Road

Subway Sandwiches, Canyon Rim Drive and Panda Express, Canyon Rim Drive

4. Value Proposition

Bread Bar adds value to the traditional fast casual dining experience by creating a carefully designed atmosphere at each location. We create a comfortable and versatile space that can effectively serve as a work site, a professional's meeting area, a recreational lounge, a social platform, or a formal event host. Amenities such as international newspapers, wi-fi, coffee tables and flat screen televisions increase functionality.

We will be centrally located between the two existing competitors, housed in a newly constructed space, with ample frontage and signage to attract drive-by business in addition to our neighboring market campaign. We believe that we will provide a much needed additional dining venue to this growing business and residential community and that the location is ideally suited for this use.

4.1. Competitive Edge

The Bread bar will rely on a two part competitive advantage to help it become the premier fast-casual offering in this location.

- **The importance of the experience.** With so many restaurants and prepared food options being offered at grocery markets, the customer experience becomes extremely important as an effective way of distinguishing offerings. When a customer has a good experience at a restaurant, there is a significant chance that they will become a repeat customer. It is this experience that remains in the customer's mind

well after they have consumed all of their food. This memory is what is communicated to their friends and colleagues.

- **Fast, healthy food alternative.** There is a huge market demand for fast, convenient food that can be consumed without dietary concerns. The Bread Bar offers exactly this, vegetables and meats that are grilled with or without healthy marinades and sauces that add flavor not fat. White or brown rice is offered as the starch of the meal. In addition to the plentiful amount of vegetables offered, green salads are also available.

4.2. Web Plan Summary

The Bread Bar will maintain a web presence with a simple, user friendly, web site. The website will be used for menu information, contact and location information, background on the Bread Bar story, and for placing catering, delivery and pick-up orders in advance of arrival at the restaurant. The site will be monitored by the store staff.

4.3. Marketing Strategy

The goal of the initial marketing strategy will be to raise awareness levels regarding The Bread Bar and the offerings and value. The message will be that The Bread Bar is a convenient, healthy, fast-casual alternative restaurant in a comfortable and stylish atmosphere befitting the upscale neighborhood in which we are located. The Bread Bar will employ several marketing approaches:

- Direct Mail - To a database of 9,000 homeowners within a 15 mile radius, to introduce dine-in, take-out and delivery opportunities and announce our opening. Direct Mail will be followed up on a bi-monthly basis with specific offerings in each mailing in order to monitor success of the campaign.
- Direct Mail - To a database of 500 business addresses within a 15mile radius to introduce dine-in, take-out, delivery, and catering opportunities and announce our opening. Direct mail will be repeated on a bi-monthly basis with specific offerings in each mailing in order to monitor the success of the campaign.
- Gift Card Promotion - Just before our opening, gift cards with a \$5.00 value will be mailed to both the residential and business databases inviting consumers to have their first visit on us (essentially offering a \$5.00 credit against their first charge), these cards can be recharged by customers and we will offer a 5% discount for customers using their card for payments -in this way building a loyalty group who consistently pay in advance (to charge up their cards) and in return receive a 5% discount on each visit (a bit higher than our credit card charge but well worth it).

Personal Visits to Surrounding Businesses - A target list of high end corporate business which routinely entertain will be developed (investment banks, law offices, realtor open houses, etc) and an employee will make a personal visit to the appropriate administrative person at each location with a complimentary food selection and information on The Bread Bar (both its menu offerings and its catering options). Calls will be made mid morning and consist of a selection of sandwich bites so that the office can sample the quality of our cuisine (this will also enable the kitchen to practice its craft during pre-opening with the end product used for marketing).

Specialty Packaging and Retail – Unique logo packaging and retail merchandise will be utilized in order to build the brand recognition of this location as well for future locations. Merchandise will be cross-branded with the Ocotillo brand of retail sauces from Lajitas, The Ultimate Hideout (also managed by SEHG).

4.3.1. Pricing Strategy

The Bread Bar's pricing falls somewhere between the range of local fast food options (such as McDonalds) and sit down dining options (El Arroyo, Bee Cave Bistro) and lands firmly in the middle at approximately \$10-12 average check. By offering a comfortable and stylish location, with the freshest of product (in many cases far superior to that of the local sit down dining options) Bread Bar will create a high price-value perception.

4.3.2. Promotion Strategy

The Bread Bar will be very active in the local community in the following ways:

- Hiring - When possible local teenagers will be hired in order to build a sense of attachment to the community
- Donation - The Bread Bar will maintain a strong presence at community functions, preferring to donate product rather than cash, at functions such as Church fundraisers, School events, etc...
- Catering – Specialty catering prices will be offered for realtors holding open houses within our five mile radius in return for placing small signage and menus with the food presentation. This will allow us to market to potential future customers visiting the area in search of a home.

4.4. Sales Strategy

The strategy of the sales effort will be to convert potential and first-time customers into long-term customers. This will be accomplished using several techniques.

- Charge Card/Gift Cards - Traditional gift cards (such as those available for purchase at retail stores) will be both given away (during promotions) and sold as a way of placing a payment in advance for speed of purchase and providing a 5% discount on each visit. In this way we will generate a loyalty base of customers who repeatedly visit the Bread Bar as special customers.
- Loyalty Program for Corporate Clients – A card will be created to reward administrative assistants in the area with store credit each time they place a catering order for their office meetings. In this way The Bread Bar will become the restaurant of choice for local businesses catering their in-house meetings.

4.4.1. Sales Forecast

Sales are expected to be extremely heavy from inception due to both the advanced marketing during the pre-opening process as well as the pent up demand for dining options within the immediate market. Current restaurants operate at maximum capacity seven days a week and management anticipates that The Bread Bar will see strong demand in all areas of our offerings from dine-in to delivery and catering almost immediately.

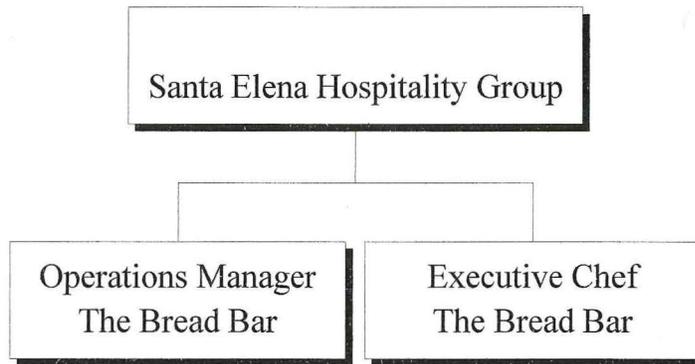
5. Management Summary

An extraordinary hospitality operation offers its guests something different from the common experience - in beauty, amenities and service. Santa Elena Hospitality Group works within the hospitality industry to create these exceptional businesses through management consulting and hands-on development.

Santa Elena's areas of emphasis include operations management, project development, management advisory services and asset management, all with a particular expertise in the branding and management of resorts and restaurants. We are currently engaged in just such an endeavor in the management and development of Lajitas, The Ultimate Hideout - a luxury resort and secondary residential community in Texas.

5.1. Organizational Structure

Organizational Chart



5.2. Management Team

Daniel Hostettler, President

Daniel has over seventeen years of experience in the resort industry. Prior to joining Lajitas in September 2002, he oversaw various luxury resorts affiliated with Leading Hotels of the World and Relais et Chateaux, including La Posada de Santa Fe Resort and Spa in Santa Fe, New Mexico, Summer Lodge Hotel in Dorset, England, Meadowood Resort in California's Napa Valley, and The Peninsula Beverly Hills, which has been consistently rated the number one hotel in the United States over the past five years and is rated a five star and five diamond property.

He has a proven track record in opening and re-positioning destination resort properties, improving revenues, reducing operating costs, raising service levels and spearheading marketing and public relations activities. As the President of Lajitas, he oversaw the positioning of the resort as a luxury product that was recognized as a Leading Hotel of the World within a year of his arrival. Further, Daniel has implemented, and continues to implement, successful sales, marketing, operating, and development strategies for the entire Lajitas project. Daniel oversees not only resort operations, but development, construction and real estate sales operations. He is a graduate of the University of Denver with a Bachelor of Science, Business Administration in both Hotel-Restaurant Management and Finance.

Cindy Matulich, Principal, Chief Financial Officer

With an extensive hospitality and financial management background, Ms. Matulich presides over development and acquisitions, multi-property management, and the management of hotels, conference centers, resorts and private clubs. Prior to joining Santa Elena Hospitality Group, Ms. Matulich served as CFO for Carefree Hospitality where her primary responsibilities included pro forma development, accounting, technology and human resources. The Carefree Hospitality team successfully opened and/or managed several luxury private clubs and assisted in the development of the associated real estate products.

As Vice President/Controller for Redstone Golf Management during inception, Ms. Matulich coordinated all IT infrastructure design and implementation, selected and installed the business and accounting systems for the corporate offices and existing courses. She managed the construction, grow-in and pre-opening budgets for new courses and conducted pro forma analysis on potential projects. Prior to her association with Redstone, Ms. Matulich served as the Director of Financial Services for The Woodlands Resort and Club.

Ms. Matulich has multi-property experience working with Gencom American Hospitality as a Regional Controller responsible for acquisitions and for a dozen decentralized hotels throughout the country. She also participated with Gencom in the Patriot American Hospitality IPO.

She is co-author of Texas Taxes for the Hospitality Industry, a guide to Sales, Use, Occupancy and Gross Receipts taxes. Ms. Matulich received her BBA in Management and her MBA from Texas Tech University.

Marilyn McCray Principal, Corporate Director of Communications

Ms. McCray's communications expertise includes public relations, marketing, and professional writing for the hotel and resort industry. Prior to joining Santa Elena Hospitality Group and Lajitas in 2007, she served as the Director of Sales and Marketing for Lake Austin Spa Resort. She has held similar positions at Hershey Entertainment and Resorts, La Posada de Santa Fe and other properties. Ms. McCray has provided marketing direction for several restaurants, including the Artesian at Ojo Caliente Mineral Springs, the Four Diamond, Fuego in Santa Fe, New Mexico and The Circular Dining Room at The Hotel Hershey. In addition she has served on the Restaurant Committee for the annual Santa Fe Wine and Chile Fiesta.

For seven years, she resided in the Vail Valley where she participated in efforts to market Vail as an international destination. She was a member of the Cultural Committee for Vail 99 the World Alpine Ski Championship.

In the capacity of Communications Director for Santa Elena Hospitality Group, Marilyn oversees the public relations and marketing efforts for Lajitas. Her emphasis on long-term strategic planning and tangible, goal-oriented approaches to marketing and public relations have contributed significantly to bringing national recognition to the properties she represented. She holds a Master's Degree from Arizona State University.

Albert Cannito, Executive Chef

In December 2006, Chef Albert M. Cannito joined Lajitas and the Santa Elena Hospitality Group as Executive Chef at the resort, overseeing the resort's three restaurants - the historic Trading Post, the casual Candelilla Café and the fine-dining Ocotillo Restaurant - in addition to the resort's general catering offerings. Chef Cannito brings with him 21 years of experience in resort restaurants, free standing restaurants and catering cuisine, making him particularly adept at overseeing such a diverse food and beverage operation. Having most recently served as Executive Chef for Maritime Café in Stonington, Maine, his tenure has also included Emerson Inn By The Sea in Rockport, Massachusetts; Callaway Gardens in Pine Mountain, Georgia; and Rumjungle, the Brazilian and Asian Cuisine restaurant in Las Vegas' Mandalay Bay Resort. Chef Cannito has also managed and prepared meals around the world as the Western Executive Chef with the Gitic Plaza Hotel in Guangzhou, China and as the Chef de Cuisine with Regal Kowloon Hotel in Hong Kong, China.

The Bread Bar

Chef Cannito holds a Bachelor of Science Degree in Hotel, Restaurant and Travel Administration. Having worked with Asian and Caribbean inspired and, most recently, New England-style cuisines, Chef Cannito is continually evolving creatively.

5.3. Management Team Gaps

Operations Manager -

Upon completion of our financial offering, we will begin the search for an operations manager with strong experience in the restaurant industry; preferably in both a sit down family style operation as well as a fast-casual or fast food operation. This individual would oversee the daily operations of the Bread Bar including staffing, operations and food and service quality. The additional management duties from payroll and accounting to marketing would be handled by the management company.

Bread Bar Chef -

Upon completion of our financial offering, we will begin the search for a Chef with strong experience in the restaurant industry; preferably in both a sit down family style operation as well as a fast-casual or fast food operation. This individual would oversee the daily operations of the Bread Bar kitchen including staffing, ordering and food quality.