

Smiles, Inc.

Smiles, Inc.
Rehoboth, Delaware.

"Far better it is to dare mighty things, to win glorious triumphs even though checkered by failure, than to rank with those poor spirits who neither enjoy nor suffer much because they live in the gray twilight that knows neither victory nor defeat."

- Theodore Roosevelt

Smiles, Inc.

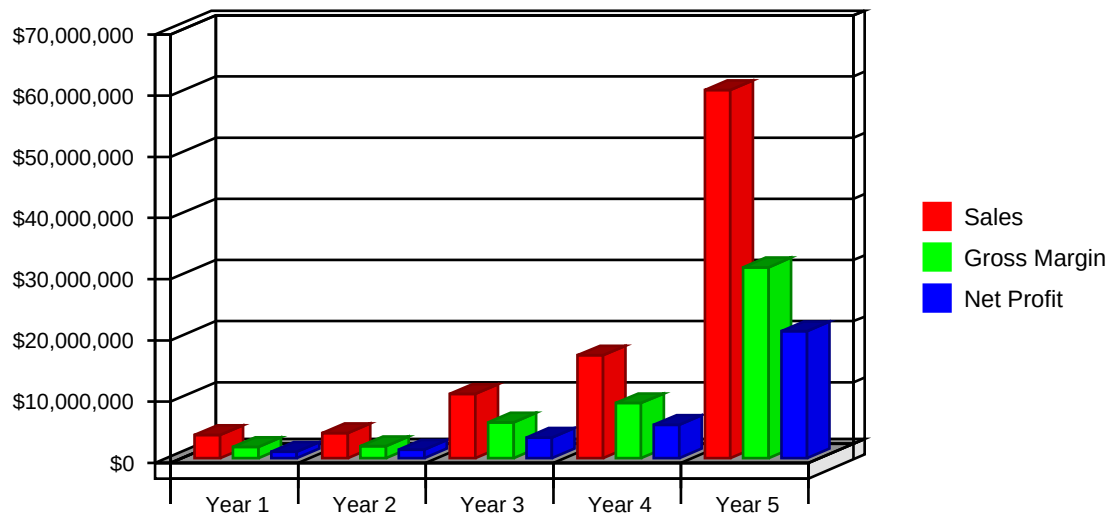
1.0 Executive Summary

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

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

In order to grow at a rate consistent with our objectives, Smiles, Inc. is seeking an outside loan or investment of \$3,000,000.

Highlights



1.1 Objectives

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

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

1.2 Mission

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

1.3 Keys to Success

Location, Location, Location.

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

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

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

Smiles, Inc.

2.0 Company Summary

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

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

2.1 Company Ownership

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

2.2 Start-up Summary

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

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

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

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

Smiles, Inc.

Proposed Lot For Smiles, Inc

The Autocashier Unit

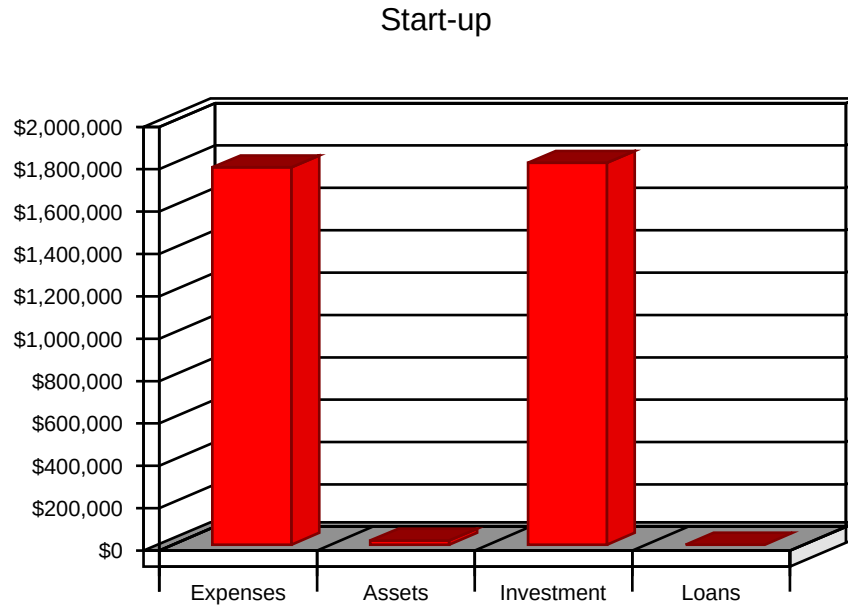


**REHOBOTH BEACH, DELAWARE
COMMERCIAL PROPERTY
DEVELOPMENT OPPORTUNITY**

An aerial map of Rehoboth Beach, Delaware, showing a 10.3-acre commercial property development opportunity. The map includes labels for Rehoboth Beach, Dewey Beach, Route 1, Tanger Outlets, and Howard Glade Road. The property is outlined in yellow and labeled '10.3 ACRES'. A compass rose is located in the bottom left corner of the map.

**LOCATED IN ONE OF THE AREAS
MOST PRESTIGIOUS BUSINESS
CENTERS ALONG ROUTE 1. 10.3 ACRES**

Smiles, Inc.



2.3 Company Locations and Facilities

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

3.0 Products

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

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

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

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

Smiles, Inc.

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

3.1 Product Description

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

3.2 Competitive Comparison

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

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

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

3.3 Sales Literature

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

Smiles, Inc.

3.4 Sourcing

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

3.5 Technology

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

3.6 Future Products

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

4.0 Market Analysis Summary

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

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

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

4.1 Market Segmentation

The market can be segmented into three target populations:

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

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

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

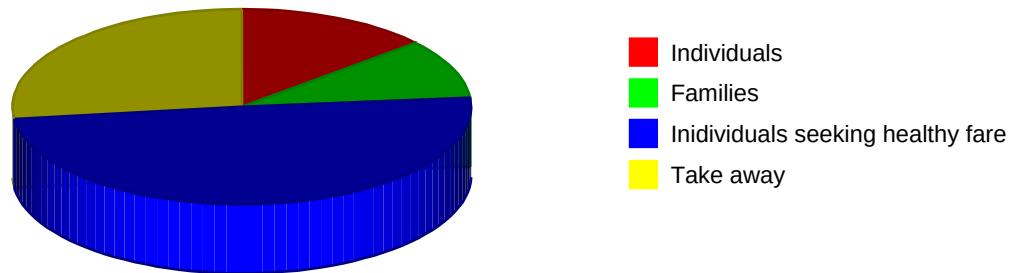
- Families who live nearby.
- Young professionals who work close to the location.
- Shoppers who patronize nearby stores.
- Individuals seeking healthier eating fare for a variety of reasons.

Table: Market Analysis

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

Smiles, Inc.

Market Analysis (Pie)



4.2 Industry Analysis

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

4.2.1 Industry Participants

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

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

Smiles, Inc.

Smiles addresses the essential three to health, good air, good food, and good water.

Smiles addresses food safety, ozonated water for washing of food items and sanitation.

Smiles addresses self sufficient operations, forex and gold investments. Smiles invests 10% of total investment to insure longevity of company.

Smiles management includes Computers for management of building automation, cash flow, energy conservation, inventory, personnel, profit and loss, and sales forecast.

Smiles will pioneer the way by using clean burning hydrogen gas for cooking and heating. Laminate solar panels, h₂O, and fuel cell technology will allow each unit to produce it's own energy, helping to lessen powerplant pollution.

Smiles future operations will include hydrogen gas pumps. Every car that uses hydrogen gas, cleans the air instead of polluting.

FROM THE PRESIDENT OF SMILES

The goals that I and my associates have for Smiles is to change the fast food industry and bring healthy food to those that want it now. To bring education, health, long life, and a smile to all those that visit. We owe it to future generations to make things better, but we have to start now. Cancer, Heart Disease, and Obesity are on the rise. The fast food industry can change the world, due to the millions of people it caters to every day.

Modern technology makes it possible to serve, what I call, alternative fast food. This vegan fast food is really going back to the way God intended. Most of the disease in the world is from our lack of eating what we were designed to eat.

Smiles is about helping people eat right. People, wherever I go, say the fast food industry needs a shakeup. It is not exciting to go to a fast food restaurant. They have only one healthy item, WHY?

For further information on SMILES, INC
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Thanks for the opportunity to present
The Smiles, Inc Executive Summary

Ed Heffner
President