

Concession Concept Proposal of
Food First, Inc.

HOST MARRIOTT CORPORATION



Sample Concept Paper

Food First, Inc.

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Table of Contents

FOOD FIRST BUSINESS BACKGROUND.....3
Restaurant Division -----3
Airport Food and Retail Divisions -----3
Retail Management Expertise -----3
Real Estate Division -----3
Travel Division -----3
Organizational Chart -----4

PROPOSED ONTARIO INTERNATIONAL AIRPORT ACQUISITION.....5

TRIP LITE LUGGAGE CONCESSION CONCEPT5
Trip Lite Luggage Background -----5
Nationally Recognized Brands -----5
Merchandising -----6
Layout Plan -----6
Marketing Strategy -----6

FOSSIL CONCESSION CONCEPT7
Fossil Background-----7
Design, Marketing and Distribution -----7

CORPORATE INFORMATION.....8

SUMMARY.....8

FINANCIAL ANALYSES9
Trip Lite Luggage/Fossil Ontario Terminal 2 – Concession Analysis -----9
Trip Lite Luggage/Fossil Ontario Terminal 4– Concession Analysis ----- 10
Trip Lite Luggage/Fossil Ontario - Capitalization Plan----- 11
Trip Lite Luggage/Fossil Ontario – Asset Purchase Settlement Sheet ----- 12

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Food First Business Background

Food First Restaurants, Inc. is a Washington, DC, minority owned company, with over \$20 million dollars in assets, three hundred plus employees, and annual revenues of nearly \$5.5 million dollars. As the sole owner of Food First Restaurants, Inc., Mr. Clark manages his diverse company with the support of a strong management team. Food First Restaurants, Inc.'s (FFR) major operating divisions include airport, real estate, restaurant, and travel.

Restaurant Division

Since 1970, FFR has been engaged in the food business with seven food operations in Washington, DC. Each of FFR's five Food First restaurants offer a menu focused on Asian cuisine. The five freestanding restaurants generate annual revenues of \$2 million dollars, and employ over 100 people. FFR owns and operates two food and beverage concessions at Sea-Tac International Airport.

Airport Food and Retail Divisions

FFR has been engaged in international airport operations for more than 8 years. The Company's Sea-Tac and Washington International Airports food operations generate annual revenues of \$1.5 million dollars. FFR's food and beverage concession concepts include Manchu Wok and China Express.

FFR's airport retail operations include the recently acquired, Sun Shades and Trip Lite concepts at the Washington International Airport. The Company's acquisition of retail operations at Washington International Airport represents the owner's desire to develop a more diverse international airport division. As with every other divisions, FFR's owner has invested a considerable amount of money, resources and expertise in its development of the strongest possible management team. Detailed information about FFR's retail concepts is outlined below.

Retail Management Expertise

Mr. Clark owned and managed the South Sky Bookstore in Washington, DC for more than nine years. The Bookstore generated annual revenues of more than \$500,000. The advent of national bookstore chains like B. Dalton, and Barnes & Noble forced the small family owned book stores out of the market, during the mid 1990's.

Real Estate Division

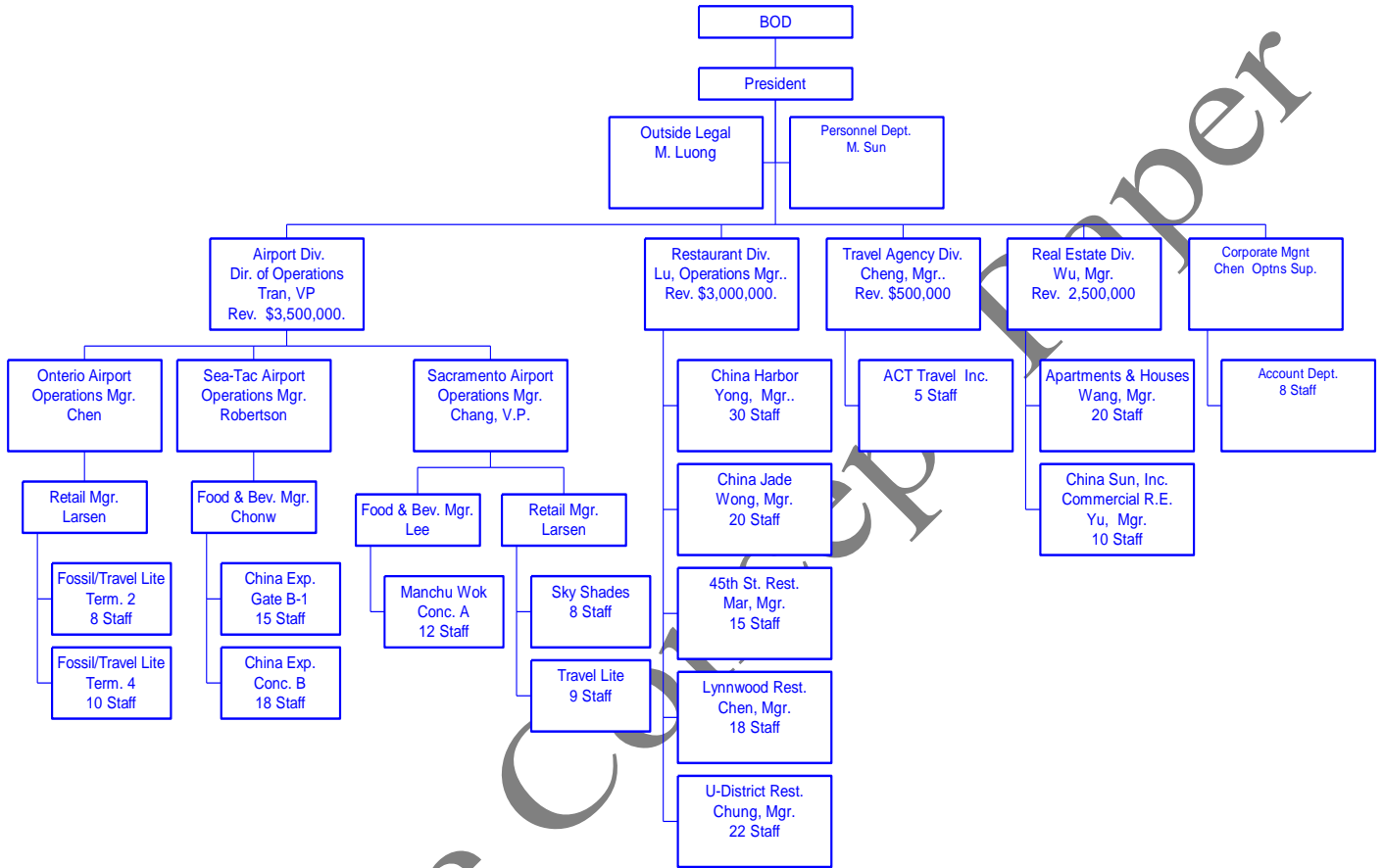
FFR has been engaged in commercial, residential, and multi-family real estate ownership and management for more than 30 years. FFR's real estate holding are valued at \$10 million dollars and are centered in commercial properties. Annual revenues total more than \$1 million dollars.

Travel Division

FFR's travel agency, ACT Travel, Inc. generates annual revenues of \$500,000. via group, business, and vacation sales. ACT has provided travel services, since 1980.

Organizational Chart

**Food First Restaurants, Inc.
Organizational Chart**



Proposed Ontario International Airport Acquisition

Food First Restaurants, Inc. plans to acquire and convert the All Sounds/Fossil retail concession at the Ontario International Airport to a Trip Lite Luggage/Fossil (TLL/F) concept. The Trip Lite Luggage concept operated at the Washington International Airport by FFR has been selected to replace All Sounds at both Ontario concession locations. The concession concept conversion from All Sounds to Trip Lite Luggage will be smooth because the concession layout configuration will not be modified, and the changes in display fixtures will be limited to new wall fixtures.

FFR's goal with the proposed acquisition at Ontario International Airport is to utilize the resources, and expertise of its Sacramento management team to make the new Trip Lite Luggage/Fossil concession concepts at Ontario International Airport successful. The cross marketing of the Trip Lite Luggage/Fossil concepts provides the Ontario International Airport travelers with a one stop source for competitively priced, brand name, quality products. Fossil's concession concept merchandising, marketing and pricing will continue to be managed with the direction and support of Fossil. The Trip Lite Luggage concession concept, merchandising, marketing, and pricing plans are outlined below.

Trip Lite Luggage Concession Concept

Trip Lite Luggage Background

The Trip Lite Luggage concession at Ontario International Airport will be modeled based upon the merchandising, pricing, display and marketing systems utilized by the First Class Baggage Company at Denver International Airport, the most successful airport luggage concession in the US. The First Class Baggage (FCB) store generates annual revenues per square foot of \$1,500.00 out of its 800 square foot concession location. Based upon our analyses, and FCB's management, the key to FCB's success is their display, merchandising, and marketing systems. The ONT Trip Lite Luggage concession will be modeled after the DIA FCB concept and an upgrade from FFR's Washington International Airport.

The ONT TLL/F concession will realize a 20% increase in revenues over the existing All Sounds concessions. Increased revenues combined with the 4% enhancement in TLL/F's gross profit margin over All Sounds' gross profit margin will result adjusted operating profits increasing from \$44,300 or 11.50% at FYE 1999, to \$115,320 or 26.30% at FYE 2001 (see attached analyses). TLL/F will provide a relaxed atmosphere, at Ontario International Airport, where customers will discover products to improve their image.

Nationally Recognized Brands

The product assortments include:

A.T. Cross	Andiamo	Boyt
Aircase	Atlantic	Dakota
Am. Tourister	Atlas	Delsey

Food First, Inc.

Eagle Creek
Ghurka
Goldpfeil
Hartmann
Hugo Bosca Impuls
Jack Georges
Jansport
Kenneth Cole

Kipling
Lark
Leather Specialty
Lodis
Lucas
Max
Montblanc
Pathfinder

Samsonite
Schlesinger
Skyway
Travelpro
Tumi
U.S. Luggage
Victorinox

Merchandising

People around the world know and trust the brand name products offered by TLL/F. Travelers at ONT can count on TLL/F to provide them with the above mentioned travel products. With the number of passengers, passing through ONT, it is important to have a retail store that offers a variety of choices, and recognized national brand named products.

Layout Plan

FFR has identified two primary characteristics of travelers who are potential customers: 1) they are in a hurry, and 2) they are loaded with jackets, and carry-on luggage. FFR's concession is designed to make it immediately clear that there is ample room for the heavily laden customer. The cash register will be clearly visible, and will be staffed at all times, making it clear that fast and efficient service is a part of the operation.

TLL/F's decor will appeal to those customers who are not in a hurry. Customers with time on their hands will appreciate the relaxed atmosphere, where they will be made to feel comfortable and welcome. The TLL/F design puts a premium on making it evident at even a casual glance that TLL/F offers the highest quality, and range of products. FFR will offer fast service for people who are in a hurry to catch a plane.

Marketing Strategy

Through research and current data, FFR has put together the following marketing plan for the TLL/F. It is our opinion that the typical customer fits the following profile:

- ◆ Leisure-oriented passengers have average disposable income; the majority being female (57%);
- ◆ Business travelers with the majority 55% being male and 45% being female in their early 40s; and
- ◆ Sophisticated travelers with a higher than average income.

TLL/F merchandising lines takes into consideration the above passenger profile and makes it easy for customers to relate to its product lines and store atmosphere.

FFR's knowledge of flight schedules enables the Company's staff to operate effectively and economically. The vast majority of customers are impulsive buyers. We plan to stimulate the traveler visually and subconsciously via high quality products and merchandising.

Food First, Inc.

To attract passengers, we intend to advertise in in-flight magazines. The ads would not only describe TLL/F, and would include a small map showing our location in ONT.

Airport employees are "untapped customers." Two thousand ONT employees provide FFR with another source of sales. We believe airport employees will utilize TLL/F, because of our competitive prices and product lines. An aggressive advertising campaign will be launched to attract ONT employees. This campaign will include ONT employees percentage discounts. Please note that TLL/F has structured itself to be flexible enough to conform to the market and make adjustments as needed.

Fossil Concession Concept

Fossil Background

The Fossil concession at Ontario International Airport will continue to be managed and operated with merchandising, marketing, and operational support from Fossil's corporate management.

Fossil was founded in 1984 at a time when watches were created for function rather than fashion. The company sought to fill this void in the market and began designing watches to act as a fashion accessory. Fossil incorporated a fifties Americana design into the brand image in an attempt to target value driven consumers. The concept paid off and Fossil quickly emerged as the leader of a growing industry. Today Fossil produces over three hundred different styles of watches in a line, which continually changes. Fossil's renowned designers constantly study emerging fashion trends to bring consumers the most unique and innovative products. After augmenting the watch selection choice for consumers, Fossil expanded its selection to other fashionable accessory items. Fossil introduced small leather goods in 1992 for men and women. Wallets, belts, key chains and backpacks helped Fossil establish its expertise in leather goods. In 1995, Fossil moved into the eyewear market introducing uniquely designed Sun glasses creatively capturing the Fossil image. This move represented just one more step in Fossil's effort to strengthen the accessory market with innovative style and quality aiding the company in its continued growth.

Design, Marketing and Distribution

Fossil is a leader in the design, development, marketing and distribution of contemporary, high quality watches and accessories predicated on fashion and value. The Company has grown from its original flagship product, FOSSIL brand watches, into a diversified company. Several brands now fall under the FOSSIL umbrella in addition to accessory lines featuring small leather goods, belts, handbags and Sun glasses. FOSSIL continues to improve its place in the market based on its commitment to innovation and quality. The Company leverages its development and production expertise by designing and manufacturing private label products for some of the most prestigious companies in the world. Through constant study of the world's fashion trends, the Company is able to continually bring the most unique products to the market. FOSSIL brand products can be found in department stores, other upscale retailers and in its own retail stores and outlets in over eighty countries around the world.

Food First, Inc.

Corporate Information

Name of Company: *Food First, Inc.*
Street Address: *2000 Lake Ave., N*
Phone #: *206-222-8888*

Contact Person: *Mr. Clark*
City/State: *Washington, DC*
Fax #: *425-777-5858*

Summary

Trip Lite Luggage/Fossil will provide ONT employees, passengers and visitors with competitively priced, and high quality nationally recognized products. The Trip Lite Luggage/Fossil customer profile is consistent with ONT's passenger profile. FFR is a 100% owned and controlled DBE firm. The Company's merchandise will not compete with any of the concessionaires in ONT.

Sample Concept Paper

Financial Analyses

Trip Lite Luggage/Fossil Ontario Terminal 2 – Concession Analysis

TLL/F Store
Ontario Terminal 2
Preliminary Concession Valuation

		1/9/01		Proj. Inc. 15.00%		Proj. Inc. 15.00%	
		Actual FYE Revenues		2001		2002	
		2000					
Revenues							
All Sounds		\$116,000	46.4%				
Fossil		\$134,000	53.6%	\$154,100	53.6%	\$177,215	53.6%
Trip Lite Luggage				\$133,400	46.4%	\$153,410	46.4%
Total Revenues		\$250,000	100.0%	\$287,500	100.0%	\$330,625	100.0%
COGS							
COGS – All Sounds	54.00%	\$62,640	25.1%				
COGS - Fossil	47.50%	\$63,650	25.5%	\$73,198	25.5%	\$84,177	25.5%
COGS - Trip Lite Luggage	51.00%			\$68,034	23.7%	\$78,239	23.7%
COGS		\$126,290	50.5%	\$141,232	49.1%	\$162,416	49.1%
Rent (Min. Rent \$43,200. Yrly)	16%	\$43,200	17.3%	\$46,000	16.0%	\$52,900	16.0%
Employees Payroll		\$55,000	22.0%	\$55,000	19.1%	\$55,000	16.6%
Operating Expenses (est.)		\$12,000	4.8%	\$12,000	4.2%	\$12,000	3.6%
Total Expenses		\$110,200	44.1%	\$113,000	39.3%	\$119,900	36.3%
Operating Profit		\$13,510	5.4%	\$33,269	11.6%	\$48,309	14.6%

FINANCIAL ANALYSIS

Sales Annually		\$250,000		\$287,500		\$330,625	
Sales Monthly		\$20,833		\$23,958		\$27,552	
Sales Daily		\$799	100.0%	\$919	100.0%	\$1,057	100.0%
Optng Expenses Daily		\$679	85.0%	\$763	83.0%	\$856	81.0%
Optng Profit Daily (BFIT)		\$120	15.0%	\$156	17.0%	\$201	19.0%
Net Passenger Yeild This Concession		\$0.12		\$0.14		\$0.16	
Net Passenger Yeild Concourse/Terminal		\$0.78		\$0.78		\$0.78	
Market Share of Concessionaire		15.82%		18.19%		20.92%	
Passenger Traffic Terminal	2,039,182						
Annual Revenues PSF	1000	\$250.00	\$20.83	\$287.50	\$23.96	\$330.63	\$27.55

Trip Lite Luggage/Fossil Ontario Terminal 4– Concession Analysis

TLL/F Store							
Ontario Terminal 4							
Preliminary Concession Valuation							
1/9/01							
	Change	Actual FYE Revenues		Proj. Inc. 15.00%		Proj. Inc. 15.00%	
		2000		2001		2002	
Revenues							
All Sounds		\$150,000	40.1%				
Fossil		\$224,000	59.9%	\$257,600	59.9%	\$296,240	59.9%
Trip Lite Luggage				\$172,500	46.1%	\$198,375	40.1%
Total Revenues		\$374,000	100.0%	\$430,100	100.0%	\$494,615	100.0%
COGS							
COGS – All Sounds	54.00%	\$81,000	21.7%				
COGS - Fossil	47.50%	\$106,400	28.4%	\$122,360	28.4%	\$140,714	28.4%
COGS - Trip Lite Luggage	51.00%			\$87,975	20.5%	\$101,171	20.5%
COGS		\$187,400	50.1%	\$210,335	48.9%	\$241,885	48.9%
Rent (Min. Rent \$43,200. Yrly)	16%	\$59,840	16.0%	\$68,816	16.0%	\$79,138	16.0%
Employees Payroll		\$55,000	14.7%	\$55,000	12.8%	\$55,000	11.1%
Operating Expenses (est.)		\$12,000	3.2%	\$12,000	2.8%	\$12,000	2.4%
Total Expenses		\$126,840	33.9%	\$135,816	31.6%	\$146,138	29.5%
Operating Profit		\$59,760	16.0%	\$83,949	19.5%	\$106,591	21.6%
FINANCIAL ANALYSIS							
Sales Annually		\$374,000		\$430,100		\$494,615	
Sales Monthly		\$31,167		\$35,842		\$41,218	
Sales Daily		\$1,195	100.0%	\$1,375	100.0%	\$1,581	100.0%
Optng Expenses Daily		\$1,016	85.0%	\$1,141	83.0%	\$1,281	81.0%
Optng Profit Daily (BFIT)		\$179	15.0%	\$234	17.0%	\$300	19.0%
Net Passenger Yeild This Concession		\$0.08		\$0.09		\$0.11	
Net Passenger Yeild Concourse/Terminal		\$0.78		\$0.78		\$0.78	
Market Share of Concessionaire		10.63%		12.23%		14.06%	
Passenger Traffic Terminal	4,538,823						
Annual Revenues PSF	1000	\$374.00	\$31.17	\$430.10	\$35.84	\$494.62	\$41.22

Food First, Inc.

Trip Lite Luggage/Fossil Ontario - Capitalization Plan

Food First, Inc. Capitalization Plan 1/10/01

ONT Analysis
Final Numbers

<u>Land, Building & Facility</u>	<u>Travel Lite</u>		<u>Fossil</u>		<u>Total</u>	
New Tenant Finish and Material	\$10,000	5.2%			\$10,000	2.3%
Elect. Work	\$750	0.4%			\$750	0.2%
Other Expenses	\$350	0.2%	\$350	0.1%	\$700	0.2%
Total	\$11,100	5.7%	\$350	0.1%	\$11,450	2.7%
<u>Freight & Sales Taxes</u>	\$500	0.3%			\$500	0.1%
Installation Expense	\$800	0.4%			\$800	0.2%
Signage	\$1,100	0.6%			\$1,100	0.3%
Total	\$2,400	1.2%			\$2,400	0.6%
<u>Cash, Inventory, Training & Etc.</u>						
Working Capital (Cash)	\$500	0.3%	\$500	0.2%	\$1,000	0.2%
Inventory	\$17,000	8.8%	\$70,000	29.7%	\$87,000	20.3%
Closing Costs Estimate (see Settlement Sheet)	\$157,500	81.5%	\$157,500	66.9%	\$315,000	73.5%
Security Deposit	\$500	0.3%	\$500	0.2%	\$1,000	0.2%
Prepaid Insurance	\$850	0.4%	\$850	0.4%	\$1,700	0.4%
Training Expense	\$350	0.2%	\$350	0.1%	\$700	0.2%
Utility Deposits	\$250	0.1%	\$2,500	1.1%	\$2,750	0.6%
Contingencies	\$2,500	1.3%	\$2,500	1.1%	\$5,000	1.2%
Leased Eqmt Secur. Dept						
Organizational Cots	\$250	0.1%	\$250	0.1%	\$500	0.1%
Total	\$179,700	93.0%	\$234,950	99.9%	\$414,650	96.8%
<u>Intangible/Goodwill</u>						
Total Investment	\$193,200	100.0%	\$235,300	100.0%	\$428,500	100.0%
Cost Per Sq. Ft.	2,000	\$96.60		\$117.65	\$214.25	
<u>Financial Analysis</u>						
Sales Annually	\$442,200		\$361,800		\$804,000	
Net Profit Before Taxes	\$66,886		\$48,434		\$115,320	
Net Profit After Taxes	\$44,813	33%	\$32,451		\$77,264	
Net Profit Margin	15.13%		13.39%		14.34%	

Trip Lite Luggage/Fossil Ontario – Asset Purchase Settlement Sheet

Sample - Settlement Sheet
Asset Purchase of the ORT. All Sounds
 December 12, 2000

	SELLER		BUYER	
	Debit	Credit	Debit	Credit
1 Settlement Price		\$315,000.00	\$315,000.00	
2				
3 Earnest Money Deposit	\$15,750.00			\$15,750.00
4				
5 Net Due to SELLER for Inventory (Estimated)		\$70,000.00	\$70,000.00	
6				
7 ORT. Badges	\$20.00			\$855.86
8 ORT. Current and Past Due % Rent	\$2,739.87			\$2,722.41
9 ORT. Current and Past Due Min. Rent	\$4,105.41			
10 ORT. Electric	\$1,477.37			\$43.36
11 ORT. Occupational Tax (\$156.00/61 days)	\$112.64			\$669.15
12 ORT. Property Taxes (1999 and 2000)	\$361.22			\$1,837.03
13 ORT. Sales Taxes (\$2198.25/61 days)	\$1,585.76			\$875.00
14 ORT. Sales of Assets (3.5% of \$75,000)				\$2,625.00
15 ORT. Perform. Bond				\$450.00
16				
17				
18 Check to RMD Fin. - Contingency Fee (4% & 1.55%)	\$15,400.00			\$5,967.50
19 Check to RMD Fin. - Retainer Fee	\$0.00			\$500.00
20				
21				
22 UCC-1 Filing of BUYER Lien				\$16.00
23 UCC-3 Release of SELLER Lien	\$16.00			
24				
Totals	\$41,568.27	\$385,000.00	\$385,000.00	\$32,311.31
Bal. (From) or To Seller	\$343,431.73			
Bal. From or (To) Buyer				\$352,688.69
Totals	\$385,000.00	\$385,000.00	\$385,000.00	\$385,000.00