



California TORTILLA®

Franchise Report 2017



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SOUTHWEST SALAD



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What is California Tortilla?

At California Tortilla, we looked at the standards of common dining options and re-imagined them from the inside out. So what does this mean?

California Tortilla is Mexican re-imagined. Our Chef-Inspired Creations blend flavors from around the world with the best of Mexican. Our signature items offer a twist on traditional Mexican flavors and include sauces like Honey Lime, Crunchy BBQ Ranch, Korean BBQ, and California Screamin'. We only use premium proteins. Our salsa, guacamole, queso and sauces are made fresh daily, on-site, from the best ingredients we can get our hands on. What makes California Tortilla unique is the simple premise that we are serious about food.

We never cut corners on the quality of our food because we know that great ingredients make great food. We don't even have freezers in our restaurants! California Tortilla's food quality standards aren't based on what's acceptable by the industry. We have our own, higher set of standards that are set by what our guests deserve. It isn't complicated- fresh just tastes better.

But we didn't stop with our food, we re-imagined the entire guest experience. We've replaced point and grunt assembly lines with guest-first communication. We talk to our guests, ask them what they are in the mood for, and make sure they LOVE their food. And if they don't, we do whatever it takes to make it right.

We call our guests by their names because to us, each guest is a unique person, not a number, and because we want to build a relationship with each person who walks through our doors.

BACON BURRITO



Our Story

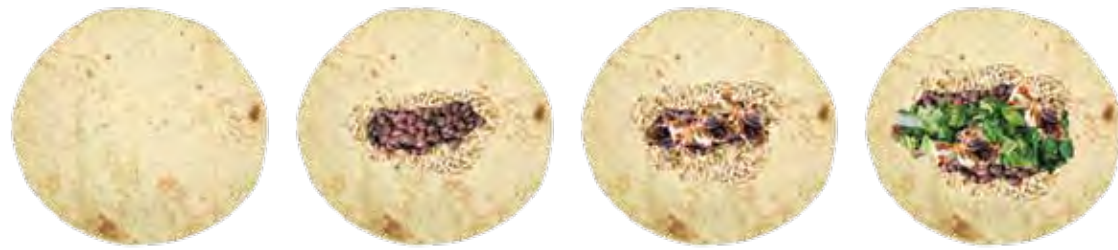
As people, we, the creators of California Tortilla, have been on all sides of the restaurant business. From consumers, to franchisees in other concepts, we saw firsthand what happens when you skimp on ingredients or put customers second.

We knew that without good ingredients or happy customers, a business, especially a restaurant business, would never be successful. This put our minds to work, because while we as franchise owners had enjoyed quite a few successes over the years, we had yet to create something truly groundbreaking.

With a serious amount of determination, we set out to design a unique and pleasant dining experience that not only focused on the quality of the food, but also embodied our dedication to good service and our community.

In 2003, California Tortilla's first franchise location was opened and quickly became a frequent destination for thousands of people who craved imaginative, healthy, Cal Mex cuisine. We were fast, we were healthy, and we loved our customers. So, we grew. As the years went by, Cal Tort's imaginative dishes, fresh ingredients and fun attitude have grown from a small franchise in Maryland to a well-known brand located all along the east coast.

Through practice and trial and error, we as franchisors have meticulously engineered California Tortilla for growth. With a commitment to efficiency, quality ingredients, and happy customers, every detail is deliberate and created to help franchisees succeed.



Why California Tortilla?



Our community of franchise owners and their employees think of our food not just as a meal, but as a work of art, and then they show that same respect to our customers. We genuinely care, and that's the reason why we are successful. We're also committed to reducing our ecological footprint and incorporating earth-friendly practices into our operations for a greener and cleaner future.

For most of our franchise owners, therefore, their "why" can be divided into two driving forces: Firstly, our franchise owners are driven by pride. They are proud to own a Fast Casual restaurant that provides their communities with high quality product that exceeds what our competition offers.

Secondly, the unit economics of the Cal Tort business model are exceptional. The constant pursuit of growth drives us, individual franchise owners and the entire brand as a whole. Continuous improvement of the economics and the scale into new restaurants, is a big part of our franchise owners "why".



Growing Industry



Fresh Ingredients



Excellent Unit Economics



Chef Created Menu

Why California Tortilla?

Cal Tort operates within the gigantic Fast Casual industry which collectively outputs \$52 billion in sales annually. This industry has long been considered as recession-resilient, because eating affordably is a necessity for most, particularly in times of economic downturn.

Fast Casual restaurants have consistently made strong year-over-years sales gains in the last decade and in 2017, according to the IHS Economic Output Report, Fast Casuals are expected to enjoy a 6.3% increase in sales growth.* Compare this to similar industries, like retail food, which is only expected to grow by 1.5%.*

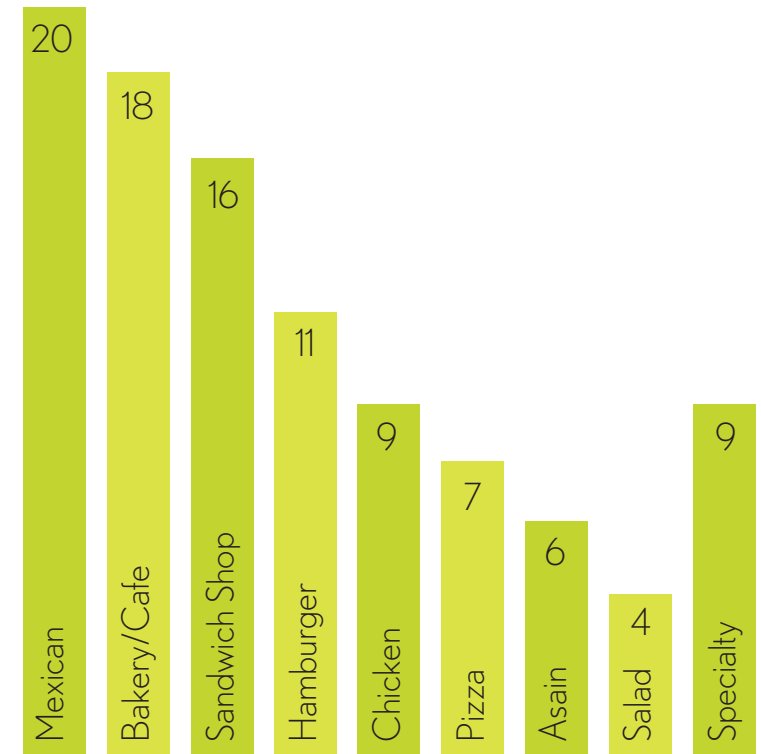
The segment is rapidly growing because consumers love how it fits their lifestyle. It aligns the need to eat on the run while offering healthier options. The food is fresher, higher quality and more customizable than traditional fast food. More consumers are deciding to pass on previously frozen, low quality ingredients and are actively searching for higher

quality options that still fit into their need for “on-the-go” eating.

The Fast Casual sector in the restaurant industry shows very significant gains over the past few years, and is expected to continue to perform above average.

More on stats on the Fast Casual segment:

- Increasing 550% since 1999, ten times the growth in the fast-food industry. Exceeding its 5-year compounded annual growth rate of 11.7% in one year (2014).
- Climbing 12.8% to \$30 billion in annual sales in 2014 (Almost double the other restaurant segment's growth rate.)
- Forecasting growth in the double digits through 2022 (Remainder of the restaurant industry predicted to grow half a percentage point.)
- Consumers currently spend more than \$39 Billion in Mexican restaurants annually.



**Top 100 Fast Casual Chains
By Percentage of Sales**

Our Awards

Sure, getting awards from food critics and magazines is nice. But the only recognition that matters to us is that from our Customers. Check out some of the awards we have won thanks to praise from our loyal Cal Tort fans!



Fast Casual Magazine Top 100
Movers and Shakers (2007, 2009 -2013, 2016, 2017)



"Best Burrito" by readers
of Washingtonian Magazine



"Best Cheap Eats"
from AOL City Guide



"Best Mexican" by readers
of Washingtonian Magazine

Menu

Made in small batches throughout the day with the best ingredients we can source! We're not just rice, beans and meat-our menu is full of innovative and crave-inducing creations. We fuse together traditional Mexican cuisine with unexpected and bold flavors from around the world, and sauces made in-house daily to bring you something truly unique.

SELF-INSPIRED CREATIONS



Burritos & Bowls

Tacos

Salads

Quesadillas

Nachos

Fajitas

CHEF INSPIRED CREATIONS



California Sunset Bowl



Carnitas Verde Burrito

Honey Lime Burrito

Mixed Grilled Bowl

Enchalada Bowl

Korean BBQ Burrito

Blackened Chicken Caesar Burrito

California Screamin' Burrito

Crunchy BBQ Ranch Burrito

SIDES AND DESSERT



Chips

Salsa

Guacamole

Queso



Cookie

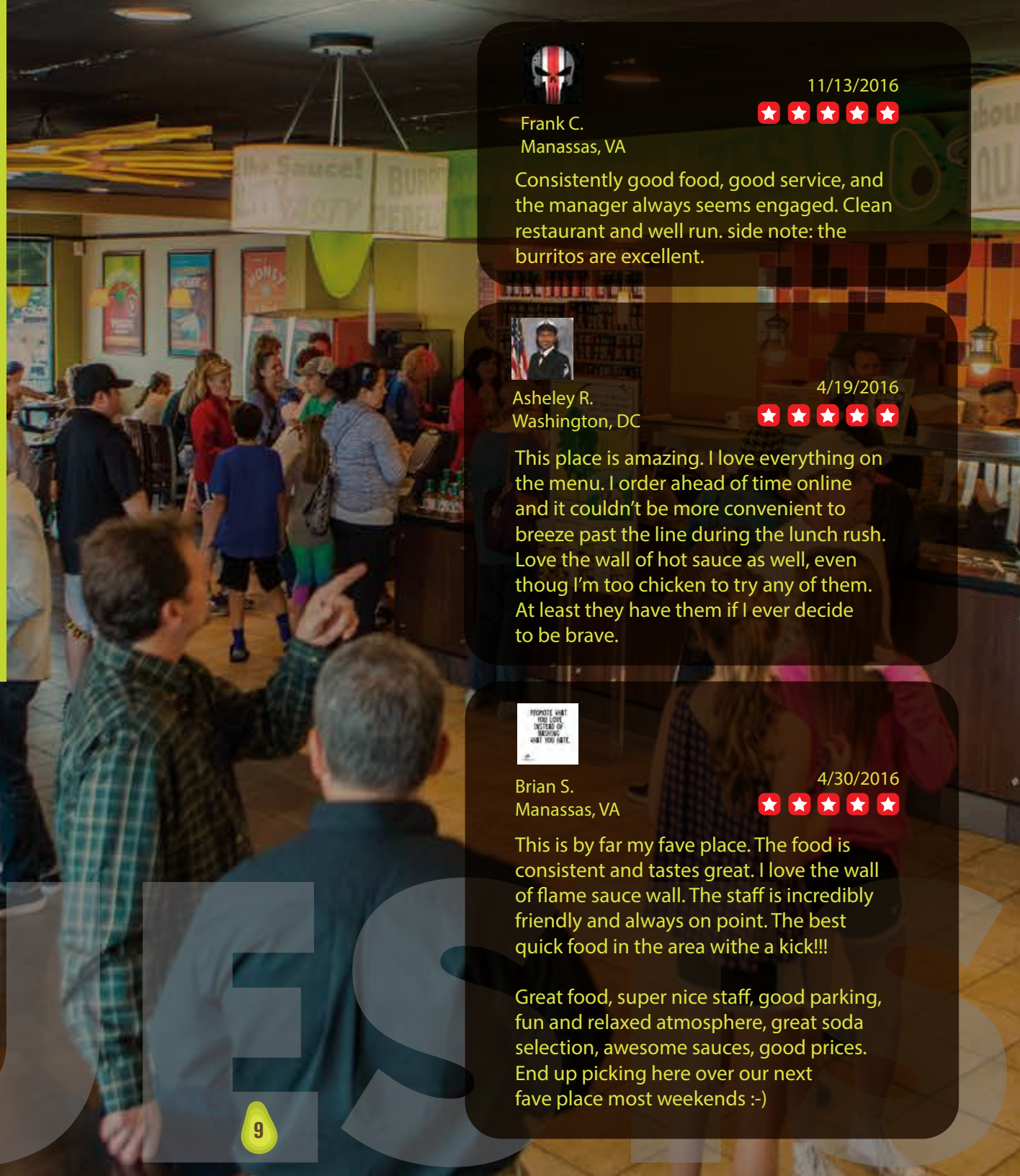
Brownie

Our Guests

Our Customers tell us that they are getting tired of the same old American staples of burgers and pizza. Though Mexican food is not new by any means, the demand for it has grown, evidenced by the fact that consumers are now spending almost \$40 billion annually at Mexican restaurants.*

Cal Tort Customers are some of the most vocal in this industry, with over 28,000 fans on Facebook and a plethora of amazing Yelp reviews.

*Source: <http://www.chd-expert.com/resource-center/2014-mexican-restaurant-industry-landscape>)



11/13/2016



Frank C.
Manassas, VA

Consistently good food, good service, and the manager always seems engaged. Clean restaurant and well run. side note: the burritos are excellent.



4/19/2016



Asheley R.
Washington, DC

This place is amazing. I love everything on the menu. I order ahead of time online and it couldn't be more convenient to breeze past the line during the lunch rush. Love the wall of hot sauce as well, even though I'm too chicken to try any of them. At least they have them if I ever decide to be brave.



4/30/2016



Brian S.
Manassas, VA

This is by far my fave place. The food is consistent and tastes great. I love the wall of flame sauce wall. The staff is incredibly friendly and always on point. The best quick food in the area with a kick!!!

Great food, super nice staff, good parking, fun and relaxed atmosphere, great soda selection, awesome sauces, good prices. End up picking here over our next fave place most weekends :-)

Why We're Unique



Chef Inspired and Recipe Based

25 house recipes that can be customizable. We source the highest quality ingredients available.
No freezers here!



We are Greener than Fresh Avocados

Our napkins' and bowls' are earth friendly and we are constantly exploring more ways to incorporate earth-friendly practices into our business for a greener and cleaner future.



Diverse Customer Base

Our deep menu that is highly customizable allows us to attract a wide ranging customer base, including; families, millennials, baby boomers & retirees.



Corporate Culture and Customer Service

We take pride in training our staff and empower our employees to solve problems. We also want to know who our franchise owners are and what life looks like after their store is up and running. We insist that every member of the community, from the guest to the team to the franchisee, is treated with the respect and appreciation they deserve.



Marketing

Our marketing focus has allowed us to build a robust social media following of over 200,000 subscribers. We've developed innovative and imaginative marketing efforts and promotions designed to generate awareness, encourage conversation, and unite a community.

Investment

The initial investment range for California Tortilla is \$412,700 to \$708,800. The actual cost will be determined, in large part, by the type and condition of the real estate and the particular market you are in.

Start-up costs range includes such line items as leasehold improvements, equipment, furniture, inventory/supplies, grand opening marketing, and three months of initial working capital.

The franchise fee for one store is \$40,000. Commitments to launch multiple restaurants within a certain timeframe earn new franchisees a lower franchise fee per location.

Accordingly, our financial requirements are loosely based on the availability of \$250K in liquid capital, \$1M net worth and a high credit score.

Initial Franchise Fee

| Single Unit | Three Units | Five Units |
|-------------|-------------|------------|
| \$40,000 | \$90,000 | \$125,000 |

Average Investment
\$560,750

Royalty
5%

SBA
APPROVED



How Much Can I Make?

As mentioned, there has been a significant increase in Fast Casual sales growth. We've also seen strong gains in the healthier food consumption segment. When a business can tap into both of these segments, meteoric growth is possible.

So when you introduce a California Tortilla into your market, you'll not only own the most innovative and high quality concept of it's kind in your town, you'll also tap into a high growth market opportunity with tremendous revenue opportunity.

As you go through the Education Process, you will have the opportunity to speak with the Development Manager and look through our Franchise Disclosure Document (FDD). As you learn more about the economics of the model throughout the Education Process, you'll be able to put together a business plan and performance to forecast your growth.

In the meantime, here's a sneak peak of our unit level economics. (By now you've probably got a sense of how proud we are of them!)

AUV

\$963,831

**Total Initial
Investment**

\$412,700-\$708,800

FISH TACOS



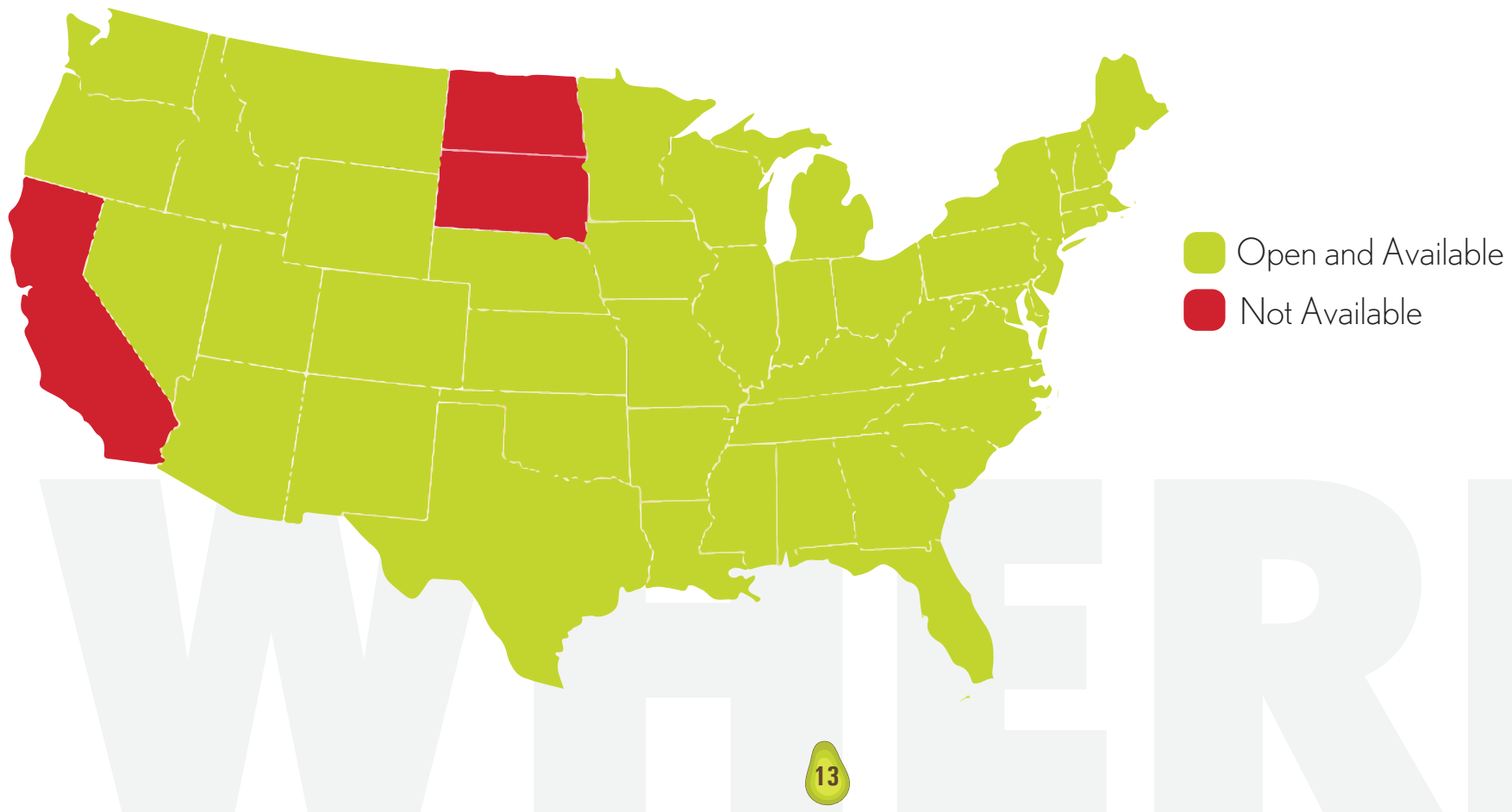
Territories

Due to increased demand from markets all across the country and following a highly successful regional franchise growth program, in 2017 we are now offering franchise opportunities nationwide.

As a new franchise owner, your territory will be based on a specific area surrounding the Restaurant. The size of the

Territory granted will vary from franchise to franchise, but will typically be a three-block radius for an urban location for the Restaurant, and up to a 1.5-mile radius for a suburban location for the Restaurant.

California Tortilla locations typically thrive in business districts in a large metropolitan area, and residential areas in or near strip malls.



Meet Our Franchise Owners



"What stood out was the freshness of the ingredients. The variety is limitless. The freshness of the ingredients, the choices, and the people. Every California Tortilla I've been to, people are just happy."

Vibhu Sethi
Franchise Owner

"Out of the gate it was just overwhelming. We had lines outside the door, we were serving 300-400 customers in an afternoon ...I'm into my second year and this year has just been way beyond my expectation."



Kevin Loeffler
Franchise Owner



Hard Worker



**Strong Restaurant
Background**



**Owner
Operator**



**Dedicated To
Customer Service**



**Liquid Capital:
\$250,000**



**Net Worth:
\$1 Million**

Who We Want

We are looking for like-minded individuals who share our vision for providing an industry-leading product, and who understand the importance that great service plays in a restaurant's success. We want to partner with franchise owners who are hungry to succeed, grow into multiple locations and bring customers in their markets a quality product unlike anything they've experienced before. A strong restaurant background is a plus, though it is not necessarily a firm prerequisite.

We are entrepreneurial in spirit and love working with people who think and dream big. We are always interested in speaking with area developers, but we understand that some people start smaller and have a solid growth plan. We've built successful businesses from the ground up, so we know what it takes and we are excited to help guide our franchise owners toward similar success.

A Day In The Life



As you can imagine a typical day for an owner can vary depending on how long they have been a franchise owner. We require franchise owners or their managers to be actively involved in the operations of the business in the beginning.

This is a typical day is for a newer owner who has only had a restaurant open for about 3 months:

On any given day, a franchise owner helps guide employees to ensure the operations are running smoothly. They may do some food prep, help on the cook line, work the POS system, hire and train a new

employee, touch tables and talk to guests. They monitor inventory levels, place orders with suppliers and make cash drops to their bank.

Some days, they do accounting and bookkeeping work. It is important they keep their financials top of mind to ensure they are headed in the right direction. They talk with the Cal Tort Accounting Support team to analyze their P & L and strategize on how to improve their metrics.

They frequently communicate with other franchise owners to problem solve, benchmark and review social media,

marketing and financials. They also go out into the local community to do local marketing by passing out coupons or business cards and letting surrounding businesses know about their location. They typically spend time on email and the phone daily.

Essentially, the owner must have strong organization skills and the ability to multi-task on any given day to be successful. After the 'start-up' period, they will be managing the managers and preparing to open their next store to do it all again!

Training

Our job as the Franchisor is to make sure you are fully trained on how to execute your Cal Tort business flawlessly, so that you too can enjoy the financial performance that our current franchise owners are accustomed to.

Before your Restaurant opens, you and one General Manager, must attend and successfully complete the initial training program that we offer. We will bear the cost of initial training (instruction and required materials) for up to three Highly Trained Personnel (which will include either you or, if applicable, the Principal Operator and a General Manager). For franchise owners that are awarded a multi-unit franchise agreement, we may offer the initial training to more than three Highly Trained Personnel.

You are solely responsible for all travel, meals, lodging and payroll expenses associated with sending attendees to our training programs.

We may require that any or all of the Highly Trained Personnel attend refresher courses, seminars, and other training programs periodically, including up to ten days of refresher programs each year during the term of the Franchise Agreement. We will bear the cost of this additional training (instruction and required materials).

Our initial training program will take place over a four week period, and is generally held six to ten weeks before the Restaurant is scheduled to open. The location(s) of the training will be at locations that we specify, including our headquarters in Rockville, Maryland, and at a California Tortilla Restaurant in Olney, Maryland, or possibly at other locations in the Washington, D.C./Maryland/Virginia region.

Like the execution of our business model, we take training very seriously. But we don't take ourselves too seriously, so we'll make sure you have a blast!



4 weeks of training
at our training center



1 week on site
through unit opening



Steps to Open a Shop



Real Estate

Our Real Estate Team helps you find the best location by teaming you with proven local brokers who know the area best!



Construction

Our team helps find the right GC for the job and gets your Cal Tort open as quickly and affordably as possible.



Finance

We have the tools to help you run your company and benchmark with our proprietary dashboard. We help you make data based decisions on your Cal Tort business as you look to get open.



Supply Chain

We set you up with our national vending partners like Sysco and Pepsi to ensure that you have a seamless rollout of ingredients, products and services, helped along with Cal Tort's volume buying power.



Marketing Department

We coach you on spreading the Cal Tort word to your community! From Grand Opening, Local Marketing, Social Media - our job is to help you let your community know that Cal Tort is now available to them!



Operations Team

Our support team is here to help you understand that you are not in this alone. Whether it's email discussion, phone calls or even visits to each other; we are invested in you like you are in invested in your new business.

Meet the Team



Robert Phillips, President

Robert (Bob) Phillips has been Chairman of the Board of Directors, President and Treasurer since our inception in January 2003. Bob has a long and accomplished career in restaurant ownership and management, having done so with such brands as Everything Yogurt, Broadway Pizza and Ranch 1.



Keith Goldman, COO

Keith Goldman has been our Chief Operating Officer since January 2011, our Vice President from January 2003 until December 2011, and has been Secretary since January 2003. Keith has been a Director since our inception in January 2003. Keith got his start in the restaurant industry at the tender age of 14 and went on to become a classically trained chef before owning and operating a Bed and Breakfast in upstate New York and a Ranch 1 franchise.



James Tisack VP of Franchise Development

James (Jim) Tisack has been our Vice President of Franchise Development since May 2011. Along with California Tortilla, Jim has served as a senior executive with brands such as Wings To Go, Maggie Moo's, Medifast, and Kiddie Academy since his franchising Career began in 1990.



Laura Miller Cissel VP of Marketing

Laura Cissel has been our Vice President of Marketing since February 2014. She has a broad knowledge base in marketing and advertising and supported numerous brands from the agency side of the business, serving in roles such as Digital Strategist, Mobile and Web Product Director and Director of Interactive Strategy.



Real Estate and Construction

Cal Torts Real Estate Team helps you find the best location by pairing you with proven local brokers who know the area best! Our Construction team then steps in to not only help you find the right general contractor for the job but also to make sure your Cal Tort gets open as quickly and affordably as possible!

Your contact throughout this part of development will be the Director of Real Estate and Construction. Our team will help facilitate your success through comprehensive consultation and support as you move through the real estate and construction phases of your launch. We will work directly with you and your local commercial real estate broker to identify all of your potential locations. Additionally, our team will continue to provide support and construction insights that help seamlessly bridge the gap between real estate and construction. By managing the process from site selection to operations handoff after construction, Cal Tort provides a high level of foresight, insight, and oversight.

Take a look below and see what exactly will be covered in this process!

Real Estate Process:



1. Site Selection



2. Market Survey



3. Site Tours



4. Letter of Intent (LOI)



5. Lease Negotiation

Construction Process:



Permitting Furniture, Fixture, & Equipment



Design



Construction and Walk Through



Support

We are committed to your success and provide weekly support before and after your opening. That support ranges from helping set-up your business, facilitating conversations with our preferred vendors, leading operational systems, ensuring compliance, health and safety regulations are being met and helping guide you through effective Profit & Loss Management.

Our Support is not only tailored to you but we help you train and manage your ENTIRE STAFF!

Our team of trainers are committed to your learning and the success of your Cal Tort restaurants. They know our restaurants inside and out and will teach you the Cal Tort "Culture of Excellence in Service."

FAJITA PLATTER



Initial Training



Field Support



Annual Meetings



On Going Support

Marketing

Marketing in our opinion is something that you can't just be good at. In the restaurant industry, you have to be great at it. Our role is to work collaboratively with you to help you become great at it. From initial marketing training, to Grand Opening strategy through to ongoing local marketing initiatives, we are here to ensure that your community knows just how great the Cal Tort menu and experience is.



Social Media



Public Relations



Direct Mail



Advertising



Education Process



STEP 1

Questionnaire Review

Complete a short Questionnaire providing us with a little more information about you. Then we send you the Franchise Disclosure Document, providing you with a lot more information about us!



STEP 2

Initial Call

We schedule a call to get acquainted with each other and find out what you're looking for in a franchise. You will learn more about the franchise system, the industry and what makes CalTort thrive.



STEP 3

FDD Reiview

The Franchise Disclosure Document provides you with all the nuts and bolts on the California Tortilla franchise, including franchise rules, investment levels and detailed financial performance information for our open locations.



STEP 4

Business Model Review

Join us for a webinar to start digging deeper into the brand, the business model, our support and marketing programs and much more. This visual, informative webinar is 30 minutes in length.



STEP 5

Peer Review

During peer review you will have the opportunity to speak directly to the California Tortilla franchise owners. This is a 2-fold process; You get to ask questions about what it is like to own and operate a California Tortilla . Our franchise owners get to learn a little about you, and provide us with feedback on whether or not they feel you will be a good fit to our family.



STEP 6

Discovery Day

We invite you to Corporate Headquarters in Rockville, MD, where you will meet the entire Support Team, see the business model in action and most importantly, taste our food!



STEP 7

Executive Interview

Final interview with the Executive Team to answer any final questions we have and discuss final details. A decision will be made within 24 hours following this final call.



STEP 8

Franchise Awarded

CONGRATULATIONS!
24 hours following the Executive interview, we will sign the franchise agreement together and officially welcome you as an Owner at California Tortilla!



Christopher Behnke

cbehnke@californiatortilla.com

