THE BUSINESS PLAN

OKLAHOMA SMALL BUSINESS DEVELOPMENT CENTER



THE BUSINESS PLAN
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BUSINESS PLANS ARE NOT MADE OVERNIGHT.

THERE'S A SAYING THAT WE FOLLOW WHICH IS "DO NOT EXPECT LACK OF SCHEDULING ON YOUR PART TO CREATE AN URGENT PRIORITY ON OUR PART."

Attached is the business plan guide that we use for the narrative and the financial projections. You will notice the guide consists of questions you need to answer. These questions are designed to help you know what information to include in the various sections.

This may seem overwhelming, but it can be accomplished. The key is for you to write something down on paper. Start with your general goals for the business. Quantify the goals with numbers. For example, how much personal income do you want to make? What sales volume is required to meet this need?

This is YOUR business plan. No two businesses are alike and you are the most knowledgeable about the details of your particular business. Additionally, writing the plan will help you to see your business more clearly and will be a useful reference to later check your actual progress against your projected goals.

If you would like more expanded information on writing business plans, check out your nearest Small Business Development Center reference shelf, the public library, or a bookstore.

Although our consulting services are provided at no cost to you, the time we can devote to any one client is limited. Other services such as training seminars or printed information may have a small fee. We expect you to keep all scheduled appointments and to make progress in developing your business plan.

Our mission is to assist as many people as possible in expanding and creating businesses. We measure our success by your success and we appreciate it when you notify us that your business has gained financing and is operating (or expanding). When you have any business need, please feel free to call on us for assistance.

WHAT LENDERS LOOK FOR IN A PLAN

YOU MAY NOT LIKE OR AGREE WITH HOW A LENDER EVALUATES A BUSINESS PLAN USED FOR A LOAN REQUEST, BUT THESE ARE THE RULES FOR THE GAME.

It has often been said that the best offense is a good defense. With that in mind, you'll have a better chance of writing a business plan that will result in an actual funded loan if you know a little more about general commercial lending practices, what a lender is looking at in a business plan, and items he or she will consider important.

Whether you are looking at a bank loan, an SBA guaranteed loan, or any other type of lender or loan product, these principles are still the same. Every lender wants to have the highest possibility of getting all the money, plus interest, that has been lent to your business. Remember that banks are private businesses which need to make profit as well as to safeguard the money of their depositors. Also remember that any loan backed by any form of government entity, while perhaps taking additional risk, wants to also be as certain as possible that the loan gets repaid in its entirety.

- Feasible business plan in words (narrative) and numbers (financials).
- Management ability and experience in the industry.
- Ability to repay the loan primarily from the projected cash flow and profits.
  (A secondary source of repayment such as owner's part-time employment or spouse's salary is helpful.)
- Adequate owner investment—generally 20-25% cash down in a new business.
- Collateral to secure the amount borrowed—up to 70-80% of the total project cost.
- Collateral is desired in addition to the amount of cash the owner is investing.
  (Remember, the lender will consider liquidation value of the business assets as collateral.)
- Completed loan application. (Acquire forms from lender.) The borrower is generally required to sign a personal guarantee for the loan.

BUSINESS PLAN CHECKLIST

___ I. COVER SHEET

___ II. TABLE OF CONTENTS

___ III. EXECUTIVE SUMMARY

___ IV. DESCRIPTION OF THE BUSINESS

___ V. MARKET ANALYSIS AND STRATEGY

___ VI. LOCATION AND OPERATIONS

___ VII. MANAGEMENT

___ VIII. SUMMARY OF RISKS INVOLVED

___ IX. FINANCIAL STATEMENTS



BUSINESS PLAN GUIDE CONT.

A FLASHY BUSINESS PLAN DOES NOT TRANSFORM A BAD IDEA INTO A GOOD IDEA, BUT A COMPREHENSIVE BUSINESS PLAN CAN MAKE A GOOD IDEA EVEN BETTER.

I. COVER SHEET

The cover sheet should be titled "Business Plan, Business Proposal, or Financing Proposal." It should identify the business and the principal person(s) involved and include contact information (address, telephone and fax numbers and email addresses).

II. TABLE OF CONTENTS

III. EXECUTIVE SUMMARY

The Executive Summary should be a brief orientation (about a half-page for approximately a ten-page business plan) and should entice the lender to read the entire plan. Identify the company name and legal structure of the business (sole proprietorship, etc.), list the individual(s) involved, and state the type of business (shoe store, auto repair, etc.). If you are seeking a loan, state how much money is needed, what the money will be used for (equipment, inventory, working capital, etc.), and how much money you are contributing to the project (20-25% is customary for new business starts). Also include one or two reasons why this business will succeed (i.e., the owners have four years of management experience in this industry, and the store will be located in a shopping center that already attracts our prospective customers.

This snapshot paragraph is particularly useful for a banker, so that he or she knows the amount of the loan and can read the request in an appropriate context.

IV. DESCRIPTION OF THE BUSINESS

A. HISTORY OF THE COMPANY

1. What exactly does your company do? Describe your company's past operations, if appropriate, and discuss future plans.
2. When and how was your business started?
3. Describe the growth patterns of your business. Has it expanded over the years? (Discuss the results of the past three years using data from the financial statements.)
1. What type of product/services have you offered in the past and what will you offer now?
2. What are the unique features of your product/service?
3. Who are your suppliers? Do you understand the payment terms that are standard within your industry-cash, 30 day net, etc.?

B. PRODUCT OR SERVICE DESCRIPTIONS



BUSINESS PLAN GUIDE CONT.

V. MARKET ANALYSIS AND STRATEGY

Although an expensive and sophisticated market analysis is not usually needed, a thorough understanding of your particular market niche is vital to the success of your business. If a product or service is not currently available in your area, it may be due to a lack of sufficient demand. Also, if the demand is being met in another community, it may require a lot of retraining and advertising expense to get the customers to shop locally. Observing the competition and getting input from suppliers and trade associations are good ways to gather market information.

A. MARKET PROFILE

1. Who exactly are your customers? Describe their characteristics: age, sex, profession, income, geography, interests, etc.

2. What is the present size of the market in dollars? In population? In geographic area? (You may include a map of the trade or service area.)

3. What percent of the market will you have? How did you arrive at that conclusion? How will you retain or increase your share?

4. What is the market's growth potential? What factors will increase or decrease the size of the market, including local, state, national or international trends? What impact will that have on your share or volume?

B. MARKETING PLAN

1. How are you going to price your product/service to make a fair profit and remain competitive? Can you add value without cost by being especially attentive to customers, or are you seeking a high volume, self-service market?

2. How will you attract and keep your customers?

3. How can you expand your market?

4. How will you advertise or promote your business? Don't forget low or no-cost networking and publicity.

C. THE COMPETITION

1. Who are your competitors, both direct and indirect? (For example, a bowling alley's indirect competition is a movie theatre and any other form of recreation.)

2. How are you different or better than the competition? Price? Customer service? Variety or specialty ? Location?

3. What are their strengths? Their weaknesses?

4. What have you learned from observing their operations? How can you use this knowledge for your business advantage?



BUSINESS PLAN GUIDE CONT.

VI. LOCATION AND OPERATIONS

Be sure to check with city, county, and state governments for any licenses, permits, and regulatory agencies. Also check with the city for zoning restrictions.

A. LOCATION

1. Where is the business located and what are the benefits of the location? (Easy access, low cost, near stores
attracting the same clientele, local labor force, etc.)
2. What are the space and equipment requirements? Is there room for future expansion?
3. Do you own or lease the space? (State the terms of the lease or purchase.)
4. What renovations will be needed? At what cost? Who pays?

B. OPERATIONS

1. What are your hours of operation? Does that fit with the customers' needs?
2. What are your key positions and who will fill them?
3. How many employees will be needed? (Remember to add a percentage to payroll expense for unemployment insurance, workers compensation insurance, federal and state withholdings.)
4. What is your schedule to implement specific activities of this project?

VII. MANAGEMENT

Seventy-five percent of business failures are attributed to poor management. This is not the time to be egotistical or overly modest, but to state your abilities. List specific accomplishments rather than making general statements. If additional skills are needed, tell how those needs will be met—employees, outside professionals, etc.

A. MANAGEMENT SKILLS

1. Who is in charge of the business operations? What skills are needed?
2. What is the background of the owner, manager and other key positions? (Highlight relevant education and experience here.)
3. Is outside expertise needed and available? (Legal, accounting, insurance, marketing, personnel, etc. May also want to consider an advisory board to have objective input into company operations, but without yielding control.)
4. What is the organizational structure? (Who answers to whom)



BUSINESS PLAN GUIDE CONT.

VIII. SUMMARY OF RISKS INVOLVED

A lender will be looking for "holes" in your business plan. If you point out possible problems and contingency plans, you will add credibility. Don't assume that the banker is familiar with your kind of business. Not only does your plan educate the banker, but allows you to show your knowledge of your industry, and your management expertise, which will increase the credibility of your plan.

A. Is this your first business venture?

B. Are you and your personnel well qualified in this industry?

C. Is the product and market acceptance already established?

D. How is the timing for the seasonality for this industry and the "age" of the industry? Is it fairly new and growing
rapidly, mature, or starting to decline?

E. What are the potential liabilities and delays?

IX. FINANCIAL STATEMENTS

A. FINANCIAL STATEMENTS FOR ALL BUSINESSES

1. Estimated money needs
2. Calculation of loan repayment
3. Projected P&L (pro forma), by month, for first year
4. Projected cash flow statement, by month, for first year
5. Projected annual income statement for three years
6. Projected business balance sheet

B. ADDITIONAL FINANCIAL STATEMENTS FOR EXISTING BUSINESSES

1. Federal income tax returns for the last three years
2. Current income statement
3. Current balance sheet
4. Schedules of short and long term debts
5. Aging of accounts receivable
6. Aging of accounts payable

C. PERSONAL FINANCIAL STATEMENTS

1. Federal income tax returns for the last three years
2. Personal balance Sheet
3. Personal credit report on all owners of 20 percent or more of the company.*

* NOTE: While the bank will pull a credit report after you have applied, you should review your credit report first, to see whether there is anything negative that you need to explain, or whether there are corrections that need to be made.



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APPENDICES

Personal resumes of the owner(s)

Lease agreements (office space, equipment)

Price quotes and product brochures/information

Contractor bids for leasehold improvements or buildout

Contract for purchase of property

Any other pertinent information—demographics, articles, etc.

If you are a corporation, bring in your articles of incorporation

Corporate franchise certificate

Corporate borrowing resolutions showing who may sign to borrow on behalf of the company

LLC operating agreement

CORPORATE PAPERS

If you are a corporation, bring in your articles of incorporation

Corporate franchise certificate

Corporate borrowing resolutions showing the who may sign to borrow on behalf of the company

LLC operating agreement

FICTITIOUS SAMPLE

BUSINESS PLAN

THE CORNER CAFE

Coffee Shop and Deli

BILL AND JANICE SANDT

5537 N. Auburn Street

Yorktown, Oklahoma 73000

(405) 555-7300

BUSINESS PLAN GUIDE CONT.

EXECUTIVE SUMMARY

The Corner Cafe is seeking start up funding in the amount of $30,018 to purchase furniture, fixtures and equipment, inventory and working capital. The Cafe is an Oklahoma Limited Liability Corporation (LLC) owned by Bill and Janice Sandt. Janice has a total of fourteen years of restaurant experience, with twelve in management. Bill has fifteen years experience in a related industry, including management and bookkeeping expertise. They are investing $32,300 into this venture.

HISTORY OF THE COMPANY

The Cafe is a new business, a two member LLC with Bill and Janice Sandt as the owners. Janice is a 60% member and will be operating the company on a day to day basis. Bill has 40% and will help with bookkeeping and back office assistance.

PRODUCTS AND SERVICES

The Cafe will serve breakfast and lunch. We will specialize in home made, from scratch recipes. During the week we will offer a light breakfast menu, along with fresh ground coffee, espresso and other specialty coffee drinks. Other drinks will include juices, teas, sodas, and a variety of other specialty drinks. Our lunch menu will feature deli sandwiches, soups and salads. We will also have some Italian lunch specialties as well. On Saturday, we will feature a large brunch menu. We will be closed on Sundays.

MARKETING AND ADVERTISING
MARKETING

Our primary market is the office worker who works in the surrounding area and the neighborhoods within a two mile radius. Auburn Street is a major commercial street in Yorktown. Within one mile there are five small low rise office buildings, which employ approximately 500 people within each building as well as the headquarters of a regional bank which houses 200 employees. The Redbird Mall is located four miles north of our location and draws a great deal of traffic. The rest of the street in this area is lined with small strip shopping centers. The surrounding neighborhoods were built in the late 1930's. Directly west of Auburn are larger homes with interesting architecture that have been well maintained. It is a historic preservation district, with a very active neighborhood association with many activities. East of Auburn are more modest homes, with a mixture of property that is not well maintained as well as areas that are beginning to gentrify with new owners. The west neighborhood consists of more established households, many of whom work in the nearby office buildings. The east end has primarily a younger group, many singles and college students who attend a college several miles away from the cafe. We have positioned ourselves as a "moderate" establishment. We are not a fast food restaurant such as McDonalds or Braum's, but are not a highly priced, exclusive restaurant. With the airy, colorful decor, older brick, architecturally interesting façade, we wish to position ourselves as the neighborhood gathering place.

ADVERTISING

The commercial area where we are located is one of the earlier strip shopping centers in Yorktown. It had gone through quite a decline, but with the development of some of the office buildings in the 90's, it attracted further development. The building we are leasing is part of a three block area that is known as Yorktown Place. This is distinguished by architecture of the time period that has been well restored, and has very complimentary businesses. Other businesses in the area include a book store, bicycle shop, several specialty clothing stores including one with vintage clothing,

and service businesses such as a salon which features not only hair styling, but massage and more upscale natural products for personal care. Our building stands out a bit more in that it is on the end of the block and due to the architecture is very recognizable and known. It affords us opportunity for tasteful signage on the building as well as there being a pole sign by the street.

Yorktown Place does some cooperative advertising in local print, radio and for the holiday season. As a result, our advertising dollars will stretch much further than they would on our own, as we would not on our own be able to buy so much mass media. Yorktown also has a weekly newspaper, The Scene, which is devoted to the arts and entertainment in the community. We will purchase a small weekly ad in this publication.

COMPETITION

We believe we have a good niche within the area. Within the few mile radius, there are a number of fast food restaurants, McDonald's, Burger King, Subway, Taco Bell and the like. There are also a number of franchise food places that range all the way from Denny's to TGIF, Outback Steakhouse and Red Lobster. The large office buildings have small lunch places, and one has Michael's, a fine dining restaurant. The only other "mom and pop" type of restaurant is The Eggs and More, which is a breakfast and lunch place as well.

In terms of the breakfast crowd, we are more likely to sell the morning cup of coffee to go, or offer a place where the customer can have coffee, a pastry, and a choice of several morning papers, with coffee being the primary purchase. Our coffee customer is interested in premium coffee and is willing to pay a more premium price. We are fortunate in that there is no competition such as a Starbucks nearby at all, which is who we would compete with for the morning market. While we do not have a drive through, it is convenient to park by the side of the building, run in for coffee, and go back out.

Our lunch market is moderately priced. A meal at the fast food restaurant will cost approximately $5 or a bit less, and a lunch at the other franchise places will run approximately $8. Our niche is a nice lunch special, typically a pasta dish or deli style sandwich, and will run at $5-6 dollars. The lunch will be homemade, more balanced nutritionally than burger and fries, yet affordable for the person who eats lunch out often. We will use paper goods such as plates and silverware to keep our costs down. The more expensive franchise will more likely get the business lunches that might be on an expense account.

Because we are so surrounded by franchise places, we believe it is an opportunity to have a "local" place that makes it unique to the area. Eggs and More has developed that local reputation as a great place to go, and we hope to do the same within our niche area.

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LOCATION

The building is very accessible along a very busy street. As mentioned before, it is an older, architecturally unique building and along the edge of this three block strip of unique businesses. By being on the end of this, we are easily accessible for those walking while still having more accessible parking.

The building is approximately 3,500 square feet, with 2,500 square feet for dining space and seating for 65 people. It provides a comfortable, and light-filled space. As mentioned before, we have both business and neighborhood markets. We will be renting the property.

Our hours will be from 6:30 a.m. – 3:00 p.m. M-F and 7:30 a.m. – 2:00 p.m. on Saturday and Sunday Janice will be there during those times with Bill joining her on Saturdays, and we will need two more employees who will be there primarily during the lunch time. We already have the two employees identified who have worked with Janice in other food service businesses, who, due to family reasons, are interested in only part-time work.

MANAGEMENT

Janice has been in the food industry most of her working life. She began cooking commercially 14 years ago, working in a variety of restaurants and training under some of the best chefs in the Yorktown area. She worked her way up from a line cook to the management end quickly. She's worked in all areas including management of kitchens, bakeries, coffee bars, front house staff and catering facilities. She has been responsible for purchasing food and liquor, scheduling kitchen and wait staff, food cost control, inventory, hiring and firing, teaching foodservice sanitation to staff, safety and safe food handling procedures, and labor cost control. She is knowledgeable in on-site and off-premise catering for up to 800 people.

Bill has worked for Pepsi for over 15 years. He oversees supplies in several different warehouse operations and works with events such as county fairs to set up products and vending. His knowledge in the beverage business is very valuable to the company. He is accustomed to keeping thorough records for sales, product and inventory information. While Janice will manage the day to day operations including financial management, he will be working in the store on weekends and keeping the books and records up to date.

BUSINESS PLAN GUIDE CONT.

KEY EMPLOYEES

Two part-time employees have been identified, Ellen Hill and Lynn Holman. Both have worked with Janice previously when they were all working for the catering company. Each person desires to work only part time due to school age children in the homes. The advantage is that they are known quantities in terms of how they work together and what they know.

SUMMARY OF RISKS INVOLVED

Every business is a risk, but we believe that our experience in the industry will help mitigate this. Janice has had job duties that have prepared her in many aspects of the business. It is always different, however, when you are totally responsible for bills and paychecks of others. We are putting quite a bit of cash into the business so will have less debt burden than most. That helps us alleviate the following risks, because our costs and break-even are less.

The area at Yorktown Place is still a bit fragile. It is coming back, and while we believe the commercial area is strengthening and the adjacent neighborhood is getting stronger, there is a risk in terms of neighborhood and that the businesses we hope to draw from remain in business. We are going into an older building, and there are sometimes surprises that happen as renovation occurs which could delay opening or there are more likely unexpected repairs that the company might need to absorb.

We will be relying on the nearby commercial buildings. A risk is that there could be large layoffs and even corporate headquarter relocating that could hurt our business.



BUSINESS PLAN GUIDE CONT.

ESTIMATED MONEY NEEDS
THE CORNER CAFE

*Working capital is the amount of cash needed to operate your business until the income is greater than expenses.

It is not typical to ask for one year's worth of expenses from the bank. If you are not certain how much this may be, working through the projections will help us find the amount of working capital you may need.

Inventory/Materials	$4,500.00
Equipment	$28,418.00
Furniture and Fixtures	$500.00
Deposits or other up front fees	$4,250.00
Deposits or other up front fees	$20,000.00
Leasehold Improvements	$4,650.00
Cost of Land & Building	$4,500.00
Construction of new building	$0.00
Other (specify)	$0.00
Total Project Cost	$62,318.00
Cash Injection	$32,300.00
Total Loan Amount	$30,018.00



BUSINESS PLAN GUIDE CONT.

CALCULATIONS - THE CORNER CAFE

Loan Amount		$30,018				
Length in Years		5				
Interest Rate		8.00%				
Payment		$609				
		$7,304				
Depreciation Schedule						
		Value	Months	Monthly Depr.		
Furniture & Fixtures		$28,418	$84	$338		
Equipment		$500	$60	$8		
Leasehold Improvements		$4,650	$36	$129		
Building		$0	$468	$0		
New Building		$0	$468	$0		
			Total	$476		
Owner's Salary						
Sole Proprietorship/ Partnership			1*			
(Type of corporation)			0*			
Monthly Income	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
	$0	$0	$0	$0	$0	$0
	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	$0	$0	$0	$0	$0	$0

BUSINESS PLAN GUIDE CONT.

THE PRO FORMA, ITS MEANING AND ITS OTHER NAMES

The information on the next page can be known by several different names. It is variously called a pro forma, a profit and loss (P & L) statement, or an income statement.

Organization of the worksheet is standard throughout the business industry, although each business will have unique line entries.

These income and expense entries relate to IRS tax filing, so please note several unique features. Only the interest on a loan is tax deductible (not the total loan payment which includes interest plus principal). There may be a category called depreciation which is found on the pro forma.

LEGAL STRUCTURES AFFECT THE PRO FORMA

The Corner Cafe has the legal structure known as an LLC, filing as a sole proprietorship. Because of IRS tax law for this type of organization, what is taken home is not reflected as a tax deductible expense, because the bottom line—after all expenses are taken out— is considered by the IRS to be personal income. The Oklahoma Small Business Development Center consultant can help you with your projections if you are unsure how the IRS will treat money taken by the owner for a particular legal structure.



BUSINESS PLAN GUIDE CONT.

PRO FORMA PROJECTIONS FROM A TAX STANDPOINT

	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03		
Income/Sales	**Month 1**	**Month 2**	**Month 3**	**Month 4**	**Month 5**	**Month 6**	**Month 7**	**Month 8**	**Month 9**	**Month 10**	**Month 11**	**Month 12**	**Total**	
Regular in store sales	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$136,656	93.05%
Catering	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200	0.82%
Special events	$500	$500	$500	$500	$500	$500	$500	$1,000	$1,000	$500	$500	$500	$7,000	4.77%
Wedding Cakes	$0	$500	$1,000	$0	$0	$500	$0	$0	$0	$0	$0	$0	$2,000	1.36%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Total Sales	**$11,988**	**$12,488**	**$12,988**	**$11,988**	**$11,988**	**$12,488**	**$11,988**	**$12,488**	**$12,488**	**$11,988**	**$11,988**	**$11,988**	**$146,856**	**100.00%**
Cost of Goods Sold														
Restaurant inve (28% COGS)	$3,357	$3,746	$3,896	$3,596	$3,596	$3,746	$3,596	$3,746	$3,746	$3,596	$3,596	$3,596	$43,817	29.84%
Linen	$68	$68	$68	$68	$68	$68	$68	$68	$68	$68	$68	$68	$816	0.56%
COGS for other sales 25%	$150	$275	$400	$150	$150	$275	$150	$275	$275	$150	$150	$150	$2,550	1.74%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Total Costs of Goods Sold	**$3,575**	**$4,089**	**$4,364**	**$3,814**	**$3,814**	**$4,089**	**$3,814**	**$4,089**	**$4,089**	**$3,814**	**$3,814**	**$3,814**	**$47,183**	**32.13%**
Gross Profit	**$8,413**	**$8,399**	**$8,624**	**$8,174**	**$8,174**	**$8,399**	**$8,174**	**$8,399**	**$8,399**	**$8,174**	**$8,174**	**$8,174**	**$99,673**	**67.87%**
Operating Expenses/Overhead														
Advertising	$1,000	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$2,100	1.43%
Bank Charges	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$120	0.08%
Credit Card Fees	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Depreciation	$476	$476	$476	$476	$476	$476	$476	$476	$476	$476	$476	$476	$5,710	3.89%
Royalty fee	$117	$117	$117	$117	$117	$117	$117	$117	$117	$117	$117	$117	$1,404	0.96%
Insurance	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600	2.45%
Interest on Loan	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$2,400	1.64%
Legal/Acct/Pro Services	$1,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,500	1.02%
Maintenance & Repairs	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$900	0.61%
Office Supplies	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200	0.82%
Payroll expense - employees	$5,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$52,600	35.82%
Postage	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Rent	$2,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$13,000	8.85%
Taxes & Licenses	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Telephone	$172	$172	$172	$172	$172	$172	$172	$172	$172	$172	$172	$172	$2,064	1.41%
Pest Control	$75	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$515	0.35%
Travel & Entertainment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Utilities	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400	9.811%
Vehicle	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Owner's salary (corp, LLC)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Total Operating Expenses	**$12,525**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$8,090**	**$101,514**	**69.12%**
Net Profit/Loss	**($4,112)**	**$309**	**$534**	**$84**	**$84**	**$309**	**$84**	**$309**	**$84**	**$84**	**$84**	**$84**	**($1,841)**	**(-1.25)%**

BUSINESS PLAN GUIDE CONT.

THE CASH FLOW

The next page is known as a Cash Flow Projection. It is different from the P & L statement, in that every business cash outlay, tax deductible or not, is listed.

WHAT YOU WON'T SEE

In the Cash Flow Projection, you will not see the line for depreciation, because that is a tax expense, not actual cash.

In the Cash Flow, we've taken out the line for interest, but have put in the actual amount of the full loan payment which includes principal plus interest. In the case of The Corner Cafe, the money the owners take home is not reflected on the P & L, but you will now find it on the Cash Flow.

HOW RECEIVABLES AND PAYABLES AFFECT CASH FLOW

In the case of The Corner Cafe, the company pays cash for supplies, and customers pay cash for food and service. Some businesses need to be concerned with the timing of when their cash comes in from customers (Accounts Receivable) and when they pay their suppliers (Accounts Payables). For example, if you need to pay your suppliers cash, but you don't receive the money in from your customer immediately, it will make a real difference in your cash flow.



BUSINESS PLAN GUIDE CONT.

CALCULATIONS - THE CORNER CAFE

Income/Sales	YEAR ONE		YEAR TWO	YEAR THREE
Regular in store sales	$136,656	93%	$157,154	$180,728
Catering	$1,200	1%	$1,380	$1,587
Special Events	$7,000	5%	$8,050	$9,258
Wedding Cakes	$2,000	1%	$2,300	$2,645
	$0	0%	$0	$0
	$0	0%	$0	$0
	$0	0%	$0	$0
Other income	$0	$0	$0	$0
Total Sales	$146,856	100%	$168,884	$194,217
Cost of Goods Sold				
Restaurant Inve (28% COGS)	$43,817	30%	$50,390	$168,884
Linen	$816	1%	$938	$1,079
COGS for other sales 25%	$2,550	2%	$2,933	$3,372
	$0	0%	$0	$0
	$0	0%	$0	$0
	$0	0%	$0	$0
	$0	0%	$0	$0
Total Cost of Goods Sold	$47,183	32%	$54,261	$62,400
Gross Profit	$99,673	68%	$114,624	$131,818
Advertising	$2,100	1%	$2,415	$2,777
Bank Charges	$120	0%	$138	$159
Credit Card Fees	$0	0%	$0	$0
Depreciation	$5,710	4%	$5,710	$5,710
Royalty Fee	$1,404	1%	$1,615	$1,857
Insurance	$3,600	3%	$4,140	$4,761
Interest on Loan	$2,401	24%	$1,550	$900
Legal/Acct/Pro Services	$1,500	1%	$1,725	$1,984
Maintenance & Repairs	$900	1%	$1,035	$1,190
Offices Supplies	$1,200	1%	$1,380	$1,587
Payroll expense - employees	$52,600	36%	$55,000	$60,000
Postage	$0	0%	$0	$0
Rent	$13,000	9%	$13,000	$13,000
Taxes & Licenses	$0	0%	0	$0
Pest Control	$515	0%	$562	$681
Travel & Entertainment	$0	0%	$0	$0
Utilities	$14,000	10%	$16,560	$19,044
Vehicle	$0	0%	$0	$0
	$0	0%	$0	$0
	$0	0%	$0	$0
Owners Salary (corp, LLC)	$0	0%	$0	$0
Total Operating Expenses	$101,514	69%	$112,234	$126,380
Net Profit/Loss	($1,841)	-1%	$2,391	$5,438

THE CASH FLOW

	Cash Sales	100%	Payables Cash	100%		Loan Payments		$609						
	A/R 30 days		A/R 30 days			Other Loans		$0						
	A/R 60 days		A/R 60 days											
	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03		
Income/Sales	**Month 1**	**Month 2**	**Month 3**	**Month 4**	**Month 5**	**Month 6**	**Month 7**	**Month 8**	**Month 9**	**Month 10**	**Month 11**	**Month 12**	**Total**	
Regular in store sales	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$11,388	$136,656	93.05%
Catering	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200	0.82%
Special events	$500	$500	$500	$500	$500	$500	$500	$1,000	$1,000	$500	$500	$500	$7,000	4.77%
Wedding Cakes	$0	$500	$1,000	$0	$0	$500	$0	$0	$0	$0	$0	$0	$2,000	1.36%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Total Sales	**$11,988**	**$12,488**	**$12,988**	**$11,988**	**$11,988**	**$12,488**	**$11,988**	**$12,488**	**$12,488**	**$11,988**	**$11,988**	**$11,988**	**$146,856**	**100.00%**
Cost of Goods Sold														
Restaurant inve (28% COGS)	$3,357	$3,746	$3,896	$3,596	$3,596	$3,746	$3,596	$3,746	$3,746	$3,596	$3,596	$3,596	$43,817	29.84%
Linen	$68	$68	$68	$68	$68	$68	$68	$68	$68	$68	$68	$68	$816	0.56%
COGS for other sales 25%	$150	$275	$400	$150	$150	$275	$150	$275	$275	$150	$150	$150	$2,550	1.74%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Total Costs of Goods Sold	**$3,575**	**$4,089**	**$4,364**	**$3,814**	**$3,814**	**$4,089**	**$3,814**	**$4,089**	**$4,089**	**$3,814**	**$3,814**	**$3,814**	**$47,183**	**32.13%**
Gross Profit	**$8,413**	**$8,399**	**$8,624**	**$8,174**	**$8,174**	**$8,399**	**$8,174**	**$8,399**	**$8,399**	**$8,174**	**$8,174**	**$8,174**	**$99,673**	**67.87%**
Operating Expenses/Overhead														
Advertising	$1,000	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$2,100	1.43%
Bank Charges	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$120	0.08%
Credit Card Fees	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Royalty fee	$117	$117	$117	$117	$117	$117	$117	$117	$117	$117	$117	$117	$1,404	0.96%
Insurance	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$3,600	2.45%
Interest on Loan	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$2,400	1.64%
Legal/Acct/Pro Services	$1,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,500	1.02%
Maintenance & Repairs	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$900	0.61%
Office Supplies	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$1,200	0.82%
Payroll expense - employees	$5,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$4,300	$52,600	35.82%
Postage	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Rent	$2,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$13,000	8.85%
Taxes & Licenses	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Telephone	$172	$172	$172	$172	$172	$172	$172	$172	$172	$172	$172	$172	$2,064	1.41%
Pest Control	$75	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$515	0.35%
Travel & Entertainment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Utilities	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$14,400	9.811%
Vehicle	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Owner's salary (corp, LLC)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
Total Operating Expenses	**$12,458**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$8,023**	**$100,707**	**69.12%**
Net Profit/Loss	**($4,112)**	**$309**	**$534**	**$84**	**$84**	**$309**	**$84**	**$309**	**$84**	**$84**	**$84**	**$84**	**($1,841)**	**(-1.25)%**
Cash in Bank/Beginning Balance	$0	$24,706	$24,995	$25,447										
Start-up Costs (items depreciated)	$33,568													
Owner's Cash Contribution	$32,300													
Loan Proceeds	$30,018													
Total Cash from Operations	$8,413	$8,399	$8,624	$8,174	$8,174	$8,399	$8,174	$8,399	$8,399	$8,174	$8,174	$8,174		
Total Cash Out	$12,458	$8,023	$8,023	$8,023	$8,023	$8,023	$8,023	$8,023	$8,023	$8,023	$8,023	$8,023		
Estimated Income Taxes	**$0**	**$86**	**$149**	**$23**	**$23**	**$86**	**$23**	**$86**	**$86**	**$23**	**$23**	**$23**		
Ending Balance	$24,706	$24,995	$25,447	$25,574	$25,702	$25,991	$26,119	$26,408	$26,698	$26,825	$26,953	$27,080		

BUSINESS PLAN GUIDE CONT.

BUSINESS BALANCE SHEET UPON FUNDING

Assets			**Liabilites**	
Cash	$20,420		Accounts Payable	
Savings				
Accounts Receivable			Business Credit Cards	
Inventory			Bank Loan	$30,018
Furniture/Fixtures/Equip	$28,918		other loans	
Land/Building				
Leasehold Improvements	$4,650			
Vehicles				
Other Real Estate				
Other (specify)			Total Liablities	$30,018
			Net Worth	$32,300
Total Assets			**Total liabilities & Net Worth**	$62,318

BUSINESS PLAN GUIDE CONT.

PERSONAL BALANCE SHEET

Bill and Janice Sandt

22 October 2002

Assets			**Liabilites**	
Cash in Bank	$15,000		Credit Cards	$1,000
Savings	$65,400			
Savings Bonds				
Stocks/Bonds/Mutual Funds			Home Mortgage	$50,000
Cash value of life insurance			Auto Loan	$8,000
Home			Student Loan	
Vehicles	$25,000		Other Loans	
Retirement/IRA/Pension	$5,000			
Other Real Estate				
Other (specify)			Total Liabilities	$59,000
			Net Worth	$51,094
Total Assets	$110,094		**Total Liabilities & Net Worth**	$110,094

YOUR ESTIMATED MONEY NEEDS

Inventory / Materials
Equipment
Furniture and Fixtures
Deposits or other up front fees
Working Capital
Leasehold Improvements
Cost of Land & Building
Construction of new building
Other (specify)
Total Project Cost
Cash Injection
Total Loan Amount

*Working capital is the amount of cash needed to operate your business until the income is greater than expenses.

It is not typical to ask for one year's worth of expenses from the bank. If you are not certain how much this may be, working through the projections will help us find the amount of working capital you may need.

