

Java Culture Inc.

Business Plan

**1234 West Broadway
Vancouver, BC**

January 2012

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Java Culture

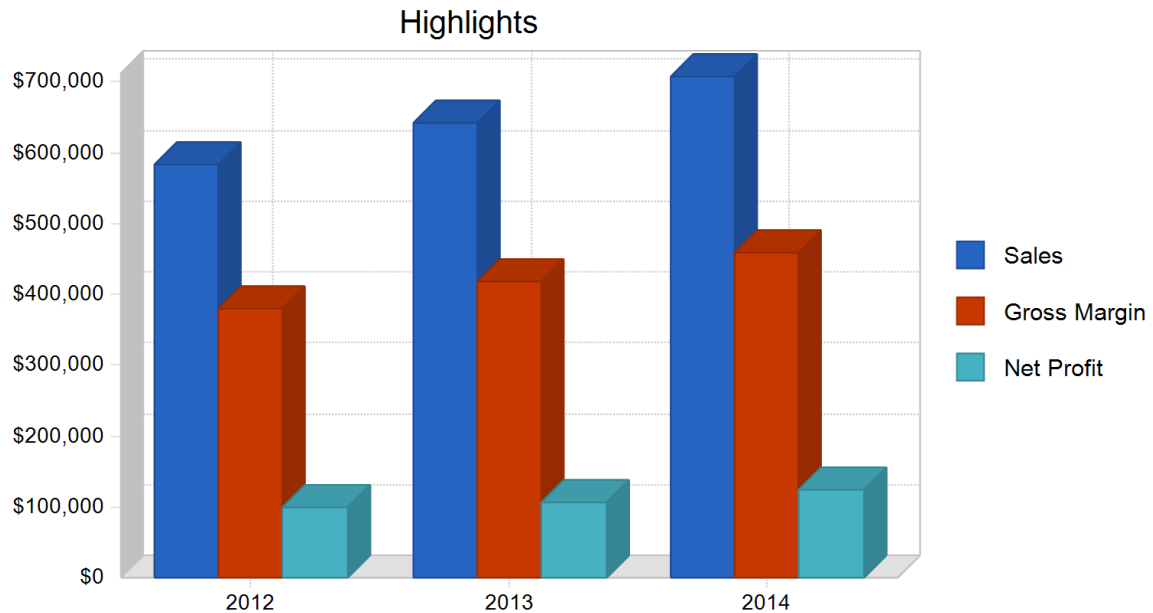
1.0 Executive Summary

Java Culture coffee bar is determined to become a daily necessity for local coffee addicts, a place to dream of as you try to escape the daily stresses of life and just a comfortable place to meet your friends or to read a book, all in one. With the growing demand for high-quality gourmet coffee and excellent service, Java Culture will capitalise on its proximity to the University of British Columbia campus to build a core group of repeat customers. Java Culture will offer its customers the best-prepared coffee in the area that will be complimented with pastries, as well as free books that its patrons can read to enjoy their visit.

The company will operate a 2,300 square foot coffee bar within walking distance from the UBC campus. The owners have secured this location through a five-year lease with an option for extending. They have also provided \$140,000 of the required \$170,000 start-up funds. The remaining capital will be obtained through Vancity Credit Union commercial loans.

The company is expected to grow sales revenue from \$584,000 in FY2012 to \$706,000 in FY2015. As Java Culture will strive to maintain a 65% gross profit margin and reasonable operating expenses, it will see net profits grow from \$100,000 to \$125,000 during the same period.

Chart: Highlights



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1.1 Objectives

Java Culture's targets for the first year of operations are:

- Become selected as the "Best New Coffee Bar in the UBC area" by the local restaurant guide.
- Turn in profits from the first month of operations.
- Maintain a 65% gross margin.

1.2 Mission

Java Culture will make its best effort to create a unique place where customers can socialise with each other in a comfortable and relaxing environment while enjoying the best-brewed coffee or espresso and pastries in town. We will be in the business of helping our customers to relieve their daily stresses by providing peace of mind through great ambience, convenient location, friendly customer service, and products of consistently high quality. Java Culture will invest its profits to increase the employee satisfaction while providing solid return to its shareholders.

1.3 Keys to Success

The keys to success will be:

- Store design that will be both visually attractive to customers, and designed for fast and efficient operations.
- Employee training to ensure the best coffee preparation techniques.
- Marketing strategies aimed to build a solid base of loyal customers, as well as to maximise the sales of high margin products, such as espresso drinks.

2.0 Company Summary

Java Culture Inc, a Vancouver BC corporation, sells coffee, other beverages and snacks in its 2,300 square feet premium coffee bar located near the University of BC campus. Java Culture's major investors are Arthur Garfield and James Polk who cumulatively own over 70% of the company. The start-up loss of the company is assumed in the amount of \$27,680.

2.1 Company Ownership

Java Culture Inc. is registered as a corporation in the province of BC. Arthur Garfield owns 51% of the company. His cousin, James Polk, as well as Megan Flanigan and Todd Barkley hold minority stakes in Java Culture Inc.

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2.2 Startup Summary

The start-up expenses include:

- Legal costs for obtaining licenses and permits as well as the accounting services totalling \$1,300.
- Marketing promotion costs for the grand opening of Java Culture in the amount of \$3,500 and as well as flyer printing (2,000 flyers at \$0.04 per copy) for the total sum of \$3,580.
- Consultants fees of \$3,000 paid to ABC Espresso Services for help with setting up the coffee bar.
- Insurance (general liability, workers' compensation and property casualty) coverage at a total premium of \$2,400.
- Pre-paid rent expenses for one month at \$1.76 per square feet in the total amount of \$4,400.
- Premises remodelling in the amount of \$10,000.
- Other start-up expenses including stationery (\$500) and phone and utility deposits (\$2,500).

The required start-up assets of \$142,320 include:

- Operating capital in the total amount of \$67,123, which includes employees and owner's salaries of \$23,900 for the first two months and cash reserves for the first three months of operation (approximately \$14,400 per month).
- Start-up inventory of \$16,027, which includes:
 - Coffee beans (12 regular brands and five decaffeinated brands) - \$6,000
 - Coffee filters, baked goods, salads, sandwiches, tea, beverages, etc. - \$7,900
 - Retail supplies (napkins, coffee bags, cleaning, etc.) - \$1,840
 - Office supplies - \$287
- Equipment for the total amount of \$59,170:
 - Espresso machine - \$6,000
 - Coffee maker - \$900
 - Coffee grinder - \$200
 - Food service equipment (microwave, toasters, dishwasher, refrigerator, blender, etc.) - \$18,000
 - Storage hardware (bins, utensil rack, shelves, food case) - \$3,720
 - Counter area equipment (counter top, sink, ice machine, etc.) - \$9,500
 - Serving area equipment (plates, glasses, flatware) - \$3,000
 - Store equipment (cash register, security, ventilation, signage) - \$13,750
 - Office equipment (PC, fax/printer, phone, furniture, file cabinets) - \$3,600
 - Other miscellaneous expenses - \$500

Funding for the company comes from two primary sources--owners' investments and bank loans. Two principal owners, Arthur Garfield and James Polk, have contributed \$70,000 and \$30,000 respectively. All other investors have contributed \$40,000, which brings the total investments to \$140,000. The remaining \$30,000 needed to cover the start-up expenses and assets came from the two bank loans--a one-year loan in the amount of \$10,000 and a long-term (five years) loan of \$20,000. Both loans were secured through the Vancity Credit Union. Thus, total start-up loss is assumed in the amount of \$27,680.

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The following chart and table summarise the start-up assumptions.

Table: Startup

<i>Startup</i>	
Requirements	
Startup Expenses	
Legal	\$1,300
Stationery etc.	\$500
Brochures	\$3,580
Consultants	\$3,000
Insurance	\$2,400
Rent	\$4,400
Remodeling	\$10,000
Other	\$2,500
Total Startup Expenses	\$27,680
Startup Assets	
Cash Required	\$67,123
Startup Inventory	\$16,027
Long-term Assets	\$59,170
Total Assets	\$142,320
Total Requirements	\$170,000

Table: Startup Funding

<i>Startup Funding</i>	
Startup Expenses to Fund	\$27,680
Startup Assets to Fund	\$142,320
Total Funding Required	\$170,000
Assets	
Non-cash Assets from Startup	\$75,197
Cash Requirements from Startup	\$67,123
Cash Balance on Starting Date	\$67,123
Total Assets	\$142,320
Liabilities and Capital	
Liabilities	
Current Borrowing	\$10,000
Long-term Liabilities	\$20,000
Total Liabilities	\$30,000
Capital	
Planned Investment	
Arthur Garfield	\$70,000
James Polk	\$30,000
All other investors	\$40,000
Total Planned Investment	\$140,000
Loss at Startup (Startup Expenses)	(\$27,680)
Total Capital	\$112,320
Total Capital and Liabilities	\$142,320
Total Funding	\$170,000

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3.0 Products

Java Culture will offer its customers the best-tasting coffee beverages in the UBC area. This will be achieved by using high-quality ingredients and strictly following preparation guidelines. The store layout, menu listings and marketing activities will be focused on maximising the sales of higher margin espresso drinks. Along with the espresso drinks, brewed coffee and teas, as well as some refreshment beverages, will be sold in the coffee bar. Java Culture will also offer its clients pastries, small salads and sandwiches. For the gourmet clientele that prefers to prepare its coffee at home, Java Culture will also be selling coffee beans.

The menu offerings will be supplemented by free books and magazines that customers can read inside the coffee bar.

4.0 Market Analysis Summary

British Columbia coffee consumption has shown steady growth, with gourmet coffee having the strongest growth. Coffee drinkers in the Province are among the most demanding. They favour well-brewed gourmet coffee drinks and demand great service. Vancouver BC with its liberal and outgoing populace and long rainy winter has traditionally been a great place for coffee establishments. Java Culture will strive to build a loyal customer base by offering a great tasting coffee in a relaxing environment of its coffee bar located close to the bustling University of British Columbia campus.

4.1 Market Segmentation

Java Culture will focus its marketing activities on reaching the University students and faculty, people working in offices located close to the coffee bar and on sophisticated teenagers. Our market research shows that these are the customer groups that are most likely to buy gourmet coffee products. Since gourmet coffee consumption is universal across different income categories and mostly depends on the level of higher education, proximity to the UBC campus will provide access to the targeted customer audience.

The chart and table below outline the total market potential (in number of customers) of gourmet coffee drinkers in the UBC area.

Java Culture

Chart: Market Analysis

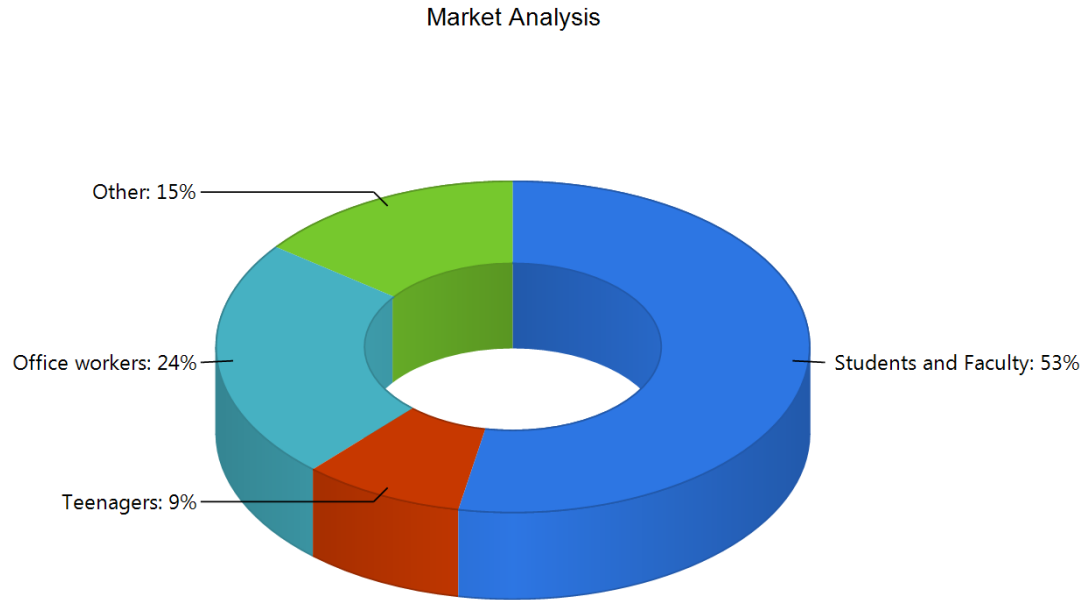


Table: Market Analysis

<i>Market Analysis</i>							
		2012	2013	2014	2015	2016	
Potential Customers	Growth						CAGR
Students and Faculty	2%	18,000	18,360	18,727	19,102	19,484	2.00%
Teenagers	1%	3,000	3,030	3,060	3,091	3,122	1.00%
Office workers	2%	8,000	8,160	8,323	8,489	8,659	2.00%
Other	0%	5,000	5,000	5,000	5,000	5,000	0.00%
Total	1.63%	34,000	34,550	35,110	35,682	36,265	1.63%

4.2 Target Market Segment Strategy

Java Culture will cater to people who want to get their daily cup of great-tasting coffee in a relaxing atmosphere. Such customers vary in age, although our location close to the University campus means that most of our clientele will be college students and faculty. Our market research shows that these are discerning customers that gravitate towards better tasting coffee. Furthermore, a lot of college students consider coffee bars to be a convenient studying or meeting location, where they can read or meet with peers without the necessity to pay cover charges. For us, this will provide a unique possibility for building a loyal client base.

4.3 Industry Analysis

Coffee consumption has shown a steady 2.5% growth rate in Canada over the last decade. In 2010, total sales of coffee were approximately \$750 million with gourmet coffee representing 33% (or \$250 million) of that. The retail coffee industry is flourishing in Greater Vancouver. The

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local climate, with a long rainy season, is very conducive for the consumption of hot non-alcoholic beverages. At the same time, hot, dry summers drive people into cafes to order iced drinks. Further, coffee has really become a part of the lifestyle in Greater Vancouver. Its discerning coffee drinkers are in favour of well-prepared, strong coffee-based beverages, which they can consume in a relaxing environment.

4.3.1 Competition and Buying Patterns

Competition

According to a 2010 study, the UBC area had 125 established snack & non-alcoholic beverage bars with total sales of \$42 million. Among other establishments that offer coffee drinks to their customers are most of Vancouver's limited and full-service restaurants. Java Culture's direct competitors will be other coffee bars located near the University of British Columbia campus. These include Starbucks, Tim Horton's, The UBC Bookstore, and other foodservice establishments that offer coffee. Starbucks will definitely be one of the major competitors because of its strong financial position and established marketing and operational practices. However, despite Starbucks' entrenched market position, many customers favour smaller, independent establishments that offer a cosy atmosphere and good coffee at affordable prices. We estimate that Starbucks holds approximately 35% market share in that neighbourhood, Tim Horton's appeals to 25% of customers, The UBC Bookstore caters to another 10%, with the remaining market share split among other establishments. Java Culture will position itself as a unique coffee bar that offers not only the best tasting coffee and pastries but also provides a home-like, cosy and comfortable environment, which established corporate establishments lack. We will cater to customers' bodies and minds, which will help us grow our market share in this competitive market.

Buying Patterns

The major reason for the customers to return to a specific coffee bar is a great tasting coffee, quick service and pleasant atmosphere. Although, as stated before, coffee consumption is uniform across different income segments, Java Culture will price its product offerings competitively. We strongly believe that selling coffee with a great service in a lovely setting will help us build a strong base of loyal clientele.

5.0 Strategy and Implementation Summary

Java Culture's marketing strategy will be focused on getting new customers, retaining the existing customers, getting customers to spend more and come back more often. Establishing a loyal customer base is of paramount importance since such customer core will not only generate most of the sales but also will provide favourable referrals.

5.1 Competitive Edge

Java Culture will position itself as a unique coffee bar where its patrons can not only enjoy a cup of perfectly brewed coffee but also spend their time in an ambient environment. Comfortable sofas and chairs, dimmed light and quiet relaxing music will help the customers to relax from daily stresses and will differentiate Java Culture from incumbent competitors.

5.2 Sales Strategy

Java Culture baristas will handle the sales transactions. To speed up the customer service, at least two employees will be servicing clients--while one employee will be preparing the customer's order, the other one will be taking care of the sales transaction. All sales data logged on the point-of-sale terminal will be later analysed for marketing purposes.

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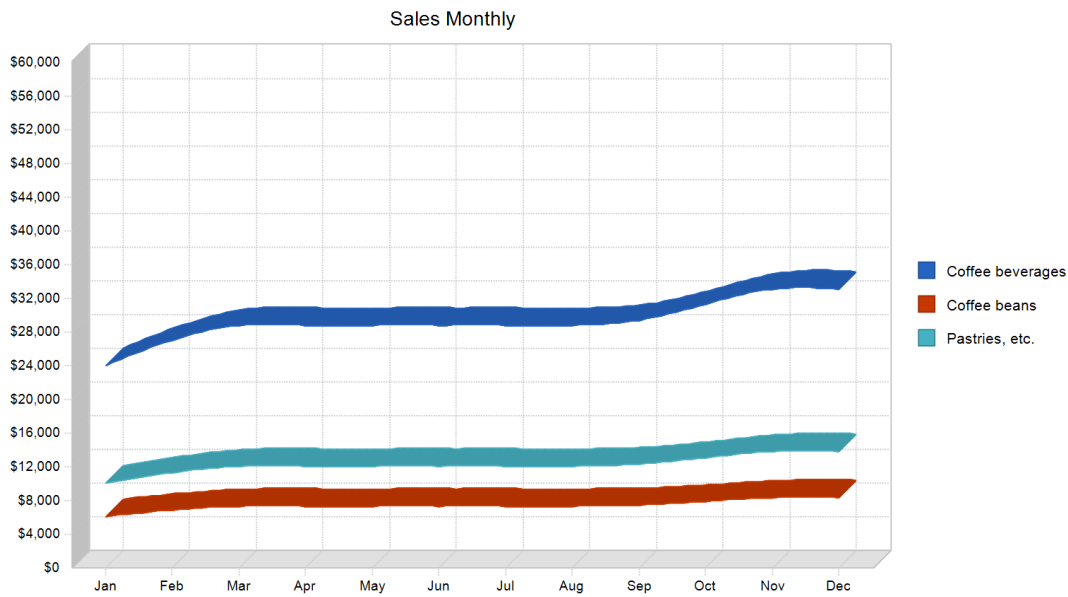
In order to build up its client base, Java Culture will use banners and fliers, utilise customer referrals and cross-promotions with other businesses in the community. At the same time, customer retention programs will be used to make sure the customers are coming back and spending more at the coffee bar.

5.2.1 Sales Forecast

Food costs are assumed at 25% for coffee beverages and 50% for retail beans and pastries. Proximity to the University campus will dictate certain sales seasonality with revenues slightly decreasing during the school vacation periods.

The chart and table below outline our projected sales forecast for the next three years.

Chart: Sales Monthly



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Table: Sales Forecast

<i>Sales Forecast</i>	2012	2013	2014
Sales			
Coffee beverages	\$350,400	\$385,440	\$423,984
Coffee beans	\$87,600	\$96,360	\$105,996
Pastries, etc.	\$146,000	\$160,600	\$176,660
Total Sales	\$584,000	\$642,400	\$706,640
Direct Cost of Sales	2012	2013	2014
Coffee beverages	\$87,600	\$96,360	\$105,996
Coffee beans	\$43,800	\$48,180	\$52,998
Pastries, etc.	\$73,000	\$80,300	\$88,330
Subtotal Direct Cost of Sales	\$204,400	\$224,840	\$247,324

6.0 Management Summary

Java Culture is majority-owned by Arthur Garfield and James Polk. Mr Garfield holds a Bachelor's Degree in Business Administration from the University of Toronto. He's worked for several years as an independent business consultant. Previously, he owned a Richmond Travel Agency, which he profitably sold four years ago. Mr Garfield has extensive business contacts in British Columbia that he will leverage to help his new venture succeed. Mr Polk has a Bachelor's Degree in Psychology from the University of Alberta. For the last five years, he has worked as a manager of DEF Ristorante, a successful Italian restaurant in North Vancouver BC. Under Mr Polk's management, the restaurant has consistently increased sales while maintaining a lower than average level of operating expenses.

However, because of the investors' other commitments, they will not be involved in the daily management decisions at Java Culture. A professional manager (\$35,000/yr) will be hired who will oversee all the coffee bar operations. Two full-time baristas (\$25,000/yr each) will be in charge of coffee preparation. Four more part-time employees will be hired to fulfil the staffing needs. In the second and third year of operation one, more part-time employee will be hired to handle the increased sales volume.

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6.1 Personnel Plan

The table below outlines the personnel needs of Java Culture coffee bar.

Table: Personnel

<i>Personnel Plan</i>	2012	2013	2014
Manager	\$35,000	\$37,800	\$40,824
Baristas	\$50,000	\$54,000	\$58,320
Employees	\$39,600	\$52,000	\$56,000
Total People	7	8	8
Total Payroll	\$124,600	\$143,800	\$155,144

7.0 Financial Plan

Java Culture will capitalise on the strong demand for high-quality gourmet coffee. The owners have provided the company with sufficient start-up capital. With successful management aimed at establishing and growing a loyal customer base, the company will see its net worth doubling in two years. Java Culture will maintain a healthy 65% gross margin, which combined with reasonable operating expenses, will provide enough cash to finance further growth.

7.1 Important Assumptions

Table: General Assumptions

<i>General Assumptions</i>	2012	2013	2014
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	25.42%	25.00%	25.42%

7.2 Break-even Analysis

With average monthly fixed costs of \$20,300 in FY2012 and an average margin of 65%, Java Culture's break-even sales volume is around \$31,300 per month. As shown further, the company is expected to generate such sales volume from the outstart.

Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$31,247
Assumptions:	
Average Percent Variable Cost	35%
Estimated Monthly Fixed Cost	\$20,311

7.3 Projected Cash Flow

As the chart and table below present, the company will maintain a healthy cash flow position, which will allow for timely debt servicing and funds available for future development.

Chart: Cash Flow Year One

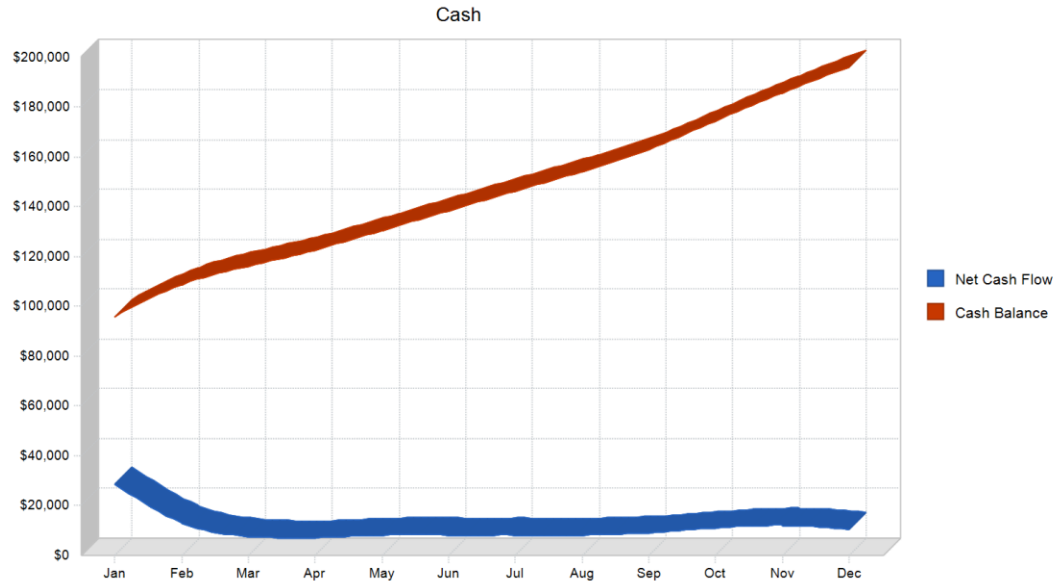


Table: Cash Flow

<i>Pro Forma Cash Flow</i>			
	2012	2013	2014
Cash Received			
Cash from Operations			
Cash Sales	\$584,000	\$642,400	\$706,640
Subtotal Cash from Operations	\$584,000	\$642,400	\$706,640
Subtotal Cash Received	\$584,000	\$642,400	\$706,640
Expenditures			
Expenditures from Operations			
Cash Spending	\$124,600	\$143,800	\$155,144
Bill Payments	\$327,387	\$388,144	\$420,837
Subtotal Spent on Operations	\$451,987	\$531,944	\$575,981
Additional Cash Spent			
Principal Repayment of Current Borrowing	\$3,300	\$3,300	\$3,300
Long-term Liabilities Principal Repayment	\$0	\$3,585	\$3,961
Purchase Long-term Assets	\$0	\$2,000	\$2,000
Subtotal Cash Spent	\$455,287	\$540,829	\$585,242
Net Cash Flow	\$128,713	\$101,571	\$121,398
Cash Balance	\$195,836	\$297,406	\$418,804

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7.4 Projected Profit and Loss

Annual projected sales of \$584,000 in FY2012 translate into \$254.00 of sales per square foot, which is in line with the industry averages for this size of the coffee bar. Overall, as the company gets established in the local market, its net profitability increases from 17.06% in FY2012 to 17.63% in FY2015. The table below outlines the projected Profit and Loss Statement for FY2012-2015.

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>			
	2012	2013	2014
Sales	\$584,000	\$642,400	\$706,640
Direct Cost of Sales	\$204,400	\$224,840	\$247,324
Total Cost of Sales	\$204,400	\$224,840	\$247,324
Gross Margin	\$379,600	\$417,560	\$459,316
Gross Margin %	65.00%	65.00%	65.00%
Expenses			
Payroll	\$124,600	\$143,800	\$155,144
Sales and Marketing and Other Expenses	\$25,800	\$27,600	\$31,000
Depreciation	\$5,400	\$5,500	\$5,500
Rent	\$48,400	\$52,800	\$52,800
Rent	\$6,000	\$6,000	\$6,000
Maintenance	\$5,840	\$6,424	\$7,066
Utilities/Phone	\$9,000	\$9,500	\$10,000
Payroll Taxes	\$18,690	\$21,570	\$23,272
Total Operating Expenses	\$243,730	\$273,194	\$290,782
Profit Before Interest and Taxes	\$135,870	\$144,366	\$168,534
EBITDA	\$141,270	\$149,866	\$174,034
Interest Expense	\$2,821	\$2,326	\$1,618
Taxes Incurred	\$33,262	\$35,510	\$42,424
Net Profit	\$99,787	\$106,530	\$124,491
Net Profit/Sales	17.09%	16.58%	17.62%

7.5 Projected Balance Sheet

The company's net worth is expected to increase from approximately \$212,000 by the end of FY2012 to approximately \$443,000 in FY2015. The table below summarises the projected balance sheets for this period.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>			
	2012	2013	2014
Assets			
Current Assets			
Cash	\$195,836	\$297,406	\$418,804
Inventory	\$21,175	\$22,671	\$24,939
Total Current Assets	\$217,011	\$320,078	\$443,743
Long-term Assets			
Long-term Assets	\$59,170	\$61,170	\$63,170
Accumulated Depreciation	\$5,400	\$10,900	\$16,400
Total Long-term Assets	\$53,770	\$50,270	\$46,770
Total Assets	\$270,781	\$370,348	\$490,513
Liabilities and Capital	2012	2013	2014
Current Liabilities			
Accounts Payable	\$31,974	\$31,896	\$34,831
Current Borrowing	\$6,700	\$3,400	\$100
Subtotal Current Liabilities	\$38,674	\$35,296	\$34,931
Long-term Liabilities	\$20,000	\$16,415	\$12,454
Total Liabilities	\$58,674	\$51,711	\$47,385
Paid-in Capital	\$140,000	\$140,000	\$140,000
Retained Earnings	(\$27,680)	\$72,107	\$178,637
Earnings	\$99,787	\$106,530	\$124,491
Total Capital	\$212,107	\$318,637	\$443,128
Total Liabilities and Capital	\$270,781	\$370,348	\$490,513
Net Worth	\$212,107	\$318,637	\$443,128

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7.6 Business Ratios

The table below outlines the company's business ratios. The last column represents industry average business ratios for Specialty Eating Places.

Table: Ratios

<i>Ratio Analysis</i>	2012	2013	2014	Industry Profile
Sales Growth	n.a.	10.00%	10.00%	5.52%
Percent of Total Assets				
Inventory	7.82%	6.12%	5.08%	13.19%
Other Current Assets	0.00%	0.00%	0.00%	32.05%
Total Current Assets	80.14%	86.43%	90.47%	53.73%
Long-term Assets	19.86%	13.57%	9.53%	46.27%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	14.28%	9.53%	7.12%	28.97%
Long-term Liabilities	7.39%	4.43%	2.54%	25.84%
Total Liabilities	21.67%	13.96%	9.66%	54.81%
Net Worth	78.33%	86.04%	90.34%	45.19%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	65.00%	65.00%	65.00%	17.04%
Selling, General & Administrative Expenses	47.94%	48.47%	47.37%	7.33%
Advertising Expenses	2.26%	2.18%	2.26%	0.92%
Profit Before Interest and Taxes	23.27%	22.47%	23.85%	1.92%
Main Ratios				
Current	5.61	9.07	12.70	1.17
Quick	5.06	8.43	11.99	0.59
Total Debt to Total Assets	21.67%	13.96%	9.66%	61.62%
Pre-tax Return on Net Worth	62.73%	44.58%	37.67%	13.59%
Pre-tax Return on Assets	49.14%	38.35%	34.03%	5.22%
Additional Ratios	2012	2013	2014	
Net Profit Margin	17.09%	16.58%	17.62%	n.a
Return on Equity	47.05%	33.43%	28.09%	n.a
Activity Ratios				
Inventory Turnover	10.91	10.26	10.39	n.a
Accounts Payable Turnover	11.24	12.17	12.17	n.a
Payment Days	27	30	29	n.a
Total Asset Turnover	2.16	1.73	1.44	n.a
Debt Ratios				
Debt to Net Worth	0.28	0.16	0.11	n.a
Current Liab. to Liab.	0.66	0.68	0.74	n.a
Liquidity Ratios				
Net Working Capital	\$178,337	\$284,782	\$408,812	n.a
Interest Coverage	48.16	62.07	104.13	n.a
Additional Ratios				
Assets to Sales	0.46	0.58	0.69	n.a
Current Debt/Total Assets	14%	10%	7%	n.a
Acid Test	5.06	8.43	11.99	n.a
Sales/Net Worth	2.75	2.02	1.59	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Table: Sales Forecast Year One

<i>Sales Forecast</i>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales												
Coffee beverages	\$24,000	\$27,000	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$28,800	\$29,400	\$31,200	\$33,000	\$33,000
Coffee beans	\$6,000	\$6,750	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,350	\$7,800	\$8,250	\$8,250
Pastries, etc.	\$10,000	\$11,250	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,250	\$13,000	\$13,750	\$13,750
Total Sales	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
Direct Cost of Sales												
Coffee beverages	\$6,000	\$6,750	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,350	\$7,800	\$8,250	\$8,250
Coffee beans	\$3,000	\$3,375	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$3,675	\$3,900	\$4,125	\$4,125
Pastries, etc.	\$5,000	\$5,625	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,125	\$6,500	\$6,875	\$6,875
Subtotal Direct Cost of Sales	\$14,000	\$15,750	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$17,150	\$18,200	\$19,250	\$19,250

Table: Personnel Year One

<i>Personnel Plan</i>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Manager	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917
Baristas	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Employees	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Total People	7	7	7	7	7	7	7	7	7	7	7	7
Total Payroll	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383

Table: General Assumptions Year One

<i>General Assumptions</i>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%

Appendix

Table: Profit and Loss Year One

<i>Pro Forma Profit and Loss</i>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
Direct Cost of Sales	\$14,000	\$15,750	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$17,150	\$18,200	\$19,250	\$19,250
Total Cost of Sales	\$14,000	\$15,750	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$17,150	\$18,200	\$19,250	\$19,250
Gross Margin	\$26,000	\$29,250	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,200	\$31,850	\$33,800	\$35,750	\$35,750
Gross Margin %	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
Expenses												
Payroll	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383
Sales and Marketing and Other Expenses	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150	\$2,150
Depreciation	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450
Rent	\$0	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
Rent	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Maintenance	\$400	\$450	\$480	\$480	\$480	\$480	\$480	\$480	\$490	\$520	\$550	\$550
Utilities/Phone	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Payroll Taxes	15% \$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558	\$1,558
Total Operating Expenses	\$16,191	\$20,641	\$20,671	\$20,671	\$20,671	\$20,671	\$20,671	\$20,671	\$20,681	\$20,711	\$20,741	\$20,741
Profit Before Interest & Taxes	\$9,809	\$8,609	\$10,529	\$10,529	\$10,529	\$10,529	\$10,529	\$10,529	\$11,169	\$13,089	\$15,009	\$15,009
EBITDA	\$10,259	\$9,059	\$10,979	\$10,979	\$10,979	\$10,979	\$10,979	\$10,979	\$11,619	\$13,539	\$15,459	\$15,459
Interest Expense	\$248	\$245	\$243	\$241	\$239	\$236	\$234	\$232	\$229	\$227	\$225	\$223
Taxes Incurred	\$2,390	\$2,091	\$2,572	\$2,572	\$2,573	\$2,573	\$2,574	\$2,574	\$2,735	\$3,216	\$3,696	\$3,697
Net Profit	\$7,171	\$6,273	\$7,715	\$7,716	\$7,718	\$7,720	\$7,721	\$7,723	\$8,205	\$9,647	\$11,088	\$11,090
Net Profit/Sales	17.93%	13.94%	16.07%	16.08%	16.08%	16.08%	16.09%	16.09%	16.74%	18.55%	20.16%	20.16%

Appendix

Table: Cash Flow Year One

<i>Pro Forma Cash Flow</i>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations												
Cash Sales	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
Subtotal Cash from Operations	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
Additional Cash Received												
Subtotal Cash Received	\$40,000	\$45,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$52,000	\$55,000	\$55,000
Expenditures	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Expenditures from Operations												
Cash Spending	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383	\$10,383
Bill Payments	\$712	\$21,650	\$29,845	\$30,569	\$29,450	\$29,449	\$29,447	\$29,445	\$29,474	\$30,424	\$32,727	\$34,195
Subtotal Spent on Operations	\$11,096	\$32,034	\$40,228	\$40,952	\$39,834	\$39,832	\$39,830	\$39,829	\$39,857	\$40,808	\$43,110	\$44,578
Additional Cash Spent												
Principal Repayment of Current Borrowing	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275
Subtotal Cash Spent	\$11,371	\$32,309	\$40,503	\$41,227	\$40,109	\$40,107	\$40,105	\$40,104	\$40,132	\$41,083	\$43,385	\$44,853
Net Cash Flow	\$28,629	\$12,691	\$7,497	\$6,773	\$7,891	\$7,893	\$7,895	\$7,896	\$8,868	\$10,917	\$11,615	\$10,147
Cash Balance	\$95,752	\$108,444	\$115,940	\$122,713	\$130,605	\$138,498	\$146,393	\$154,289	\$163,157	\$174,074	\$185,689	\$195,836

Appendix

Table: Balance Sheet Year One

<i>Pro Forma Balance Sheet</i>													
	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Assets													
Current Assets													
Cash	\$67,123	\$95,752	\$108,444	\$115,940	\$122,713	\$130,605	\$138,498	\$146,393	\$154,289	\$163,157	\$174,074	\$185,689	\$195,836
Inventory	\$16,027	\$15,400	\$17,325	\$18,480	\$18,480	\$18,480	\$18,480	\$18,480	\$18,480	\$18,865	\$20,020	\$21,175	\$21,175
Total Current Assets	\$83,150	\$111,152	\$125,769	\$134,420	\$141,193	\$149,085	\$156,978	\$164,873	\$172,769	\$182,022	\$194,094	\$206,864	\$217,011
Long-term Assets													
Long-term Assets	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170	\$59,170
Accumulated Depreciation	\$0	\$450	\$900	\$1,350	\$1,800	\$2,250	\$2,700	\$3,150	\$3,600	\$4,050	\$4,500	\$4,950	\$5,400
Total Long-term Assets	\$59,170	\$58,720	\$58,270	\$57,820	\$57,370	\$56,920	\$56,470	\$56,020	\$55,570	\$55,120	\$54,670	\$54,220	\$53,770
Total Assets	\$142,320	\$169,872	\$184,039	\$192,240	\$198,563	\$206,005	\$213,448	\$220,893	\$228,339	\$237,142	\$248,764	\$261,084	\$270,781
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$20,656	\$28,825	\$29,587	\$28,469	\$28,467	\$28,465	\$28,464	\$28,462	\$29,335	\$31,586	\$33,092	\$31,974
Current Borrowing	\$10,000	\$9,725	\$9,450	\$9,175	\$8,900	\$8,625	\$8,350	\$8,075	\$7,800	\$7,525	\$7,250	\$6,975	\$6,700
Subtotal Current Liabilities	\$10,000	\$30,381	\$38,275	\$38,762	\$37,369	\$37,092	\$36,815	\$36,539	\$36,262	\$36,860	\$38,836	\$40,067	\$38,674
Long-term Liabilities	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Total Liabilities	\$30,000	\$50,381	\$58,275	\$58,762	\$57,369	\$57,092	\$56,815	\$56,539	\$56,262	\$56,860	\$58,836	\$60,067	\$58,674
Paid-in Capital													
Paid-in Capital	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
Retained Earnings													
Retained Earnings	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)	(\$27,680)
Earnings	\$0	\$7,171	\$13,444	\$21,158	\$28,875	\$36,593	\$44,312	\$52,034	\$59,757	\$67,962	\$77,608	\$88,697	\$99,787
Total Capital	\$112,320	\$119,491	\$125,764	\$133,478	\$141,195	\$148,913	\$156,632	\$164,354	\$172,077	\$180,282	\$189,928	\$201,017	\$212,107
Total Liabilities and Capital	\$142,320	\$169,872	\$184,039	\$192,240	\$198,563	\$206,005	\$213,448	\$220,893	\$228,339	\$237,142	\$248,764	\$261,084	\$270,781
Net Worth	\$112,320	\$119,491	\$125,764	\$133,478	\$141,195	\$148,913	\$156,632	\$164,354	\$172,077	\$180,282	\$189,928	\$201,017	\$212,107