



# Business Consulting

BUSINESS PLAN

BLAKE & ASSOCIATES

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5456 Universal Ave.  
Cleveland, OH 76891

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*Blake & Associates offers numerous consulting and advisory services to primarily smaller businesses. It will specialize in advice on business planning. Inasmuch as this is an example of the very document on which it hopes others will ask their advice, it should serve to effectively highlight the general approach .*

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## EXECUTIVE SUMMARY

Blake & Associates provide several consulting and advisory services to the business community, with particular emphasis on small businesses of 25 to 175 employees. These services include: seminars and workshops on writing business plans, as well as complete business plan development and writing; financial analysis and balance sheet restructuring; business valuations for purchase, sale or buy/sell agreements; cash flow analysis; computer software and hardware analysis; installation and training; and workshops on upgrading computer hardware and software, among others.

The company is currently a sole proprietorship with a small staff of specialized individuals who are well suited to providing our services to small to medium sized companies and, in some instances, to the general public. In addition to the above mentioned services, we are creating video tapes on such subjects as business plan writing and upgrading a personal computer. The tapes will be sold through direct mail, magazine advertisements, and at our company sponsored workshop.

Blake & Associates has an opportunity to fill a need in the business community and become profitable in its first year. A loan of \$65,000 will be a sufficient operating account to start the business, along with approximately \$17,000 in existing capital assets and grants.

The first year should see total revenues of just over \$288,000 and a net after tax loss of (\$6,143), or -2.13%. The second year, we anticipate revenues of just over \$970,000 with profits of nearly \$110,000. The third year, we estimate revenues will be nearly \$1,950,000, with a profit of over \$260,000. The high profit margin in the third year reflects the results of building the organization in the first two years and developing a demand for



higher attendance at the seminars and workshops, as well as greater demand for the books and audio and video tapes.

## Objectives

In the first year, we will achieve revenues of approximately \$290,000 while returning a net, after tax loss of (\$6,143), or a 2.13% profit margin.

We are targeting growth of over 100% in the second year, based on the development of our strategic alliances and our access to the public and small businesses through our seminars and workshops. By focusing on the seminars and workshops, books, and video and audio tapes, we can increase revenues to over \$1,900,000 by the third year and show a net after-tax profit of 13.7% or \$266,183, on growth of nearly 30%.

The key to growth and profitability is to develop the marketing of the seminars, workshops, and the tools (i.e. video tapes, audio tapes and booklets). We expect these services to provide as much as 50% of our total revenues in the first year and approximately 70% by the third year. Using the workshops and seminars as a marketing vehicle for our services, we will see an increase in our consulting revenues and our seminar and workshop revenues.

## Mission

To improve the performance and efficiency of small businesses and their chances of survival in a highly competitive, expanding, and unpredictable political and economic business environments.

## COMPANY

Blake & Associates is a sole proprietorship, with a small staff of specialized individuals who are well suited to providing our services to small- and medium-sized companies and, in some instances, to the general public. Our services include: analysis and development of business plans; business valuations; cash flow analysis; demographic research for marketing plans; microcomputer hardware and software analysis, installation, and training; and consultation and workshops on sales management and sales staff motivation. In addition, we are creating video tapes on such subjects as business plan writing and upgrading a personal computer.

## Company Ownership

Blake & Associates is a sole proprietorship, owned by John Doe. In the future, the company will be incorporated - most likely as an "S" corporation and, at that time, there will be other stockholders. Further, it is expected that, should any future funding for this venture come from an investor, the investor will require (and be entitled to) a percentage of ownership.

## Company History

Blake & Associates is a start-up company, beginning its operation on September 1, 1992; however, most of the time during the first few months was spent developing the feasibility research. Some services were offered in the fall of 1992 and although clients were billed for services no revenues were generated. These projects did help in the research process and much of that research will be evident in the body of this plan.

## Services & Products

We will provide numerous services to businesses, including: assistance in writing effective and concise business plans and financial analysis; conducting demographic market research; providing business valuations; and conduct workshops and seminars on these same subjects. We will also provide consulting services and



conduct workshops and seminars on microcomputer software and hardware analysis, installation and training.

## Company Locations and Facilities

The company has not made final arrangements for its office location John Doe is conducting business from his home, at the present time, but the conditions are unsuitable for business operations. To obtain the most effective amount of space, at the lowest possible price, we have concluded that our best choice would be shared office type facilities. These facilities provide private offices, secretarial support, copiers, faxes, reception, telephone equipment and answering services and so on. The prices range from \$500 to \$850 per month for each room, plus a cost for phones and furniture. We already have furnishings and the phones range from \$75 to \$125 per month, per room, depending on how many lines were needed. The least expensive facility we have found is Troy Commons. Two offices with two telephone lines would cost a total of \$1,025 per month. This facility provides minimal space for meetings (eight people, maximum), no storage space, no audio/visual support and no training space. The most feasible location, for the first few months, would provide conference facilities for 10 to 12, audio/video, overhead and slide capabilities, and an extensive array of additional services, including color copies and color printing of computer disks. Although we would be using the shared office concept for the first year to 18 months, the business plan reflects the cost of a private facility from the first day of the second year of operation. Our concern with the shared office concept is the exceedingly high cost of ancillary services and the lack of conference, training, and storage space. For instance, an incoming fax is \$1.00 per page while outgoing faxes are \$2.00 per page plus phone time, copies are \$.15 each. In our business, this could cost us as much as \$500 per month or more in additional fees. On the other hand, it saves us as much as \$1,500 per month in salaries (for clerical help) and another \$300 to \$500 per month in equipment rental and lease.

When we are ready for our own offices, our facilities will require six specific areas including a conference/training room, reception area, storage and equipment room, marketing office, operations office and administrative offices. The total space requirement would be between 2,000 and 2,500 square feet and we would enter into a lease of five years, negotiating for lower lease payments in the first three to six months of the lease. A chart of the office options available can be provided.

## PRODUCTS AND SERVICES

Blake & Associates provide a number of necessary services and products to the business community and to the public. Although the products and services seem complex, they can be summed up in two areas - business finance services and business computer services. Our business finance services include business plan workshops, consulting and writing, financial and cash flow analysis, planning and restructuring, business valuation for purchases or sales, or for the structuring of a buy/sell agreement, demographic market studies, microcomputer hardware and software analysis, installation and training. In addition, we conduct seminars and workshops on such topics as sales and sales management, motivation, starting a business, developing vision in the staff and so on. Our business computer services include workshops on upgrading an existing microcomputer, increasing efficiency by upgrading software and so on. Many of these same topics would be of interest to the general public. We also provide consulting services to businesses on their hardware and software needs.

### Product and Service Description

Our business planning services include: assisting companies with the research and structuring of comprehensive, written, business plans; conducting workshops and seminars on business plan writing; and providing a written business plan package, which delivers a complete, detailed business plan to the client, specifically designed to meet their needs, i.e. venture capital search, bank loans, SBA7(a) packages, SB A direct loans, restructuring, new product development, expansion market, and so on. In many cases, businesses of 25 to 175 employees consider next year's budget an acceptable business plan. Any investor or banker will



disagree and insist on much more information prior to making a financial decision regarding funding a business. We want to provide the opportunity for businesses who have potential to receive the funding that would help them become solid employers and corporate taxpayers in their communities. Other services included in Business Planning are:

- Business valuations for the purpose of establishing a value on a business that is being bought or sold, as well as establishing a value for buy/sell agreements for partnerships and other business entities who wish to insure against the premature death of a principal in the business.
- Cash flow analysis that allows a company to anticipate lulls in production or sales, due to seasonal, political, or economic market adjustments that would cause unanticipated drains on "cash on hand" and the cash surplus. It is our observation that a company can borrow monies to cover an anticipated depression in cash flow much easier than trying to borrow monies to get out of a negative situation.
- Demographic information that can help a company decide the best location for expansion or product introduction, based on retail sales, per capita income, competition, real estate values and lease rates, union vs. nonunion labor, population, and so on. Many times a company sees an opportunity for growth or the introduction of a new product through "rose colored glasses." We help them realize the realities of the endeavor and provide guidance that would allow them to find a better location, reconsider their timing, or any other alternative that might exist.

Management Information Systems Consulting provides much needed assistance to the smaller companies who must be careful of every dollar spent on potentially "unnecessary" computer hardware or software. Hundreds of software packages are sold every day to unsuspecting buyers who think the software will perform a specific task for them, only to find that it won't. Furthermore, businesses and individuals alike spend thousands of dollars to buy computers and peripheral components to improve their efficiency and work environment only to find out that the system they got was too much, too little, or the totally wrong kind and incompatible with what their colleagues are using. We will assist these individuals and businesses with the proper decision on software and hardware. We will evaluate dozens of software packages for ease of operation, extent of benefits, learning time, and levels and cost. We will then be able to properly advise our clients as to what software package will do their task at the least cost and with the least amount of start-up time. As for hardware we can analyze the system needs of the client and advise them of upgrades which might be available for their current system, without going to the expense of replacing an entire computer. On the other hand, we can advise the client on just how much upgrading might need to be done. One client might simply need a new video board, while another needs an entirely new system.

## Important Features and Comparison

Although there are a number of attorneys and accountants who profess to writing or assisting in the writing of business plans, the reality is that these professionals provide invaluable services in the areas in which they are best, but lack the imagination to write a comprehensive and effective business plan. The attorneys tend to dwell on the legal aspects and contractual arrangements while accountants sweat over the balance sheet, cash flow statements, product costs and income statements. Additionally, these vitally necessary professionals cannot afford to spend the many hours necessary to work on a business plan when they could be earning \$90 to \$200 per hour concentrating on their particular field of expertise.

Our expertise lies in the ability to listen to a business owner and perceive their vision for their company over the next few years. We can envision what the business person is looking for in the future, then put it in writing and at a cost they can live with.

As for computer consulting, there are literally hundreds of companies and individuals who provide "consulting" services to businesses. However, as in the case of the business plan writing area, most of them are too wrapped up in "their" ideas and opinions to hear what the client really needs. Further, many of these "consultants" are re-sellers of software and are less objective than they otherwise might be. We want the needs of the client to be the most important thing to us, so we will not be a re-seller of software or hardware. We will



continually research the market so we can advise the clients as to where they can find the software and hardware they need at the most reasonable prices.

Finally, we are offering workshops and seminars where the knowledge we have gained can be shared with the smallest of businesses without costing them hundreds of dollars. The average business planning seminar will have a ticket price of \$35 and the workshop, where participants will actually be able to write a business plan with the tools and information provided, will have a price of \$90. Our computer hardware and software evaluation seminars will have an average ticket price of \$35 and the attendee will be able to make decisions as to what software or hardware might be best for their situation. The computer assembly workshop will teach the small business person, or individual how to assemble, upgrade or trouble shoot a personal computer and will have a ticket price of \$75. Even the smallest of businesses can afford these prices, as can the individual seeking this information. However, the greatest of seminars and workshops cannot give anyone ALL necessary information. Ultimately, our seminars and workshops become one of our most effective marketing tools, causing the attendees to come to us for further information (at our hourly rate of \$50 to \$90) or to have us write the plan, do the evaluation, upgrade the computer, install the software...any number of reasons. None of our competitors are doing this.

## Sales Literature

Our literature is being designed by Graphics Inc. Kevin Johnson, the owner and graphic designer, has extensive experience in graphic design. Our literature will consist of a pocket folder, which will allow us to custom design the type of package needed for each client, an 8 1/2 × 11, bi-fold "mailable" brochure, which is designed to sell the need for service (rather than explain the services offered) and inserts for the folder that will detail the various services offered by the firm.

The copy is being written by Laurie Metcalf. She has an equally impressive list of clients and has written countless business and technical pieces for *The Post Dispatch*, *The St. Louis Business Journal* and several national publications. She has also co-authored several technical manuals, novels and text books. Her expertise is in taking the most complicated ideas and making them simple to understand.

A printer has been chosen to provide us a high quality printing job and a very reasonable price and, as in every case, we are using a locally based small shop which is known for its integrity and quality. The entire literature package should be completed by the second week of January. Rough draft examples of the materials are available on request.

## Future Products and Services

In putting the company together, we have attempted to offer enough services to allow us to always be in demand by our clients. However, politics has provided us with a new era of opportunities for the small business person in which we can only guess at the needs.

David Mullins, Vice Chairman of the Federal Reserve Bank, is urging a major overhaul of the bank lending practices for small businesses (Wall Street Journal, December 15, 1992). Over the past several years, with the destruction of the Savings and Loan industry, the leading practices of banks have become almost nonexistent for the small business person. Now, we have the possibility of money being loosened for the small business people and that means there will be a substantial increase in the number of loan applications being filed with lenders and thus an increase in the number of business plans and business valuations needed and the software to run them. This provides additional business for virtually every area of business services we provide.

As we become more accustomed to the fall of communism in Russia and the demise of the Soviet Union, we continue to downsize our military. With this downsizing comes the release of thousands of highly trained, educated, and motivated individuals who have nowhere to go for jobs. Both military and civilian defense workers are finding themselves faced with unemployment. Statistics tell us that approximately 4 out of 10 of these individuals will start their own company within one year of being released from service. In that area





alone, this will account for nearly 800 new small businesses starting between July 1, 1993 and June 30, 1994. All of the events of today create the need for new ideas and direction. It is our intention to offer ourselves, on a contractual basis as consultants to governmental agencies and corporations who are "downsizing," to work with their employees who might be receiving a "lump sum" severance package. It would be in the best interest of the employer to help these individuals instead of trying to live off the money until it runs out. These consulting contracts would allow us the opportunity to provide a service to the employer and their former employee and we could receive a fee from both. The employer would hire us to help the former employee wishing to start a business of their own find the best type of business for them, considering the amount of severance compensation they are provided. The former employee would pay us to help develop a business plan, analyze software needs, identify proper computer hardware, file for SBA or bank loans and so on.

## MARKET ANALYSIS

According to Inc. magazine, during the 1980s, the number of businesses in the United States grew by approximately 53%. During that same time, the population grew by 10%. As major industry continues to "down size," more and more talented, educated, and experienced people are finding themselves going into business. Many of these people will ply their trade out of the basement of their homes, while others will open offices, hire staff and begin manufacturing, assembling or selling products or services. Each and every one of these individuals will needsome sort of support we are providing. However, it is a mixed bag and the common thread we have found which would provide us with access to these new (as well as the existing) businesses is their need for an attorney, an accountant, and a banker. Therefore, we will concentrate our marketing efforts on these professionals, relying on them, and later our clients, for referrals.

### Industry Analysis

It is impossible to measure an industry which expands every day. In recent times (the past 15 years), we have seen more independent businesses open than any other time prior to the original development of this country. In fact, according to statistics issued by the United States Commerce Commission, by the year 2000 we will be very near to reaching the same percentage of entrepreneurial businesses as existed prior to the industrial revolution. Major corporations are downsizing and leaving people stranded. These are educated, motivated people who strike out on their own by buying a franchise, an existing business, or developing their own ideas into an enterprise. The vast majority of these businesses will not succeed, due to a failure to properly evaluate the opportunity. In fact, 52,078 businesses failed in 1984 while 1991 saw 87,404 businesses closing their doors. As of June 30, 1992, the year had already seen the failure of 50,532 business. Many of them charged forth - mostly on emotion - and failed to see danger signals that an impartial advisor could have alerted them to. The opportunity they wish to take advantage of could be a sound one, with certain adjustments made. Unfortunately, the cost of such advice has, historically, been out of reach (or perceived to be out of reach) of the small business owner. Their entrepreneurial spirit tells them to "do it yourself," not recognizing that "self tends to look at the beautiful mountain peaks in the distance - unaware that a grizzly bear is ten feet behind them. They must plan for the future, but manage today.

### Participants

Since our target market covers companies of 25 to 175 employees, the participants in this market are difficult to number. Each day sees new entries into the business world and, therefore new prospects for our services.

### Market Segmentation

The most likely types of businesses to require our services would include:

- New businesses seeking investment or start-up capital



- Existing companies who are expanding or introducing a new product or service
- New and existing companies who need to upgrade their MIS hardware or software
- Individuals and businesses who want to learn more about computers
- Employers looking for fresh approaches to goal setting and technique
- Governmental agencies assisting displaced or disabled individuals find employment

As mentioned, our target market is businesses of 25 to 175 employees, but we will be providing services to many entities of greater or lesser numbers. In doing the research for this plan, 390 businesses were contacted which met our target size. Of those, only 26 have current business plans. More importantly, 310 of them said their banker or investor group wanted an updated business plan. Of the 310, 160 of them said they would be willing to attend, or send a representative, to a workshop on business planning and over 200 were interested in seminars and workshops on computer hardware and software. Additionally, 351 of the companies are using computers and 285 said they were "less than satisfied" with either the hardware or software they were currently using.

### Competitive Forces and Buying Patterns

The most important factor in this market is the quality of the service. Most of the companies we spoke with said the price they paid for services was not as important as the quality and availability. The majority of the companies said they were not satisfied with the current condition of their planning efforts, because their accountant was unfamiliar with the fundamentals of their business and they were less satisfied with the quality of the "computer experts" they had hired to improve their productivity. Hence, quality service will command a fair price.

### Main Competitors

There are 122 companies operating in the metropolitan area who classify themselves as "business consultants." However, upon contacting these organizations, it appears that the majority of these companies are bookkeeping services, out-placement services, finance companies and medical practice counselling. There are some companies that provide services similar to those offered by us and that is good. The competition should keep us awake and appreciative. There are three companies who seem to parallel our services. Each of these companies offers business plan writing. Some offer computer services, some offer services to small and start-up businesses. However, none of them provide all these services and most of them are one- or two-man shops.

### Keys to Success

We never want to forget the fact that we are a small business and the mainstay of our business comes from small businesses. We want to provide our services to our clients as though we were friends. We want to always be available when a client needs our help or has a question and we always want to make certain that we are giving our clients advice that will help them operate efficiently and effectively. We offer a background in consulting with the Small Business Development Center and our management and speaking expertise services, writing business plans and conducting seminars and workshops. One cofounder has operated his own computer business for two years and has been writing computer programs for software development companies even longer. His friendly ways and extensive knowledge of computer hardware and software give him a distinct advantage and workshops will give us access to people we might otherwise lose because they feel that they already have "advisors" in their attorneys or accountants.

### Market Forecast

With the easing of bank lending to small businesses and with the continual "downsizing" of U.S. industry, our market can only get larger. We have estimated the projected revenues of the various products and services we will offer. This information is available upon request.

*Источник бизнес-плана:* <http://www.referenceforbusiness.com>



## BUSINESS STRATEGY AND IMPLEMENTATION

We do not want to compete with attorneys and CPAs. We want them as allies. We intend to show them how we can be of value to them by freeing their time up and still being paid for services through our firm. We also want to work with the commercial and business loan officer of the numerous banks throughout neighboring areas and states, showing them how we can assist their clients and applicants with SBA loan packages, direct bank loans and other services, making the loan officer's job easier and more effective. By developing relationships with these professionals, we can develop a referral system which could keep us supplied with enough business to be profitable. In addition, our seminars and workshops will create business and provide one avenue for the sale of books and video and audio tapes on the topics we are presenting.

### Marketing Strategy

Our strategy calls for the development of relationships with attorneys, accountants, and bankers to support our business with referrals. Interviews with commercial loan officers have indicated that there is a serious need for a firm like ours to help their clients develop comprehensive, concise business plans. We have already received permission from one financial institution to place our literature in their commercial loan lobby and they have agreed to mail several of the pieces to recent business applicants who don't have business plans. This same type of referral can come from the attorneys and accounts with whom we have developed relationships. Our consulting work and advertising will generate business for our computer services section, including service contracts with some of the law and accounting firms from whom we receive referrals.

### Target Markets and Market Segments

Our target market is small business of 25 to 175 employees. The industry they are involved in has little relevance. We are able to work equally well with manufacturing, sales, service, assembly and business. All types of businesses need to know where they are headed and there is hardly any business in operation today that does not use a computer and software. Furthermore, there are many 1- to 4-person shops, such as ourselves in the initial stages, who still need help in identifying where they want to go and how they want to get there. For these types of "micro companies," our seminars and workshops are ideal. The workshops will cause them to think the process through and develop their own plans of action.

### Pricing Strategy

For our hourly services, we must make ourselves profitable, but be competitive. For business consulting, we will charge an hourly rate of \$90. Our hourly fee for computer consulting is \$50 to \$75, depending on the task. If it simply involves research and advice on software, the \$50 would apply. However, if the client is wanting us to evaluate, upgrade and service a network of computers, the rate would be \$75. Finally, our seminars will have an average fee of \$35 and our workshops will average \$85 per attendee. All of these rates are highly competitive with the industry and, in some cases are far less (i.e. Peat Marwick charges \$190 per hour for business plan preparation).

### Marketing Programs and Strategies

We will be instituting a regular schedule of telemarketing and direct mail solicitations to our target market. Every two months, there will be a mailing to a section of our market, with follow-up calls made to confirm that the information arrived. Then, those leads will be followed up on over the next few weeks by the Research or MIS Associates. There will be frequent visits to our strategic alliances, including lawyers, accountants, and bankers. These will be face to face discussions of our services and upcoming seminars and workshops. Graphic Design is developing a comprehensive package of materials we can use to promote the company, including small brochures of a mailable size and a larger folder, which will allow us to build a "customized" package containing information pertinent to a particular customer.





## Sales Forecast

Charts and tables representing our forecast of sales for the first twelve months of operation, by product, have been prepared.

## Strategic Alliances

Our strategic alliances are also part of our marketing strategy. As outlined earlier, our existing and anticipated relationships with legal and accounting firms, as well as bank lending officers, will provide us with the strong referral base we will need. In most cases, it will not be easy to win these groups over. Some will resist because they are offering some abbreviated form of one or more of our services now. However, if we can show them how we can do the work and still provide them a fee opportunity, it should appeal to them. We have already developed relationships with a local bank and law firm. They will provide us with much of the credibility we will need to access other professional and financial organizations.

## ORGANIZATION

An Organizational Chart is available upon request.

### Organization Structure

The company, simply because of its small size, will function more as a partnership than a corporate organization, in the early stages. With such a small group, it will be simple to communicate with and support one another. As the company grows, there will be more structure to the organization, with new hires being assigned a supervisor or subordinates. When the company is at its full staff potential, it will operate as any closely held corporation, but maintain the personal interest in each employee's personal and family welfare and their contributions to the business.

### Management Team

A complete resume for each of the management staff is available upon request.

### Management Team Gaps

There are three positions that we will need to fill in the first six months of operation, although two of the roles are not considered a part of the management team, they are integral to the fulfillment of the plan. The first vacancy to be filled is a Business Planning Associate to assist the owner in the writing of business plans and the presentation of seminars and workshops. This person could allow the company to nearly double the volume of business plans written by conducting the preliminary client interviews and performing research on competition and market.

The second person needed is a Marketing Director. This person will be responsible for keeping us on target with our seminars and workshops, as well as defining the specific marketing objectives of clients who hire us to write their business plans. Further, this person would work with our outside consultants on public relations, publicity and advertising and, in some cases conduct seminars and workshops on marketing plans and studies. Until this person is hired, these responsibilities will be handled by the owner with the help of the rest of the staff. We anticipate hiring this person near the end of the first year.

The third person needed is an MIS Associate, who would perform similar tasks to the Business Planning Associate. That is, to assist in conducting research into client needs, analyze software products for usability and learning curve, interview clients to obtain information on the daily usage of computers and software to evaluate needed upgrades or replacement, assist in conducting seminars and workshops on upgrading computers, and usage of software.



## Personnel Plan

We do not intend to be a large corporation or "top heavy." We want the company to stay lean and flexible so that we can respond to a client's needs quickly. To do this, we will use outside consultants whose fees, in most cases, will be passed on to the client, indirectly, through our fees. A personnel forecast by both month and year has been prepared.

## FINANCIAL ANALYSIS

Blake & Associates has an opportunity to fill a need in the business community and become profitable in the first year. \$65,000 will be a sufficient operating account to see the business through the start-up phase and beyond break-even. In addition to the \$65,000 loan, the company comes to the table with approximately \$15,000 in assets, including \$10,000 in a computer system and other equipment provided by the Department of Social Services, Rehabilitation Services for the Blind.

The first year should see total revenues of just over \$288,000 and a net, after tax loss of (\$6,143). The second year, we anticipate revenues of just over \$970,000 with profits of nearly \$110,000. The third year, we estimate revenues will be nearly \$1,950,000, with a profit of over \$265,000. The high profit margin in the third year reflects the results of building the organization in the first two years and developing a demand for and therefore, higher attendance at the seminars and workshops, as well as greater demand for the books and audio and video tapes. In other words, the third year will allow us to do twice the business with virtually the same number of people and a small increase in expenses.

## Financial Plan

To put the operation into full swing, we require \$65,000 of operating capital, which will cover payroll, rent, telephones and other general expenses for at least six months, assuming no revenues were received during that same period. It is expected that there will be no more funds needed, after this initial infusion of capital. It is our intent to repay the loan in the first three years of operation, with principle and interest payments beginning in the third month. The company has no plans to "go public." It is our intent to keep the organization small, efficient and closely held. However, it is possible that the company, or a portion, could be sold to another consulting firm, attorney, CPA, or the like. If such an offer is made, the decision to sell will be made at that time.

## First Twelve Months: Pro Forma Income Statement

The Income Statement reflects three larger expenditures in the first 90 days. These expenses include:

- \$5,500 for Video, Audio, and Book Production
- \$9,250 for Advertising and Promotion
- \$3,500 for Legal and Accounting

The first of these items is the cost to produce the Audio and Video tapes we will sell at seminars and through advertisements. \$3,000 is for the video taping, including equipment, filming, editing and so on. The audio tapes can be produced from the sound track on the video except for a few special tapes we want to include. The remaining \$2,500 is for the initial production of the business plan writing guideline, which accompanies the audio or video tapes, and the packaging of the audio and video tapes, as well as the printing and binding of the first order of books. After this initial investment, we have calculated a monthly expenditure which will cover the replacement of those products which were sold.

The second major expense item is Advertising and Promotion. Included in this \$9,250 is the cost of newspaper and magazine advertising to announce the opening of the company for business. We have calculated a monthly advertising budget that will allow us to keep our name before the public and advertise our seminars and



workshops. With these budgeted amounts, we will be able to buy our advertising in advance and receive as much as a 50% discount from standard rates in local publications. The advertising budget grows to \$56,000 in the second year and \$93,000 in the third, with the expansion of the company to a larger geographic service area.

The third large item is the expense for legal and accounting. The \$3,500 is sufficient to cover the cost of incorporation, contracts and agreements and setting up the general journal and general ledger.

In the first year, we expect gross sales of \$288,640 and cost of sales to be \$106,707, for a gross margin of \$181,843 or 63%. Profit before taxes and interest expense are projected to be (\$6,143). With interest expense of \$5,623 and taxes of (\$1,733), the company will show a net loss, in the first year of (\$6,143). This is an acceptable result, considering the start-up time and expenses incurred during the first year.

The second and third years, FY95 and FY96, show gross sales of \$972,228 and \$1,941,285, respectively. Unit cost of sales are \$307,676 for FY95 and \$575,874 for FY96. The second year net, after-tax profit is projected to be \$109,758. The third year net, after-tax profit is estimated at \$266,183.

## Financial Ratios and Break-Even Analysis

Ratio analyses, including profitability ratios, activity ratios, debt ratios, liquidity ratios, and others have been forecasted through 1996 and are available upon request.

It is our opinion that we can exceed the "usual and customary" ratios through the combination of services we are offering. Nearly half of the revenues, in the third year, will come from the mail order sales of books, videos and audio tapes. These products require little staffing and overhead and generate excellent profits, once the initial cost of production is absorbed.

Charts representing the sales revenues, personnel needs, expenses, and profit for the next three years have been prepared. Each chart reflects genuine estimates of the company's capabilities and the achievement of these results is totally dependent upon the \$65,000 loan.

Spreadsheets to accompany financial projections as well as examples of advertising layouts and marketing materials are available upon request. These include: general assumptions; sales forecasts; personnel plan; the Pro Forma Income Statement, Cash Flow Statement, and Balance Sheet; ratio analyses; and advertising.