



DAVANAGERE UNIVERSITY

S.J.M Vidyapeetha ®, Chitradurga

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PROJECT REPORT OF NEW BUSINESS

SOMETHING BORROWED SOMETHING NEW

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Executive Summary

Something Borrowed Something New is an emerging e-commerce business providing wedding accessories and personalized gifts. Headquartered in San Francisco, CA truly has the entire country at their finger tips through a fully developed drop ship business model. Providing unparalleled customer service and prompt shipping, Something Borrowed Something New has the potential to take the market by storm.

The key selling point of Something Borrowed Something New current business model is no overhead, possible only by utilizing a drop ship platform. By offering hundreds of products supplied by only the finest manufacturers, Something Borrowed Something New is able to reach a host of potential buyers; in doing so the company will be able to generate a faithful following of consumers. Operating under a drop ship model these items are consistently available, but inventory costs are paid for by other corporations, passing cost savings from Something Borrowed Something New to their customers. This is a tremendous cost savings, and one that undoubtedly appeals to all segments of the target audience. In order to reach this target audience, Something Borrowed Something New depends primarily on the internet and word of mouth referrals. Eventually field-based salesmen may be used to generate regional interest, but still using the site and drop ship format for purchasing and distributing.

In addition, social networking and blogging may be used to drive awareness and interest, giving Something Borrowed Something New a comprehensive online marketing model.

Something Borrowed Something New currently offers a variety of products, including:

- Wedding decoration accents
- Personalized wedding party gifts
- Custom Banners
- Reception accessories

To achieve the Company's objectives, Something Borrowed Something New is seeking \$40,000 in total funding. The requested investment will be repaid from the cash flow of the business.

Startup Summary

The following tables specify the funding Something Borrowed Something New needs to bring the business to the next level through the operations of "Something Borrowed Something New".

| Start-up Expenses | |
|--------------------------------|--------|
| Website construction | 10,000 |
| Set up Merchant Account | 3,500 |
| Business Plan Development | 500 |
| Business Consultant/Accountant | 2,000 |
| First year salary | 24,000 |
| Total Start-up Expenses | 40,000 |

MISSION

The Company's mission statement is as follows:

Our mission is to provide the best quality, service and price for our clients with every transaction; regardless of size or immediate need. Furthermore we commit to our clients to provide 2-3 day shipping, resulting in a measurable business strategy; and above all, stress free shopping for every bride's big day.

COMPANY OWNERSHIP

Something Borrowed Something New is a limited liability corporation registered in the state of California. The Company has been owned by Mr. Williams (100%) since June of 2011.

As the visionary behind the Something Borrowed Something New brand, Mr. Williams has a passion for providing the perfect touch to every wedding; but doing so without steep price tag. Mr. Williams is well equipped to effectively launch this venture with a background laden with quick decision making. As a seasoned professional with a strong entrepreneurial drive, Mr. Williams will not only be able to establish a foundation for Something Borrowed Something New, but also push the company beyond the confines of ecommerce sales. In addition to his intense passion and decision making ability, Mr. Williams is well known for his strengths in time management, continuous improvement and targeted customer service.

Products

Something Borrowed Something New is currently operating from San Francisco, CA, though as with any web-based business location is not critical to success. This is particularly true when considering the drop ship nature of the company's business model. As mentioned previously, Something Borrowed Something New is focused on providing affordable solutions for weddings and personalized gifts. This will be done through a shopping cart style website selling various accessories and gifts for every bride's big day.

To expand upon the previous list Something Borrowed Something New promptly provides products including:

WEDDING ACCESSORIES

- Candles
- Custom aisle runners
- Invitations
- Garters

RECEPTION ACCESSORIES

- Custom serving utensils
- Custom glasses
- Table runners
- Custom banners

PERSONALIZED GIFTS

- Hand bags
- Totes
- Groomsmen gifts
- Bridesmaid gifts

Though this list is already quite extensive, the company has access to hundreds of items from which they can select for posting on their website. With this level of flexibility and product selection, it will be difficult for competitors to maintain an edge above Something Borrowed Something New.

Market Needs

Though there are several competitors in the target region, there are very few, if any, which provide the broad range of products offered through Something Borrowed Something New. With the economy in its current state of repair, it is not uncommon for bride's to operate on a limited budget which has not always been the case. As a result they are intentionally seeking cost effective solutions which allow them to have the day they have always envisioned without spending thousands of dollars on accessories and gifts. Something Borrowed Something New provides for this need through their extensive product offering at affordable prices.

Industry at a Glance

E-Commerce Snapshot

Revenue
\$104.5bn

Profit
\$11.5bn

Annual Growth 06-11
4.9%

Wages
\$7.8bn

Annual Growth 11-16
9.4%

Business
52,248

As is apparent from the figures above the e-commerce industry is quickly making a substantial mark on the economy. Though some business models require a moderate amount of capital intensive operations, with a purely drop ship model many of these costs can be avoided. The industry is also well known for high profit margins, driven by a highly competitive environment. With very low barriers to entry competition is consistently generating new ideas, products and processes. To keep up with these ever changing trends, industry contenders must be certain their technology and service are constantly improving.

Every year, roughly 100 million Americans purchase goods from the online retail marketplace, one of the fastest-growing industries in the United States. Since the start of the decade, revenue for the e-commerce industry has grown at an exceptional rate,

outperforming most retail industries in the country. Because of steady growth, industry margins have also improved, increasing from about 5.0% in 2006 to an estimated 11.0% in 2011.

As online shopping has become more popular among consumers, hard-to-find niche products, such as hunting and camping equipment, have found a home online. As product ranges have grown, so has the number of operators entering the industry.

In the coming years, continued economic recovery will contribute to the e-commerce industry's strong growth. Increases in per capita income and employment levels will improve consumer sentiment, increasing consumers' likelihood to buy. Additionally, broadband internet adoption will grow in the next five years, increasing online retailers' accessibility.

Marketing

A variety of tools will be used to drive the Something Borrowed Something New marketing message with the most prominent among these tools being the Internet. The company already has a strong web presence with a website that is highly scalable, user-friendly and clearly spells out the services that the company offers. Moving forward, Something Borrowed Something New will begin to leverage the website in a much more aggressive fashion to drive online traffic that ultimately translates into sales. SEO (Search Engine Optimization), social networking and blogging will all be used to give Something Borrowed Something New a comprehensive online marketing presence. Social network pages will include Facebook.com and Twitter.com; the world's two largest social networks. Having a presence on these two portals will give the brand the opportunity to effectively drive interest and awareness.

Something Borrowed Something New is planning to integrate a marketing professional with a strong background in the music and sustainable business industry to implement the chosen marketing strategies. Members of the future sales team will be used in a marketing capacity to establish new customers and continue to cultivate relationships with existing customers. Having a presence in front of certain customers will establish valuable contacts, gain impressions and consumer touches with the targeted audiences in an effort to lay the base for physical locations to root in various communities.

Objectives

What follows is a listing of key corporate objectives for Something Borrowed Something New.

1. Obtain a \$40,000 loan. Having access to \$40,000 in working capital is one of the primary corporate objectives for Something Borrowed Something New. Doing so will allow the organization to establish operations through marketing, coverage for startup expenses and growth in terms of revenue base.

2. Expand operations. E-commerce provides nearly endless opportunities for business establishment and growth, with this related to current or new products. With that being said, Something Borrowed Something New will look to expand operations to better capitalize on all of the opportunities that are currently present in the market.

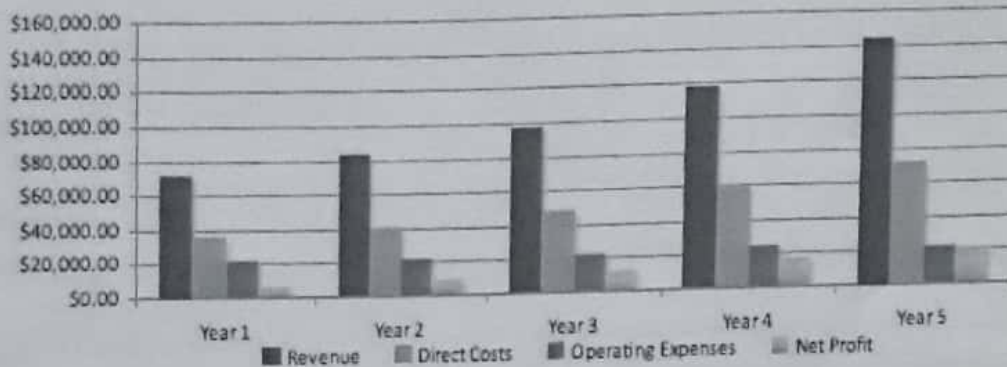
3. Grow supplier relationships. Something Borrowed Something New is currently working with one distinct web-based supplier offering an attractive drop ship business model. A crucial piece of Something Borrowed Something New's success will be fostering relationships with this type of company in an effort to provide and receive premium service.

Initially the company will expand the number of items offered to existing clients, and then proceed to increase the overall population of customers served. To ensure these objectives are met the company will remain flexible in their business model including the number of employees needed and physical office space, as growth necessitates.

Financial Highlights

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------|-------------|-------------|-------------|--------------|--------------|
| Revenue | \$72,000.00 | \$82,800.00 | \$97,704.00 | \$117,244.80 | \$143,038.66 |
| Direct Costs | \$36,000.00 | \$41,400.00 | \$48,852.00 | \$58,622.40 | \$71,519.33 |
| Operating Expenses | \$21,350.00 | \$22,310.00 | \$23,318.00 | \$24,376.40 | \$23,337.72 |
| Net Profit | \$6,913.60 | \$8,458.82 | \$13,106.87 | \$17,036.58 | \$20,873.09 |

Financial Highlights



Financial Indicators

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------------------------------|---------|---------|---------|--------|--------|
| Profitability %'s: | | | | | |
| Gross Margin | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% |
| Net Profit Margin | 8.60% | 10.27% | 11.41% | 14.53% | 14.59% |
| EBITDA to Revenue | 23.33% | 25.65% | 28.33% | 31.04% | 33.68% |
| Leverage Ratios: | | | | | |
| Debt to Equity | (2.20) | (3.86) | (10.21) | 25.44 | 6.19 |
| Debt to Assets Ratio | 183.61% | 134.99% | 110.86% | 96.22% | 86.07% |
| Interest Coverage Ratio | 2.17 | 2.00 | 2.23 | 2.56 | 3.00 |
| Liquidity Ratios: | | | | | |
| Current Ratio | 0.70 | 0.93 | 1.13 | 1.29 | 1.42 |
| Current Debt to Total Assets Ratio | 151.63% | 113.65% | 94.29% | 82.27% | 73.79% |
| Additional Indicators: | | | | | |
| Revenue to Equity Ratio | (2.18) | (3.36) | (8.48) | 21.26 | 5.42 |

Financial Indicators



Break-even Analysis

| | |
|-------------------------------|---------|
| Monthly Revenue Break-even | \$4,848 |
| Assumptions: | |
| Average Monthly Revenue | \$6,000 |
| Average Monthly Variable Cost | \$3,000 |
| Estimated Monthly Costs | \$2,424 |

PERSONNEL FORECAST

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------|----------|----------|----------|----------|----------|
| Personnel Count | | | | | |
| Founder | 1 | 1 | 1 | 1 | 1 |
| Total Personnel | 1 | 1 | 1 | 1 | 1 |
| Personnel Wage | | | | | |
| Founder | \$12,000 | \$12,600 | \$13,230 | \$13,892 | \$14,566 |
| Personnel Costs | | | | | |
| Founder | \$12,000 | \$12,600 | \$13,230 | \$13,892 | \$14,566 |
| Total Payroll | \$12,000 | \$12,600 | \$13,230 | \$13,892 | \$14,566 |

Personnel Forecast

The personnel forecast below shows the staffing needs for the next five years.

| PERSONNEL FORECAST | | | | | |
|------------------------|----------|----------|----------|-----------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Personnel Count | | | | | |
| Positions | 4 | 4 | 4 | 4 | 4 |
| Total Personnel | 4 | 4 | 4 | 4 | 4 |
| | | | | | |
| Personnel Wages | | | | | |
| Positions | \$23,059 | \$23,751 | \$24,463 | \$25,197 | \$25,953 |
| | | | | | |
| Personnel Costs | | | | | |
| Positions | \$92,236 | \$95,003 | \$97,853 | \$100,789 | \$103,812 |
| Total Personnel | \$92,236 | \$95,003 | \$97,853 | \$100,789 | \$103,812 |

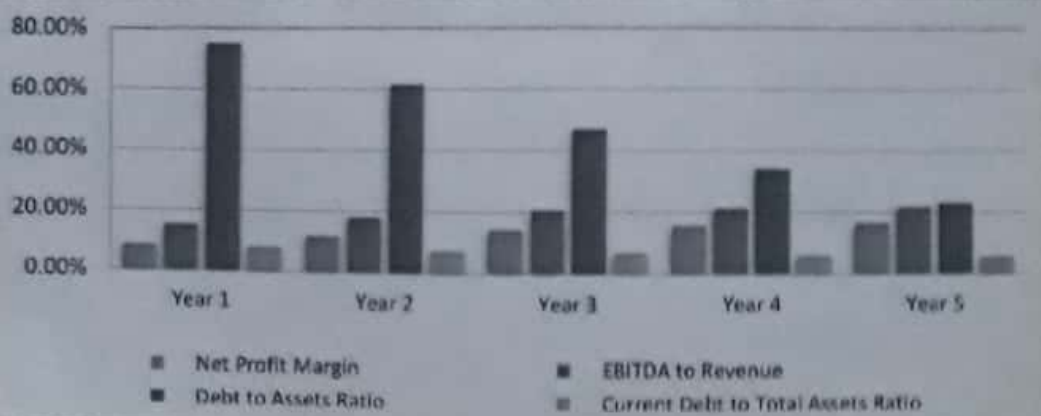
Personnel Assumptions: (1) Costs are based on average wages.

FINANCIAL INDICATORS

The following table summarizes The Coffee Shoppe's projected financial performance with standardized measurement indicators used to evaluate profitability, leverage, asset turnover, and liquidity. As with any long-range projection, accuracy is based on reasonable estimates of return on investment and past performance. The Company believes the following numbers are attainable and reasonable. However, actual results will vary.

| FINANCIAL INDICATORS | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Profitability %: | | | | | |
| Gross Margin | 65.25% | 65.25% | 65.25% | 65.25% | 65.25% |
| Net Profit Margin | 8.45% | 11.70% | 14.49% | 15.60% | 16.64% |
| EBITDA to Revenue | 15.07% | 18.00% | 20.48% | 21.14% | 21.75% |
| Return on Assets | 10.91% | 15.28% | 18.31% | 18.28% | 18.07% |
| Return on Equity | 41.49% | 39.47% | 34.49% | 27.77% | 23.46% |
| Activity Ratios: | | | | | |
| Accounts Payable Turnover | 5.65 | 6.26 | 6.64 | 6.75 | 6.85 |
| Asset Turnover | 1.29 | 1.31 | 1.26 | 1.17 | 1.09 |
| Leverage Ratios: | | | | | |
| Debt to Equity | 2.98 | 1.58 | 0.88 | 0.52 | 0.30 |
| Debt to Assets Ratio | 74.90% | 61.30% | 46.93% | 34.18% | 22.97% |
| Interest Coverage Ratio | 3.40 | 5.01 | 7.21 | 9.53 | 11.59 |
| Debt Service Coverage Ratio | 1.38 | 1.79 | 2.19 | 2.34 | 2.49 |
| Liquidity Ratios: | | | | | |
| Current Ratio | 4.42 | 5.55 | 7.12 | 8.02 | 10.66 |
| Current Debt to Total Assets Ratio | 7.94% | 7.25% | 6.61% | 6.04% | 5.51% |
| Additional Indicators: | | | | | |
| Revenue to Equity Ratio | 5.14 | 3.37 | 2.38 | 1.78 | 1.41 |

FINANCIAL INDICATORS



REVENUE FORECAST

The following is a five-year revenue forecast. Direct costs include all costs which can be directly tied to revenue and include "cost of goods."

| REVENUE FORECAST | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Total | | | | | |
| Drinks | 72,000 | 78,000 | 84,000 | 87,000 | 90,000 |
| Food Items | 10,286 | 11,143 | 12,000 | 12,429 | 12,857 |
| Merchandise | 1,059 | 1,147 | 1,235 | 1,279 | 1,324 |
| Gift Cards | 1,800 | 1,950 | 2,100 | 2,175 | 2,250 |
| Price | | | | | |
| Drinks | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 |
| Food Items | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 |
| Merchandise | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 |
| Gift Cards | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 |
| Revenue | | | | | |
| Drinks | \$288,000 | \$312,000 | \$336,000 | \$348,000 | \$360,000 |
| Food Items | \$36,000 | \$39,000 | \$42,000 | \$43,500 | \$45,000 |
| Merchandise | \$18,000 | \$19,500 | \$21,000 | \$21,750 | \$22,500 |
| Gift Cards | \$18,000 | \$19,500 | \$21,000 | \$21,750 | \$22,500 |
| Total Revenue | \$360,000 | \$390,000 | \$420,000 | \$435,000 | \$450,000 |
| Direct Cost | | | | | |
| Drinks | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 |
| Food Items | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 |
| Merchandise | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 |
| Gift Cards | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 |
| Direct Cost of Revenue | | | | | |
| Drinks | \$90,000 | \$97,500 | \$105,000 | \$108,750 | \$112,500 |
| Food Items | \$15,429 | \$16,714 | \$18,000 | \$18,643 | \$19,286 |
| Merchandise | \$10,588 | \$11,471 | \$12,353 | \$12,794 | \$13,235 |
| Gift Cards | \$450 | \$488 | \$525 | \$544 | \$563 |
| Subtotal Cos. of Revenue | \$116,467 | \$126,172 | \$135,878 | \$140,731 | \$145,584 |

Revenue Forecast Assumptions: (1) Revenue and costs are based on averages. (2) Totals may have slight variances due to rounding.

Year 1 Revenue Monthly



revenue by year

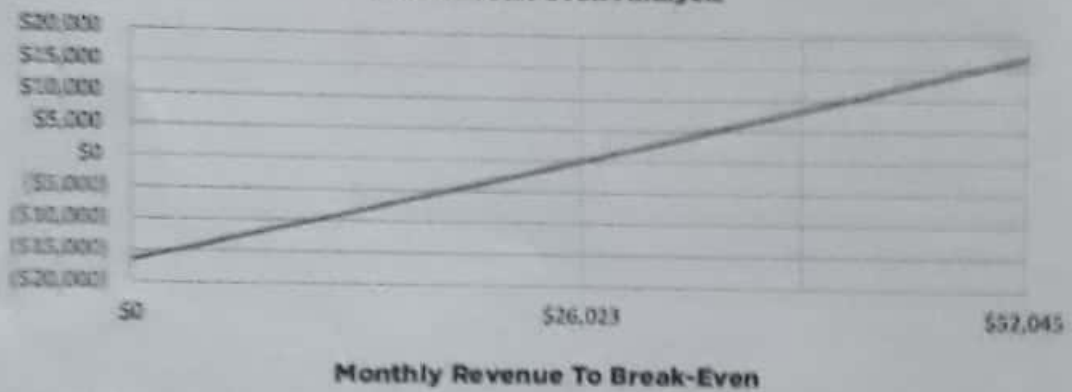


BREAK-EVEN ANALYSIS

The following break-even analysis shows the revenue necessary to break-even in the first year of operation. This is where revenue equals expenses. As shown below, the Company is expected to incur average monthly fixed costs of \$16,591 in Year 1. To cover fixed costs and variable costs, which rise and fall with revenue, the Company must, on average, achieve revenue of \$26,023 per month to break-even.

| YEAR 1 BREAK-EVEN ANALYSIS | |
|-------------------------------|----------|
| Monthly Revenue Break-even | \$26,023 |
| Assumptions | |
| Average Monthly Revenue | \$30,000 |
| Average Monthly Variable Cost | \$10,875 |
| Estimated Monthly Fixed Cost | \$16,591 |

Year 1 Break-even Analysis



Monthly Revenue To Break-Even

PROJECTED INCOME STATEMENT

The Coffee Shoppe intends to deploy its funding to maximize growth and profitability. In the Income Statement table below, gross margin equals sales minus direct costs. The "bottom line" or profit (as measured before and after interest, taxes, depreciation, and amortization) equals gross margin minus operating expenses.

| PRO FORMA INCOME STATEMENT | | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Revenue | \$360,000 | \$390,000 | \$420,000 | \$435,000 | \$450,000 |
| Subtotal Cost of Revenue | \$116,467 | \$126,172 | \$135,878 | \$140,731 | \$145,584 |
| Merchant Credit Card Fees | \$8,640 | \$9,360 | \$10,080 | \$10,440 | \$10,800 |
| Total Cost of Revenue | \$125,107 | \$135,532 | \$145,958 | \$151,171 | \$156,384 |
| Gross Margin | \$234,893 | \$254,468 | \$274,042 | \$283,829 | \$293,616 |
| Gross Margin/Revenue | 65.25% | 65.25% | 65.25% | 65.25% | 65.25% |
| Expenses | | | | | |
| Rent | \$54,000 | \$54,000 | \$54,000 | \$54,000 | \$54,000 |
| General Insurance Liability | \$2,400 | \$2,460 | \$2,522 | \$2,585 | \$2,649 |
| Business License/Permits | \$500 | \$513 | \$525 | \$538 | \$552 |
| Telephone/Internet | \$900 | \$923 | \$946 | \$969 | \$993 |
| Website Hosting/Updates | \$600 | \$615 | \$630 | \$646 | \$662 |
| Marketing & Advertising | \$1,200 | \$1,230 | \$1,261 | \$1,292 | \$1,325 |
| Supplies | \$3,600 | \$3,690 | \$3,782 | \$3,877 | \$3,974 |
| Utilities | \$18,000 | \$18,450 | \$18,911 | \$19,384 | \$19,869 |
| Professional Services | \$1,200 | \$1,230 | \$1,261 | \$1,292 | \$1,325 |
| Travel & Entertainment | \$2,400 | \$2,460 | \$2,522 | \$2,585 | \$2,649 |
| Repairs & Maintenance | \$2,400 | \$2,460 | \$2,522 | \$2,585 | \$2,649 |
| Worker's Compensation | \$1,200 | \$1,236 | \$1,273 | \$1,311 | \$1,351 |
| Depreciation | \$2,500 | \$2,500 | \$2,500 | \$2,500 | \$2,500 |
| Total Personnel | \$92,236 | \$95,003 | \$97,853 | \$100,789 | \$103,812 |
| Total Operating Expenses | \$183,136 | \$186,769 | \$190,507 | \$194,353 | \$198,310 |
| Profit Before Interest and Taxes | \$51,757 | \$67,699 | \$83,535 | \$89,476 | \$95,307 |
| EBITDA | \$54,257 | \$70,199 | \$86,035 | \$91,976 | \$97,807 |
| Interest Expense | \$15,957 | \$14,022 | \$11,925 | \$9,655 | \$7,197 |
| Taxes Imputed | \$5,370 | \$8,052 | \$10,741 | \$11,973 | \$13,217 |
| Net Profit | \$30,430 | \$45,625 | \$60,868 | \$67,848 | \$74,894 |
| Net Profit/Revenue | 8.45% | 11.70% | 14.49% | 15.60% | 16.64% |

Income Statement Assumptions: (1) Depreciation is based on 10 years. (2) Payroll Taxes are based on 7.65% of Personnel Costs. (3) Company taxes are based on 15%.

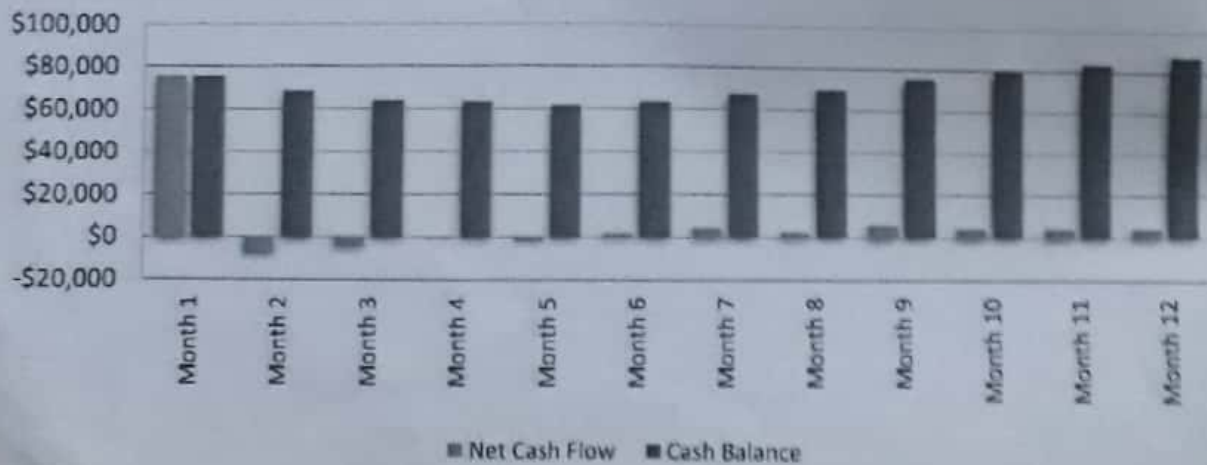
PROJECTED CASH FLOW

The following depictions of The Coffee Shoppe's projected cash flow show that the Company expects to maintain sufficient cash balances over the five years of this plan. The "pro forma cash flow" table differs from the "pro forma income statement" table. Pro forma cash flow is intended to represent the actual flow of cash in and out of The Coffee Shoppe. In comparison, the revenue and expense projections on the income statement include "non-cash" items and exclude funding and investment illustrations.

| PRO FORMA CASH FLOW | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Cash Received | | | | | |
| Revenue | \$360,000 | \$390,000 | \$420,000 | \$435,000 | \$450,000 |
| Owner Contribution | \$40,000 | \$0 | \$0 | \$0 | \$0 |
| Proceeds from Bank Loan | \$210,000 | \$0 | \$0 | \$0 | \$0 |
| Subtotal Cash Received | \$610,000 | \$390,000 | \$420,000 | \$435,000 | \$450,000 |
| Expenditures | | | | | |
| Expenditures from Operations | | | | | |
| Total Personnel | \$92,236 | \$95,003 | \$97,853 | \$100,789 | \$103,812 |
| Bill Payments | \$213,145 | \$247,352 | \$258,465 | \$263,431 | \$268,375 |
| Subtotal Spent on Operations | \$305,381 | \$342,356 | \$356,318 | \$364,220 | \$372,188 |
| Additional Cash Spent | | | | | |
| Start-up Costs | \$158,500 | \$0 | \$0 | \$0 | \$0 |
| Principal Loan Repayment | \$23,320 | \$25,256 | \$27,352 | \$29,622 | \$32,081 |
| Purchase Inventory | \$10,000 | \$0 | \$0 | \$0 | \$0 |
| Purchase Long-term Assets | \$25,000 | \$0 | \$0 | \$0 | \$0 |
| Subtotal Cash Spent | \$522,202 | \$367,611 | \$383,670 | \$393,842 | \$404,268 |
| Net Cash Flow | \$87,798 | \$22,389 | \$36,330 | \$41,158 | \$45,732 |
| Cash Balance | \$87,798 | \$110,187 | \$146,518 | \$187,676 | \$233,407 |

Cash Flow Assumptions: (1) Proceeds from Bank Loan assume funds were received in the amount of \$210K; (2) Owner Contribution is \$40K

YEAR 1 CASH



PROJECTED BALANCE SHEET

The balance sheet is a snapshot of The Coffee Shoppe's financial condition. The balance sheet has three parts: assets, liabilities, and ownership equity.

| PRO FORMA BALANCE SHEET | | | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash | \$87,798 | \$110,187 | \$146,518 | \$187,676 | \$233,407 |
| Inventory | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| Other Current Assets | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Current Assets | \$97,798 | \$120,187 | \$156,518 | \$197,676 | \$243,407 |
| Long-term Assets | | | | | |
| Long-term Assets | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$25,000 |
| Accumulated Depreciation | \$2,500 | \$5,000 | \$7,500 | \$10,000 | \$12,500 |
| Total Long-term Assets | \$22,500 | \$20,000 | \$17,500 | \$15,000 | \$12,500 |
| Other Assets | | | | | |
| Other Assets | \$158,500 | \$158,500 | \$158,500 | \$158,500 | \$158,500 |
| Total Assets | \$278,798 | \$298,687 | \$332,518 | \$371,176 | \$414,407 |
| Liabilities and Capital | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | \$22,145 | \$21,665 | \$21,978 | \$22,410 | \$22,829 |
| Current Borrowing | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other Current Liabilities | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subtotal Current Liabilities | \$22,145 | \$21,665 | \$21,978 | \$22,410 | \$22,829 |
| Long-term Liabilities | | | | | |
| Long-term Liabilities | \$186,680 | \$161,424 | \$134,073 | \$104,451 | \$72,370 |
| Total Liabilities | \$208,825 | \$183,089 | \$156,051 | \$126,861 | \$95,199 |
| Equity | | | | | |
| Owner's Capital | | | | | |
| Owner's Capital | \$40,000 | \$40,000 | \$40,000 | \$40,000 | \$40,000 |
| Retained Earnings | \$0 | \$29,973 | \$75,598 | \$136,467 | \$204,315 |
| Dividends | \$29,973 | \$45,625 | \$60,868 | \$67,848 | \$74,894 |
| Total Capital | \$69,973 | \$115,598 | \$176,467 | \$244,315 | \$319,208 |
| Total Liabilities and Capital | \$278,798 | \$298,687 | \$332,518 | \$371,176 | \$414,407 |
| Net Worth | \$69,973 | \$115,598 | \$176,467 | \$244,315 | \$319,208 |

SENSITIVITY ANALYSIS

VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

The sensitivity analysis below assumes that revenues are 5% higher or 5% lower than figures projected earlier in this business plan.

| BEST CASE SCENARIO (REVENUE INCREASES BY 5%) | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Revenue | \$378,000 | \$409,500 | \$441,000 | \$456,750 | \$472,500 |
| Cost of Goods | \$131,362 | \$142,309 | \$153,256 | \$158,729 | \$164,203 |
| Gross Margin | \$246,638 | \$267,191 | \$287,744 | \$298,021 | \$308,297 |
| Gross Margin/Revenue | 65.25% | 65.25% | 65.25% | 65.25% | 65.25% |
| Operating Expenses | \$183,136 | \$186,769 | \$190,507 | \$194,353 | \$198,310 |
| Net Profit | \$57,893 | \$54,337 | \$70,726 | \$78,462 | \$86,293 |
| Cash Flow | \$95,718 | \$31,101 | \$46,188 | \$51,772 | \$57,131 |
| Cash Balance | \$95,718 | \$126,819 | \$173,007 | \$224,779 | \$281,910 |
| Net Profit/Revenue | 10.02% | 13.27% | 16.04% | 17.18% | 18.26% |

| WORST CASE SCENARIO (REVENUE DECREASES BY 5%) | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Revenue | \$342,000 | \$370,500 | \$399,000 | \$413,250 | \$427,500 |
| Cost of Goods | \$118,851 | \$128,756 | \$138,660 | \$143,612 | \$148,564 |
| Gross Margin | \$223,149 | \$241,744 | \$260,340 | \$269,638 | \$278,936 |
| Gross Margin/Revenue | 65.25% | 65.25% | 65.25% | 65.25% | 65.25% |
| Operating Expenses | \$183,136 | \$186,769 | \$190,507 | \$194,353 | \$198,310 |
| Net Profit | \$17,504 | \$32,707 | \$47,433 | \$54,337 | \$61,335 |
| Cash Flow | \$75,330 | \$9,471 | \$22,895 | \$27,647 | \$32,174 |
| Cash Balance | \$75,330 | \$84,800 | \$107,695 | \$135,342 | \$167,515 |
| Net Profit/Revenue | 5.12% | 8.83% | 11.89% | 13.15% | 14.35% |

FINANCIAL ASSUMPTIONS

The assumptions below provide growth rates, cash on hand, and the terms of funding based on an initial loan amount of \$210,000.

| FINANCIAL ASSUMPTIONS | | | | | |
|--------------------------------|---------|---------|---------|---------|---------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Growth Assumptions | | | | | |
| Total Revenue Growth | | 8% | 8% | 4% | 3% |
| Total Expense Growth | | 2% | 2% | 2% | 2% |
| Personnel Assumptions | | | | | |
| Average Salary Growth | | 3% | 3% | 3% | 3% |
| Payroll Growth | | 3% | 3% | 3% | 3% |
| Cash Assumptions | | | | | |
| Months of Cash on Hand | 4 | 7 | 9 | 12 | 14 |
| Bill Payment Term (Days) | 32 | 32 | 32 | 32 | 32 |
| Loan Assumptions | | | | | |
| LOC Loan (Interest Only) | | | | | |
| Line of Credit Monthly Payment | \$0 | \$0 | \$0 | \$0 | \$0 |
| Fixed Rate Loan | | | | | |
| Loan Term | 7 | | | | |
| Loan Rate | 8.0% | | | | |
| Monthly Loan Payment | \$3,273 | \$3,273 | \$3,273 | \$3,273 | \$3,273 |
| Average Monthly Interest | \$1,330 | \$1,168 | \$994 | \$805 | \$600 |
| Average Monthly Principle | \$1,943 | \$2,105 | \$2,279 | \$2,468 | \$2,673 |

APPENDIX I: SELECT ITEMIZED START-UP EXPENSES

The following charts outline the tentative expenses for the equipment needed at start-up. These numbers may be subject to change depending on the Company's needs.

| ITEMIZED START-UP EQUIPMENT | | | |
|--|----------|---------------|-----------------|
| Equipment | Quantity | Cost per Unit | Total Cost |
| Espresso Machine - Aelia Mega 2 Compact 320% Fully Automatic | 2 | \$3,000 | \$6,000 |
| Coffee Grinder - Aelia MGD09 Automatic | 2 | \$500 | \$1,000 |
| Commercial Blender - Hamilton Beach 38800 | 2 | \$200 | \$400 |
| Commercial Refrigerator (1 door) | 1 | \$1,200 | \$1,200 |
| Work Top Commercial Refrigerator (3 door) | 1 | \$1,900 | \$1,900 |
| Food Prep Refrigerator (1 door) | 1 | \$900 | \$900 |
| Commercial Freezer (1 door) | 1 | \$1,250 | \$1,250 |
| Commercial Bagel Toaster | 1 | \$375 | \$375 |
| Coffee and Tea Brewer | 1 | \$1,000 | \$1,000 |
| Coffee Jar Pot | 2 | \$40 | \$80 |
| Ice Tea Dispenser | 1 | \$105 | \$105 |
| Air Machine (4 Ton) | 1 | \$3,000 | \$3,000 |
| Stainless Steel Ice Bin | 1 | \$405 | \$405 |
| Milk Pitcher Rinser | 1 | \$750 | \$750 |
| Blender Rinser | 1 | \$140 | \$140 |
| Microwave | 1 | \$200 | \$200 |
| Stainless Prepster Table 2'x3.5' | 2 | \$80 | \$160 |
| Stainless Steel Table 2'x2.5' | 3 | \$205 | \$615 |
| Stainless Food Table 4'x2.5' | 1 | \$250 | \$250 |
| Food Refrigerator Pan | 6 | \$6 | \$36 |
| Powder Bin | 12 | \$10 | \$120 |
| Powder Bin Lid | 12 | \$5 | \$60 |
| Ice Bin For Scoops | 2 | \$8 | \$16 |
| Towel Bucket | 1 | \$15 | \$15 |
| Ice Scoop | 1 | \$10 | \$10 |
| Spoon | 10 | \$2 | \$20 |
| Milk Pitcher Large | 2 | \$15 | \$30 |
| Milk Pitcher Small | 4 | \$10 | \$40 |
| Milk Thermometer | 4 | \$8 | \$32 |
| Knock Bar | 2 | \$20 | \$40 |
| Serve Bottle Organizer Shelving | 2 | \$130 | \$260 |
| Utensil | 2 | \$1,200 | \$2,400 |
| Label Printer | 2 | \$200 | \$400 |
| Stainless Steel Kettle Sink | 1 | \$750 | \$750 |
| Stainless Steel Sink (3 compartment) | 1 | \$500 | \$500 |
| Wash Sinking Unit 36" | 1 | \$70 | \$70 |
| Airline System (single unit) | 1 | \$400 | \$400 |
| Menus | 2 | \$500 | \$1,000 |
| Open Sign | 3 | \$30 | \$90 |
| Total | | | \$24,878 |

APPENDIX II: YEAR ONE FINANCIALS

The following charts show the Company's financial projections by month for Year 1. The numbers assume a ramp-up period following a substantial grand opening and assume Month 1 of operation being July 2010.

YEAR 1 REVENUE FORECAST

| | 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 | | | | | | | | | | | | |
| Drinks | 5,760 | 4,320 | 4,320 | 5,040 | 5,040 | 5,760 | 6,480 | 6,480 | 7,200 | 7,200 | 7,200 | 7,200 |
| Food Items | 823 | 807 | 807 | 720 | 720 | 823 | 926 | 926 | 1,029 | 1,029 | 1,029 | 1,029 |
| Merchandise | 85 | 64 | 64 | 74 | 74 | 85 | 95 | 95 | 106 | 106 | 106 | 106 |
| Gift Cards | 144 | 108 | 108 | 126 | 126 | 144 | 162 | 162 | 180 | 180 | 180 | 180 |
| Price | | | | | | | | | | | | |
| Drinks | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 | \$4.00 |
| Food Items | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 | \$3.50 |
| Merchandise | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 | \$17.00 |
| Gift Cards | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 |
| Revenue | | | | | | | | | | | | |
| Drinks | \$23,040 | \$17,280 | \$17,280 | \$20,160 | \$20,160 | \$23,040 | \$25,920 | \$25,920 | \$28,800 | \$28,800 | \$28,800 | \$28,800 |
| Food Items | \$2,880 | \$2,860 | \$2,860 | \$2,520 | \$2,520 | \$2,880 | \$3,240 | \$3,240 | \$3,600 | \$3,600 | \$3,600 | \$3,600 |
| Merchandise | \$1,440 | \$1,080 | \$1,080 | \$1,260 | \$1,260 | \$1,440 | \$1,620 | \$1,620 | \$1,800 | \$1,800 | \$1,800 | \$1,800 |
| Gift Cards | \$1,440 | \$1,080 | \$1,080 | \$1,260 | \$1,260 | \$1,440 | \$1,620 | \$1,620 | \$1,800 | \$1,800 | \$1,800 | \$1,800 |
| Total Revenue | \$28,800 | \$21,600 | \$21,600 | \$25,200 | \$25,200 | \$28,800 | \$32,400 | \$32,400 | \$36,000 | \$36,000 | \$36,000 | \$36,000 |
| Direct Cost | | | | | | | | | | | | |
| Drinks | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 | \$1.25 |
| Food Items | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 |
| Merchandise | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 |
| Gift Cards | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 | \$0.25 |
| Direct Cost of Revenue | | | | | | | | | | | | |
| Drinks | \$7,200 | \$5,400 | \$5,400 | \$6,300 | \$6,300 | \$7,200 | \$8,100 | \$8,100 | \$9,000 | \$9,000 | \$9,000 | \$9,000 |
| Food Items | \$1,234 | \$926 | \$926 | \$1,080 | \$1,080 | \$1,234 | \$1,389 | \$1,389 | \$1,543 | \$1,543 | \$1,543 | \$1,543 |
| Merchandise | \$847 | \$635 | \$635 | \$741 | \$741 | \$847 | \$953 | \$953 | \$1,059 | \$1,059 | \$1,059 | \$1,059 |
| Gift Cards | \$36 | \$27 | \$27 | \$32 | \$32 | \$36 | \$41 | \$41 | \$45 | \$45 | \$45 | \$45 |
| Subtotal Cost of Revenue | \$9,317 | \$6,988 | \$6,988 | \$8,153 | \$8,153 | \$9,317 | \$10,482 | \$10,482 | \$11,647 | \$11,647 | \$11,647 | \$11,647 |