Oceanside

BUSINESS START-UP GUIDE

AUGUST 2014

Business Start Up Resource Guide

Table of Contents

Title — Page (s)

Section I: First Things First

Starting a Business in Oceanside 2
Zoning Checklist 2
Home Based Businesses 3
General Information on Business Plans 4

Section II: Checklist for Going into Business

Introduction 5
Identify you Reasons 5
Self Analysis 5
Personal Skills & Experience 6
Finding a Niche 6
Is your Idea Feasible 6
Market Analysis 6
Planning your Start-Up 7-8
Finances 8-9
Projected Profit/Loss Worksheet 10-11

Section III: After Start-Up

After Start-Up 12
Information is Power - Helpful Habits 12
Expenses Worksheet 13
Estimated Cash Forecast 13
Control & Feedback 15

Section IV: Putting your Plan into Action

Is your Plan Workable 16
Putting your Plan into Action 17
Keeping your Plan Up to Date 17
Getting the Work Down 18
Putting your Plan into Dollars 18-19

Title — Page (s)

Section V: Sales Potential

Determining your Sales Potential 19-20
Attracting Customers 21
Customer Service Policies 21
Advertising 22
Selling to Customers 23
Parts & Materials Worksheet 24

Section VI: Summary

Summary to Business Planning 24
Why am I in Business 24

Section VII: Questions to be Answered

Questions to Answer in a Business Plan 25-26

Section VIII: Example of a Business Plan

The Off-Broadway Delicatessen 26-32

Section IX: Small Business Administration

SBA Loans 33

Section X: Important Phone Contacts

Business Start-up Phone Contact List 34-35

Starting A Business in Oceanside

Businesses operating in the City of Oceanside (including home based businesses) are required to have a business license. Before signing a lease agreement, purchasing a business site, or commencing business, an application for a business license must be submitted to the Business License Office, 300 North Coast Hwy, with the appropriate fee.

Please Note: Submitting a business license application and paying the required fee does not authorize the commencement of business. Applicants should wait for final approval to be certain that all regulatory requirements have been met.

Business License Process

With submittal of the business license application, an administrative processing fee will be charged and a business license will be issued to the applicant. After one year a business license renewal form will be mailed and an annual administrative fee will be assessed. A business license tax is also due based on the gross receipts for the past 12 months.(The business license tax is 50 cents per $1,000.00.) For gross receipts from $0.00-$100,000 the minimum tax is $50.00. Contact the Business License office at 760-435-3878 concerning the appropriate license processing fees. There is also a fire fee of $152.00.

The approval process takes approximately 15 days. However, the process could take longer if a "change of occupancy permit" or a "co-permit" is required. Contact the Planning Department at 760-435-3520 for further information. Businesses locating in the redevelopment area must be approved by the Community Development Commission, a process that could also extend the 15-day period.

Contact the Business License Department at 760-435-3878 concerning the appropriate license and processing fees.

Other Regulatory Permits

Building permits are required for all construction and remodeling work except for painting, carpeting and the installation of counters, cases or partitions less than 5 feet 9 inches high. Separate permits are required for the installation or alteration of signs.
Building Department 760-435-3950

County health permits are required for several types of businesses including restaurants.
Health Department 800-253-9933

Every business that will sell tangible personal property to customers must obtain a seller's permit (resale license) from the State Board of Equalization.
State Board of Equalization 760-510-5850

California requires every person conducting business under a name other than their surname to file a fictitious business name statement with the County Clerk's Office.

The following is a checklist of some items new applicants should consider when planning a new business:

- Correct Zoning ☐
- Appropriate Building ☐
- Adequate Parking ☐
- Tenant Improvements (permit required) ☐
- Signs - new or changes (permit required) ☐
- Hazardous Materials ☐
  (Building Department, Fire Department, County Hazardous Materials Management Div)

- Fictitious Business Name (County Clerk) ☐
- Sellers Permit/Resale Number (State Board of Equalization) ☐
- State Tax ID Number (Employment Development Department) ☐

- Federal Tax ID Number (I.R.S.) ☐
- Food Handlers Permit (County Health) ☐
- Any Special Federal, State or County Permits/ or Licenses (which pertain to your business) ☐
- City Business License ☐
  (Required in each city where you conduct business and at each location within the city)

Home Based Businesses

If you will be operating a business out of your home, there are special considerations that need to be addressed. Please make sure that you follow all regulations so that you are within city guidelines.

Home Occupation Regulations

1. A home occupation shall be conducted entirely within a building (with the exception of a Horticulture Limited use) and the combination of office/workspace and storage space shall occupy no more than 400 square feet of floor area (with the storage space not to exceed 200 square feet of floor area). No outdoor storage, or storage in required garage parking areas shall be permitted. The amount and type of flammable, hazardous or toxic materials stored on-site in conjunction with a home occupation shall not be in excess of the amount normally found in the district.

2. The existence of a home occupation shall not be apparent beyond the boundaries of the site. No use shall create noise, dust, vibration, smell, smoke, glare, electrical interference, fire hazard or other hazard or nuisance to any greater or more frequent extent than that usually experienced in a district under circumstances where no home occupation exists. All noise shall comply with the City's Noise Control Ordinance (Chapter 38 of the Code of the City of Oceanside).
3. No signage shall be permitted.

4. No one other than a resident of the dwelling shall be employed on-site or report to work at the site in the conduct of a home occupation. This prohibition also applies to independent contractors

5. No kilns exceeding 10 cubic feet in size shall be permitted, and a home occupation shall comply with the performance standards prescribed by Section 3026.

6. Not more than one truck with a maximum capacity of one ton incidental to a home occupation shall be kept on the site. No signage identifying the existence of the home occupation shall be permitted on the vehicle.

7. The number of parking spaces available to a dwelling unit housing a home occupation shall not be reduced to less than two. At the minimum, a two-car garage with minimum dimensions of 20 feet by 19 feet shall be provided for the parking of vehicles (two 10-foot by 19-foot parking spaces). Materials and goods shall not be stored and no permanent work area, work bench, or structures shall be built within the required garage parking area.

8. A home occupation shall not create pedestrian, automobile, or truck traffic significantly in excess of the normal amount in the district.

9. The delivery of materials, goods or products to and from the location of a home occupation shall be limited to the hours of 7:00 am and 7:00 pm, with the exception of newspaper deliveries.

10. The size of delivery vehicles used in conjunction with the delivery of materials, goods or products to and from the location of a home occupation shall be limited to a single unit truck with the maximum of 28-foot length and a maximum gross vehicle weight of 24,000 pounds.

11. No motor vehicle repair, beauty shop, barber shop or retail sales shall be permitted, and a home occupation shall not include an office, sales room or any other space open to any business visitors, customers or clients, and there shall be no advertising of the address of the home occupation that results in attracting persons to the premises.

General Information on Business Plans

A business plan is a written document that clearly defines the goals of a business and outlines the methods for achieving them. A complete business plan should describe the money, management and marketing strategies to be used in the business.

Commercial lenders will generally not speak with you without a defined and complete business plan.

What is a business plan?

- It is the management and financial blueprint for a business start-up and profitable operation.
- It is written by the business owner with outside help as needed.
- It explains how the business will function and depicts its operational characteristics.
- It details how the business will be capitalized and managed.

The length of a good plan will vary from a few pages to well over a hundred pages. The plan should provide a sound blueprint for your business and entice a reader to want to know more.

Elements of a business plan:

- Business description - include the business name, address and owner identification.
- Goals and objectives - describe why you want to be in business.
- Products and services - described in detail and justified as to the reason the product or service is being offered.
- Sales and marketing - the core of your business rationale:
  - Who and how large is your market?
  - How will you be competitive?
  - What pricing and sales terms are you planning?
  - How will you market your products and services?

- Management/operating requirements - describing the equipment, facilities and people necessary to generate your products and services. Add also how your products and services will be produced and made available to the customer.

- Financial management - The most critical part of your business plan. Establish vital schedules that will guide the financial health of your business.
  - Projected start-up costs.
  - Expected profit or return on investment for the first year.
  - Projected income statement and balance sheet for two years.
  - Projected monthly cash flow statement for 12 months.

Checklist for Going into Business

Introduction:

Owning a business is the dream of many Americans....starting that business converts your dream into reality. But, there is a gap between your dream and reality that can only be filled with careful planning. As a business owner, you will need a plan to avoid pitfalls, to achieve your goals and to build a profitable business.

The "Checklist for Going into Business" is a guide to help you prepare a comprehensive business plan and determine if your idea is feasible, to identify questions and problems you will face in converting your ideas into reality and to prepare for starting your business.

Operating a successful small business will depend on:

- A practical plan with a solid foundation
- Dedication and willingness to sacrifice to reach your goal
- Technical skills
- Basic knowledge of management, finance, record keeping and market analysis

As a new owner, you will need to master these skills and techniques if your business is to be successful.

Identify Your Reasons

As a first, and often overlooked step, ask yourself why you want to own your own business. Check each of the reasons that apply to you.

	Yes
1. Freedom from the 9-5 daily work routine.	____
2. Being your own boss.	____
3. Doing what you want when you want.	____
4. Improving your standard of living.	____
5. You are bored with your present job.	____
6. You have a product or service for which you feel there is a demand.	____

Some reasons are better than others, none are wrong: however, be aware of trade-offs. For example, you can escape the 9-5 daily routine, but you may replace it with a 6am - 10pm routine.

Self Analysis

Going into business requires certain personal characteristics. This portion of the checklist deals with you - the individual. These questions require serious thought.

Try to be objective. Remember, it is your future that is at stake!

Personal Characteristics	Yes	No
1. Are you a leader?	____	____
2. Do you like to make your own decisions?	____	____
3. Do others turn to you for help in making decisions?	____	____
4. Do you enjoy competition?	____	____
5. Do you have will power and self discipline?	____	____
6. Do you plan ahead?	____	____
7. Do you like people?	____	____
8. Do you get along well with others?	____	____

Personal Conditions

This next group of questions, though brief, is vitally important to the success of your plan. It covers the physical, emotional and financial strains you will encounter in starting a new business.

	Yes	No
1. Are you aware that running your own business may require you working 12-16 hours a day, six days a week, and maybe even Sundays and holidays?	____	____
2. Do you have the physical stamina to handle the work load & schedule?	____	____
3. Do you have the emotional strength to withstand the strain?	____	____
4. Are you prepared, if needed, to temporarely lower your standard of living until your business is firmly established?	____	____
5. Is your family prepared to go along with the strain they, too, must bear?	____	____
6. Are you prepared to lose your savings?	____	____

Personal Skills & Experience

Certain skills and experience are critical to the success of a business. Since it is unlikely that you possess all the skills and experience needed, you'll need to hire personnel to supply those you lack. There are some basic and special skills you will need for your particular business.

	Yes	No
1. Do you know what basic skills you will need in order to have a successful business?	____	____
2. Do you possess those skills?	____	____
3. When hiring personnel, will you be able to determine if the applicants' skills meet the requirements for the positions you are filling?	____	____
4. Have you ever worked in a managerial or supervisory capacity?	____	____
5. Have you ever worked in a business similar to the one you want to start?	____	____
6. Have you had any business training in school?	____	____
7. If you discover you don't have the basic skills needed for your business, will you be willing to delay your plans until you've acquired the necessary skills?	____	____

Finding A Niche

Small businesses range in size from a manufacturer with many employees and millions of dollars in equipment to the lone window washer with a bucket and a sponge. Obviously, the knowledge and skills required for these two extremes are far apart, but, for success, they have one thing in common - each has found a business niche and is filling it.

The most critical problems you will face in your early planning will be to find you niche and determine the feasibility of your idea. "Get into the right business at the right time" is very good advice but following that advice may be difficult. Many entrepreneurs plunge into a business venture so blinded by the dream that they fail to thoroughly evaluate its potential.

Before you invest time, effort and money, the following exercise will help you separate sound ideas from those bearing a high potential for failure.

Is Your Idea Feasible?

1. Identify and briefly describe the business you plan to start.

_____

_____

_____

_____

2. Identify the product or service you plan to sell.

_____

3. Does your product or service satisfy an unfulfilled need? (Circle one) Yes No
4. Will your product or service serve an existing market which demand exceeds supply? (Circle one) Yes No
5. Will your product or service be competitive based on its quality, selection, price or location? (Circle one) Yes No

Answering yes to any of these questions means you are on the right track; a negative answer means the road ahead could be rough.

Market Analysis

For a small business to be successful, the owner must know the market. To learn the market, you must analyze it, a process that takes time and effort. You don't have to be a trained statistician to analyze the market place nor does the analysis have to be costly.

Analyzing the market is a way to gather facts about potential customers and to determine the demand for your product or service. The more information you gather, the greater your chance of capturing a segment of the market. Know the market before investing your time and money in any business venture.

These questions will help you collect the information necessary to analyze your market and determine if your product or service will sell.

1. Do you know who your customers will be? Yes No
2. Do you understand their needs and desires? Yes No
3. Do you know where they live? Yes No

4. Will you be offering the kind of products or services that they will buy? Yes No

5. Will your prices be competitive in quality and value? Yes No

6. Will your promotional program be effective? Yes No

7. Do you understand how your business compares with your competitors? Yes No

8. Will your business be conveniently located for the people you plan to serve? Yes No

9. Will there be adequate parking facilities for the people you plan to serve? Yes No

This brief exercise will give you a good idea of the kind of market planning that you need to do. An answer of "no" indicates a weakness in your plan, so do your research until you can answer each question with a "yes".

Planning Your Start-Up

So far, this checklist has helped you identify questions and problems you will face converting your idea into reality, and determining if you idea is feasible. Through self-analysis you have learned of your personal qualifications and deficiencies, and through market analysis you have learned if there is a demand for your product or service.

The following questions are grouped according to function. They are designed to help you prepare for "Opening Day".

Name and Legal Structure

1. Have you chosen a name for your business? Yes No

2. Have you chosen to operate as a sole proprietorship, partnership or corporation? Yes No

Your Business and the Law

A person in business is not expected to be a lawyer, but each business owner should have a basic knowledge of laws affecting the business. Here are some of the legal matters you should be acquainted with:

1. Do you know which licenses and permits you may need to operate your business? Yes No

2. Do you know the business laws you will have to obey? Yes No

3. Do you have a lawyer who can advise you and help you with legal papers? Yes No

4. Are you aware of:
- Occupational Safety & Health requirements (OSHA)? Yes No
- Regulations covering hazardous material? Yes No
- Local ordinances covering signs, snow removal, etc.? Yes No
- Federal Tax Code provisions pertaining to small business? Yes No
- Federal regulations on withholding taxes and Social Security? Yes No
- State Workmen's Compensation laws? Yes No

Protecting Your Business

It is becoming increasingly important that attention be given to security and insurance protection for your business. There are several areas that should be covered. Have you examined the following categories of risk protection?

-fire Yes No
-theft Yes No
-robbery Yes No
-vandalism Yes No
-accident liability Yes No

Discuss the types of coverage you will need and make a careful comparison of the rates and coverage with several insurance agents before making a final decision.

Business Premises and Location

1. Have you found a suitable building in a location convenient for your customers? Yes No

2. Can the building be modified for you needs at a reasonable cost? Yes No

3. Have you considered renting or leasing with an option to buy? Yes No

4. Will you have a lawyer check the zoning regulations and lease? Yes No

Merchandise

1. Have you decided what items you will sell or produce, or what service(s) you will provide?
Yes No

2. Have you made a Merchandise Plan based upon estimated sales, to determine the amount of inventory you will need to control purchases? Yes No

3. Have you found reliable suppliers who will assist in the start-up?
Yes No

4. Have you compared the prices, quality and credit terms of suppliers? Yes No

Business Records

1. Are you prepared to maintain complete records of sales, income and expenses, accounts payable and receivables?
Yes No

2. Have you determined how to handle payroll records, tax reports and payments? Yes No

3. Do you know what financial reports should be prepared and how to prepare them? Yes No

Finances

A large number of small businesses fail each year. There are a number of reasons for these failures, but one of the main reasons is insufficient funds. Too many entrepreneurs try to start-up and operate a business without sufficient capital (money). To avoid this dilemma, you can review your situation by analyzing these three questions.

1. How much money do you have?

2. How much money will you need to start your business?

3. How much money will you need to stay in business?

Use the following charts to answer the first two questions:

Chart-1
Personal Financial Statement

Assets		Liabilities	
Cash on Hand	_____	Accounts Payable	_____
Savings Accounts	_____	Notes Payable	_____
Stocks, Bonds, Securities	_____	Contracts Payable	_____
Accounts/Notes Receivable	_____	Taxes	_____
Real Estate	_____	Real Estate Loans	_____
Life Insurance	_____	Other Liabilities	_____
Automobile/other vehicles	_____	Other Liquid Assets	_____
Other Liquid Assets	_____		
Total Assets	_____	Total Liabilities	_____

Net Worth (Assets minus Liabilities) _____

Chart-2
Start Up Cost Estimates

Decorating, Remodeling	_____
Fixtures, Equipment	_____
Installing Fixtures, Equipment	_____
Services, Supplies	_____
Beginning Inventory Cost	_____
Legal, Professional Fees	_____
Licenses, Permits	_____
Telephone Utility Deposits	_____
Insurance	_____
Signs	_____
Advertising for Opening	_____
Unanticipated Expenses	_____
• Total Start Up Costs	_____

The Answer to the third question (How much money will you need to stay in Business?) must be divided into tow parts - immediate costs and future costs.

From the moment the door to your new business opens, a certain amount of income will undoubtedly come in. However, this income should not be projected in your operating expenses. You will need enough money available to cover costs for at least the first three months of operation. Chart 3 will help you project your operating expenses on a monthly basis.

Chart-3
Expenses for One Month

Your Living Costs	_____
Employer Wages	_____
Rent	_____
Advertising	_____
Supplies	_____
Utilities	_____
Insurance	_____
Taxes	_____
Maintenance	_____
Delivery/Transportation	_____
Miscellaneous	_____

Now multiply the total of Chart-3 by three. This is the amount of cash you will need to cover operating expenses for three months. Deposit this amount in a savings account before opening your business. Use it only for the purposes listed in the above chart because this money will insure that you will be able to
continue in business during the crucial early stages.

By adding the total start-up costs (Chart-2) to the total expenses for three months (three times the total cost on Chart-3) you can learn what the estimated costs will be to start-up and operate your business for three months. By subtracting the totals of Charts-2 and 3 from the cash available (Chart-1), you can determine the amount of additional financing you may need, if any.

Now, you will need to estimate your operating expenses for the first year after start-up. Chart-4 is used for this estimation.

The first step in determining your annual expenses is to estimate your sales volume month by month. Be sure to consider seasonal trends that may affect your business when estimating the sales volume. Information on seasonal sales patterns and typical operating ratios can be secured from your trade
associations.

(NOTE: The relationships between amounts of capital that you invest, levels of sales, each of the cost categories, the number of times that you will sell your inventory (turnover) and many other items form "financial ratios". These ratios provide you with extremely valuable checkpoints before it's too late to make adjustments. In the reference section of your local library are publications such as "The Almanac of Business and Industrial Financial Ratios" as a source of ratios to compare your performance with that of other, similar businesses.

For thorough explanations of these ratios and how to use them, follow up on the sources of help and information mentioned at the end of this publication.)

Next, determine the cost of goods that will be sold to produce your expected sales. The cost of goods sold or the operating ratio is expressed in dollars and as a percentage of the sales. After determining the operating ratio, estimate the expenses necessary to achieve your anticipated sales.

As you prepare Chart-4, understand that you are looking for the percent of total sales that each item represents. Fill out each month's column in dollars, total them in the far right column and then divide each item into the total net sales to produce the operating ratios (cost of goods sold to sales, rent to sales). Now, fill in Chart-4.

Chart-4 on next page

Projected Profit/Loss

Chart-4

	%	J	F	M	A	M	J	J	A	S	O	N	D
Total Net Sales													
Cost, Goods Sold													
Gross													
Controlled Expense													
Salaries/Wages													
Payroll Taxes													
Legal/Accounting													
Advertising													
Automobile													
Office Supplies													
Dues/Subscriptions													
Telephone													
Utilities													
Miscellaneous													
Total Con. Exp.													
Fixed Expenses													
Rent													
Depreciation													
Insurance													
Licenses/Permits													
Total Fixed Expenses													
Total Expenses													
Net Profit/Loss (before tax)													

After Start-Up

The primary source of revenue in your business will be from sales but your sales will vary from month to month because of seasonal patterns and other factors. So it is important to determine if your monthly sales will produce enough income to pay each month's bills.

An estimated cash flow projection (Chart-5) will show if the monthly cash balance is going to be subject to such factors as:

failure to recognize seasonal trends

excessive cash taken from the business for living expenses

too rapid expansion

slow collection of account if credit is extended to customers

Use the following to build a worksheet to help you with this problem. In this example, all sales are made for cash.

Chart-5
Estimated Cash Flow Forecast

Cash in Bank (1st of month)	_____
Petty Cash (1st of month)	_____
Total Cash (1st of month)	_____
Anticipated Cash Sales	_____
Total Receipts	_____
Total Cash & Receipts	_____
Disbursements for Mo. (rent, loan payments, utilities, wages, etc.)	_____
Cash Balance	_____

Start-Up Analysis

Beyond a doubt, preparing an adequate business plan is the most important step in starting a new business. A comprehensive business plan will be your guide to managing a successful business. The business plan is paramount to your success. It must contain all the pertinent information about your business: it must be well written, factual, and organized in a logical sequence. Moreover, it should not contain any statements that cannot be supported.

If you have carefully answered all the questions on this checklist and completed all the worksheets, you have seriously thought about your goal. But there may be some things you may feel you need to know more about.

Owning and running a business is a continuous learning process. Research your idea and do as much as you can yourself, but don't hesitate to seek help from people who can tell you what you need to know.

SCORE (Service Corps of Retired Executives, a nation-wide volunteer organization of retired business executives and professionals) is a good place to start. Information and assistance is also available from trade associations, Chambers of Commerce, community colleges, universities and Small Business Development Centers.

Information is Power!

Make it your business to know what business information is available, where to get it and most importantly, how to use it. Sources of information include:

U.S. Small Business Administration (SBA)
- -SBA District Offices
- -Small Business Development Centers (SBDC's)
- -Service Corps of Retired Executives (SCORE)
- -Small Business Institutes (SBI's)

Consult your telephone directory under US Government for your local SBA office or call the Small Business Answer Desk at 1.800.827-5722 for information on any of the above resources.

Expenses Worksheet

Sample Figures for Repair Services Percent of Sales	% of Your Sales	Your Dollars Jan	Your Dollars Feb	Your Dollars Mar	Your Dollars Apr	Your Dollars May	Your Dollars June	Your Dollars July	Your Dollars Aug	Your Dollars Sept	Your Dollars Oct	Your Dollars Nov	Your Dollars Dec
Sales													
Cost of Sales													
Gross Profit													
Controllable Expenses													
Operating Supplies													
Gross Wages													
Repairs & Maintenance													
Advertising													
Car & Delivery													
Bad Debts													
Administrative & Legal													
Outside Labor													
Miscellaneous Expenses													
Total Controllable Expenses													
Fixed Expense													
Rent													
Utilities													
Insurance													
Taxes & Licenses													
Interest													
Depreciation													
Total Fixed Expenses													
Total Expenses													
Net Profit													

*** These percentages are taken from Barometer of Small Business Accounting Corporation of America. These Figures are presented only as a sample and refer to repair services with an average annual gross volume of under %50,000. The percentages vary from one business to another.**

Estimated Cash Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(1) Cash in Bank (Start of Month)												
(2) Petty Cash (Start of Month)												
(3) Total Cash (Start of Month)												
(4) Expected Cash Sales												
(5) Expected Collections												
(6) Other Money Expected												
(7) Total Receipts (Add 4, 5 and 6)												
(8) Total Cash and Receipts (Add 3 and 7)												
(9) All Disbursements (For months)												
(10) Cash Balance at End of Month in Bank Account & Petty Cash (Subtract 9 from 8)												

*** This balance is your starting cash balance for the next month**

Whether you have the funds (savings) or borrow them, your new business will have to pay back these start-up costs. Keep this fact in mind as you work on the "expenses" section, and on other financial aspects of your plan.

Break Down Your Expenses. Your quick estimate of expenses provides a starting point. The next step is to break down your expenses so they can handled over the 12 months. Use the "Expenses Worksheet" form to make up an expense budget.

Matching Money and Expenses. A budget helps you to see the dollar amount of your expenses each month. Then from month to month the question is: Will sales bring in enough money to pay the firm's bills on time? The answer is "maybe not" or "I hope so" unless owner-manager prepares for the "peaks and valleys" that are in many service operations.

A cash forecast is a management tool, which can eliminate much of the anxiety that can plague you if your business goes through lean months. Use the worksheet, "Estimated Cash Forecast", above, or ask your accountant to use it to estimate the amounts of cash that you expect to flow through your business during the next 12 months.

Is Additional Money Needed? Suppose at this point you have determined that your business plan needs more money than can be generated by sales. What do you do?

What you do depends on the situation. For example, the need may be for bank credit to tide your business over during the lean months. This loan can be repaid during the fat sales months when expenses are far less than sales. Adequate working capital is necessary for success and survival.

Whether an owner-manager seeks to borrow money for only a month or so or on a long-term basis, the lender needs to know whether the store's financial position is strong or weak.

Your lender will ask to see a current balance sheet.

A blank current balance sheet is included below. Even if you don't need to borrow, use it, or have your accountant use it, to draw the picture of your firm's financial condition. Moreover, if you don't need to borrow money, you may want to show your plan to the bank that handles your store's checking account. It is never too early to build good relations with your banker, to show that you are a manager who knows where you want to go rather than a store owner who hopes to make a success.

Control and Feedback

To make your plan work you will need feedback. For example, the year-end profit and loss statement shows whether your business made a profit or loss for the past 12 months.

But you can't wait 12 months for the score. To keep your plan on target you need readings at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. However, the income statement or profit and loss statement (P&L) may be more of a loss than a profit statement if you rely only on it. You must set up management controls which will help you insure that the right things are being done from day to day and from week to week. In a new business, the record-keeping system should be set up before business opens. After you're in business is too late. For one thing, you may be too busy to give a record-keeping system the proper attention.

The control system which you set up should give you information about: stock, sales, and disbursements. The simpler the system, the better, since its purpose is to give you current information. You are after facts with emphasis on trouble spots. Outside advisors, such as an accountant, can be helpful.

Stock Control. The purpose of controlling parts and materials inventory is to provide maximum service to your customers and to see that parts and materials are not lost through pilferage, shrinkage, errors, or waste. Your aim should be to achieve a high turnover on your inventory. The fewer dollars you tie up in inventory, the better.

Current Balance Sheet for:

_____
(name of your firm)

As of _____
(date)

Assets

Current Assets:

Cash:	
Cash in Bank	$ _____
Petty Cash	$ _____
Accounts Receivable	$ _____
Less Allowance for Doubtful Accounting	$ _____
Merchandise Inventories	$ _____
Total Current Assets	$ _____

Fixed Assets:

Land	$ _____
Buildings	$ _____
Delivery Equipment	$ _____
Furniture & Fixtures	$ _____
Less Allowance for Depreciation	$ _____
Leasehold Improvements, less amortization	$ _____
Total Fixed Assets	$ _____

Liabilities & Capital

Current Liabilities: Accounts Payable	$ _____
Notes Payble, due within 1 yr.	$ _____
Payroll Taxes & Withheld Taxes	$ _____
Sales Taxes	$ _____
Total Current Liabilities	$ _____

Capital:

Proprietor's capital, beginning of period	$ _____
Net Profit for the Period	$ _____
Less Proprietor's Drawings	$ _____
Increase in Capital	$ _____
Capital, end of period	$ _____
Total Liabilities & Capital	$ _____

In a small business, inventory control helps the owner-manager to offer customers efficient service. The control system should enable you to determine what needs to be ordered on the basis of:

(1) What is on hand
(2) What is on order
(3) What has been used

In setting up inventory controls, keep in mind that the cost of inventory is not your only cost. You will also have costs such as the cost of purchasing, the cost of keeping control records, and the cost of receiving and storing your inventory.

Sales - in a small business, sales slips and cash register tapes give the owner-manager feedback at the end of each day. To keep on top of sales, you will need answers to questions such as: How many sales were made? What was the dollar amount? What credit terms were given to customers?

Disbursements - Your management controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to be penny-side and pound-foolish. You need to know what major items, such as paying bills on time to get the supplier's discounts, are being handled according your policies. Your review system should also give you the opportunity to make judgements on the use of funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax monies such as payroll income tax deductions, are set aside and paid out at the proper time.

Break-Even - Break-even analysis is a management control device because the break-even point show how much you must sell under given conditions in order to just cover your costs with No profit and No loss.

Profit depends on sales volume, selling price, and cost. Break-even analysis helps you to estimate what a change in one or more of these factors will do to your profits. To figure a break-even point, fixed costs, such as rent, must be separated from variable costs, such as the costs of sales and the other items listed under "controllable expenses" on the expense worksheet.

An example of the formula is: Bill Jackson plans to open a laundry. He estimates his fixed expenses at about $9,000, the first year. He estimates his variable expenses at about $700 for every $1,000 of sales.

BE Point =9,000 = 9,000 = 9,000 = 30,000
1-700 1-70 30
1,000

Is Your Plan Workable

Stop when you have worked out your break-even point. Whether the break-even point looks realistic or way off base, it is time to make sure that your plan is workable.

Take time to re-examine your plan **before** you back it with money. If the plan is not workable better to learn it now than to realize 6 months down the road that you are pouring money into a losing venture.

In reviewing your plan, look at the cost figures you drew up when you broke down your expenses for one year. If any of your cost items are too low, change them. You can write your changes in the white spaces above or below your original entries on that worksheet. When you finish making your adjustments, you will have a Revised projected statement of sales and expenses for 12 months.

With your revised figures, work out a break-even point. Whether the new break-even point looks good or bad, take one more precaution. Show your plan to someone who has not been involved in working out the details.

Your banker, contact man at SBA, or other advisor outside of your business may see weaknesses that failed to appear as you poured over the details of your plan. They may put a finger on strong points that your plan should emphasize.

Putting Your Plan Into Action

When your plan is as near on target as possible, you are ready to put it into action. Keep in mind that action is the difference between a plan and a dream. If a plan is not acted upon, it is of no more value that a pleasant dream that evaporates over the breakfast coffee.

A successful owner-manager does not stop after he has gathered information and drawn up a plan, as you have done in working through this aid. The owner-manager begins to use the plan.

At this point, look back over your plan. Look for things that must be done to put your plan into action.

What needs to be done will depend on your situation. For example, if your business plan calls for an increase in sales, one action to be done will be providing funds for this expansion.

Have more money to put into this business?

Do you borrow from friends and relatives? From your bank? From your suppliers by arranging liberal commercial credit terms?

If you are starting a new business, one action step may be to get a loan for fixtures, employee salaries and other expenses. Another action step will be to find and hire capable employees.

In the spaces that follow, list things that must be done to put your plan into action. Give each item a date so that it can be done at the appropriate time. To put my plan into action, I must do the following:

Action Date	**Completion**
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Keeping Your Plan Up To Date

Once you put your plan into action, look out for changes. They can cripple the best made business plan if the owner-manager lets them.

Stay on top of changing conditions and adjust your business plan accordingly.

Sometimes the change is within your company. For example, several of your employees quit their jobs. Sometimes the change is with customers: for example, their desires and tastes shift. Sometimes the change is technological as when new raw materials are put on the market introducing the need for new processes and procedures.

In order to adjust your plan for such changes, an owner-manager must:

(1) Be alert to the changes that come in your company, line of business, market & customers

(2) Check your plan against these changes

(3) Determine what revisions, if any, are needed in your plan

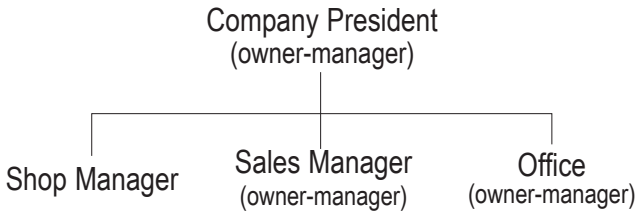
The method you use to keep your plan current so that your business can weather the forces of that market place is up to you. Read the trade papers and magazines for your line of business. Another suggestion concerns your time. Set some time -- two hours, three hours, whatever is necessary -- to review your plan periodically. Once each month, or every other month, go over your plan to see whether it needs adjusting. If revisions are needed, make them and put them into action.

Getting the Work Down

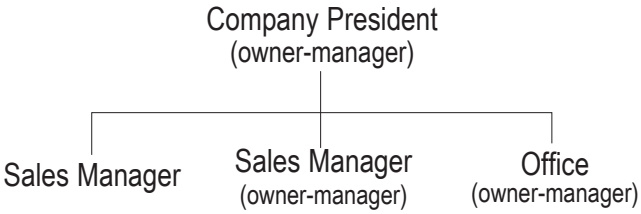
An important step in setting up your business is to find and hire capable employees. Then you must train them to work together to get the job done. Obviously, organization is needed if your business is to produce what you expect it to produce, namely profits.

Organization is essential because you as the owner-manager cannot do all the work. As your organization grows, you have to delegate work, responsibility and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of a business. Examples are given here to help you in preparing an organization chart for your business.

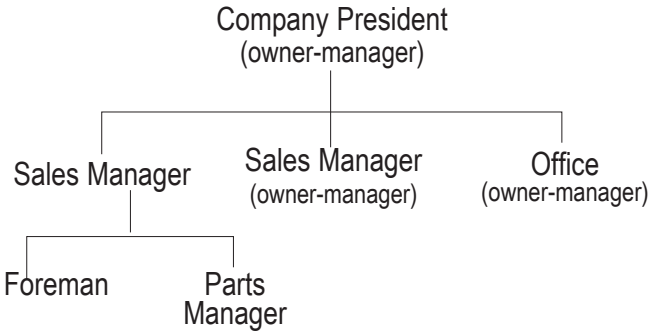
An organization chart for a small service business will reflect the fact that the owner-manager does most of the managing. For example, an organization chart for a small service business might look like this:



Or like this?



As the service business grows, its organization chart could look like this:



In the space below, draw up an organization chart for your business.

As an additional aid in determining both what needs to be done and who will do it, list each activity that is involved in your business. Next to the activity indicate who will do it. You may do this by name or some other designation such as worker #1.

Activity	Name

Putting Your Plan Into Dollars

At this point, take some time to think about what your business plan means in terms of dollars. This section is designed to help you put your plan into dollars.

The first question concerns the source of dollars. After your initial capital investment, the major source of money is the sale of your services. What dollar volume of business do you expect to do in the next 12 months $_____?

Expenses - In connection with your annual dollar volume of business, you need to think about expenses. If, for example, you plan to do $100,000 in business, what will it cost you to do this amount of servicing? And even more important, what will be left over as profit is your pay. Even if you pay yourself a salary for living expenses, your business must make a profit if it is to continue year after year and pay back the money you invested in it.

The following work-block is designed to help you make a quick estimate of your expenses. To use this formula, you need to get only one figure - the cost of sales figures for your line of business. If you don't have this operating ratio, check with your trade association or with sources such as those listed in Ratio Analysis for Small Business.

Start-Up Costs - If you are starting a new business, list the following estimated start-up costs:

Action	**Completion Date**
Fixtures & Equipment	$ _____
Starting Inventory	$ _____
Office Supplies	$ _____
Decorating & Remodeling	$ _____
Installation of Equipment	$ _____
Deposits for Utilities	$ _____
Legal & Professional Fees	$ _____
Licenses & Permits	$ _____
Advertising for the Opening	$ _____
Operating Cash	$ _____
Owner's withdraw during Prep-Time Start-Up	$ _____

Before you make any supply arrangements, examine the supplier's obsolescence policy. This can be a vital factor in service part purchasing. You should also look at the supplier's warranty policy.

Now that you have determined the parts and materials you'll need, you should think about the type of control system you'll use. A stock control system should enable you to determine what needs to be ordered on the basis of:
(1) what is on hand
(2) what is on order
(3) what has been used

When you have decided on a system for stock control, estimate its cost. My system for stock control will cost me $ _____ for the first year.

Overhead - List the overhead items that will be needed. Examples are: rent, utilities, office help, insurance, interest, telephone, postage, accountant, payroll taxes, and licenses or other local taxes. If you plan to hire others to help you manage, their salaries should be listed as overhead.

_____

_____

_____

_____

_____

_____

_____

_____

_____

Determining the Sales Potential

In the service business, your sales potential will depend on the area will need you service? That is, how many customers in this area will need your services? Will your customers be industrial, commercial, consumer, or all of these?

When picking a site locate your business, consider the nature of your service. If you pick up and deliver, you will want a site where the travel time will be low and later install a radio dispatch system. Or, if the customer must come to your place of business the site must be conveniently located and easy to find.

You must pick the site that offers the best possibilities of being profitable. the following questions will help you think through this problem.

In selecting an area to serve, consider the following:

- population and its growth potential
- income, age, occupation of population
- number of competitive services in and around your proposed location
- local ordinances and zoning regulations
- type of trading area (commercial, industrial, residential, seasonal

For additional help in choosing an area, you might try the local chamber of commerce and the manufacturer and distributor of any equipment and supplies you will be using.

You will want to consider the next list of questions in picking the specific site for your business.

- Will the customer come to your place of business?
- How much space do you need?
- Do you ned any special features required in lighting, heating, ventilation?
- Is parking available?
- Is public transportation available?
- Is the location conducive to drop-in customers?
- Will you pick up and deliver?
- Will travel time be excessive?
- Will you prorate travel time to service call?
- Would a location close to an expressway or main artery cut down on travel time?
- If you choose a remote location, will savings in rent offset the inconvenience?
- If you choose a remote location, will you have to pay as much as you save in rent for advertising to make your service known?
- If you choose a remote location, will the customer be readily able to locate your business?
- Will the supply of labor be adequate and the necessary skills available?
- What are the zoning regulations of the area:
- Will there be adequate fire and police protection?
- Will crime insurance be needed and be available at reasonable rate?

I plan to locate in _____ because

_____

_____

_____

Is the area which you plan to locate supported by a strong economic base? For example, are nearby industries working full time? Only part time? Did any industries go out of business in the past several month? Are new industries scheduled to open in the next several months?

Write you opinion of the area's economic base and your reason for that opinion:

_____

_____

Will you build?_____What are the terms of the loan or mortgage?

_____

_____

Will you rent? _____ What are the terms of the

lease?

_____

_____

Is the building attractive?_____ In good repair?_____

Will it need remodeling? _____

Cost of remodeling: $_____

What services does the landlord provide? _____

_____

What is the competition in the area you have picked?
The number of firms that handle my service _____.
Does the area appear to be saturated?
How many of these firms appear prosperous?
Do they have any apparent advantages over you?
How many look as though they're barely getting by?
How many similar services went out of business in this area last year?
Can you find out why they failed?
How many new services opened in the last year?
How much do your competitors charge for your services?

Which firm or firms in the area will be your biggest competition?

List the reasons for your opinion here:

_____

_____

_____

Attracting Customers

When you have a location in mind, you should work through another aspect of marketing. How will you attract customers to your business? How will you pull customers away from your competition?

It is working with this aspect of marketing that many small service firms find competitive advantages. The ideas which they develop are as good, and often better, than those which large companies develop with hired brains. The work-blocks that follow are designed to help you think about image, pricing, customer service policies and advertising.

Image. Whether you like it or not, your service business is going to have an image. The way people think of your firm will be influenced by the way you conduct your business. If people come to your place of business for your service, the cleanliness of the floors, the manner in which they are treated, and the quality of your work will help form your image. If you take your service to the customer, the conduct of your employees will influence your image. Pleasant, prompt, and courteous service before and after the sale will help make satisfied customers your best form of advertising.

Thus, you can control your image. Whatever image you seek to develop, it should be concrete enough to promote in your advertising. For example, "service with a smile" is an often-used image.

Write out what image you want customers to have of your business.

_____

_____

_____

Pricing - In setting prices for your service, there are four main elements you must consider:

1. materials and supplies
2. labor and operating expenses
3. planned profit
4. competition

Further along in the Aid you will have the opportunity to figure out the specifics of materials, supplies, labor and operating expenses. From there you may want the assistance of your accountant in developing price structure that will not only be fair to the customer, but also fair to yourself. This means that not only must you cover all expenses but also allow enough margin to pay yourself a salary.

One other thing to consider, will you offer credit? Most businesses use a credit card system. These credit costs have to come from somewhere. Plan for them. If you use a credit card system, what will it cost you? Can you add to your prices to absorb this cost?

Some trade associations have a schedule for service charges. It would be a good idea to check with the trade association for your line of business. Their figures will make a good yardstick to make sure your prices are competitive.

And, of course, your prices must be competitive. You've already found out your competitor's prices. Keep these in mind when you are working with your accountant. If you will not be able to make an adequate return, now is the time to find it out.

Customer Service Policies - Customers expect certain services or conveniences, for example, parking. These services may be free to the customer, but not to you. If you do provide parking, you either pay for your own lot or pick up your part of the cost of a lot, which you share with other businesses. Since these conveniences will be an expense, plan for them.

List the services that your competitors provide customers.

_____

_____

_____

Now list the services that you will provide your customers.

Service	Estimated Cost
_____	_____
_____	_____
_____	_____

Advertising

In this section on attracting customers, advertising was saved until last because you have to have something to say before advertising can be effective. When you have an image, price range, and customer services, you are ready to tell prospective customers why they should use your services.

When the money you can spend on advertising is limited, it is vital that your advertising be on target. Before you can think about how much money you can afford for advertising, take time to determine what jobs you want advertising to do for your business. The work blanks that follow should be helpful to your thinking.

The strong points about my service business are:

_____

_____

My service business is different from my competition in the following ways:

_____

_____

My advertising should tell customers and prospective customers the following facts about my business and services:

_____

_____

_____

_____

Once you have these facts in mind, you need to determine whom you are going to tell it to. Your advertising needs to be aimed at a target audience - those people who are most likely to use your services. In the space below, describe your customers in terms of age, sex, occupation, and whatever else is necessary depending on the nature of your business. This is your customer profile. For example, an auto repair business may have a customer profile of “male and female automobile owners, 18 years old and above”. Thus, for this repair business, anyone who owns a car is likely to need its service.

The customer profile for my business is:

_____

_____

Now you are ready to think about the form your advertising should take and its cost. You are looking for the most effective means to tell you story to the most likely to use your service. Ask the local media (newspapers, radio, TV, & printers of direct mail pieces) for information about services and the results they offer for your money.

How you spend advertising money is your decision, but don’t fall into the trap that snares many advertisers. As one consultant describes this pitfall: It is amazing the way many managers consider themselves experts on advertising copy and media selection without any experience in these areas.

The following blanks should be useful in determining what advertising is needed to sell your strong points to prospective customers.

Form of Advertising	Size of Audience	Frequency & Cost Run	Cost of Single	Total Cost
_____	_____	_____	$____	$_____
_____	_____	_____	$____	$_____
_____	_____	_____	$____	$_____
_____	_____	_____	$____	$_____

Total Cost $_____

When you have a figure on what your advertising for the next 12 months will cost, check it against what similar stores spend. Advertising expenses is one of the operating ratios (expenses as a percentage of sales) that trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of service, take a second look. No single expense item should be allowed to get way out of line if you want to make a profit. Your task in determining how much to spend for advertising comes down to: How much to spend and still do the job that needs to be done?

Selling to Customers

To complete your work on marketing, you need to think about what happens after you get a customer. Your goal is to provide your service, satisfy customers, and put money into the cash register.

One-time customers can't do the job. You need repeat customers to build a profitable annual sales volume. When someone returns for your service, it is probably because he was satisfied by his previous experience. Satisfied customers are the best form of advertising.

If you previously decided to work only for cash, take a hard look at your decision. Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers.

Based on this description and the dollar amount of business you indicated that you intend to do this year, fill in the following work-blocks.

Fixtures and Equipment. No matter whether or not customers will come to your place of business, there will be certain equipment and furniture you will need in your place of business which will allow you to perform your service. List the equipment and its cost to you here.

Type of Equipment	# Needed	Unit Cost	Total Cost
			$
			$
			$
			$

Parts and Materials

You will probably need parts or materials to provide your service. List them and their cost to you in the following work-block.

Item	Amt. for 12 Mos	Unit Cost	Total Cost
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$
			$

I plan to buy parts and materials from:

Name of Item	Name of Supplier	Address of Supplier	Discount Offered	Delivery Time*	Freight Costs**	Fill-Inn Policy ***

* How many days or weeks does it take the supplier to deliver the parts and materials to you?

** Who pays? You, the buyer? The supplier? (This cost can be a big expense item.)

*** What is the supplier's policy on fill-in orders? That is, do you have to buy a gross, dozen, or only 2 or 3 items? How long does it take to deliver to you?

Business Plan Summary

A business plan can provide the owner-manager or prospective owner-manager of a small service firm with a pathway to profit. This Aid is designed to help an owner-manager in drawing up a business plan.

In building a pathway to profit you need to consider the following questions: What business am I in? What services do I provide? Where is my market? Who will buy? Who is my competition? What is my sales strategy? What merchandising methods will I use? How much money is needed to operate my firm? How will I get the work done? What management controls are needed? How can they be carried out? When should I revise my plan? Where can I go for help? And many more.

No one can answer such questions for you. As the owner-manager you have to answer them and draw up your business plan. The pages of this Aid are a combination of text and workspace so you can write in the information you gather in developing your business plan -- a logical progression from a common sense starting point to a common sense ending point.

A Note on Using this Aid

It takes time and energy and patience to draw up a satisfactory business plan. Use this Aid to get your ideas and the supporting facts down on paper. And, above all, make changes in your plan on these pages as that plan unfolds and you see the need for changes.

Bear in mind that anything you leave out of the picture will create an additional cost, or drain on your money, when it crops up later on. If you leave out or ignore enough items, your business is headed for disaster.

Keep in mind, too, that your final goal is to put your plan into action. More will be said about this near the end of this Aid.

What's in this for Me?

You may be thinking: Why should I spend my time drawing up a business plan? What's in it for me? If you've never drawn up a plan, you are right in wanting to hear about the possible benefits before you do your work.

A business plan offers at least four benefits:

(1) A plan gives you a path to follow. A plan makes the future what you want it to be. A plan with goals and action steps allows you to guide your business through turbulent economic seas and into harbors of your choice. The alternative is drifting into "any old port in a storm".

(2) A plan makes it easy to let your banker in on the action. By reading, or hearing, the details of your plan, he will have real insight into your situation if he is to lend you money.

(3) A plan can be a communications tool when you need to orient sales personnel, suppliers, and others about your operations and goals.

(4) A plan can help you develop as a manager. It can give you practice in thinking about competitive conditions, promotional opportunities, and situations that seem to be advantageous to your business. Such practice over a period of time can help increase an owner-manager's ability to make judgments.

Why am I in Business?

Many enterprising Americans are drawn into starting their own business by the possibilities of making money and being their own boss. But the long hours, hard work and responsibilities of being the boss quickly dispel any preconceived glamour.

Profit is the reward for satisfying consumer needs. But it must be worked for. Sometimes a new business might need two years before it shows a profit. So where, then, are reasons for having your own business?

Every small business owner-manager will have his or her own individual reasons for being in business. For some, satisfaction comes from serving their community. They take pride in serving their neighbors and giving them quality work which they stand behind. For others, their business offers them a chance to contribute to their employees' financial security.

There are as many rewards and reasons for being in business as there are business owners. Why are you in business?_____

I. SUMMARY

A. Describe Business and History
1. What is the name, legal form and history of the business?
2. What is the location of the business?
3. What is the business's unique product?
4. Who are the customers?
5. Who is the competition?
6. What is the expertise of the management?

B. Describe Business Goals
1. What are the long terms of the business?
2. What are the short terms of the business?

C. Loan Summary
1. How much are you requesting?
2. How much are you investing?
3. How much will it be spent?
4. How will it be paid back?

II. BUSINESS DESCRIPTION

A. Define Purpose/Goals of the Business
1. What is the purpose of the business?
2. What are your specific business goals?

B. Legal Form
1. What is the form of your business organization?
2. What is the proprietary position, including patents, copyrights, and legal and technical considerations?

C. Background
1. What is the background of your industry?
2. What are the industry trends?
3. Where does your product fit within the industry?

III. MARKET ANALYSIS AND STRATEGY

A. Describe your Product/Service
1 What is your product line?
2. Where and how is it being used?
3. What makes your product unique?
4. Why is it a profitable product?
5. What is the technical description of the product (if applicable)?
6. What is the manufacturing process (if applicable)?

B. Target Markets
1. Who are your customers-define type and number?
2. Where are they located?
3. How many/what type of purchases will they make for you?

C. Location
1. Where are you located and how does your location attract customers?
2. Describe the appearance of your business?

D. Competition
1. Who is your major competition?
2. How do you compare to the competition?

E. Promotion/Strategy
1. How will you reach your customers?
2. How will you promote your services?
3. What is your pricing strategy?
4. What are your customer service policies?

IV. MANAGEMENT PLAN

A. Management
1. Who will manage the business?
2. What is management's strength and weakness?
3. How will you compensate for any weakness?

Example of a Completed Business Plan

he Way-Off-Broadway Delicatessen

Table of Contents

Plan Summary

I. Business Description

A. Overall Purpose - The WAY-OFF-BROADWAY DELICATESSEN will be a delicatessen-type restaurant patterned after New York delicatessens which serve Jewish ethnic style foods. The delicatessen will offer counter, table and take-out service.

B. Specific Purpose - The delicatessen will be located at the St. Pauls U.S. Interstate I-95 exit and will be open seven days a week serving luncheons and dinner. A breakfast menu will be added three months after the opening. Prices will be moderate compared to New York delis but somewhat higher then other St. Paul restaurants.

C. Marketing Strategy - The great majority of customers will come from Interstate I-95. Accordingly, heavy use of billboard advertising will be made to attract customers.

D. Food Preparation Strategy - Since many of the ingredients used in the menu cannot be supplied locally, arrangements will be made with out of area food suppliers and wholesalers. Even though management is assured of overnight deliveries, a one-week inventory of all food items will be maintained in either a walk-in cooler or freezer.

E. Management Team - Mary and John Ashford will own 100 Per Cent of the capital stock of the corporation. Each will own 50 Per Cent of the outstanding stock. John Ashford is President. Mary Ashford is Vice President and Secretary.

F. Objectives of the Team - It is the objective of the team to operate the business with a minimal first year loss and have an operating profit by the first quarter of the second year of operations. The principals will pay themselves a minimum salary so as not to imperil the cash flow of the business.

G. Financial Consideration - Anticipated profits for the first year of operations are forecast as follows:

Year 1	$ 6,892
Year 2	$ 41,773
Year 3	$ 57,715

Sources of the necessary funds for financing the business are as follow:

Building Mortgage St. Pauls State Bank	$ 25,000
Working Capital	$ 29,167
St. Pauls State Bank	$ 15,000
Ashford Savings	$ 14,167

Products

The Off-Broadway Delicatessen Menu

Appetizers & Soups	
Orange Juice	Tomato Juice
Potato Skins	Chopped Liver
Daily Soup	Lox & Cream Cheese
Tomato	Vegetable
Split Pea	Chicken Vegetable
Clam Chowder	
Main Dishes, Sandwiches & Side Orders	
Bologna	Corn Beef
Turkey	Salami
Reuben	Chopped Liver
Chicken Salad	Tuna Salad
Potato Pancakes	Kosher Hot Dogs
Potato Salad	Cole Slaw
French Fries	Bagels w/Cream cheese
Daily Hot Meal	
Chicken	Hamburger Steak
Roast Beef	Fish
Minute Steak	
Desserts	
Cheesecakes	Hot Fudge Cake
Chocolate Cake	Walnut Cake
Ice Cream	Fresh Fruit in Season

Beverages	
Coffee	Teas
Milk	Coca Cola
Root Beer	Orange
Dr. Brown's Soda	Milk Shakes
Ice Cream Sodas	

Unique Features of the Menu
New York - style delicatessens, and will be unique to St. Pauls and the surrounding community. With the exception of the daily hot meals and future breakfast menu, almost all of the food items will be unavailable at any place other then THE WAY-OFF-BROADWAY DELICATESSEN.

Because of the menu and the marketing strategy, management forecasts that approximately 80 to 85 per cent of it's business will come from Interstate
I-95. Approximately 10 to 15 per cent of its business will come from North Carolina State Highway 20 and U.S. Highway 301.

Only 5 per cent of the deli's business is expected to come from the local community.

Future Breakfast Menu
The final menu has not yet been determined but will include such items as:

Eggs	Pancakes
Hash Brown Potatoes	Grits
Bacon	Ham
Sausage	Toast
Danish Pastry	Bagels
English Muffin	Fruit Juices
Fresh Fruit in Season	

It is expected to begin serving breakfasts approximately three months after the initial opening of the deli.

II. Market Definition

A. Customers - The primary market for THE WAY-OFF-BROADWAY - DELICATESSEN is that of the I-95 Interstate Highway travelers going in both north and south directions. These travelers are primarily vacationers and those driving long distances. Their primary vehicle is the automobile.

It is expected that the average number of passengers per vehicle will be two. There will be some seasonality to the business in view of the much heavier traffic that is expected on the interstate during the winter months.

B. Customer Size - It is anticipated that approximately 100 customers will be served daily. Weekend traffic should be 25 to 30 per cent higher than activity from Monday to Friday noon. Traffic count studies made by the Robeson County Highway Department indicate the following average motor vehicle traffic flow:

North to South	23,000 vehicles
South to North	24,200 vehicles

During the period of November 15 through April 1, average daily traffic increases by approximately 4,000 vehicles. In addition to this very high traffic flow, U.S. Highway 301 has some 3,000 vehicles in average daily traffic flow. Finally, within the town of St. Pauls, local vehicle traffic approximates some 5,000 vehicles a day.

All of these traffic flow figures make for a very large potential market. Management strongly believes that 85 per cent of their customer base will come from the Interstate. An additional 10 per cent will come from U.S. 301 and North Carolina State Highway 20. Only 5 per cent is expected to come from the local community, but may be higher simply because of curiosity.

III. Market Growth

First month sales are forecast at $ 18,000. Business is expected to grow by approximately $ 500 per month. Translated into numbers of customers served, the anticipated monthly increase will be approximately 166 customers. Initially, the Delicatessen will serve some 100 customers daily, or a monthly total of 3,000. Therefore, within six months, the monthly number of customers will be approximately 4,000, or on a daily average basis, will number 110

IV. Competition

The town of St. Pauls has four eating establishments and one facility for lodging. With the exception of Joe Danny's, all of the other eating establishments are located within St. Pauls and away from the Interstate Highway 95 exit. They are not visible from the highway.

A brief description of each is as follows:

Cliff's Barbecue: A barbecue house that serves both lunches and dinners with moderate pricing.

Ferguson's: Specializes in sandwiches, including hamburgers and hot dogs. Serves breakfast and is the oldest continuous operating restaurant in St. Pauls.

Hardee's: Very successful food operation, and is the only fast food restaurant in St. Pauls. It's very popular with both the highway tourist traffic and the local citizenry. It's open for breakfast and into the late hours of the evening.

Joe Don Danny's: Busiest restaurant. Attracts customers from U.S. Interstate I-95 since it is the only truck stop in the area. It is quite popular and is visible from the Interstate.

Hardee's and Joe Don Danny's are mentioned in national automobile publications. They also have billboard advertising, and Hardee's is able to take advantage of national advertising in view of its national affiliation. Joe Don Danny's, a truck stop, is well known within trucking circles.

The fact that Joe Don Danny's and Hardee's have such visibility is considered an advantage to THE WAY-OFF-BROADWAY-DELICATESSEN, bringing traffic off the exit of I-95.

V. Competition Strengths & Weaknesses

A. Competitive Strengths -
1. HARDEE'S is a national franchise with a highly favorable reputation for both food quality and speed of service. In addition, it has both a very strong advertising campaign and high name recognition. It is especially popular with the children of many tourists, the primary drawing population by the deli.

2. JOE DON DANNY'S has an excellent reputation. Its location puts the restaurant into a very competitive position with the deli since it is located off of the I-95 exit.

3. Both of the above competitors are open for breakfast.

4. Both of the above restaurants, as well as the two others in St. Pauls, are popular with the local population.

B. Competitive Weaknesses -
1. None of the competitors will offer the uniqueness in their menu that is offered by THE WAY-OFF-BROADWAY DELICATESSEN. The menu will be an attraction for many of the I-95 Interstate drivers.
2. Only JOE DON DANNY'S is located adjacent to the exit, which means the deli will compete with only one restaurant for its clientele.

3. The mere name of the deli: THE WAY-OFF-BROADWAY DELICATESSEN will offer considerable curiosity appeal to some vehicle occupants, thus bringing in a certain amount of traffic.

VI. Marketing Plan

A. Overview - THE WAY-OFF-BROADWAY DELICATESSEN will offer high quality food at moderate prices compared to the pricing of New York delicatessens, which it will be modeled after. However, the menu prices for THE WAY-OFF-BROADWAY DELICATESSEN will be somewhat higher than comparable dishes at other St. Pauls' food establishments.

It will not be a fast food restaurant, although quick service will be offered either at a counter or at sit down tables. Take-out service will also be available. The owners recognize that Interstate I-95 is the main highway traveled by tourists coming from as far north as Bangor, Maine, including residents of the heavily populated cities of Boston, New York, Philadelphia, Baltimore, and Washington, D.C., who are going to Florida vacation spots.

New York-style delicatessens that serve Jewish ethnic foods are immensely popular with these northern tourists. Thus, a restaurant such as THE WAY-0FF-BROADWAY DELICATESSEN will be a welcome change and relief to these tourists from the conventional fast food establishments that they normally find along an interstate highway.

THE WAY-OFF-BROADWAY DELICATESSEN will be open for business seven days a week. Initially it will provide luncheon and dinner service to its patrons, remaining open until the early hours of the evening.

Both cold and hot dish selections, together with unique desserts, will be available.

Mary and John Ashford believe that a very viable business opportunity exists for the opening of a New York-style delicatessen at the exit of U.S. Interstate I-95 in St. Pauls. In view of the proposed location of the delicatessen, the anticipated restaurant business should be excellent.

B. Marketing Objectives -

1. The primary objective of THE WAY-OFF-BROADWAY DELICATESSEN will be to attract customers from the very heavily traveled U.S. Interstate I-95 Highway. These customers are mostly tourists traveling between the Florida vacation areas and the heavily populated eastern seaboard urban and suburban centers. Additional customers will come from U.S. Highway 301 and North Carolina State Highway 20. Some local customers are expected to patronize the deli.

2. A second marketing objective will be to gain repeat customers from those who patronize the deli for the first time as well as to gain customers through word of mouth advertising from first time users. This will be done by serving a high quality food product in pleasant surroundings and a clean comfortable atmosphere.

C. Marketing Strategy Advertising & Promotion -

1. An important consideration in the total marketing effort of the Deli is found in the name itself: THE WAY-OFF-BROADWAY DELICATESSEN. This name will not only arouse interest and curiosity from travelers and tourists, but it will also lend itself well to the major theme of the establishment. The theme will be carried out in every aspect of the deli, including advertising, promotion and public relations.

2. Since it is anticipated that the great majority of customers who will patronize THE WAY-OFF-BROADWAY DELICATESSEN will be tourists using U.S. Interstate I-95, the company will make wide use of billboard advertising. An important feature of the building purchase and land lease includes the use for four large billboards, two on each side of I-95 approximately one and one half miles from the St. Pauls' exit going in both north and south directions, and two similar signs located approximately 5 miles from the St. Pauls' exit in the same manner. The use of these billboards is for the remaining three years of the current land lease, and subject to renegotiation at that time. Additional billboard locations will be placed on both U.S. 301 and North Carolina State 20 highways. It is expected that the billboards will carry the same message and theme of the name.

3. Since the name THE WAY-OFF-BROADWAY DELICATESSEN connotes the New York Broadway name, the use of theatres, theatre lights, a Broadway stage, and Time Square will be used. The format and décor of the deli include spotlights as used on stage. For example, with regard to the exterior of the building, the deli's name will be highlighted by two large spotlights in the evening hours, thus giving it a showtime look. At the take-out counter, the menu items will be encased in circulating theatre lights similar to those found on a theater marquis. The menus will not only have the theater theme done artistically on their covers, but each item will contain names having a Broadway theme also. For example, "The Big Apple Reuben", "The Times Square Hot Dog", "Lindy's Cherry Cheesecake", and so on. A likewise similar art and copy approach will be given to the point-of-purchase displays used throughout the delicatessen. Items with a Broadway theme will be used to give the interior a proper finishing touch. These will include Broadway Show posters, pictures of actors and actresses, VARIETY magazine pages and reviews of famous shows.

4. Delicatessen items will be attractively displayed in refrigerated delicatessen cases. Also, each of the dessert specialties will be similarly displayed in a refrigerated bakery display case. Such displays will give a high point-of-purchase advertising appeal to patrons.

5. Finally, all of the staff, including waitresses and waiters, will wear T-Shirts, specially silk-screened with THE WAY-OFF-BROADWAY DELICATESSEN logo.

VII. Sales

All sales will be for cash or major credit card. Credit cards from VISA, MASTER CARD, AMERICAN EXPRESS, and DISCOVER-AMERICA will be accepted. Only checks from local residents of St. Pauls will be accepted.

VIII. The Production Plan

A. Facility Requirements -

1. The deli will be located in a building immediately adjacent to the I-95 exit. This facility was a former restaurant. It has current seating of 60 and can be expanded to accommodate 90 persons at a very moderate cost.

2. Since it is a former restaurant, it contains very important restaurant equipment and fixtures that would be available for purchase together with the restaurant building. The asking price on the building is $ 30,000.

B. Equipment Requirements -

1. Equipment furnished with the building at a cost of $ 5,000 includes:

1 Small desk	1 60 gal. water heater
1 2 Compartment sink	1 6x10 walk-in cooler
2 6x8 walk-in freezer	1 Small bake table
2 three ton heating and air conditioning units	
1 6ft. stainless steel table with hot dog warmer	
1 Small bake oven	12 42 inch tables
44 black upholstery chairs	1 48 inch grill
1 stainless steel up-draft unit with exhaust fan	
2 19 quart deep fryers	1 pan steam unit
2 19 Hobart dishwasher	1 2 burner elec. cooker
2 sandwich refrigerators	48 feet metal shelving

2. Additional tableware, kitchen tools, and accessories will have to be purchased as well as the following:

2 Microwave ovens	1 Large refrigerator
1 Cash register	1 Scale
1 Meat slicer	1 Bread slicer
1 Refrigerated deli display case	1 Bakery display case
	1 Large freezer

IX. Labor Requirements

A. The two principal positions needed to operate the deli are that of the Manager and the Cook. Both Mary and John Ashford will co-share these responsibilities. Arrangements have been made to take a special one-week delicatessen cooking and food preparation course in New York City.

B. The following employees and their projected monthly salaries are as follows:

Manager Cook	John Ashford	$ 1,500
Co-Manager Cook	Mary Ashford	$ 1,200
Halftime cook		$ 600
Waiters/Waitresses		$ 2,400
Dishwasher/Custodial		$ 900
Miscellaneous		$ 400
Total Labor costs		$ 7,000

X. Food Preparation Process

A. As a Jewish-style delicatessen, many of the ingredients and final menu items will have to be supplied by out-of-the-area food and restaurant wholesalers.

B. There is no concern for the freshness of these items since arrangements are being made to keep a one week minimum inventory on hand at all times. This will be done with the use of the freezer and walk-in cooler. Arrangements have been made with the following food suppliers and wholesalers to provide for their specialty food requirements.

C. Each of these wholesalers have assured the Ashfords that they can deliver orders within 48 hours and, if necessary, deliver within 24 hours subject to and added delivery charge.

1. Lincoln Delicatessen Baker, Washington D.C.
   Bagels — Rye Breads
2. Fancy Foods, Norfolk, Virginia
   Cheesecakes — Chocolate Cake
   Walnut Cake
3. Zion-Kosher-Company, New York, NY
   Nova Scotia Lox
4. Hebrew National Products Company, New York, NY
   Bologna — Corn Beef
   Kosher Hot Dogs — Salami

D. A back-up supplier and wholesaler for all of the above products is: Reuben Foods, Washington, D.C.

E. Some purchases will be made on a periodic basis from Reuben Foods to assure the company of a second source of supply. All other food products and ingredients can be purchased from local wholesalers who make daily runs to St. Pauls form neighboring North Carolina cities. These include dairy products, fruits, vegetables, seasonings, baking needs, breads, canned goods, etc.

F. Management expects to make wide use of Microwave ovens. Delicatessen meats will be stored in the freezer and then in the refrigerated delicatessen case. All meats will be freshly sliced. Most desserts will be kept in the freezer until the day of use.

XI. Company Structure

A. Mary and John Ashford have incorporated their restaurant under the name of the WAY-OFF-BROADWAY DELICATESSEN. John is the president while Mary is vice president and secretary. Each have fifty percent of the capital stock of the corporation.

XII. Business Advisors

A. The following business advisors have been or will be used as needed:

Accountant: Michael Stefanson with Stefanson and Byron, CPA's
Lawyer: Susan Fallek with Fallek, Hamline, and Zimmerman
Banker: Jerome Pinkerton, President of St Pauls State Bank
Insurance: Bobby Maisel with Bear, Rose and Mythroat General Agents

XIII. The Financial Plan Summary

A. Talking into consideration that the WAY-OFF-BROADWAY DELICATESSEN will be a new eating establishment catering to the highway traffic on U.S. Interstate I-95, conservative accounting procedures and projections have been made. The following Profit and Loss projections are as follows for the first three years of operations for the deli:

YEAR 1 - $ 6,892
YEAR 2 - $41,773
YEAR 3 - $57,715

B. Cash flow projections indicate that the deli will have a positive cash flow beginning with the fifth month of operations. At that time it is forecast that monthly cash receipts will amount to $20,000 with expenses of $19,633. Until that time, the commercial loan from the St. Pauls State BAnk should be sufficient to provide the deli with its necessary cash needs.
C. The three year sheet projects indicate that the net worth of the WAY-OFF-BROADWAY DELICATESSEN will be as follows:

YEAR 1 - $ 6,769
YEAR 2 - $ 48,542
YEAR 3 - $106,257

D. The three year projections for PROFIT AND LOSS, CASH FLOW and BALANCE SHEETS should be carefully planned and reviewed.

XIV. Sources of Funds

Building Mortgage 11-yrs at 11% $25,000 St Pauls State Bank
Commercial Loan, St. Pauls State Bank $15,000
Cash from the Ashford Savings and common Stock sale $14,167
Total Start Up Funds $54,167

A. The St. Pauls State Bank has also agreed to provide the WAY-OFF-BROADWAY DELICATESSEN with an added/open line of credit amounting to $10,000 should it be necessary.

XV. Biographies of the Principals
A. John and Mary have been married for 18 years and have two children, David, age 16 and Susan, age 14.

B. Mary Ashford has a degree from the University of North Carolina where she majored in elementary education. she taught upon graduation.

C. John Ashford received his degree in Textile Engineering and after spending three years as a Commissioned Reserve Navel Officer took a position with the Yorkville Atlantic Yarn Company in St. Johns. He has been with the company 18 years. His last position was Assistant Chief Engineer. John has had considerable retail store experience since he worked at his father's hardware store while in high school and during his summer vacation while attending the University of North Carolina. During his term of service in the Navy, he was stationed at the Brooklyn Naval Shipyard and became very acquainted with Jewish style delicatessen.

D. John is 42 years old and May is 40. They have lived in St. Pauls for the past 16 years in a number of community, school and church activities.

E. John has resigned his position at Yorkville Atlantic Yarn Company. Mary has given notice that she most likely will not be avaiable to do substitute teaching since both will devote full time to operating and running the WAY-OFF-BROADWAY DELICATESSEN.

Small Business Administration

The most popular SBA loan programs are the 7(a) and the 504. Both are available only to small business (generally defined as companies with fewer than 500 employees).

7(a)
Whether you need cash for fixed assets or working capital, you should look into a 7(a) loan. Fixed asset loans have a maximum maturity of 25 years, while loans for working capital are normally for five to seven years. These terms give you a longer repayment period than is usually available with most conventional financing.

The interest rate may be fixes or variable, with the variable rate indexed to the New York prime rate (as published in the Wall Street Journal). For loans under seven years, the rate cannot exceed 2.25 percent over New York prime. for loans over seven years, the rate will not be more than 2.75 percent over the New York prime rate.

You may have no more than a total of $750,000 outstanding on all SBA guarantees to qualify for the program.

SBA 504 Loan Program
The 504 program provides financing for fixed assets only. Working through Certified Development Companies (CDC's), the SBA provides financing for a portion of a small firm's fixed asset purchase.

The SBA Guarantee portion of the loan can be up to $750,000, or 40 percent of the project cost. Banks provides 50 percent, and you must supply at least 10 percent of the projects's total cost.

Interest rates in the SBA portion are fixed, and vary according to the cost of money to the CDC. These funds are raised through the sale of SBA debentures. Loan periods are for either 10 or 20 years.

You may have no more than a totoal of $750,000 outstanding on all SBA guaratees to quality for a 504 loan.

Advantages of 504's are:

- Owner-applicants are required to contribute only 10 percent equity to the project.
- 40 percent of the loan is at a very attractive fixed rate, which is achieved through the sale of debentures
-

For Information on Small Business Financing Options:

1-800-6115170
www.cdcloans.com/webinfor@cdcloans.com

Expertise - Facilitating small business growth by offering assistance with the following:

- Business Planning & Management

  Business Plan Development
  Manufacturing - high tech/low tech
  Agriculture
  Retail
  Arts
  Hospitality
  Services

- Licenses and Permits

  Computer Applications & e-Commerce

- Financial

  Private & Public Loan Services
  Cash Flow Management
  Recordkeeping & Accounting

- Marketing

  Identification of Market Niches
  Low Cost Promotional Strategies
  Market Plan Development

- Operations

  Human Resource Management
  Processes & Procedures
  Vendor Relations
  Sales & Customer Service

- Government Contracts & Procurement

  Federal
  State
  Regional & Local
  Subcontracting

Services - The SBDC of North San Diego County can provide:

- Counseling
  One - One to existing & start-up businesses

- Resources
  Identification of your specific needs & assistance in locating available resources:
  Information
  Other Business Professional Consultants
  Nonprofil Agencies

- Workshops
  Seminars & Workshops designed to increase profits

- Site Visits
  Visits to your business to maximize your time in identifying steps & re
  sources for:

  Development

  Expansion

  Improvement

There is NO CHARGE for most SBDC services

Small Business Development Center
North San Diego County
1823 Mission Ave.
Oceanside, CA 92054
Phone: 760-795-8740
Fax: 760-795-8728
www.sandiegosmallbiz.comwww

Important Phone Contacts

Resource Contact List

City Departments

Ambulance Billing 760-435-4112

Building Division 760-435-3950

Building Inspection Requests – 24 hrs 760-435-3925

Business License Division 760-435-3878

Building Division 760-435-3950

Engineering Division 760-435-5099

Transportation 760-435-5097

Economic Development 760-435-3352

Engineering Division 760-435-5099

Fire Department Business 760-435-4100

Fire Department – Emergency ONLY 911

Fire Prevention 760-435-4101

General Information 760-435-3065

Graffiti Hot line 760-435-4466

County Offices

County Assessor/Recorder
141 East Carmel St.
San Marcos, CA 92078
760-940-6868
www.sdcounty.ca.gov/deh/

State Departments

CA Employment Development Department
Employer Payroll Tax
3517 Camino Del Rio South, Ste 310
San Diego, CA 92108
888-745-3886

240 W. 2nd Ave.
Escondido, CA 92025
www.edd.ca.gov
760-737-2200

CA Franchise Tax Board
5353 Mission Center Rd., Ste 314
San Diego, CA 92010
800-852-5711
www.ftb.ca.gov

California Occupational Safety & Health Admin.
1515 Clay St., Ste 1901
Oakland, CA 94612
800-321-6742

California Secretary of State
1500 11th Street
Sacramento, CA 95814
916-653-6814
www.ss.ca.gov

California State Board of Equalization
Sale & Use Tax Office, San Marcos Branch
Third Equalization District
334 Via Vera Cruz, Ste 107
San Marcos, CA 92069
800-400-7115
760-510-5850
www.boe.ca.gov/index.htm

California State University, San Marcos
Career Center, San Marcos, CA 92096
333S. Twin Oaks Valley Rd.
San Marcos, CA 92096
760-750-4000
www.csusm.edu/

Federal Departments

Internal Revenue Service
880 Front St.
San Diego, CA 92101
800-829-4933
619-615-9555
www.irs.gov/

Commission of Patents
address varies on subject matter
800-786-9199
www.uspto.gov

National Notary Assoc.
800-876-6827
www.nationalnotary.org

Federal Trade Comm.
11000 Wilshire Blvd., #13209
Los Angeles, CA 90024
310-235-4000

Social Security Admin.
2160 S El Camino Real
Oceanside, CA 92054
800-772-1213
www.socialsecurity.gov

U.S. Dept. of Agriculture
5555 Overland Ave., Bldg.#3
San Diego, CA 921123
858-694-2739

U.S. Dept. of Commerce, Export Info.
3300 Irvine Ave., Ste 345
Newport Beach, CA 92660
949-660-0144

Small Business Development Center, SBDC
1823 Mission Ave.
Oceanside, CA 92054
760-795-8740
www.sandiegosmallbiz.com

CDC Small Business Finance Corporation
925 Fort Stockton Dr., San Diego, CA 92103
619-291-3594
www.cdcloans.com/
619-291-3594

Economic Development
City Of Oceanside
300 North Coast Highway
Oceanside, Ca 92054-2885
Phone: 760-435-3352
Email: EconomicDevelopment@ci.oceanside.ca.us
www.ci.oceanside.ca.us