Cover Page

JAVA CULTURE

Legal Page

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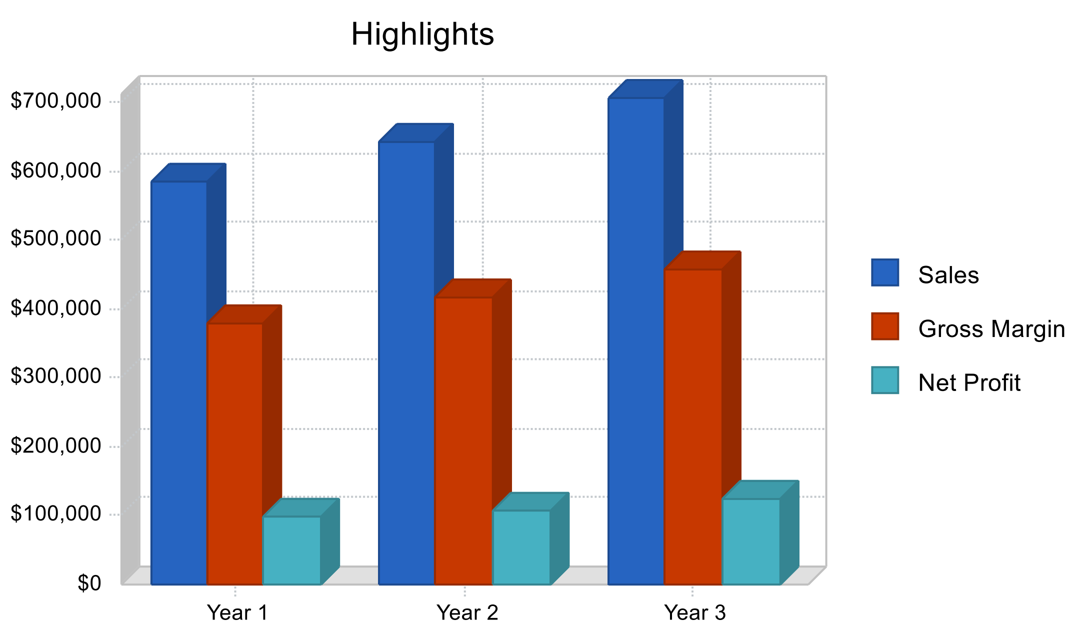
1.0 Executive Summary

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

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

The company is expected to grow sales revenue from $584,000 in FY2001 to $706,000 in year three. As Java Culture will strive to maintain a 65% gross profit margin and reasonable operating expenses, it will see net profits grow from $100,000 to $125,000 during the same period.

Chart: Highlights



1.1 Objectives

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

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

1.2 Keys to Success

The keys to success will be:

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

1.3 Mission

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

2.0 Company Summary

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

2.1 Company Ownership

Java Culture is registered as a Limited Liability Corporation in the state of Oregon. Arthur Garfield owns 51% of the company. His cousin, James Polk, as well as Megan Flanigan and Todd Barkley hold minority stakes in Java Culture, LLC.

2.2 Start-up Summary

The start-up expenses include:

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

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

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

Funding for the company comes from two major sources--owners' investments and bank loans. Two major owners, Arthur Garfield and James Polk, have contributed $70,000 and $30,00 respectively. All other investors have contributed $40,000, which brings the total investments to $140,000. The remaining $30,000 needed to cover the start-up expenses and assets came from the two bank loans--a one-year loan in the amount of $10,000 and a long-term (five years) loan of $20,000. Both loans were secured through the Bank of America. Thus, total start-up loss is assumed in the amount of $27,680.

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

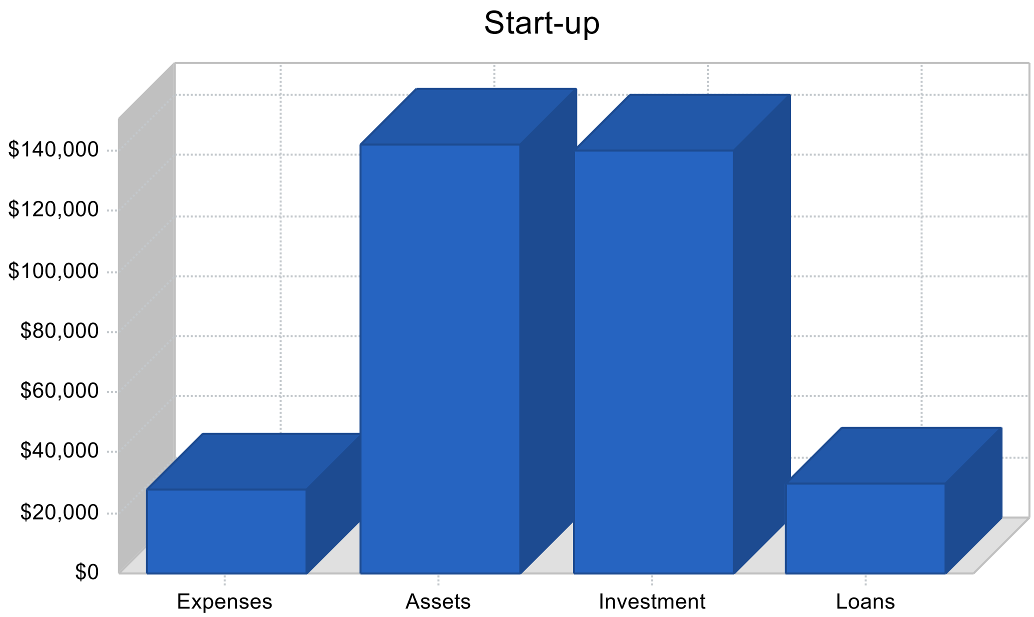
Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	$1,300
Stationery etc.	$500
Brochures	$3,580
Consultants	$3,000
Insurance	$2,400
Rent	$4,400
Remodeling	$10,000
Other	$2,500
Total Start-up Expenses	$27,680
Start-up Assets	
Cash Required	$67,123
Start-up Inventory	$16,027
Other Current Assets	$0
Long-term Assets	$59,170
Total Assets	$142,320
Total Requirements	$170,000

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	$27,680
Start-up Assets to Fund	$142,320
Total Funding Required	$170,000
Assets	
Non-cash Assets from Start-up	$75,197
Cash Requirements from Start-up	$67,123
Additional Cash Raised	$0
Cash Balance on Starting Date	$67,123
Total Assets	$142,320
Liabilities and Capital	
Liabilities	
Current Borrowing	$10,000
Long-term Liabilities	$20,000
Accounts Payable (Outstanding Bills)	$0
Other Current Liabilities (interest-free)	$0
Total Liabilities	$30,000
Capital	
Planned Investment	
Arthur Garfield	$70,000
James Polk	$30,000
All other investors	$40,000
Additional Investment Requirement	$0
Total Planned Investment	$140,000
Loss at Start-up (Start-up Expenses)	($27,680)
Total Capital	$112,320
Total Capital and Liabilities	$142,320
Total Funding	$170,000

Chart: Start-up



2.3 Company Locations and Facilities

Java Culture coffee bar will be located on the ground floor of the commercial building at the corner of West 13th Avenue and Patterson Street in Eugene, OR. The company has secured a one-year lease of the vacant 2,500 square feet premises previously occupied by a hair salon. The lease contract has an option of renewal for three years at a fixed rate that Java Culture will execute depending on the financial strength of its business.

The floor plan will include a 200 square feet back office and a 2,300 square feet coffee bar, which will include a seating area with 15 tables, a kitchen, storage area and two bathrooms. The space in the coffee bar will be approximately distributed the following way--1,260 square feet (i.e., 55% of the total) for the seating area, 600 square feet (26%) for the production area, and the remaining 440 square feet (19%) for the customer service area.

This property is located in a commercial area within a walking distance from the University of Oregon campus on the corner of a major thoroughfare connecting affluent South Eugene neighborhood with the busy downtown commercial area. The commercially zoned premises have the necessary water and electricity hookups and will require only minor remodeling to accommodate the espresso bar, kitchen and storage area. The coffee bar's open and clean interior design with modern wooden decor will convey the quality of the served beverages and snacks, and will be in-line with the establishment's positioning as an eclectic place where people can relax and enjoy their cup of coffee. The clear window displays, through which passerby will be able to see customers enjoying their beverages, and outside electric signs will be aimed to grab the attention of the customer traffic.

3.0 Products

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

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

3.1 Product Description

The menu of the Java Culture coffee bar will be built around espresso-based coffee drinks such as lattes, mochas, cappuccinos, etc. Each of the espresso-based drinks will be offered with whole, skimmed, or soy milk. Each of these coffee beverages is based on a 'shot' of espresso, which is prepared in the espresso machine by forcing heated water through ground coffee at high pressure. Such espresso shots are combined with steamed milk and/or other additives like cocoa, caramel, etc., to prepare the espresso-based beverages. Proper preparation techniques are of paramount importance for such drinks. A minor deviation from the amount of coffee in the shot, the size of the coffee particles, the temperature of milk, etc., can negatively affect the quality of the prepared drink.

3.2 Sales Literature

Two thousand flyers will be distributed in the adjacent neighborhood, on the University campus, at the malls and in the selected office buildings within two weeks prior to the opening of Java Culture. Subsequently, free postcards with Java Culture endorsement will be printed to increase the company visibility among the patrons.

4.0 Market Analysis Summary

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

4.1 Market Segmentation

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

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

Chart: Market Analysis (Pie)

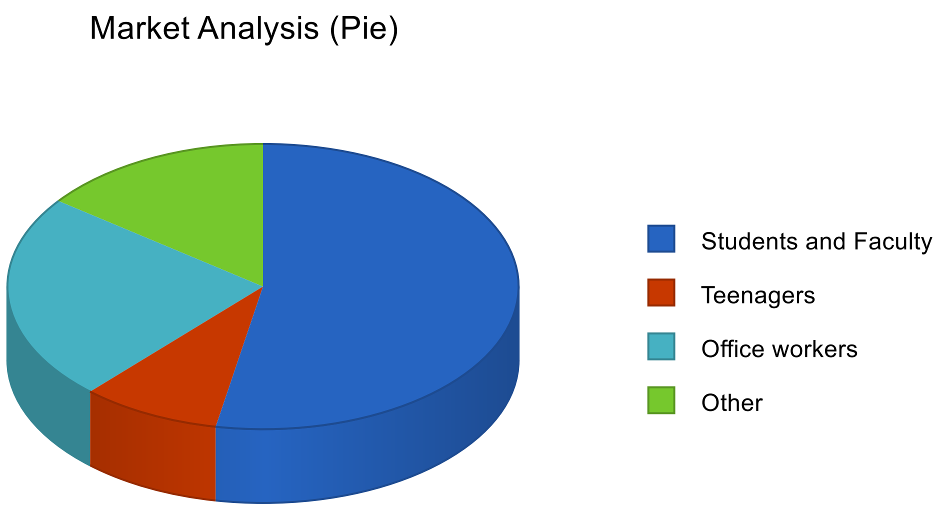


Table: Market Analysis

Market Analysis							
		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Students and Faculty	2%	18,000	18,360	18,727	19,102	19,484	2.00%
Teenagers	1%	3,000	3,030	3,060	3,091	3,122	1.00%
Office workers	2%	8,000	8,160	8,323	8,489	8,659	2.00%
Other	0%	5,000	5,000	5,000	5,000	5,000	0.00%
Total	1.63%	34,000	34,550	35,110	35,682	36,265	1.63%

4.2 Target Market Segment Strategy

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

4.2.1 Market Needs

General trend toward quality among U.S. consumers definitely plays an important role in the recent growth in gourmet coffee. Additionally, such factors as desire for small indulgencies, for something more exotic and unique, provide a good selling opportunity for coffee bars.

4.3 Industry Analysis

Coffee consumption has shown a steady 2.5% growth rate in the United States over the last decade. In 1994, total sales of coffee were approximately $7.5 billion with gourmet coffee representing 33% (or $2.5 billion) of that. The retail coffee industry is flourishing in the U.S. Pacific Northwest. The local climate, with a long rainy season, is very conducive for the consumption of hot non-alcoholic beverages. At the same time, hot dry summers drive people into cafes to order iced drinks. Further, coffee has really become a part of the lifestyle in the Pacific Northwest. Its discerning coffee drinkers are in favor of well-prepared, strong coffee-based beverages, which they can consume in a relaxing environment.

4.3.1 Competition and Buying Patterns

Competition

According to the 1997 Oregon Food service Statistics (NAICS 72), Eugene had 45 established snack & non-alcoholic beverage bars (NAICS 722213) with total sales of $14.2 million. Among other establishments that offer coffee drinks to their customers are most of Eugene's limited- and full-service restaurants. Java Culture's direct competitors will be other coffee bars located near the University of Oregon campus. These include Starbucks, Cafe Roma, The UO Bookstore, and other Food service establishments that offer coffee. Starbucks will definitely be one of the major competitors because of its strong financial position and established marketing and operational practices. However, despite of Starbuck's entrenched market position, many customers favor smaller, independent establishments that offer cozy atmosphere and good coffee at affordable prices. Cafe Roma is a good example of such competition. We estimate that Starbucks holds approximately 35% market share in that neighborhood, Cafe Roma appeals to 25% of customers, The UO Bookstore caters to another 10%, with the remaining market share split among other establishments. Java Culture will position itself as a unique coffee bar that not only offers the best tasting coffee and pastries but also provides home-like, cozy and comfortable environment, which established corporate establishments lack. We will cater to customers' bodies and minds, which will help us grow our market share in this competitive market.

Buying Patterns

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

5.0 Strategy and Implementation Summary

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

5.1 Competitive Edge

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

5.2 Sales Strategy

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

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

5.2.1 Sales Forecast

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

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

Chart: Sales Monthly

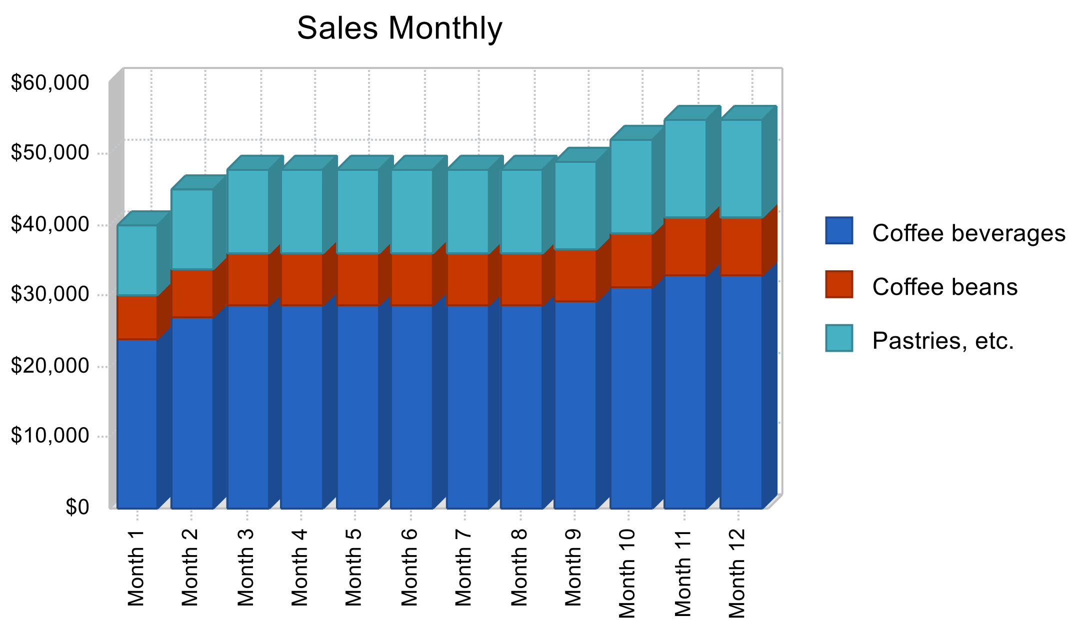


Table: Sales Forecast

Sales Forecast			
	Year 1	Year 2	Year 3
Sales			
Coffee beverages	$350,400	$385,440	$423,984
Coffee beans	$87,600	$96,360	$105,996
Pastries, etc.	$146,000	$160,600	$176,660
Total Sales	$584,000	$642,400	$706,640
Direct Cost of Sales	Year 1	Year 2	Year 3
Coffee beverages	$87,600	$96,360	$105,996
Coffee beans	$43,800	$48,180	$52,998
Pastries, etc.	$73,000	$80,300	$88,330
Subtotal Direct Cost of Sales	$204,400	$224,840	$247,324

6.0 Management Summary

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

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

6.1 Management Team

A full-time manager will be hired to oversee the daily operations at Java Culture. The candidate (who's name is withheld due to his current employment commitment) has had three years of managerial experience in the definitely industry in Oregon. This person's responsibilities will include managing the staff, ordering inventory, dealing with suppliers, developing a marketing strategy and perform other daily managerial duties. We believe that our candidate has the right experience for this role. A profit-sharing arrangement for the manager may be considered based on the first year operational results.

6.2 Management Team Gaps

Despite the owners' and manager's experience in the definitely industry, the company will retain the consulting services of ABC Espresso Services, the consultants who have helped to develop the business idea for Java Culture. This company has over twenty years of experience in the retail coffee industry and has successfully opened dozens of coffee bars across the U.S. Consultants will be primarily used for market research, customer satisfaction surveys and to provide additional input into the evaluation of the new business opportunities.

6.3 Personnel Plan

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

Table: Personnel

Personnel Plan			
	Year 1	Year 2	Year 3
Manager	$35,000	$37,800	$40,824
Baristas	$50,000	$54,000	$58,320
Employees	$39,600	$52,000	$56,000
Total People	7	8	8
Total Payroll	$124,600	$143,800	$155,144

7.0 Financial Plan

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

7.1 Important Assumptions

Table: General Assumptions

General Assumptions			
	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	25.42%	25.00%	25.42%
Other	0	0	0

7.2 Projected Cash Flow

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

Chart: Cash

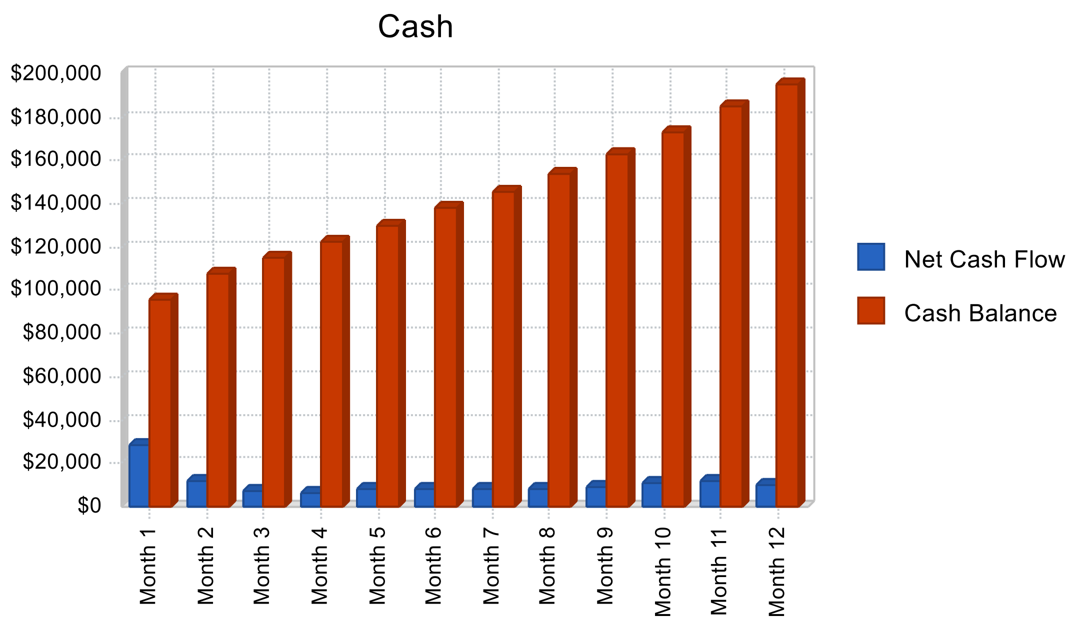
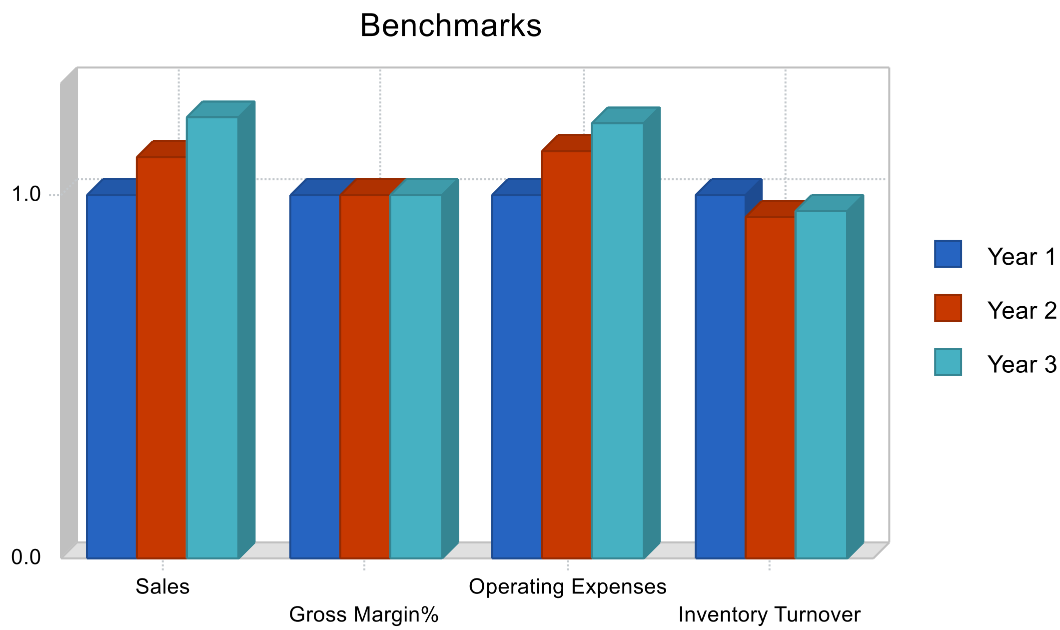


Table: Cash Flow

Pro Forma Cash Flow			
	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	$584,000	$642,400	$706,640
Subtotal Cash from Operations	$584,000	$642,400	$706,640
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$0	$0	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$584,000	$642,400	$706,640
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	$124,600	$143,800	$155,144
Bill Payments	$327,865	$388,144	$420,837
Subtotal Spent on Operations	$452,465	$531,944	$575,981
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$3,300	$3,300	$3,300
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$0	$3,585	$3,961
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$0	$2,000	$2,000
Dividends	$0	$0	$0
Subtotal Cash Spent	$455,765	$540,829	$585,242
Net Cash Flow	$128,235	$101,571	$121,398
Cash Balance	$195,358	$296,928	$418,326

7.3 Key Financial Indicators

Chart: Benchmarks



7.4 Break-even Analysis

With average monthly fixed costs of $20,300 in FY2001 and an average margin of 65%, Java Culture's break-even sales volume is around $31,300 per month. As shown further, the company is expected to generate such sales volume from the outstart.

Chart: Break-even Analysis

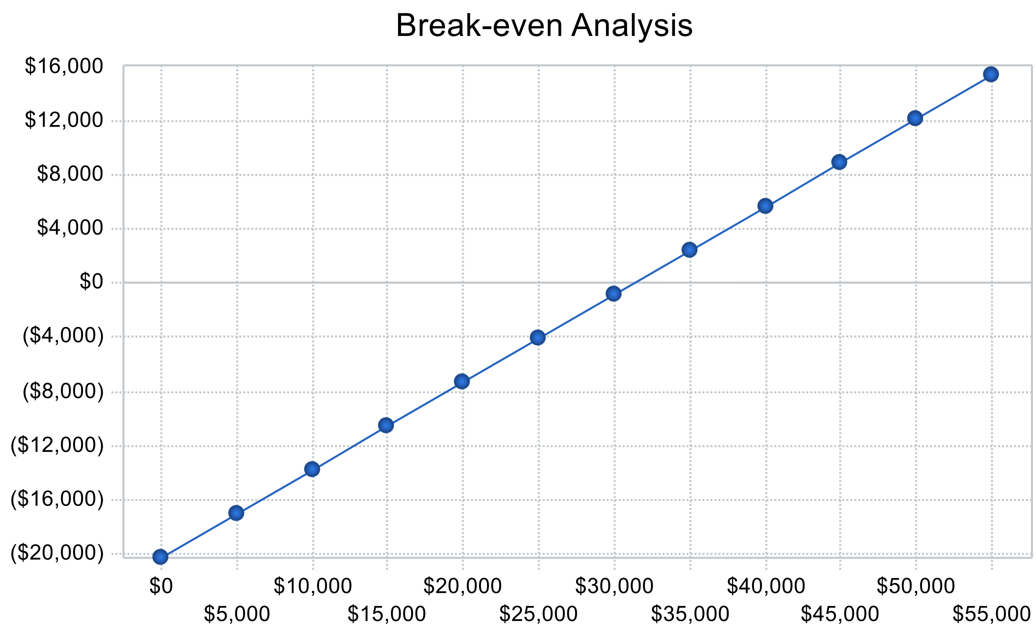


Table: Break-even Analysis

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

7.5 Projected Profit and Loss

Annual projected sales of $584,000 in FY2001 translate into $254.00 of sales per square foot, which is in line with the industry averages for this size of coffee bar. Overall, as the company gets established in the local market, its net profitability increases from 17.06% in FY2001 to 17.63% in FY2003. The table below outlines the projected Profit and Loss Statement for FY2001-2003.

Table: Profit and Loss

Pro Forma Profit and Loss			
	Year 1	Year 2	Year 3
Sales	$584,000	$642,400	$706,640
Direct Cost of Sales	$204,400	$224,840	$247,324
Other	$0	$0	$0
Total Cost of Sales	$204,400	$224,840	$247,324
Gross Margin	$379,600	$417,560	$459,316
Gross Margin %	65.00%	65.00%	65.00%
Expenses			
Payroll	$124,600	$143,800	$155,144
Sales and Marketing and Other Expenses	$25,800	$27,600	$31,000
Depreciation	$5,400	$5,500	$5,500
Rent	$48,400	$52,800	$52,800
Rent	$6,000	$6,000	$6,000
Maintenance	$5,840	$6,424	$7,066
Utilities/Phone	$9,000	$9,500	$10,000
Payroll Taxes	$18,690	$21,570	$23,272
Other	$0	$0	$0
Total Operating Expenses	$243,730	$273,194	$290,782
Profit Before Interest and Taxes	$135,870	$144,366	$168,534
EBITDA	$141,270	$149,866	$174,034
Interest Expense	$2,821	$2,326	$1,618
Taxes Incurred	$33,740	$35,510	$42,424
Net Profit	$99,308	$106,530	$124,491
Net Profit/Sales	17.00%	16.58%	17.62%

7.6 Projected Balance Sheet

The company's net worth is expected to increase from approximately $212,000 by the end of FY2001 to approximately $443,000 in FY2003. The table below summarizes the projected balance sheets for this period.

Table: Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	$195,358	$296,928	$418,326
Inventory	$21,175	$22,671	$24,939
Other Current Assets	$0	$0	$0
Total Current Assets	$216,533	$319,600	$443,264
Long-term Assets			
Long-term Assets	$59,170	$61,170	$63,170
Accumulated Depreciation	$5,400	$10,900	$16,400
Total Long-term Assets	$53,770	$50,270	$46,770
Total Assets	$270,303	$369,870	$490,034
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	$31,974	$31,896	$34,831
Current Borrowing	$6,700	$3,400	$100
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$38,674	$35,296	$34,931
Long-term Liabilities	$20,000	$16,415	$12,454
Total Liabilities	$58,674	$51,711	$47,385
Paid-in Capital	$140,000	$140,000	$140,000
Retained Earnings	($27,680)	$71,628	$178,159
Earnings	$99,308	$106,530	$124,491
Total Capital	$211,628	$318,159	$442,650
Total Liabilities and Capital	$270,303	$369,870	$490,034
Net Worth	$211,628	$318,159	$442,650

7.7 Business Ratios

The table below outlines the company's business ratios. The last column represents industry average business ratios for Specialty Eating Places (SIC 5812).

Table: Ratios

Ratio Analysis				
	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	10.00%	10.00%	7.60%
Percent of Total Assets				
Inventory	7.83%	6.13%	5.09%	3.60%
Other Current Assets	0.00%	0.00%	0.00%	35.60%
Total Current Assets	80.11%	86.41%	90.46%	43.70%
Long-term Assets	19.89%	13.59%	9.54%	56.30%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	14.31%	9.54%	7.13%	32.70%
Long-term Liabilities	7.40%	4.44%	2.54%	28.50%
Total Liabilities	21.71%	13.98%	9.67%	61.20%
Net Worth	78.29%	86.02%	90.33%	38.80%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	65.00%	65.00%	65.00%	60.50%
Selling, General & Administrative Expenses	47.94%	48.47%	47.37%	39.80%
Advertising Expenses	2.26%	2.18%	2.26%	3.20%
Profit Before Interest and Taxes	23.27%	22.47%	23.85%	0.70%
Main Ratios				
Current	5.60	9.05	12.69	0.98
Quick	5.05	8.41	11.98	0.65
Total Debt to Total Assets	21.71%	13.98%	9.67%	61.20%
Pre-tax Return on Net Worth	62.87%	44.64%	37.71%	1.70%
Pre-tax Return on Assets	49.22%	38.40%	34.06%	4.30%
Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	17.00%	16.58%	17.62%	n.a
Return on Equity	46.93%	33.48%	28.12%	n.a
Activity Ratios				
Inventory Turnover	10.91	10.26	10.39	n.a
Accounts Payable Turnover	11.25	12.17	12.17	n.a
Payment Days	27	30	29	n.a
Total Asset Turnover	2.16	1.74	1.44	n.a
Debt Ratios				
Debt to Net Worth	0.28	0.16	0.11	n.a
Current Liab. to Liab.	0.66	0.68	0.74	n.a
Liquidity Ratios				
Net Working Capital	$177,858	$284,304	$408,334	n.a
Interest Coverage	48.16	62.07	104.13	n.a
Additional Ratios				
Assets to Sales	0.46	0.58	0.69	n.a
Current Debt/Total Assets	14%	10%	7%	n.a
Acid Test	5.05	8.41	11.98	n.a
Sales/Net Worth	2.76	2.02	1.60	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Table: Sales Forecast

Sales 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
Sales													
Coffee beverages	0%	$24,000	$27,000	$28,800	$28,800	$28,800	$28,800	$28,800	$28,800	$29,400	$31,200	$33,000	$33,000
Coffee beans	0%	$6,000	$6,750	$7,200	$7,200	$7,200	$7,200	$7,200	$7,200	$7,350	$7,800	$8,250	$8,250
Pastries, etc.	0%	$10,000	$11,250	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,250	$13,000	$13,750	$13,750
Total Sales		$40,000	$45,000	$48,000	$48,000	$48,000	$48,000	$48,000	$48,000	$49,000	$52,000	$55,000	$55,000
Direct Cost of Sales		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Coffee beverages		$6,000	$6,750	$7,200	$7,200	$7,200	$7,200	$7,200	$7,200	$7,350	$7,800	$8,250	$8,250
Coffee beans		$3,000	$3,375	$3,600	$3,600	$3,600	$3,600	$3,600	$3,600	$3,675	$3,900	$4,125	$4,125
Pastries, etc.		$5,000	$5,625	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,125	$6,500	$6,875	$6,875
Subtotal Direct Cost of Sales		$14,000	$15,750	$16,800	$16,800	$16,800	$16,800	$16,800	$16,800	$17,150	$18,200	$19,250	$19,250

Table: Personnel

Personnel Plan		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Manager	0%	$2,917	$2,917	$2,917	$2,917	$2,917	$2,917	$2,917	$2,917	$2,917	$2,917	$2,917	$2,917
Baristas	0%	$4,167	$4,167	$4,167	$4,167	$4,167	$4,167	$4,167	$4,167	$4,167	$4,167	$4,167	$4,167
Employees	0%	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300	$3,300
Total People		7	7	7	7	7	7	7	7	7	7	7	7
Total Payroll		$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383

Table: General Assumptions

General Assumptions	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Table: Profit and Loss

Pro Forma Profit and Loss													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales		$40,000	$45,000	$48,000	$48,000	$48,000	$48,000	$48,000	$48,000	$49,000	$52,000	$55,000	$55,000
Direct Cost of Sales		$14,000	$15,750	$16,800	$16,800	$16,800	$16,800	$16,800	$16,800	$17,150	$18,200	$19,250	$19,250
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cost of Sales		$14,000	$15,750	$16,800	$16,800	$16,800	$16,800	$16,800	$16,800	$17,150	$18,200	$19,250	$19,250
Gross Margin		$26,000	$29,250	$31,200	$31,200	$31,200	$31,200	$31,200	$31,200	$31,850	$33,800	$35,750	$35,750
Gross Margin %		65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
Expenses													
Payroll		$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383
Sales and Marketing and Other Expenses		$2,150	$2,150	$2,150	$2,150	$2,150	$2,150	$2,150	$2,150	$2,150	$2,150	$2,150	$2,150
Depreciation		$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450	$450
Rent		$0	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400
Rent		$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
Maintenance		$400	$450	$480	$480	$480	$480	$480	$480	$490	$520	$550	$550
Utilities/Phone		$750	$750	$750	$750	$750	$750	$750	$750	$750	$750	$750	$750
Payroll Taxes	15%	$1,558	$1,558	$1,558	$1,558	$1,558	$1,558	$1,558	$1,558	$1,558	$1,558	$1,558	$1,558
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Operating Expenses		$16,191	$20,641	$20,671	$20,671	$20,671	$20,671	$20,671	$20,671	$20,681	$20,711	$20,741	$20,741
Profit Before Interest and Taxes		$9,809	$8,609	$10,529	$10,529	$10,529	$10,529	$10,529	$10,529	$11,169	$13,089	$15,009	$15,009
EBITDA		$10,259	$9,059	$10,979	$10,979	$10,979	$10,979	$10,979	$10,979	$11,619	$13,539	$15,459	$15,459
Interest Expense		$248	$245	$243	$241	$239	$236	$234	$232	$229	$227	$225	$223
Taxes Incurred		$2,868	$2,091	$2,572	$2,572	$2,573	$2,573	$2,574	$2,574	$2,735	$3,216	$3,696	$3,697
Net Profit		$6,693	$6,273	$7,715	$7,716	$7,718	$7,720	$7,721	$7,723	$8,205	$9,647	$11,088	$11,090
Net Profit/Sales		16.73%	13.94%	16.07%	16.08%	16.08%	16.08%	16.09%	16.09%	16.74%	18.55%	20.16%	20.16%

Table: Cash Flow

Pro Forma Cash Flow		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received													
Cash from Operations													
Cash Sales		$40,000	$45,000	$48,000	$48,000	$48,000	$48,000	$48,000	$48,000	$49,000	$52,000	$55,000	$55,000
Subtotal Cash from Operations		$40,000	$45,000	$48,000	$48,000	$48,000	$48,000	$48,000	$48,000	$49,000	$52,000	$55,000	$55,000
Additional Cash Received													
Sales Tax, VAT, HST/GST Received	0.00%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Current Borrowing		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Other Liabilities (interest-free)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Long-term Liabilities		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Other Current Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Long-term Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Investment Received		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Received		$40,000	$45,000	$48,000	$48,000	$48,000	$48,000	$48,000	$48,000	$49,000	$52,000	$55,000	$55,000
Expenditures		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations													
Cash Spending		$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383	$10,383
Bill Payments		$728	$22,112	$29,845	$30,569	$29,450	$29,449	$29,447	$29,445	$29,474	$30,424	$32,727	$34,195
Subtotal Spent on Operations		$11,112	$32,496	$40,228	$40,952	$39,834	$39,832	$39,830	$39,829	$39,857	$40,808	$43,110	$44,578
Additional Cash Spent													
Sales Tax, VAT, HST/GST Paid Out		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal Repayment of Current Borrowing		$275	$275	$275	$275	$275	$275	$275	$275	$275	$275	$275	$275
Other Liabilities Principal Repayment		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Long-term Liabilities Principal Repayment		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Purchase Other Current Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Purchase Long-term Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Dividends		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Spent		$11,387	$32,771	$40,503	$41,227	$40,109	$40,107	$40,105	$40,104	$40,132	$41,083	$43,385	$44,853
Net Cash Flow		$28,613	$12,229	$7,497	$6,773	$7,891	$7,893	$7,895	$7,896	$8,868	$10,917	$11,615	$10,147
Cash Balance		$95,736	$107,966	$115,462	$122,235	$130,127	$138,020	$145,914	$153,811	$162,679	$173,596	$185,211	$195,358

Table: Balance Sheet

Pro Forma Balance Sheet													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets	Starting Balances												
Current Assets													
Cash	$67,123	$95,736	$107,966	$115,462	$122,235	$130,127	$138,020	$145,914	$153,811	$162,679	$173,596	$185,211	$195,358
Inventory	$16,027	$15,400	$17,325	$18,480	$18,480	$18,480	$18,480	$18,480	$18,480	$18,865	$20,020	$21,175	$21,175
Other Current Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Current Assets	$83,150	$111,136	$125,291	$133,942	$140,715	$148,607	$156,500	$164,394	$172,291	$181,544	$193,616	$206,386	$216,533
Long-term Assets													
Long-term Assets	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170	$59,170
Accumulated Depreciation	$0	$450	$900	$1,350	$1,800	$2,250	$2,700	$3,150	$3,600	$4,050	$4,500	$4,950	$5,400
Total Long-term Assets	$59,170	$58,720	$58,270	$57,820	$57,370	$56,920	$56,470	$56,020	$55,570	$55,120	$54,670	$54,220	$53,770
Total Assets	$142,320	$169,856	$183,561	$191,762	$198,085	$205,527	$212,970	$220,414	$227,861	$236,664	$248,286	$260,606	$270,303
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
Accounts Payable	$0	$21,118	$28,825	$29,587	$28,469	$28,467	$28,465	$28,464	$28,462	$29,335	$31,586	$33,092	$31,974
Current Borrowing	$10,000	$9,725	$9,450	$9,175	$8,900	$8,625	$8,350	$8,075	$7,800	$7,525	$7,250	$6,975	$6,700
Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Current Liabilities	$10,000	$30,843	$38,275	$38,762	$37,369	$37,092	$36,815	$36,539	$36,262	$36,860	$38,836	$40,067	$38,674
Long-term Liabilities	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
Total Liabilities	$30,000	$50,843	$58,275	$58,762	$57,369	$57,092	$56,815	$56,539	$56,262	$56,860	$58,836	$60,067	$58,674
Paid-in Capital	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000
Retained Earnings	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)	($27,680)
Earnings	$0	$6,693	$12,966	$20,680	$28,397	$36,115	$43,834	$51,556	$59,279	$67,484	$77,130	$88,218	$99,308
Total Capital	$112,320	$119,013	$125,286	$133,000	$140,717	$148,435	$156,154	$163,876	$171,599	$179,804	$189,450	$200,538	$211,628
Total Liabilities and Capital	$142,320	$169,856	$183,561	$191,762	$198,085	$205,527	$212,970	$220,414	$227,861	$236,664	$248,286	$260,606	$270,303
Net Worth	$112,320	$119,013	$125,286	$133,000	$140,717	$148,435	$156,154	$163,876	$171,599	$179,804	$189,450	$200,538	$211,628