MASTERCING
BUSINESS
LOAN
PROJECT
PROPOSALS
A Guide to Understanding Banking Expectations, Types of Loans, and Business Plans

In partnership with the U.S. Small Business Administration

Mastering Business Loan Proposals was written by Robert Andoh and Jeff Sanford. Significant contributions were made by Eric Bonaparte, Lori Canterbury, Darrel Hulsey, and Ron Simmons. Layout and design by Sharon Cheely. Final proofing and editing by Lynn Bryant, Sharon Cheely, Beth Melnik, and Amy Sanford.

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Mastering Business Loan Proposals

A Guide to Understanding Banking Expectations, Types of Loans, and Business Plans
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</tr>
</thead>
<tbody>
<tr>
<td>Albany</td>
<td>The University of Georgia Business Outreach Services/SBDC 230 S. Jackson St., Suite 333</td>
<td>(229) 420-1144</td>
<td>FAX: (229) 430-3933</td>
</tr>
<tr>
<td>Athens</td>
<td>The University of Georgia Business Outreach Services/SBDC Chicopee Complex 1180 E. Broad Street</td>
<td>(706) 542-7436</td>
<td>FAX: (706) 542-6803</td>
</tr>
<tr>
<td>Atlanta</td>
<td>Georgia State University Small Business Development Center University Plaza</td>
<td>(404) 651-3550</td>
<td>FAX: (404) 651-1035</td>
</tr>
<tr>
<td>Augusta</td>
<td>The University of Georgia Business Outreach Services/SBDC 1054 Clausson Road Suite 301</td>
<td>(706) 757-1700</td>
<td>FAX: (706) 731-7937</td>
</tr>
<tr>
<td>Brunswick</td>
<td>The University of Georgia Business Outreach Services/SBDC 1107 Fountain Lake Drive Brunswick, GA 31525-3039</td>
<td>(912) 264-7343</td>
<td>FAX: (912) 262-3095</td>
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<tr>
<td>Carrollton</td>
<td>State University of West Georgia Small Business Development Center 130 Cobb Hall Carrollton, GA 30118-4130</td>
<td>(706) 838-3082</td>
<td>FAX: (706) 838-3083</td>
</tr>
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<td>Columbus</td>
<td>The University of Georgia Business Outreach Services/SBDC 1030 First Avenue Columbus, GA 31901-2402</td>
<td>(706) 648-7433</td>
<td>FAX: (706) 649-1928</td>
</tr>
<tr>
<td>Dalton</td>
<td>The University of Georgia Business Outreach Services/SBDC Technical Building, Room 112 213 North College Drive Dalton, GA 30720-3745</td>
<td>(706) 272-2707</td>
<td>FAX: (706) 272-2701</td>
</tr>
<tr>
<td>Decatur</td>
<td>The University of Georgia Business Outreach Services/SBDC DeKalb Chamber of Commerce 750 Commerce Drive Decatur, GA 30030-2622</td>
<td>(404) 373-6930</td>
<td>FAX: (404) 687-9684</td>
</tr>
<tr>
<td>Dublin</td>
<td>Georgia Southern University SBDC 1200 Boulevard Avenue P. O. Box 818 Dublin, GA 31040-0818</td>
<td>(912) 274-2466</td>
<td>FAX: (912) 275-0911</td>
</tr>
<tr>
<td>Duluth</td>
<td>The University of Georgia Business Outreach Services/SBDC 3075 Crestwood Parkway, Suite 280</td>
<td>(770) 808-2124</td>
<td>FAX: (770) 806-2129</td>
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<tr>
<td>Gainesville</td>
<td>The University of Georgia Business Outreach Services/SBDC 604 Washington Street, N.W., Suite B-2</td>
<td>(770) 531-5861</td>
<td>FAX: (770) 531-5884</td>
</tr>
<tr>
<td>Kennesaw</td>
<td>Kennesaw State University Small Business Development Center 1000 Chastain Road Kennesaw, GA 30144-5591</td>
<td>(770) 433-6450</td>
<td>FAX: (770) 423-8564</td>
</tr>
<tr>
<td>LaGrange</td>
<td>The University of Georgia Business Outreach Services/SBDC 601 Broad Street LaGrange, GA 30240-2955</td>
<td>(706) 890-6353</td>
<td>FAX: (706) 845-0391</td>
</tr>
<tr>
<td>Macon</td>
<td>The University of Georgia Business Outreach Services/SBDC 401 Cherry Street, Suite 701 Macon, GA 31201</td>
<td>(478) 751-6592</td>
<td>FAX: (478) 751-6607</td>
</tr>
<tr>
<td>Morrow</td>
<td>Clayton College and State University SBDC 5900 North Lee Street Morrow, GA 30280-0285</td>
<td>(706) 961-3440</td>
<td>FAX: (706) 961-3428</td>
</tr>
<tr>
<td>Rome</td>
<td>Floyd College Small Business Development Center 415 East Third Avenue Rome, GA 30161-3241</td>
<td>(706) 295-6326</td>
<td>FAX: (706) 295-6732</td>
</tr>
<tr>
<td>Savannah</td>
<td>The University of Georgia Business Outreach Services/SBDC 111 East Liberty Street, Suite 200 Savannah, GA 31401-4410</td>
<td>(912) 651-3200</td>
<td>FAX: (912) 651-3209</td>
</tr>
<tr>
<td>Statesboro</td>
<td>Georgia Southern University Small Business Development Center College of Business Admin., Room 3366 Statesboro, GA 30458-8156</td>
<td>(912) 681-5184</td>
<td>FAX: (912) 681-0648</td>
</tr>
<tr>
<td>Valdosta</td>
<td>Valdosta State University Small Business Development Center College of Business Administration Thaxton Hall Valdosta, GA 31698-0065</td>
<td>(229) 245-3738</td>
<td>FAX: (229) 245-3741</td>
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Dear Prospective Loan Applicant:

Applying for a business loan can be a difficult and tedious task. Bank requirements, government loan guarantees, and loan conditions can frustrate any business owner. This loan proposal guide, Mastering Business Loan Proposals, has been developed to assist you in understanding the business loan process. This manual contains information on lender's expectations, loan requirements, and proposal documentation.

Before a lender or investor will lend funds for your business endeavor, he or she wants to know that you have thoughtfully planned your future actions; therefore, it is important that you effectively communicate your intentions. The loan proposal is your company's principal marketing tool for raising capital. Having a well thought-out business plan, that includes your financial strategies, becomes paramount when submitting a loan proposal.

Additionally, understanding a bank's evaluation criteria is equally if not more important than the loan proposal. This guide discusses in great detail the general bank criteria and underwriting standards, namely: character, capacity, capital, conditions, and collateral.

Businesses make use of both traditional and non-traditional sources of capital for starting and expanding a business. More than likely, you may be seeking a direct loan from a financial institution or a loan with government assistance. Regardless of the type of loan you are pursuing, the Georgia Small Business Development Center (GDBDC) Network can help you better understand the loan process. After reviewing the loan proposal guide, feel free to contact your local GDBDC office for assistance and guidance. Each GDBDC office has experienced consultants who can help you with your loan proposal and other business issues.

Sincerely,

[Signature]

Henry W. Proctor
State Director
Georgia Small Business Development Center Network

Wachovia Business Services

Dear Prospective Loan Applicant,

Welcome!

Wachovia is pleased to co-endorse with the Georgia Small Business Development Center Network (GDBDC) the 2001 edition of "Mastering Business Loan Proposals." This reference manual has been deemed to assist small business owners and entrepreneurs in understanding the process of obtaining financing through traditional banking and government sources.

Contained in this manual is valuable information to guide your business with each important activity as:

- Creating a complete loan package to support your borrowing request.
- Developing or updating your business plan.
- Taking advantage of small business administration (SBA) loan programs.

Wachovia has a long tradition of delivering relationship-based solutions to small business owners in our Georgia community. Wachovia is one of the top SBA lenders in Georgia and one of the few designers of the SBA's Preferred Lender Program (PLP) since its inception. Our small business and community lenders deliver solutions through a variety of credit, investment, and cash management services to help your business meet its financial goals. Visit us at www.wachovia.com.

We hope you find this manual useful as you establish your new business or plan the next successful stage in your current endeavor. Wachovia stands ready to assist you.

Sincerely,

[Signature]

ASA Reader Lending
Senior Vice President
Small Business Relationship Services Division
300-266-3141 \ada@wachovia.com

3-20-2006
SECTION I: UNDERSTANDING A LENDER'S EXPECTATIONS
Can You Qualify for a Loan? When you are applying for a loan, there are certain factors that improve your ability to obtain financing. The following is a quick checklist that outlines the preliminary requirements set by most banks. These requirements will be discussed in detail in the following sections.

**Do you have a good personal credit history?**  
**YES  NO**  
Research indicates that a good personal credit history is one of the most important factors in identifying borrowers that will repay their commercial loans. Many loan programs require perfect personal credit in order to qualify.

**Have you filed your personal and business income taxes?**  
**YES  NO**  
Lenders and government loan programs alike want to see that individuals have met their tax obligations for both filing and paying taxes. For Small Business Administration (SBA) loan guarantees, tax verification is obtained from the Internal Revenue Service (IRS) before a loan is closed.

**Do you have any collateral to secure a business loan?**  
**YES  NO**  
Business and personal assets can be considered collateral, or a way to repay the loan of the business if the business is unable to repay a loan. Most collateral is valued at an amount less than face value based on a variety of factors. Although the SBA and micro-loan programs state that insufficient collateral cannot be the only factor that would lead to a denial of a loan, the more collateral you have, the more likely a proposal will be favorably considered.

*(For existing businesses)*  
**Have you demonstrated that your business has the ability to repay a loan?**  
**YES  NO**  
If the business is profitable, then there are documented profits to repay some amount of new debt. If a business is not profitable, then it becomes very important to prove how it will be profitable in the near future so that a loan can be repaid. It is very important that you find supporting data on comparable businesses or industry statistics in order to justify the revenues you intend to generate and the expenses you anticipate incurring. Classes and counseling can assist you in the process.

*(For existing businesses)*  
**Does your business have a positive net worth?**  
**YES  NO**  
The net worth (assets less liabilities) of the business should be positive. If there are loans from shareholders on the balance sheet and you are able to subordinate these (not pay the shareholders) while you pay the bank loan back, you may consider these loans from shareholders as equity.
SECTION I: UNDERSTANDING A LENDER'S EXPECTATIONS

(For existing businesses)
Does your business use debt conservatively?  YES  NO
Businesses that have too much debt will find that their profits are directed at paying back loans rather than building retained earnings in the business that can fund future growth. Consequently, banks and government loan programs look more favorably at loan requests that do not add too much debt to the business. Banks often look for a debt to net worth ratio of four to one (total liabilities divided by equity).

(For existing businesses)
Does your business have managers and advisors capable of leading your business to the next level of growth?  YES  NO
As businesses expand, more sophisticated management is needed as it relates to strategic planning, marketing, record keeping, inventory control, personnel, etc. If there are sectors of your business requiring outside assistance, we strongly recommend that you attend entrepreneurial training classes offered in your communities, meet with a Georgia SBDC consultant, or obtain a referral to one of the many business resources in your area.

(For start-up businesses)
Do you have enough money of your own to put into the business?  YES  NO
All loan programs require that the business owner contribute some portion of his or her own money in the business or project. This owner equity injection shows that the owner believes in the business enough to risk his own money. Some micro-loan programs require only 10 percent owner equity; other programs could require up to 30 percent. A loan request will look more favorable with more equity injected in the business.

(For start-up businesses)
Do you have experience in running a business?  YES  NO
Especially for a new business, the business owner needs to demonstrate that he or she has experience in the industry and/or entrepreneurial experience. If you have never owned or operated a small business, we strongly recommend that you gain practical experience and attend entrepreneurial training classes.
SECTION I: UNDERSTANDING A LENDER’S EXPECTATIONS

THE “FIVE C’s” OF CREDIT

Hopefully, the quick checklist in the first section helped you initially prepare for the challenge of obtaining financing for your business. Understanding the approval process financial institutions employ can help you plan for a realistic, well-organized loan proposal. Typically, a loan officer evaluates a proposal using five criteria, sometimes referred to as the “Five C’s” of credit.

CHARACTER/CREDIT HISTORY

The first qualifying document that a lender reviews is your credit report. The credit report is a great indicator of character because it provides a history of your current and past obligations (see Section V: How to Read Your Credit Report, Page 52). Lenders don’t want to see late payments, missed payments, bankruptcies, judgements, and liens on your credit report. An occasional late payment is typically not harmful to your application as long as there is not a pattern. However, bankruptcies, collections, and a series of recent late payments will be detrimental to your loan application. Any tax liens or judgments will need to be paid prior to a bank approving your loan.

If you are an existing business, lenders will want an objective picture of how your business handles its financial obligations. A lender will review business credit reports that provide trade payment histories, public record information, company background, and comparative data. (Comparative data compares a company’s payment performance with its industry.) Two credit bureaus specialize in small business data, Dun and Bradstreet and Experian Business. Both provide company profiles and score a business’s financial health. Even though these companies provide sufficient information for determining a company’s creditworthiness, the availability of business credit reports is limited. Generally, business credit reports are not available for businesses with fewer than 10 employees (ABA, 1999). Lenders typically require guarantees and credit reports from all company principals.

It is important that you obtain a copy of your credit report for review prior to applying for a loan. Georgia law entitles individuals to receive two free copies of their credit report each year. Credit reports often have inaccuracies. If your credit report contains errors, you may have time to correct them. Typically, corrections can take between a couple of weeks to several months before they are stated on the credit report. Also, be aware that your credit report reflects recent inquiries to your credit history. If you are shopping for banks, high activity such as the number of recent inquiries may negatively influence the lender’s opinion of your creditworthiness. Contrary to what many people think, accurate but unflattering information is virtually impossible to remove from a credit history. If your report reflects any poor past performance, you should include a letter within your loan proposal explaining these circumstances. A death in the family, sickness, or divorce are circumstances that a bank may empathize with. Be open and honest with your lender about your credit history; DON’T HIDE THE FACTS.
SECTION I: UNDERSTANDING A LENDER'S EXPECTATIONS

If you do not have a current credit report, order one by calling Equifax at (800) 685-1111, TransUnion at (800)916-8800, or Experian at (800)682-7654.

In addition to your personal and business credit history, a lender will look for other character and integrity factors including the length of your residency, your education, your experience in the field, and your standing in the community. One of the primary reasons for business failures is the lack of managerial experience. The lender will ascertain whether you have relevant job experience and if there are key personnel positions vital to the success of the business. Overall, a lender is trying to find out what type of person and company they are dealing with. In your loan proposal, you should include information that depicts you as a worthy investment.

If you have a positive, long-term relationship with a lender, the first place you need to apply is at that lender. Inform the lender of your plans and seek their loan requirements. Generally, a good credit history, a healthy business history, and a strong relationship with a lender equates to good character.

CAPACITY/CASH FLOW

For a lender, the most important issue to determine is "Can the loan be repaid?" The key to a company's ability to repay is its cash flow. Simply explained, cash flow is the net of cash inflows and cash outflows (see Section V: Sample Business Plan/Loan Proposal, Page 60). A prospective borrower must show how the business’s sources of cash exceed its uses of cash. A good cash flow projection will show how the loan proceeds will be used, how long the business will generate a positive cash flow, and how the business will cover cash "gaps" (outflows exceed inflows). Gaps are typically caused by fluctuations in inventories, accounts receivables, accounts payables, and increases in assets. A lender will want to know how a business plans to manage these "gaps."

If you have an existing business, a lender will initially look at the company’s profit and loss statements, balance sheets, and cash flow statements to determine if, historically, the company has enough cash flow to repay the loan. A lender will ask for personal and corporate tax returns to support these financial statements. Furthermore, a lender will require cash flow projections for at least two years. If you have a start-up company or a new business under three years old, lenders will have a difficult time assessing your company’s capabilities for repaying a loan. Realistic cash flow projections are the most important financial statement you will have in your loan proposal. A formal cash flow projection assures the lender that you have enough projected cash available to pay back the loan.

Additionally, the nature of the loan request can affect the application. The loan request must be reasonable for its scope and terms. How much does the business need? How will loan proceeds be used? What is the length of the requested financing? A lender will decide the reasonableness of the loan request and
ultimately ensure that the cash flow matches the requested loan structure. In your loan proposal, don’t inflate loan needs—keep it realistic and attainable.

**CAPITAL/EQUITY**

Essentially, lenders look for a strong commitment from a borrower. Most of the time, this commitment takes the form of equity you invest in the business. Equity could be in the form of cash or other business or personal assets such as receivables, equipment, and land and/or buildings. Do not be surprised if the lender asks for your personal assets to be injected into your project: If you have equity in your home, be ready to pledge it, particularly if you do not have any other forms of equity. If you are not willing to pledge personal assets, why would a lender take a risk that you are not willing to take yourself? Lenders understand that there is a positive correlation between a borrower’s commitment and the likelihood that the loan will be repaid. The amount of equity required by a lender varies. Depending on the risk of the proposed venture, you may be required to inject up to 50 percent of the total capital needed. However, an average of 20-25 percent is commonplace.

**COLLATERAL**

Even though you may have every intention to pay back a business loan, there is still a possibility that your business might endure unpredictable events that even the best planned businesses cannot anticipate. Natural disasters, economic downturns, lawsuits, delinquent receivables, supplier problems, and changes in demand can paralyze any business’s cash flow. Due to the risk that a lender takes, a loan will most likely be secured by collateral. If a borrower defaults on a loan, the bank has the option to foreclose and liquidate the collateral.

Business and personal assets can be used as collateral. If your business is buying land, equipment, and/or a building, the assets that are purchased may be enough to secure the loan. Lenders have developed acceptable loan-to-value ratios for assets pledged toward loans. Factors that influence ratios include the age and condition of the asset and liquidation value and costs. Loan-to-value ratios may vary between lenders. Furthermore, loan-to-value ratios may be based on lending criteria rather than the value of the collateral. Before pledging any assets, you need to know the lender’s loan-to-value ratio on assets. Here is an example of a typical lender’s loan-to-value ratios:
SECTION I: UNDERSTANDING A LENDER’S EXPECTATIONS

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<tr>
<th>Assets</th>
<th>Low Value</th>
<th>High Value</th>
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<tr>
<td>Real Estate</td>
<td>70%</td>
<td>90%</td>
</tr>
<tr>
<td>Equipment</td>
<td>50%</td>
<td>80%</td>
</tr>
<tr>
<td>Inventory</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>Receivables (&lt;60 days)</td>
<td>70%</td>
<td>90%</td>
</tr>
<tr>
<td>Securities, Stocks, Bonds</td>
<td>65%</td>
<td>80%</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>0%</td>
<td>70%</td>
</tr>
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</table>

(Source: Blechman and Levinson. Guerrilla Financing, 1993.)

If you are borrowing money for "soft" reasons such as inventory, working capital or leasehold improvements, a lender will require additional collateral and/or equity to fully secure the loan. Generally, the term of the loan must match the useful life of the asset. For example, a computer with a relatively short useful life would not be financed for more than two years. Additionally, assets may have poor liquidation values and may require additional collateral to be pledged.

When collateral is pledged, a Uniform Commercial Code (UCC) Security Agreement is made between the borrower and the lender. When signed, the lender has the right to take possession of the collateral without going to court. The agreement gives the lender the rights to the proceeds from the collection, sale, or exchange of the collateral.

CONDITIONS

The economic environment, industry trends, changes in technology, market trends, legal issues, labor trends, the company’s strategies and approaches, and the strength and experience of management are some of the conditions that a lender looks for in addressing the "soundness" of the loan proposal. Many banks have "black lists" of businesses that have poor risk ratings due to these factors. Loan officers are more likely to lend to businesses that can show proof of a sound management team, a unique or competitive advantage, little or no competition, and a strong customer base. If a business has major challenges such as economic, legal, employee, supplier, or environmental issues, a loan proposal needs to address these issues.
In today’s financial environment, banks have plenty of cash to lend but find themselves in a regulatory squeeze requiring that they issue loans only to the best applicants. “Best” is defined as being closest to zero risk. Gone are the days of the “character” loan to help you get over a crunch, or a “confidence” loan to fuel projected growth. A business start-up loan you ask? You better rely on persistence.

If you are going to obtain a business loan, you need now, more than ever, to do your homework. Do not try to take shortcuts with your friendly loan officer. Cover all the bases your first time out!

This is a quick list of seven common errors or omissions found in failed loan requests.

1. Many applicants have not prepared the required documentation to support the loan proposal. The most common is the omission of a sound business or strategic plan. Not every business loan requires a business plan, especially if the business has a history of a strong cash flow. However, most banks require existing businesses to produce two to three years of financial projections along with a description of the project and history of the business. A new business will need a full business plan to explain the cash requirements and management issues of the business. For existing and new businesses, if a loan officer asks to see a three-year plan and it is not available, management looks bad.

2. Many small business owners actually go to a bank not knowing how much money they need to borrow. Nothing is more frustrating to a lender when he or she hears, “Well, how much can I get?” Always be specific about the loan amount and provide a detailed schedule showing how you intend to use the borrowed money and clearly demonstrate the need. Do not borrow more than you need.

3. If you do not document how you intend to pay the loan back, the deal is dead. Ordinarily, business loans must be paid back through continuing cash flow. To demonstrate repayment, three years of Historical Financial Statements and a current Financial Statement (Balance Sheet and Profit & Loss) are mandatory. Cash flow projections showing the impact of the loan for the first 12 months are a must. Make sure your financials are credible. Poorly prepared statements, especially internally prepared statements, are the kiss of death.

4. Many applicants are not realistic about how much and what type of asset-based collateral is needed to put their request over the top. Don’t expect to obtain a long-term loan (five years +) secured by inventories or receivables (current assets). You must be prepared to reach into your personal net worth and put up the hard stuff, mostly real estate. If you show reluctance to offer what you have, “doubt” about your confidence and commitment to the enterprise creeps into the application, and the process gets tougher. Don’t overstate the quick sale value of collateral; be realistic. Eventually, you will
SECTION I: UNDERSTANDING A LENDER’S EXPECTATIONS

have to get appraisals, and if they come in short, you will have wasted everybody’s time.

5 Aggressive tax strategies that result in no year-end tax obligations because no profit is claimed by the firm will result in no evidence of repayment ability in your application. Federal tax returns, both personal and business, are the final determinant of company performance and management integrity. Always claim 100 percent of your income, and whatever you do, don’t plead to you banker, “It’s done all of the time.” You’ve just revealed that there is a huge contingent tax liability looming out there that could result in the business being closed when you’re sent “up the river.”

6 You should not ask the bank to do it all. Some applicants neglect the net worth component of the balance sheet. If the loan request puts the bank in over four times your net worth, the application is on shaky ground. High debt compared to your stake in the business gives the bank excessive control over the operation, and they don’t want to own your company anyway. Keep things reasonable in owner’s draw or officer’s salary. Don’t raise the possibility that the company is being milked.

Before you submit your loan application, go to the library or go to your local SBDC and find the latest edition of the Robert Morris and Associates’ (RMA) Annual Statement Studies. The Statement Studies contain composite balance sheets and income statements for more than 360 industries. This is valuable information for comparing your company to the industry, and more than likely your banker will evaluate your business based on this book or another that is similar, i.e., Dun and Bradstreet.

7 Don’t be reluctant to tap into the vast amount of help to get a first class loan proposal pulled together. A good loan packager or accountant will charge for this service, but it will be money well spent if you’re not sure you can tackle the job yourself. This statement is especially true if government programs are involved, i.e. the U.S. Small Business Administration. Preparing and submitting a business loan proposal can be a complex process, but with a common sense attitude and help from your banker, accountant, or a consultant from the Small Business Development Center, it will be a fruitful experience.

Banks are in the business of lending money; keep that in mind. If you get turned down, keep on trying. Your project may be the perfect loan for the banker down the street.

This section was contributed by Tony O’Reilly. He is the Executive Director of the Small Business Assistance Corporation. The original article appeared in the Savannah Business Journal.
SECTION II: UNDERSTANDING LOAN ALTERNATIVES
SECTION II: UNDERSTANDING LOAN ALTERNATIVES

Types and Uses of Loans

When you are starting or expanding a business, you generally have two ways to raise capital: equity financing or debt financing (loans). Simply put, equity financing is money put into your business by private investors (also known as venture capitalists). Equity financing typically does not require collateral; financing is based on a participation of ownership. Venture capitalists will expect you to share profits based on ownership and may also put performance requirements on the business in order to maximize a high return on their investment.

Alternatively, banks, credit unions, and non-bank lenders offer several types of debt financing. Most small businesses use debt financing to fund their business needs. Unlike venture capitalists, lenders don’t want ownership in the business nor do they want to share in the profits. They only expect you to repay the principal with interest.

Most lenders have several loan types or products. Most loan products are categorized by the security (collateral required), the maturity of the loan, and the intended use of the funds. Terms may vary greatly between lenders so investigating your alternatives is very important. A number of variables can affect whether or not a loan is the best way to fund your business.

With so many sources of funds and several loan products available today, picking the best source and best loan type may be a daunting task. Below are several types of loans offered by lenders.

### Common Loan Types

<table>
<thead>
<tr>
<th>MATURITY AND LOAN TYPE</th>
<th>CHARACTERISTICS</th>
<th>SECURED OR UNSECURED</th>
<th>INTEREST</th>
<th>PAYMENT TERMS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short Term (Less Than One Year)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Cards</td>
<td>Most common form of short-term credit. Many small businesses use credit cards to buy supplies and other necessities and to pay for everyday purchases.</td>
<td>Unsecured</td>
<td>Fixed or Variable (10-24%)</td>
<td>Monthly. 2-3% of average daily balance.</td>
</tr>
<tr>
<td>Line of Credit (installment)</td>
<td>Lender agrees to lend money for a specific time period, usually one year. Lines can be used to facilitate the purchase of inventory/equipment, and cover seasonal business fluctuations.</td>
<td>Secured (most)</td>
<td>Fixed or Variable. 1-4% above prime</td>
<td>Monthly. Interest on credit used and balance due at end of contract.</td>
</tr>
<tr>
<td>Line of Credit (revolving)</td>
<td>Similar to a credit card loan. Borrower has a fixed amount available and when used, credit line is reduced. When principal is paid, credit line is restored.</td>
<td>Secured (most)</td>
<td>Fixed or Variable. 1-4% above prime</td>
<td>Monthly. Interest on balance.</td>
</tr>
</tbody>
</table>
## SECTION II: UNDERSTANDING LOAN ALTERNATIVES

<table>
<thead>
<tr>
<th><strong>Types and Uses of Loans</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Maturity and Loan Type</strong></th>
<th><strong>Characteristics</strong></th>
<th><strong>Secured or Unsecured</strong></th>
<th><strong>Interest</strong></th>
<th><strong>Payment Terms</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short Term (Less Than One Year)</strong></td>
<td>A document issued by the bank to which the bank agrees to accept drafts under set conditions. Used for companies that need to show good faith for a particular purpose. Letter is typically used for exporters and contractors.</td>
<td>Secured</td>
<td>Fixed. 1-3% above prime</td>
<td>Depends on conditions.</td>
</tr>
<tr>
<td>Letter of Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Asset-based (Accounts Receivable, Inventory, Floor Plans)</strong></td>
<td>Used for rapidly growing or cash strapped companies. Borrower pledges assets to secure a loan that will be used to improve cash flow. Accounts receivables and inventory are common collateral. Additionally, asset-based loans can be used for inventory floor plans.</td>
<td>Secured</td>
<td>Usually variable. 1-6% above prime</td>
<td>Monthly. Dependent on changes in inventory and accounts receivables.</td>
</tr>
<tr>
<td><strong>Factoring</strong></td>
<td>Company sells accounts receivables at a &quot;discount&quot; to a factoring company for cash. The factoring company assumes credit risk for outstanding invoices. Company can get as much as 80-90% of invoice's face value. Once collected, the remainder is collected less fees and interest.</td>
<td>Secured</td>
<td>15% (note: can be as high as 50% annually)</td>
<td>Dependent on changes with A/R sold.</td>
</tr>
<tr>
<td><strong>Bridge Loans</strong></td>
<td>A short term loan between the end of one loan and the beginning of another.</td>
<td>Secured or Unsecured</td>
<td>Variable. 1-2% above prime</td>
<td>Paid at end of period or consolidated into next loan.</td>
</tr>
<tr>
<td><strong>Intermediate (One to Seven Years)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Permanently Working Capital</strong></td>
<td>Usually a line of credit that never reaches a $0 balance. Loan extends beyond one year. Loan can be revolving.</td>
<td>Secured</td>
<td>Usually Variable. 1-3% above prime</td>
<td>Interest due monthly on balance.</td>
</tr>
<tr>
<td><strong>Term/Installment</strong></td>
<td>Term loans are set for a specific amount for a specific time period. They can be used for equipment purchases, working capital, and expansions. Additionally, they can be set up to pay off debt, including balloon notes.</td>
<td>Secured</td>
<td>Fixed. 1-4% above prime</td>
<td>Monthly or quarterly. Principal and interest.</td>
</tr>
</tbody>
</table>
### Types and Uses of Loans

<table>
<thead>
<tr>
<th>MATURITY AND LOAN TYPE</th>
<th>CHARACTERISTICS</th>
<th>SECURED OR UNSECURED</th>
<th>INTEREST</th>
<th>PAYMENT TERMS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intermediate (One to Seven Years)</strong></td>
<td>Continued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td>Alternative to term loans, lender rents asset to lessee. Leasing enables a company to acquire equipment without all the cost at the outset. Little to no down payment and company can purchase equipment at the end of the lease (as low as $1 by prior agreement).</td>
<td>Secured</td>
<td>Market Rate</td>
<td>Monthly</td>
</tr>
<tr>
<td><strong>Long-Term (More Than Seven Years)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term/Installment</td>
<td>Term loans with maturity dates longer than seven years. Used to purchase factory equipment or other long-term asset.</td>
<td>Secured</td>
<td>1-3% above prime</td>
<td>Monthly, Quarterly, Principal and interest.</td>
</tr>
<tr>
<td>Commercial Mortgages</td>
<td>Business loan that involves real estate. A mortgage is the legal document that insures the payment of the borrower.</td>
<td>Secured</td>
<td>Fixed and variable, 1-2% above prime</td>
<td>Monthly, Quarterly, Principal and interest.</td>
</tr>
</tbody>
</table>
The financing option tree will help you identify loan alternatives that are available for your business. The flow chart is based on a business’s ability to meet the “Five C’s” of Credit, your personal credit, and collateral available.

*Company meets "five C's" of credit criteria (see page 4)  
**Accounts receivables, securities, etc.

Source: Jian Loan Builder, 1996
### Financing Option Tree

**NOTE:** These options are typical but may vary due to individual lender conditions and criteria.

<table>
<thead>
<tr>
<th>SCENARIO A</th>
<th>Your business meets traditional lending criteria; &quot;Five C's.&quot;</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SCENARIO B</th>
<th>Your business does not meet all &quot;Five C's&quot; but has Accounts Receivables or other liquid assets.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SCENARIO C</th>
<th>You are a start-up business or your company is not creditworthy and/or has no assets. Personal credit is good and personal collateral is available.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SCENARIO D</th>
<th>You are a start-up business or your company is not creditworthy and/or has no assets. Personal credit is good but personal collateral is unavailable.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SCENARIO E</th>
<th>You are a start-up business or your company is not creditworthy and/or has no assets. Personal credit is not good but personal collateral is available.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SCENARIO F</th>
<th>You are a start-up business or your company is not creditworthy and/or has no assets. Personal credit is not good and personal collateral is unavailable.</th>
</tr>
</thead>
</table>
SECTION II: UNDERSTANDING LOAN ALTERNATIVES

With so many different sources of loans and types of loans, making sure you get the best loan for your business is of great importance. Hopefully, Section II on understanding loans has shown you favorable loan alternatives available for your business. However, deciding which loan is best for your business is only the beginning. Negotiating key issues with your lender such as fees, interest, covenants, payback requirements, and terms is equally important. These conditions and variables may differ from lender to lender and can be costly. Since there is no set standard for loans, many key issues can be negotiable depending on your situation and your preparation. Key issues to discuss with your lender include:

Security/Collateral. As discussed in the Section "Five C's" of Credit, the lender may insist that you pledge valuable assets to secure the loan. If you default on your loan, the lender can seize and sell your pledged assets to collect their money. To further limit risks, lenders will discount the value of assets to ensure the loan does not extend beyond the collateral’s market value. The loan-to-value ratio can vary between lenders and can be negotiated. A strong cash flow, good payment histories, and the company’s background and relationship with the lender may influence the lender and allow some negotiating leeway. Overall, try to limit the amount of collateral that is needed to secure the loan.

Personal Guarantees. For most small businesses, lenders will want all owners to personally guarantee the loan. The same applies for loans that require an SBA guarantee. What this means is that if the loan is not paid back, each person who guarantees the loan will be personally responsible for paying back the entire amount. Additionally, if spouses co-sign the loan, they are equally responsible for the loan. In fact, any assets that are jointly owned are at risk and a spouse’s earnings can be subject to garnishments (nolo.com, 2000). For start-up companies, almost all loans will be personally guaranteed, but if you are an existing business, you may have some degree of negotiating leverage. If the company has enough collateral to secure the loan and is creditworthy, a personal guarantee may not be needed. Inform the lender that the business has enough assets to cover the loan and that a personal guarantee would be excessive.

Overall, lenders will require a personal guarantee for a small business loan. However, you may want to try negotiating a higher interest rate, maintaining appropriate account balances, or offering substantial collateral to remove a personal guarantee (Magos, 1998).

Loan Fees. Lenders may charge loan fees that can significantly impact on the total cost of a business loan. Origination fees, application fees, brokerage fees, and/or bonus points can be added up front to any business loan. Additionally, processing fees can be charged.

In the next chapter, SBA loan guarantees will be discussed. If a lender requests a guarantee on your loan by SBA, the lender is prohibited from charging most of the fees mentioned. On the other hand, SBA charges guarantee fees.
Investigate all fees with your loan and get an estimate of their total cost. Compare these fees and costs with other lenders to see if you can negotiate fees down or off.

**Interest.** The interest rate that a lender offers you is typically tied to the lender’s prime rate; the interest rate charged to preferred corporate customers on bank loans. Daily, the *Wall Street Journal* publishes a national prime rate in its *Money Rates* column. Interest rates charged above the prime are usually based on the risk associated with the loan or on a rate that the market dictates; therefore, any interest points added to the lender’s prime rate should be considered negotiable. In fact, in today’s competitive lending environment, shopping for competitive rates may pay off. A borrower may stumble across a lender who has discounted its rates in order to attract new business.

The lender will either offer variable or fixed interest rates. In most cases, lenders prefer a variable interest rate so that the rate changes with fluctuations in the economy. If the lender requires a variable rate, ask for an interest “cap” so that you will know the maximum rate that will be charged. If you want a fixed interest rate, be prepared to pay a slightly higher rate for the loan.

**Payments.** The repayment schedule for your loan should reflect your business’s ability to repay the loan and the purpose of the funds borrowed. Loans used for working capital or “soft” assets will have a much shorter maturity term than a loan used for purchasing real estate or machinery. Within the term of the loan, the repayment schedule is the most flexible area to negotiate with your lender. If your business is extremely cyclical, you may want to convince your lender to match your payments to dates that the business can easily repay the loan. Even though the total interest paid might be higher, the business’s cash flow won’t suffer. For example, chicken farmers usually are paid in lump sums three to four times a year when chickens are mature and sold to poultry plants. Monthly payments would probably hurt the farmer’s cash flow, so a lender should set payments on the dates the farmer is paid.

There are several possibilities on structuring your repayment plan. Lenders often utilize the following plans to meet the borrower’s needs:

*Amortization payments.* The loan is set up for equal payments, usually monthly, that consist of interest and principle. On the front-end of the loan, the interest portion of the loan would be large. As the loan matures, the interest portion decreases, and at the end of the loan, interest would be very small. This option is good for businesses that have solid cash flows throughout the year.

*Balloon loans.* These are short-term, fixed rate loans which have small monthly payments for a fixed period of time and one large payment for the remaining balance due at the end of the term. The monthly payments may be calculated for a loan with a maturity term of 30 years, but the loan is typically due in a much shorter time, usually 3, 5, or 7 years. If you choose a balloon, ask for a
SECTION II: UNDERSTANDING LOAN ALTERNATIVES

refinancing option that would allow you to refinance any outstanding principal.

_Lump sum payment._ Usually for short-term financing, you agree to pay the lender in one lump sum with interest at the end of the term.

_Monthly interest and lump sum payment._ Lender agrees for you to pay interest monthly for a set period with a lump sum and remaining interest at the end.

_Periodic principal and interest payments._ Like the chicken farmer example, you agree to pay principal and interest on specified dates.

As mentioned before, it is important for you to decide on what repayment structure works best with your business. If you have a good understanding of your business’s revenue cycles and cash flow, ask for payment terms that fit them. Most lenders will work with businesses on repayment plans since they do not want to create problems or difficulties for borrowers on repaying the loan.

_Covenants/Restrictions._ Covenants and restrictions are stipulations that lenders attach to your loan in order to protect themselves from risky investments. Usually, lenders require the company to maintain certain financial ratios and to regularly provide financial statements. They can require a company to disclose financial information monthly, quarterly, or annually. Additionally, lenders can set covenants and restrictions regarding the use of loan proceeds, life insurance and property insurance coverage, property maintenance, salaries, account balances, and future use and maintenance of collateral (Magos, 1998).

As reported in the August 1997 issue of _Inc. Magazine_,

It’s not easy navigating your way through the loan-covenant jungle, especially at a time when bank mergers have added inches to many boilerplate documents. Here are five steps that should help:

1. Find out whether your prospective bank plans to retain your loan or sell it. In the latter case, there’s probably less room for maneuvering over covenant issues.
2. Inquire about the bank’s expertise in and funding experience with your industry. Covenants from industry specialists are often more realistic.
3. Ask to see a sample list of covenants before the date of closing so that you can avoid a situation in which desperation for funds or lack of careful analysis persuade you to simply sign anything. Make certain that you can live with the bank’s terms regarding the consequences of going out of compliance.
4. Do a computer run of your company’s past performance during the most recent one-, two-, and three-year periods to see if you could have complied with all loan covenants, especially key ratios, if your loan had been in place before now.
5. If those results indicate future problems, schedule a visit with your banker and suggest more realistic covenants (Frazer, 1997).

**Prepayment.** A prepayment penalty is very common with business loans, especially if the loan is going to be sold in the secondary market. The lender can charge you a stiff penalty if you decide to pay the loan off early. Try to get flexible terms to avoid penalties with any prepayment. If a lender is stubborn on this issue, try to compromise a position where you will pay penalties only if the loan is paid back in a relatively short period of time such as three years with a ten-year maturity (nolo.com, 2000). One disadvantage to SBA loan guarantees is that they stipulate prepayment penalties. SBA bases prepayment penalties on the number of years remaining on a loan when paid off.

**Grace periods and late charges.** Clarify with lenders any grace periods for payment due dates. Even though most lenders give grace periods, any late payments will result in larger interest balances in the final payment. Be aware of the payment acceptance and posting procedures. With some lenders, payments received after 2:00 p.m. may not be posted until the next business day. Additionally, make sure late charges are reasonable.

**SBA guarantees.** Even though there are a couple of disadvantages to SBA guarantees such as guarantee fees, documentation, and in some cases process time, SBA guarantees do have one major advantage: the length of the loan can be spread over a longer period of time (see next section – SBA loan guarantees). If you feel that an SBA guarantee would help ease your cash flow, you might want to negotiate this with your lender.
SECTION III: FEDERAL, STATE, AND LOCAL PROGRAMS
The Small Business Administration (SBA) offers bank and non-bank lenders guarantees for loans made to qualified small businesses (see table below). Guarantees protect the lender for up to 85 percent of the original loan principal if the borrower fails to repay. The purpose of the guarantee is to encourage lenders to make loans to small businesses that would typically not be considered under normal criteria. Generally, lenders are reluctant to make loans to new businesses (under three years), businesses that require long payback terms, and businesses that have insufficient collateral (some collateral but not 100 percent required). These issues raise the perceived risk of non-payment and in many cases cause lenders to reject the loan request. However, the lender has the option to ask the SBA to guarantee the loan, thereby reducing the risk of loss.

SBA guarantees can be used for funding start-up ventures or purchasing or expanding an existing business. Specifically, loan proceeds can be used for financing real estate and construction, equipment, furniture and fixtures, inventory, leasehold improvements, and working capital. A small business can be eligible for an SBA guarantee if it is a for-profit business small enough to fit SBA’s size criteria, has reasonable owner equity to invest, and is an acceptable business to the SBA. Businesses that are not eligible include real estate investments, pyramid sales plans, gambling, charities and non-profits, lending institutions, and any business involved in illegal activities.

The Small Business Act defines an eligible small business as one that is independently owned and operated and cannot dominate its industry. The SBA has set size standards for its programs that define the maximum size of eligible small businesses. Below is a summary of the industry standards that define a business as “small.”

<table>
<thead>
<tr>
<th>BUSINESS CATEGORY</th>
<th>STANDARDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Depending on industry, annual revenues not to exceed $3.5 to $13.5 million.</td>
</tr>
<tr>
<td>Service</td>
<td>Depending on industry, annual revenues not to exceed $3.5 to $14.5 million.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Depending on SIC or NAICS, 500-1,500 employees.</td>
</tr>
<tr>
<td>Wholesaling</td>
<td>No more than 100 employees.</td>
</tr>
<tr>
<td>Construction</td>
<td>Depending on industry, annual revenues not to exceed $9.5 to $17 million.</td>
</tr>
<tr>
<td>Agricultural</td>
<td>Depending on industry, annual revenues not to exceed $.5 to $3.5 million.</td>
</tr>
</tbody>
</table>
SECTION III: FEDERAL, STATE, AND LOCAL PROGRAMS

Depending on the type of SBA program and the financial strength of the borrower, SBA will expect an owner’s equity investment to be 10-30 percent of the total project costs. Even though the SBA will not deny a loan to a person or business because of inadequate collateral, they will only extend a guarantee if the business has a strong cash flow and assets that have been pledged to the owner’s maximum capabilities. In many cases, however, lenders will only ask SBA for a guarantee if the business owner has enough collateral to secure the loan. Additionally, the SBA expects personal guarantees by all owners who have at least a 20 percent interest in the business.

Many people believe that the SBA offers low interest rate business loans. With the exception of disaster loans, this is simply not true. In fact, lenders can charge slightly higher rates for guaranteed loans. The SBA caps the interest rates lenders may charge for loans participating in a guarantee program. For loans less than seven years, the interest rate is capped at 2.25 percent above the prime rate. For loans with longer maturities, the cap is 2.75 percent above the prime rate. For loans between $25,000 and $50,000, the SBA caps rates at 3.75 percent above prime. For loans under $25,000, the cap is set at 4.75 percent above prime.

SBA guarantees can also be more expensive than conventional loans because the SBA charges a 2-3.5 percent guarantee fee. For loans under $150,000, the fee is 2 percent; for loans between $150,000 and $700,000, the fee is 3 percent; and for loans above $700,000, the fee is 3.5 percent. This fee is usually passed on to the borrower. A 0.5 percent annual servicing fee is also charged on the outstanding balance of the guaranteed portion of the loan. On the other hand, with conventional loans, lenders can charge additional points because of the higher risk. If the lender requests an SBA guarantee, additional points or fees such as processing fees, origination fees, application fees, brokerage fees, and/or bonus points are prohibited.

For the borrower, the greatest benefit of an SBA guarantee is the loan’s longer maturity term. Instead of a 15 year maximum for conventional real estate loans, SBA guaranteed loans may have maturities of 25 years. Likewise, loans with typical 3-7 year maturities may be extended by 2-3 years with an SBA guarantee. These longer terms definitely help a business’s cash flow, especially fledgling businesses.

For SBA loan programs, there is little or no contact between the borrower and the SBA. Most SBA loan programs are handled between the SBA and the lender. The Pre-qualification Loan Program is the exception. The SBA uses intermediaries to assist prospective borrowers in preparing loan applications. Once assembled, the intermediary sends the loan package to the SBA for review. If approved, the SBA issues a letter of pre-qualification which states the SBA’s intent to guarantee the loan. A borrower can take this letter to the bank in hopes that the proposal will have a better chance of getting approved.
The SBA has several different types of loan guarantees and programs for small businesses. Beyond the 7(a) and 504 SBA loan programs, which are the most common loan programs for small businesses, the SBA has loan programs that meet special small business needs. These programs are designed to help woman-owned businesses, minority-owned businesses, veterans, companies involved in international trade, companies adversely affected by military downsizing, technology firms, and designated geographic areas with low and moderate income.

### SBA Loan Programs

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>MAXIMUM AMOUNT/PERCENT OF GUARANTEE</th>
<th>USE OF PROCEEDS</th>
<th>MATURITY</th>
<th>WHO QUALIFIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>7(a) Loan (Guaranty Program)</td>
<td>$2,000,000 total loan amount. $1,000,000 max. guarantee 85% under $150,000 75% over $150,000</td>
<td>Existing and start-up, new construction, purchase of land or buildings, purchase of equipment, fixtures, leasehold improvements, working capital, refinancing debt for compelling reasons, seasonal line of credit, inventory</td>
<td>Depends on ability to repay; generally working capital and M&amp;E (not to exceed life of equipment) is 5-10 years; real estate and construction up to 25 years</td>
<td>Must be for profit and meet SBA size standards; must show good character, credit, management, and ability to repay</td>
</tr>
<tr>
<td>LowDoc</td>
<td>One page SBA loan application, quick turn-around after applicant meets lender requirements</td>
<td>$150,000 (total loan amount), see 7(a)</td>
<td>Same as 7(a)</td>
<td>Depends on ability to repay and use of proceeds, but not to exceed 25 years for fixed assets; 10 years for all other uses</td>
</tr>
<tr>
<td>SBA EXPRESS</td>
<td>Lender approves loan, no additional paperwork for SBA</td>
<td>$150,000 (total loan amount) 50% guarantee</td>
<td>Same as 7(a); limitations on real estate and construction; may be used for term loans or revolving credit of not more than 5 years</td>
<td>See 7(a)</td>
</tr>
<tr>
<td>SBA Community Express</td>
<td>Select lenders approve loan, no additional paperwork for SBA</td>
<td>$250,000 (total loan amount) see 7(a)</td>
<td>Same as 7(a); limitations on real estate and construction; may be used for term loans or revolving credit of not more than 5 years</td>
<td>See 7(a)</td>
</tr>
<tr>
<td>Pre-Qual Loan Program</td>
<td>Intermediaries help prepare application and secure loan</td>
<td>$250,000 generally (total loan amount), see 7(a)</td>
<td>See 7(a)</td>
<td>See 7(a)</td>
</tr>
<tr>
<td>PROGRAM</td>
<td>MAXIMUM AMOUNT/ PERCENT OF GUARANTEE</td>
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</tr>
<tr>
<td>---------</td>
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</tr>
<tr>
<td>504 Certified Development Company Loans** through non-profit development corporations licensed by SBA</td>
<td>Limit on SBA/CDC portion of project, 40% or $1 million</td>
<td>Long-term fixed asset loans; must create or retain one job per $35,000 of debenture proceeds</td>
<td>Up to 10 or 20 years</td>
<td>For profit businesses that do not exceed $6 million in tangible net worth and do not have average net income over $2 million for past two years</td>
</tr>
<tr>
<td>CAPLines Short-term/ Credit Lines: Seasonal, Contract, Builders, Standard Asset-Based</td>
<td>$750,000 (total loan amount except small asset-based)/75%, see 7(a)</td>
<td>Finance seasonal working capital needs; cost to perform; construction costs, advances against existing inventory and receivables, consolidation of short-term debts</td>
<td>Up to 5 years</td>
<td>Existing business (see 7(a))</td>
</tr>
<tr>
<td>International Trade Loan Program</td>
<td>$1.25 million/ depends on whether done under 7(a) or 504; see both</td>
<td>Combination of working capital and fixed-asset financing; improvements in U.S. for producing goods or service; may not be used to pay existing debt</td>
<td>Up to 25 years</td>
<td>Small businesses (see 7(a)) engaged/ preparing to engage in international trade; adversely affected by competition from imports</td>
</tr>
<tr>
<td>Export Working Capital Program Effort of SBA &amp; Ex-Im Bank; one-page application, fast turn-around, may apply for prequalification letter</td>
<td>$750,000 maximum guarantee (may be combined with International Trade Loan)/90%</td>
<td>Short-term working capital loans for exporters</td>
<td>Matched single transaction cycle or generally one year for line of credit (maximum 18 months)</td>
<td>Small businesses (see 7(a)) who need short-term working capital</td>
</tr>
</tbody>
</table>
## SBA Loan Programs (Continued)

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>MAXIMUM AMOUNT/ PERCENT OF GUARANTEE</th>
<th>USE OF PROCEEDS</th>
<th>MATURITY</th>
<th>WHO QUALIFIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DELTA Defense Loan and Technical Assistance Program, joint effort - SBA &amp; DOD</td>
<td>$1.25 million total loan amount under 7(a), $1 million total loan amount under 504</td>
<td>Financial and technical assistance to help defense dependent firms diversify into commercial market</td>
<td>See 7(a), 504</td>
<td>Defense dependent small firms (see 7(a), 504) adversely affected by defense cuts</td>
</tr>
<tr>
<td>7(m) MicroLoan Program *** through non-profit lending organizations; technical assistance also provided</td>
<td>$35,000 (total loan amount)/NA</td>
<td>Purchase equipment, machinery, fixtures, leasehold improvements; finance receivables, working capital; may not be used to repay existing debt</td>
<td>Shortest term possible, not to exceed 6 years</td>
<td>Same as 7(a)</td>
</tr>
</tbody>
</table>
## Other Relevant SBA Programs

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>MAXIMUM AMOUNT/PERCENT OF GUARANTEE</th>
<th>USE OF PROCEEDS</th>
<th>MATURITY</th>
<th>WHO QUALIFIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Employee Trust Loans</td>
<td>Varies</td>
<td>ESOP may use funds to purchase employer securities or controlling interest in employer.</td>
<td>7 years for working capital, 25 years for real estate</td>
<td>Qualified Employee Stock Ownership Plans</td>
</tr>
<tr>
<td>Surety Bond Guarantee</td>
<td>$1.25 million (max. contract amount)</td>
<td>SBA guarantees bonds for contracts, covering bid, performance and payment bonds.</td>
<td>Length of contract</td>
<td>Contractors applying for surety bond and can meet bonding requirements</td>
</tr>
<tr>
<td>Community Adjustment and Investment Program*</td>
<td>$750,000 (max. guarantee) see 7(a) and 504</td>
<td>See 7(a) and 504</td>
<td>See 7(a) and 504</td>
<td>Businesses adversely affected by NAFTA</td>
</tr>
<tr>
<td>Small Business Investment Company Program (SBIC)**</td>
<td>Varies</td>
<td>SBICs provide equity capital and debt/equity combinations to high growth companies</td>
<td>Varies</td>
<td>Any start-up or small business with high growth potential</td>
</tr>
<tr>
<td>Small Business Innovation Research Program (SBIR)</td>
<td>Phase 1: $100,000 grant Phase 2: $750,000 grant</td>
<td>Participating federal agencies solicit R&amp;D proposals and award to qualified businesses</td>
<td>N/A</td>
<td>Start-up and existing technology-based companies</td>
</tr>
<tr>
<td>Small Business Technology Transfer Program (SBIR)</td>
<td>Phase 1: $100,000 grant Phase 2: $500,000 grant</td>
<td>Participating federal agencies solicit R&amp;D proposals and award to qualified businesses</td>
<td>N/A</td>
<td>Start-up and existing technology-based companies participating in cooperation with research institutions</td>
</tr>
</tbody>
</table>

Source: U.S. Small Business Administration - Georgia District Office

For more details on SBA programs visit their website at

Notes:

**"New Markets small businesses are current and prospective small businesses owned by minorities, women, or veterans who are underrepresented in the population of small business owners compared to their percentage in the overall population." -- SBA No. CO-0041 (03/00)

***See Section V: Georgia’s Certified Development Companies, page 86.


*****See Section V: U.S. SBA CAIP Georgia Counties Eligible, page 88.

******See Section V: SBIC Licensees Located in Georgia, page 89.
The U.S. Department of Agriculture (USDA) has guaranteed loan, direct loan, and grant programs designed to help develop and grow rural areas under the Rural Business-Cooperative Service (RBS). The USDA RBS’s mission is to enhance the quality of life in rural areas by providing financing and technical assistance to help build competitive businesses. The following programs are used to help rural small businesses:

**Business and Industry Guaranteed Loans (B&I).** The program provides up to a 90 percent guarantee made by commercial and recognized lenders. Projects must be in rural areas (pop. 50,000 or less). B&I guarantees may be used in financing business construction, equipment and machinery, materials and supplies, working capital, and pollution control. Final maturity cannot exceed 7 years for working capital; 15 years for machinery and equipment, and 30 years for land and buildings. For existing businesses, applicants must inject a minimum of 10 percent tangible balance sheet equity into the project. For new businesses, the equity injection is 20-25 percent. The loans are limited to a maximum of $25 million to any one borrower.

**Business and Industry Direct Loans.** For businesses located in rural communities with a population of less than 50,000, the USDA provides loans to private parties who are unable to get financing from traditional sources. Priority is given to communities with a population under 25,000, and cities above 50,000 or adjacent urbanized areas are ineligible. Loans can be used for construction, purchase of inventory, start-up cost/working capital, and pollution control. The maximum repayment terms are 7 years for working capital, 15 years for machinery and equipment, and 30 years for real estate. A minimum of 10 percent of tangible balance sheet equity is required for existing businesses. Twenty percent tangible balance sheet equity is required for new businesses. The maximum aggregate B&I Direct Loan amount to any one borrower is $10 million.

**Intermediary Re-lending Program (IRP).** The purpose for the IRP is to finance business and community development projects in rural areas. The USDA Rural Business-Cooperative Service (RBS) makes loans to intermediaries at one percent per annum, and intermediaries establish a revolving loan fund to re-lend the funds back to businesses and communities. When loans are paid back to the intermediary, funds are placed back in the revolving loan fund. Intermediaries in Georgia are typically private non-profit corporations, public agencies, or cooperatives. Revolving loan funds can be used for start-up costs, working capital, machinery and equipment, construction, and real estate purchases. The intermediary sets the interest rates and terms.

**Rural Business Enterprise Grants (RBEG).** The USDA RBS makes grants (RBEG) to public bodies, non-profit corporations, and federally recognized Indian tribes to facilitate the development of small businesses in rural areas. Grant funds can be used to purchase land, construction, equipment, street access, parking areas, utility extensions, refinancing, professional service costs, working
capital, and distance learning networks. Grants are also used to establish a revolving loan fund for small business projects. In Georgia, RBEG grants have been used to establish revolving loan funds in federally recognized Enterprise Communities (rural areas identified with far below averages of incomes and employment).

For more information on USDA programs, you can visit their website at www.usda.gov or call your local USDA field office. Additional information may be found at your area’s Regional Development Center or Certified Development Corporation (see Section V: Georgia’s Certified Development Companies, page 86).

The EDA provides grants to intermediaries to form a Revolving Loan Fund (RLF) as part of a community’s Comprehensive Economic Development Strategy (CEDS). Funds are allocated to various non-profit corporations throughout the state. In turn, they are used to make loans that support small business creation and expansion, business and job retention, and new high-tech businesses. Generally, loans range from $25,000 to $150,000. Borrowers from the RLF must be located in the eligible lending area and must be a private business that is creditworthy. Projects that are leveraged with other loans or private investment are preferred. RLF funds may be used to purchase real estate, construction, machinery and equipment, and working capital. Interest rates are set by the intermediary but are typically below prime rate.

For more information on the EDA RLF, contact your local Regional Development Center or Certified Development Corporation (see Section V: EDA Revolving Loan Funds, page 91).

The Ex-Im Bank helps finance the overseas sale of U.S. goods and services through loan guarantees and insurance programs. The program helps businesses obtain critical pre-export financing from lenders. For creditworthy exporters, Ex-Im Bank will guarantee up to 90 percent on loans and revolving lines of credit. Funds may be used for pre-export uses such as acquiring inventory or to support standby letters of credit used in lieu of performance and bid bonds. Guarantees can be for a single transaction or a revolving line of credit. Maturities are generally less than one year and are renewable. Ex-Im Bank guarantees commercial loans to foreign buyers of U.S. goods and services. Typically, a down payment of at least 15 percent is required of the buyer. Guarantees only cover the sale of capital items, machinery and equipment, vehicles, scientific apparatus, etc. Ex-Im Bank also offers insurance to cover political and commercial risks of a foreign buyer defaulting on payment.
For more information on the U.S. Export-Import Bank, visit their web site at www.exim.gov or call (305) 526-7436. You can also call the Georgia SBDC Network International Trade Division at (404) 657-1957 or the United States Export Assistance Center at (404) 657-1964 or www.georgia.org/itf/export.

The Georgia Department of Community Affairs (DCA) is responsible for the administration of several incentive programs for economic development. DCA has developed many partnerships with municipalities, downtown development authorities, and nonprofit corporations to offer financing programs and assistance to benefit businesses in Georgia. DCA programs for business development include:

**Local Revolving Loan Funds (RLF).** RLF is a program capitalized with Community Development Block Grants (CDBG) and/or Employment Incentive Program (EIP) loan(s). The RLF program is a potential source of funding for new and expanding businesses in select areas in Georgia. The goal for each RLF is the creation of job opportunities primarily in low- to moderate-income areas. Loan applications are made to and reviewed by a local RLF committee in accordance with locally adopted policies and procedures. The committee determines loan amounts, payment terms, and interest rates. For a list of cities and counties with RLFs, see Section V: Georgia Department of Community Affairs Revolving Loan Funds, page 90.

**Appalachian Region Business Development Revolving Loan Fund (RLF).** DCA administers a $2.2 million RLF to allow local development authorities to provide below market rate loans on a matching basis to qualified businesses in the Appalachian region of Georgia. Only for-profit businesses are eligible and proceeds can be used for working capital, building acquisition, new construction/ rehabilitation, facade improvements, machinery and equipment, and land acquisition. RLFs cannot be greater than $200,000 and cannot exceed 50 percent of the entire project cost. Interest rates are 2-3 points below prime and terms normally do not exceed 5 years for working capital and 15 years for fixed assets. Businesses must create or retain one job for every $20,000 borrowed. For a list of counties with RLFs, see Section V: Georgia Department of Community Affairs, Appalachian Region Business Development Revolving Loan Fund, page 90.

For more detailed information about DCA business programs call 1-800-736-1155 or visit their web site at www.dca.state.ga.us.
SECTION III: FEDERAL, STATE, AND LOCAL PROGRAMS

Revolving Loan Funds. As mentioned under the previous programs, numerous local financing programs are available for small businesses. USDA, EDA, and DCA have granted or loaned money to local nonprofit corporations, Certified Development Corporations (CDC), Regional Development Centers (RDC), Downtown Development Authorities (DDA), and other economic development organizations to be used as a revolving loan fund known as RFLs. Generally, intermediaries set interest rates, terms, and eligibility requirements.

Community Development Block Grants (CDBG). The United States Department of Housing and Urban Development (HUD) provides funds through CDBG to finance historic preservation and special community economic development activities. Grants are made to Community-Based Development Organizations (CBDO) to carry out neighborhood revitalization projects and economic development projects. CBDOs can use a CDBG to assist small businesses with grants, loans, and loan guarantees. Contact your local city manager, chamber of commerce, or local development authority.

501C(3) Programs. A 501C(3) is a nonprofit corporation recognized by the Internal Revenue Service. Many 501C(3)s have been established in Georgia to facilitate economic development and historical preservation activities. Many Downtown Development Authorities and similar economic development organizations have used the 501C(3) to raise money for local economic development projects and to create special loan and grant programs for facade improvements and small business recruitment.

If you are looking for grants to finance your business, you are bound to be discouraged very early. Very few grants are available to small businesses, especially for start-up businesses. In fact, if your business is a common business, such as a florist, it is nearly impossible to find a grant that will meet your business’s needs. Most grants that can be used for small business activities are made to state agencies, municipalities, and nonprofit corporations. As mentioned before, these groups form revolving loan fund programs from which small businesses may be eligible to borrow funds.

Although grants for common retail and service businesses are extremely rare, grants are available to companies that are developing new technologies. The SBA and several federal departments participate in the Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR). These programs provide grants up to $750,000 for research and development. Some departments, such as the Department of Energy, provide their own grants to technology companies.

Additionally, grants are available to businesses that meet a specific social need. For example, the Georgia Childcare Council has provided grants to daycares...
that serve children with learning or behavior disorders. Agencies on Aging
have also provided grants to businesses with adult daycare programs that assisted
people with Alzheimer’s or severe handicaps.

Grants for businesses typically require a dollar for dollar match. For every
dollar that is put into the business, the business is required to contribute an
equal amount. Businesses that are pursuing grants will need to find a Request
for Proposal (RFP) that will fit their business. RFPs require project descriptions
and budgets and some may require a business plan with financial statements.
Once a business receives a grant, documentation on expenditures is required.
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

THE LOAN APPLICATION PROCESS

For existing businesses that require short-term financing, such as a line of credit, the application process is typically easy and quick. Lenders will base most of their decisions on the applicant's credit history, financial statements, and collateral. Loan proposals with proper detailed documentation become increasingly more important with long-term financing and start-up financing requests. The level of risk for a lender determines the depth and detail of the documentation that is required.

When presenting your loan proposal to the lender, you will be expected to explain all aspects of the proposal. Diligent research as well as accurate and timely information is the loan applicant's responsibility. Developing a plan of action is very essential to the timely completion of your loan proposal. A realistic time period must be established to ensure that all the information, such as market research results, historical financial statements, quotes from suppliers, building construction estimates, tax returns, and credit reports, are obtained ahead of time. If business plans are required, more time will be needed to work on the proposal. Your preparation for a loan proposal may take from a few weeks to a couple of months. The length of time from gathering information required for the lender to the time the loan application is approved varies.

Who is the decision-maker at your bank or lender? It depends. For small banks, the amount of your loan will dictate who will make the decision on the loan. Loan officers might have authority on loans made under $50,000. Mid-level lending personnel may have authority to $100,000, and top officers may have authority up to $200,000. Larger loan requests may require a loan committee to review. For small banks, loan committees are made of bank officers and outside directors. Committee members may not personally know you, may not have necessarily talked to you directly about your loan, may know little about your business, and may make judgments on the information supplied by the loan officer. Therefore, it is imperative that you have the full understanding, trust, and commitment from your lending officer to ensure that other decision makers fully understand your intentions.

For larger, regional and national banks, branch managers typically have authority up to $100,000. However, many large banks have consolidated all business lending into central locations. These central locations have credit analysts who make the ultimate credit decisions (Caplan, 1997).

For large banks and other non-bank lenders, credit scoring is increasingly becoming a tool used to make business credit decisions. In fact, many large banks are solely using credit scoring for loans under $100,000 to existing businesses. Credit scoring uses a statistical model to evaluate information and predict performance on a loan. For new businesses, credit scoring relies heavily, if not entirely, on the personal credit characteristics of the business owner(s). Although scoring models may differ from lender to lender, factors commonly considered include payment history, derogatory items, outstanding credit amount, debt-to-income ratio, number and type of credit lines, and number of recent inquiries. For existing businesses, other factors that determine risk may be
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

used in credit scoring models such as financial condition, prior payment history, public filings, company demographics (employees, sales volume, years in business), and industry comparative data.

In addition to the lender's loan process, if your loan requires SBA or USDA guarantees, the loan process could take longer due to the required documentation and the additional approval. For SBA guarantees under the 7(a) program, loans could take from a couple of days to several weeks to approve. Low Doc loans are generally approved by SBA within two weeks. Guarantees under the Express Program are approved within a week because lenders can use their own loan documentation. Preferred lenders can expedite the guarantee process because they have the authority to approve SBA guarantees (see Section V: Participants in the U.S. Small Business Administration Certified Lender Program and Preferred Lender Program, page 82). Depending on the Certified Development Company, loans under the SBA 504 program are usually approved within two weeks to a month. Overall, most guarantee programs require additional time for approval.
LIST OF DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

LIST FOR DOCUMENTS REQUIRED FOR LOAN PROPOSALS
(Items may differ for types of businesses and lenders)

1. Personal financial statement of each owner; no older than 30 days. Lender provides forms (See Section V: Guidelines for Preparing a Personal Financial Statement, page 55).

2. History and description of business.

3. Description of project necessitating new funding.

4. Project cost with bids and quotes. If applicable, quotes on construction (include architect and engineering fees) or renovations, leasehold improvements, machinery and equipment, inventory.

5. For SBA guarantees and loan programs, Statement of Personal History (SBA Form 912) for each owner/borrower, officer (if incorporated), partner (if partnership).

6. Resume for each of the above and key personnel.

7. For existing businesses:
Balance Sheet and Profit and Loss Statement for previous three years.

8. For existing businesses:
Current balance sheet and operating statement (no more than 90 days). May require aging of accounts receivables and accounts payables as of same date.

9. Projected balance sheet and profit and loss for at least the first two years (suggested monthly for first year).

10. Projected cash flow statement for two years (can use SBA Form 1100) (suggested monthly for first year).

11. Copies of customer sales contracts or purchase orders, if applicable.

12. For existing businesses:
Schedule of all business debt, including original balance, current balance, payment terms, status, and security.

13. If a franchise, franchise agreement. SBA checks www.franchiseregistry.com to see if franchise is approved. May require FTC disclosure, and Dun and Bradstreet report.

14. For Existing businesses:
If incorporated, Resolution of Board of Directors to borrow funds.
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

15. *For existing businesses:*
   If incorporated, copy of Articles of Incorporation.


17. Employment details. For guarantee and other government loan programs, breakdown employment total into current and projected minority, male, and female employees.

18. Sales contracts or lease agreements if applicable.

19. Appraisal acceptable to lender and/or if applicable intermediary.

20. Last three years’ personal tax returns of all owners.

21. *For existing businesses:*
    Last three years of business tax returns.

22. If applicable, environmental impact studies (soil testing, wetlands, wildlife).

23. If required or a new business, a detailed business plan that contains company, product, market, promotion, competition, and personnel information. Most business plans contain items 2, 3, 4, 6, 9, 10, and 15 above. See following information on business plans and review sample loan proposal in appendix.
Preparation of a Business Plan

Does your lender require a business plan? If you are a start-up business, a business under three years old, or an existing business that is venturing into a new territory or product/service line, you will probably need to prepare a business plan in addition to the items on the List of Documentation Requirements. Furthermore, if you are seeking venture capital, a business plan is an absolute requirement.

The task of writing a business plan can be intimidating but rewarding. In fact, if you asked most entrepreneurs about writing business plans, most would agree that they hate the experience but realize the importance of a good plan. A good business plan can help you identify areas of strength and weakness, locate potential problems, define your business’s needs, and establish goals. Many authors have described business plans as a “road map” from which a business can operate. In addition to being a good operating tool, a business plan communicates your ideas to lenders and provides a basis for your loan proposal. A good plan builds credibility in a loan proposal and distinguishes your business within a lender’s frame of reference.

A good business plan requires hard work. “Writing a plan can be managed just as most other business tasks are managed. It requires advance preparation, delegation, refinement, and discipline—as do most business functions. The process of preparing a business plan involves gathering accurate and convincing information” (Deloitte & Touche, 2000). A plan may take a few weeks to several months to prepare depending on the issues that need to be addressed in your plan, your writing skills, and your aptitude for preparing financial statements. Make sure you spend enough time on your plan to cover all the bases. Many entrepreneurs rush through business plans often leaving out important details. According to Mancuso, some of the common problems with weak business plans include:

1. Irrational or unachievable business strategies.
2. Competition not identified in detail.
3. Marketing plans weak to nonexistent.
4. Profitability and growth not addressed.
5. Poor market research and selling strategies.
6. Inadequate financial projections.

(Mancuso, 1992)

The first step you should take in writing a business plan is to look at your business objectively. Identify the key areas that are important to your business and to the lender. You may find that you can be more objective by looking at examples of successful business plans, especially from your industry. In the appendix of this book, we have provided a successful example, but it is further suggested that you look at sample plans by other authors or on the Internet. Additionally, many trade associations have resources to help you build your business plan. If you are considering buying a franchise, franchisors typically have sample plans and information that will help you create your own plan.
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

While looking at other plans is a good way to get new ideas and perspectives, your business plan needs to represent the uniqueness of your ideas, your situation, and your strategies. Avoid copying plans, and don’t be tempted to simplify the planning process by using business planning software. Even though these software packages offer friendly menus and fancy graphics, most are boilerplate templates that a lender will immediately recognize as not your own. A good business plan should reflect the key issues that are important in your business. Copying business plans or using templates may leave key issues unaddressed. Furthermore, using templates or borrowing too heavily from existing plans may hurt the flow of the plan causing confusion and possible irritation for lenders.
Once you have identified the key issues of your business, you will want to outline your business plan to make sure you have addressed all the key issues and that business plan sections are consistent with little duplication. The elements of a business plan are typically the same for just about every type of business; however, the type of business you are in and your purpose or objectives will dictate the content and emphasis of your business plan. For example, retailers may need to focus on inventory and marketing issues in their business plans, whereas manufacturers may need to focus on production and distribution issues. Furthermore, business plans intended for a venture capitalist may differ from one prepared for a traditional lender. A traditional lender will probably want to read a plan that supports repayment of a loan, whereas a venture capitalist will want to read a plan that will detail how the company is going to build value and the expected return on the investment. Whatever the purpose of your plan, business plans for loan proposals typically follow the following format:

- Cover Page
- Executive Summary
- Company Description
- Company Location (if new business or new territory)
- Market Analysis
- Marketing Strategy
- Personnel and Operations
- Financial Information
- Supporting Documentation

**Cover Page.** The cover page is the first page the lender sees, so it is important that you make a good impression. However, a cover page does not need to be extravagant. The page should simply contain information that a lender can easily and quickly reference. Obviously, a company’s name and logo should be on the cover. Furthermore, the cover sheet should display the business’s address, phone number, the owner’s name, and date presented. Optionally, you can supply “quick facts” such as the type of business, the date the business started, tax identification numbers, annual sales (for existing businesses), the amount requested, and other pertinent facts.

**Executive Summary.** The executive summary should cover all the key points of the business plan. The summary should provide a brief description of the company and give the lender an idea of the objectives and needs of the business. If you are presenting the business plan to a venture capitalist, the executive summary is your “sales” pitch. This section is typically the first section that a venture capitalist reads; therefore, you must build interest in your summary so that the entire plan is read. A good executive summary is brief. For lenders this section is usually no more than a half page. You may need a longer summary with a business plan for a venture capitalist. When a business plan is being used to support a loan proposal, the Executive Summary should contain the following information:
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

- Company name and nature of the business
- Business legal structure
- Amount of loan request
- Uses of loan

**Elements of a Business Plan**

**Company Description.** The first major section of any business plan used for financing should be the company description. This section provides background information about the business and the general business concept. Overall, the company description details the who, what, where, when, and how’s of the business (BizPlanIt.com, 2000). Products and services are described in this section, as well as the company’s business strategies and future plans. In addition to the business’s strengths, you may want to identify your vulnerabilities. If you paint a picture that is too rosy, lenders and venture capitalists may not find your plan believable. If applicable, you should describe these topics in the company description:

- Mission of the business
- Type of business (service, retail, construction, wholesaling, manufacturing, e-business)
- Legal form (sole proprietor, partnership, corporation, limited liability company)
- History of business (for existing business)
- The company’s strengths and strategies
- Vulnerabilities and protection steps
- Description of products and services
- Features and benefits of products and services
- Unique Selling Position (USP-how your company differentiates itself)
- Research and development (for technology-based companies and manufacturers)
- Production and service delivery (for manufacturers)

**Company Location.** If you are a new business or an existing business expanding into new territory, you will need to address several issues relating to your proposed new facility in your plan. The most important issue to address is why you chose the location. You need to have a logical reason why you chose the proposed location, such as proximity to customers, access to distribution channels, or lower costs. Furthermore, an assessment of your facility needs to be addressed in the plan. If the loan is going to be used to finance a new facility, your plan should give considerable detail on the proposed uses of capital. Your plan should include information on the following list to justify your loan.

- Address
- Facility(s) description (zoning, renovations, buy or lease, equipment)
- Traffic patterns/foot traffic (when, how many, who)
- Surroundings and proximity to other businesses (if important)
- Parking
- Area demographics (number of households, etc.)
**Market Analysis.** As mentioned before, the weakest area in many business plans is the market analysis. A weak analysis in a plan could be detrimental because this section sets the stage for your marketing strategies. The market analysis should contain information on your business environment and external factors that influence the industry, specifically details regarding industry trends, market size, and characteristics that describe your current and future potential buyers. Additionally, your direct and indirect competition need to be analyzed and compared. Avoid claiming that you have no competition. Lenders and investors rarely take a business seriously that claims no competition.

This section may prove challenging because it requires information gathered from external research. Most of the other sections in a business plan only require internal analysis and review. For a good market analysis, you will need to collect information from primary and secondary sources to support your claims, assumptions, and objectives. Primary sources include market research from questionnaires, site visits, personal observations, and conversations with industry experts. Secondary sources include information collected from outside groups such as associations, the government, universities, newspapers and magazines, private companies, and the Internet. Many of these sources publish journals, books, reports, and articles on industry topics. On a final note, make sure you document all sources. Many entrepreneurs claim that they have done their research but leave out the documentation to support the claim. Lenders and investors discredit plans with poor or no documentation. Remember that the market analysis sets the stage for your marketing strategies, so in order to develop a good market analysis, provide details and facts covering the following areas:

- Market overview
  - Market size (sales volume)
  - Factors that influence growth or decline (e.g., interest rates, seasons)
  - Past and current industry trends (new technologies, product changes, etc.)
  - Regulations (if applicable)
  - Other industry statistics

- Target market and segments
  - Demographics (age, sex, race, income, etc.)
  - Trends in segments

- Market position/market share

- Competition analysis
  - Direct competitors
  - Indirect competitors
  - Proximity
  - Product and service comparisons (quality, pricing)
  - Facility comparisons
  - Advertising and promotion comparisons
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

**Market Strategy.** After you have finished your market analysis identifying and profiling your target customers and the business environment, the next section you need to prepare in your plan is your market strategy. This section, which is often referred to as a marketing plan, details how you plan to promote and sell your products and services. Outline the action steps that you will need to take in order to reach potential customers. Include in your plan strategies for advertising, promotions, pricing, and selling. Also discuss your strategy that differentiates your business from the competition. Overall, the reader of your plan should get a firm understanding of how you plan to compete in the marketplace. In the market strategy section you should address the following topics:

- Marketing plan
  - Marketing goals (ex. attract customers, launch product, promote name)
  - Branding/differentiation
  - Pricing strategy
  - Advertising
  - Marketing systems (plan to attract and retain customers)
  - Promotions
  - Public relations

- Sales Plan
  - Sales goals
  - Sales staff and training
  - Sales tools
  - Sales forecast

- Distribution (if applicable)

**Management and Personnel.** This section of your plan should detail the organizational structure of your business. The plan should describe the backgrounds of owners and key management and list their relevant management experience. As mentioned in the “Five C’s” of Credit, the lender will ascertain if the business has key positions that are vital to the success of the business covered. Venture capitalists and investors consider the management team the most important predictor of a successful business. Key outside advisors and consultants should also be mentioned. In addition to the management background, the section should summarize staffing requirements.

- Owner(s) and management team background
- Staffing plan/number of employees
- Personnel duties and requirements
- Compensation/benefits
- Recruitment and training

**Operations.** This section gives a general description of the business operation. The reader should generally understand what happens to a business on a daily
basis. Hours of operation, scheduling, and workflow are important operational issues. Additionally, this section is often used to describe other activities such as inventory control, quality assurance, storage, accounting, and other administrative and support activities. If you are a manufacturer, cover your production process and explain equipment and technology requirements. In this section give an overview of the following areas and issues:

- Hours of operation
- Manufacturing process (for manufacturers)
- Equipment requirements
- Quality control
- Outsourcing (if applicable)
- Legal and accounting

Financial Information. The most important element of a business plan/loan proposal is the financial section. As evident in the list of documentation required (page 36), financial information is critical to a lender in evaluating a business. Lenders scrutinize past financial statements and financial forecasts (pro formas) to determine a potential borrower’s ability to repay a loan. For existing businesses, lenders will look at historical financial statements to make a partial determination on loan approval. A good track record is very persuasive evidence for continued success. Additionally, lenders will expect past financial statements to be the basis for financial projections.

With no financial history, start-up businesses will need to justify their loan request with financial forecasts. Most important for start-up companies, a financial plan attaches dollar figures to the other elements of the business plan in order to evaluate or demonstrate the financial feasibility of a business venture. Because lenders view projections from start-ups as “too” optimistic, projections need to be conservative and supported by sound research.

When preparing financial statements and projections, a borrower should follow “generally accepted accounting principles (GAAP).” Lenders are familiar with financial statements following these principles. Any deviation or contradiction to these principles may raise skepticism about the condition of the business and the abilities of the owners. In addition to expecting you to follow GAAP, a lender will expect three years of historical financial statements and at least two years of projections (possibly more depending on lender and type of business). Financial information required by your lender includes:

- Project Budget/Sources and Uses of Funds
- Pro Forma Income Statement
- Cash Flow Projections
- Pro Forma Balance Sheet (if required)
- Break Even Projections (for start-ups)
- Notes and Assumptions to Financial Projections
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

Understanding financial information and how it is calculated will serve as a valuable management tool. If you find yourself overwhelmed by this process, call your local SBDC office or your accountant for assistance. Each of the items to be included in the financial information section of the business plan are detailed below.

Project Budget/Sources and Uses of Funds

The project budget is a complete listing of anticipated sources and uses of funds. Sources of funds relate to the amount of financing needed and the required equity from owners. This list usually includes items such as owner’s cash injection, bank loans and/or venture capital contribution. If applicable, include in your project budget the value of collateral that will be pledged to secure a loan. Uses of funds generally lists all capital and operating expenditures required prior to start up. This may include items such as land and building, equipment, deposits, and working capital (see Section V: Sample Business Plan/Loan Proposal, page 60).

Pro Forma Income Statement (profit and loss statement)

The pro forma income statement, also known as the projected profit and loss statement, is a forecast of your income and expenses for an operating period, typically one year. The difference between income and expenses is a business’s net profit or loss. The pro forma income statement should be based on sound research and should be considered reasonable. There should be a methodology or reasoning behind all dollar figures. An income statement will consist of the following information:

Sales Revenue: For a new business, the sales forecast is the most difficult item to project. A good projection is based on strong market research and a solid methodology. Some companies use sales forecasting models to project sales. Many models are based on probabilities of likely events, such as the number of customers that will purchase daily or the likelihood of the business reaching a percent of full capacity. Some companies use surveys and other market research tools to statistically support their sales forecasts. Additionally, industry standards, franchise information, and local observations can defend a sales forecast. For existing businesses, sales projections should be based on historical sales, coupled with current trends and market conditions.

Cost of Goods Sold: Simply put, the cost of goods sold is the decrease of your inventory that has been used in generating sales revenues. Cost of goods sold is a variable expense that increases as sales increase. Some businesses such as manufacturers include labor as part of their cost of
goods since their labor costs increase with sales. The difference between sales revenues and the cost of goods sold is the gross profit margin. Keeping a good margin to cover operating expenses is crucial. For new businesses, industry standards and/or financial studies found in such references as Robert Morris Associates can build a basis for pricing, cost of goods sold, and gross margins.

Expenses:

All operating expenses should be based on research and quotes from vendors and should be identified as fixed or variable in creating the pro forma. Fixed expenses are independent of sales and remain constant no matter what the sales situation is with the business. Variable expenses are expenses that increase or decrease depending on the level of sales.

As mentioned before, income less expenses is the business’s net profit. It is important that in compiling the pro forma income statement the following factors be considered:

- Your income statement should be developed in conjunction with cash flow projections.
- Statements should be prepared for at least two years, the first year prepared monthly and the second year at least quarterly.
- You should ensure that the amounts support the basis of your estimates; therefore, it is important that you compare with industry norms.

Cash Flow Projections

As discussed in the section of the “Five C’s” of Credit, a cash flow projection is a forecast of the inflows (receipts) and outflows (disbursements) of cash (see Section V: Sample Business Plan/Loan Proposal). The cash flow statement is a good planning tool because it helps a business owner to prepare for anticipated uses of cash and identify cash deficits. A detailed cash flow forecast, which is understood and used by management, can direct attention to areas with the greatest needs. The cash flow projection monitors three important cash flow categories: cash from operations, cash from investing, and cash from financing. Operating activities include sales, expenses, accounts receivables, inventory changes, and accounts payables. Investing activities that can change the cash position in a business include the purchase of property such as land, building, and equipment and the sale of an asset. For small businesses, financing activities such as loans and repayment of loans change the cash position of a company. The sum
of these areas dictates a business’s need for cash. For lenders, the cash flow details how the business is able to pay back both the principal and interest on a loan.

The cash flow statement is often confused with the income statement. Many inexperienced owners have found themselves in financial difficulties because they did not understand the difference between these two statements. Just because a company is profitable doesn’t necessarily mean a company has a strong cash position. Changes in the balances of some items such as accounts receivables, inventory, accounts payable, loans outstanding, or assets will not be directly reported in a profit and loss statement but would in a cash flow statement. For example, your business has just bought a $30,000 vehicle. The new truck will be added to your assets on your balance sheet. While you would expense the depreciation on the truck, the actual purchase price of the truck would not be recorded on your income statement. However, this cash flow outflow would be recorded on a cash flow statement. Understanding that net profit is not net cash will help any business survive profitably.

In preparing your cash flow projections, the following must be considered:

- Seasonality characteristics of the business as it affects sales and expenses.
- Information from the project budget/sources and uses and historic financial statements.
- Excluding all non-cash items including depreciation and amortization.

A typical cash flow projection will flow in the following format (see business plan example):

**Beginning Cash Balance** – Available cash balance at the beginning of the month

Cash Inflows (+)

- Cash sales
- Collections of receivables
- Trade discounts
- Loan proceeds
- Sales of assets (land, equipment, etc)
- Equity injections

Cash Outflows (-)

- Operating expenses
- Inventory purchases
- Capital equipment purchases
- Principal and interest payments

Net Cash – The difference between cash inflows and outflows for each month.

**Ending Cash Balance** – Beginning cash balance plus net cash
**Elements of a Business Plan**

**Pro Forma Balance Sheet**

Put simply, the balance sheet reports the assets and equities (liabilities and owner’s equity) of a business at a specific moment of time. In our business plan example, that moment is the last day of the year. The balance sheet encompasses information from the project budget (sources and uses of funds), pro forma income statement, and projected cash flow statements, and divides accounting transactions from these statements into balance sheet categories: assets, liabilities, and owner’s equity (see Section V: Sample Business Plan/Loan Proposal).

Assets are generally divided into current and long-term assets. Assets are usually listed in their order of liquidity. Current assets such as cash, accounts receivables, inventories, pre-paid expenses, and other short-term assets are listed first. All of these assets are very liquid because they are expected to be converted to cash or consumed within one year. Long-term assets include land, building, and equipment, less accumulative depreciation. Liabilities are listed similar to assets with current liabilities (less than one year) listed first. Current liabilities include accounts payable, taxes payable, short-term notes, and accrued wages. Long-term liabilities include long-term debt and other liabilities over one year in maturity. Equity is the difference between assets and liabilities and contains retained earning and owner’s equity. The term balance comes from the accounting principle that assets equal liabilities plus owner’s equity. Because of the dual aspect concept of the balance sheet, both sides of the equation must add up to the same total. In other words, they balance.

For start-up businesses, a lender may or may not require a balance sheet. For many lenders, the sources and uses of funds statement is enough to satisfy balance sheet requirements. If a balance sheet is required, it should be prepared in a format that is easy for the loan officer to analyze the debt and equity position.

**Break Even Projections**

Break even is a method generally used to determine the exact level of sales needed to cover all costs. In simple terms, it is the point at which total sales equal total costs. Total costs consist of fixed and variable costs. Variable costs increase directly in proportion to the level of sales in dollars or units. Typical variable expenses include cost of goods sold, commissions, cost of direct supplies, delivery charges, and in some cases, labor costs. Fixed costs remain the same regardless of the level of sales. Typical fixed expenses include rent, insurance, office supplies, licenses, and salaries of permanent workers. Some costs are a combination of fixed and variable. If the costs are easy to separate, you should do so to calculate a cleaner break even analysis. The basic formula for calculating the break even point is:
SECTION IV: DOCUMENTATION REQUIRED FOR LOAN APPLICATIONS

[Sales(minus)Variable Expenses](divided by)Sales = Contribution Margin %

Fixed Expenses (divided by) Contribution Margin % = Break Even Point

Example: Company – Ron’s Bait and Tackle

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$200,000</td>
<td>100%</td>
</tr>
<tr>
<td>Variable Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Goods</td>
<td>100,000</td>
<td>50%</td>
</tr>
<tr>
<td>Operating Supplies</td>
<td>4,000</td>
<td>2%</td>
</tr>
<tr>
<td>Bank charges (Visa)</td>
<td>1000</td>
<td>.5%</td>
</tr>
<tr>
<td>Total Variable</td>
<td>105,000</td>
<td>52.5%</td>
</tr>
<tr>
<td>Fixed Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>Loan Payment</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Total Fixed</td>
<td>51,000</td>
<td></td>
</tr>
</tbody>
</table>

Contribution Margin % = (200,000-105,000)/200,000 = .475 (47.5%)

Or 100%-52.5% = .475 (47.5%)

Break Even Point = 51,000/.475 = $107,368

Notes and Assumptions to Financial Projections

Notes to financial projections explain in detail the assumptions, calculations, and accounting methods and concepts used to prepare cash flows, income statements and balance sheets. Financial notes are absolutely necessary for a lender to have a full understanding of your financial projections.

Attachments and Supporting Documents. Attachments and documents are used to provide support for the business plan. This section should contain information that is pertinent to the loan proposal such as a detailed equipment list and invoices. Furthermore, this section can include items such as management resumes, market research, licenses, facility or store layout, and other items listed under Required Documentation on page 36.
Make sure your loan proposal is complete in all of the areas that will be evaluated.

Your proposal should be consistent. Documentation should be presented in a logical and orderly manner. The plan needs to be easy to follow. Do all your pieces fit together?

Neatness counts. Have others proofread your plan. Misspelling is inexcusable with the availability of computers and word processing software. Additionally, use clean copies.

Be brief. Include all pertinent information but don’t elaborate on secondary issues.

Don’t use technical descriptions. Use layman’s terms to keep your plan simple. On the other hand, don’t describe products and services in terms that are too broad.

Don’t make vague or unsupported statements. For example, don’t say “according to our research” unless you have the research to back it up. Also, try to stay away from personal opinions.

Don’t be too optimistic about sales growth and profits. There is a big difference between reality and fantasy. Don’t assume products and services sell themselves.

Make sure you are able to defend all projections and assumptions. Numbers should cross-reference correctly.

Demonstrate a strong understanding of the market and the industry.

Never assume you have no competition.

Never attempt to attract the entire market—“Everybody is our customer.”

Support your assumptions with solid market research.

Clarify how changes in the market may affect the business.

Never sign a lease until you have the money.

If you are building a new facility, make sure you check with Planning and Zoning before starting.

If you are looking for a site to build, make sure a civil engineer evaluates the property before buying.
SECTION V: RESOURCES
The following form, 102631R-5-98, was reprinted with the permission of Equifax Inc. Any duplication or reprinting of this document is prohibited without prior consent from Equifax.
How to Read Your Credit File

This section includes your name, current and previous addresses and other identifying information reported by creditors.

This section includes public record items obtained from local, state and federal courts.

This section includes accounts that creditors have turned over to a collection agency.

This section contains both open and closed accounts.

This section includes a list of businesses that have received your credit file in the last 24 months.

### SAMPLE CREDIT FILE

**Personal Identification Information**

<table>
<thead>
<tr>
<th>Your Name</th>
<th>Social Security #:</th>
</tr>
</thead>
<tbody>
<tr>
<td>123 Current Address</td>
<td>123-45-6780</td>
</tr>
<tr>
<td>City, State</td>
<td>Date of Birth:</td>
</tr>
<tr>
<td>00000</td>
<td>April 10th, 1940</td>
</tr>
<tr>
<td>Previous Address(es)</td>
<td></td>
</tr>
<tr>
<td>456 Former Rd, Atlanta, GA 30000</td>
<td></td>
</tr>
<tr>
<td>P.O. Box XXXX Savannah, GA 40000</td>
<td></td>
</tr>
<tr>
<td>Last Reported Employment: Engineer, Highway Planning</td>
<td></td>
</tr>
</tbody>
</table>

**Public Record Information**

- Lien Filed 03/93; Fulton CTY; Case or Other ID Number: 32114; Amount: $26367; Class-State: Released 07/93; Verified 07/93
- Bankruptcy Filed 12/62; Northern District CT; Case or Other ID Number: 673H; Creditors: $15767; Personal; Individual; Discharged; Assets: $780
- Satisfied Judgment Filed 07/94; Fulton CTY; Case or Other ID Number: 986872; Defendant-Consumer; Amount: $9864; Plaintiff-ABC Real Estate; Satisfied 03/95; Verified 05/95

**Collection Agency Account Information**

- Pro Col (800) xxx-xxxx
- Collection Reported 05/95; Assigned 09/93 to Pro Col (800) XXX-XXXX Client - ABC Hospital; Amount: $978; Unpaid; Balance: $978; Date of Last Activity: 09/93; Individual Account; Account Number: 787656JC

**Credit Account Information**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Account Number</th>
<th>Whose Acct</th>
<th>Date Opened</th>
<th>Months Reviewed</th>
<th>Date of Last Activity</th>
<th>High Credit</th>
<th>Terms</th>
<th>Amounts of Late Recorded</th>
<th>Date Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department St. 32514</td>
<td>J 10/96</td>
<td>36</td>
<td>9/97</td>
<td>$950</td>
<td>0</td>
<td>R 1</td>
<td>10/97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>1004735</td>
<td>A 11/96</td>
<td>24</td>
<td>5/97</td>
<td>$750</td>
<td>0</td>
<td>II</td>
<td>4/97</td>
<td></td>
</tr>
<tr>
<td>Oil Company</td>
<td>641125</td>
<td>A 6/86</td>
<td>12</td>
<td>3/97</td>
<td>$550</td>
<td>0</td>
<td>01</td>
<td>4/97</td>
<td></td>
</tr>
<tr>
<td>Auto Finance</td>
<td>629778</td>
<td>I 5/85</td>
<td>48</td>
<td>12/96</td>
<td>$1100 $50</td>
<td>$300 $200</td>
<td>15</td>
<td>4/97</td>
<td></td>
</tr>
</tbody>
</table>

**Previous Payment History:**
- 3 Times 30 days late; 4 Times 60 days late; 2 Times 90+ days late
- Previous Status: 01/97 - 12; 02/97 - 13; 03/97 - 14

**Companies that Requested your Credit File**

- 09/06/97 Equifax - Disclosure 08/27/97 Department Store
- 07/29/97 PRM Bankcard 07/03/97 AM Bankcard
- 04/10/97 AR Department Store 12/31/96 Equifax - Disclosure ACIS 123456789

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**Whose Account**

- Indicates who is responsible for the account and the type of participation you have with the account.
- J = Joint
- I = Individual
- U = Undesignated
- A = Authorized User
- T = Terminated
- M = Maker
- C = Co-Maker/Co-Signor
- B = On behalf of another person
- S = Shared

**Status**

- Type of Account
  - O = Open (entire balance due each month)
  - R = Revolving (payment amount variable)
  - I = Installment (fixed number of payments)

**Timeliness of Payment**

- 0 = Approved not used; too new to rate
- 1 = Paid as agreed
- 2 = 30+ days past due
- 3 = 60+ days past due
- 4 = 90+ days past due
- 5 = Paid or paid 120+ days past due date; or collection account
- 6 = Making regular payments under wage or contract
- 7 = Making regular payments under wage or contract
- 8 = Repossession
- 9 = Charged off to bad debt

**The following inquiries are NOT reported to businesses:**

- PRM - This type of inquiry means that only your name and address were given to a credit grantor so they could offer you an application for credit. (PRM inquiries remain on file for 12 months.)
- AM or AR - These inquiries indicate a periodic review of your credit history by one of your creditors. (AM and AR inquiries remain on file for 12 months.)
- EQUifax, ACIS or UPDATE - These inquiries indicate Equifax's activity in response to your request for either a copy of your credit file or a request for research.
- PRM, AM, AR, Equifax, ACIS, Update and INQ - These inquiries do not appear on credit file businesses receive, only on copies provided to you.
SECTION V: RESOURCES

Commonly Asked Questions About Credit Files

Q: Why did you turn down my request for credit?
A: Credit reporting agencies do not recommend that your credit application be accepted or rejected. Credit grantors make that decision based on your payment record and their own criteria.

Q: Do credit reporting agencies rate my accounts?
A: No. All we do is maintain records. Each creditor reports the status of your account according to your manner of payment.

Q: How can I correct a mistake in my credit file?
A: Complete the Research Request form and give details of the information you believe is incorrect. We will then check with the credit grantor, collection agency or public record source to see if any error has been reported. Information that cannot be verified will be removed from your file. If you and a credit grantor disagree on any information, you will need to resolve the dispute directly with the credit grantor who is the source of the information in question.

Q: What is in my credit file that keeps me from obtaining credit?
A: We do not know, since credit reporting agencies do not grant credit. Each credit grantor has established criteria for making credit decisions. Your credit may appear to be perfect, but having too much credit or too many outstanding balances are examples of why your request for credit might be declined. Sometimes the decision is not even based directly on the credit file; for instance, you may not have been at your current residence or in your present job long enough. If you have any questions about why you were not approved for credit, contact the credit grantor who turned you down for credit for an explanation.

Q: Why is my last reported employment outdated?
A: What is listed as your last reported employment is actually the last employment reported by credit grantors. Employment information is typically reported from applications for credit and therefore is not regularly updated. This information is not used by credit grantors or employers in making their decisions, but is used for demographic purposes.

Q: What is a credit score?
A: A credit score is a composite that indicates how likely you are to pay on a loan or credit card as agreed. It is a predictor of future performance. It is one piece of information credit grantors use when evaluating your application for credit. Your credit score may be based solely on information in your credit file with the credit reporting agencies. Other scores may be based on a combination of credit information and other information you supply on your credit application. The way you have handled credit in the past may have a link as to how you will manage credit in the future. Credit scores cannot predict with certainty how you or anyone will manage credit. They do provide an objective estimate of how likely you are to repay on time and according to terms.

Q: Is the credit score part of my credit file?
A: The credit score is not part of your credit file. It is a process that assists the credit grantor during the credit application process. The score may change as your credit information changes.

Q: If I do have credit problems, is there some place where I can get advice and assistance?
A: Yes, there are several organizations that offer assistance. For example, the Consumer Credit Counseling Service (CCCS) is a non-profit organization that offers free or low-cost financial counseling to help people solve their financial problems. CCCS can help you analyze your situation and work with you to develop solutions. There are more than 600 CCCS offices throughout the country. Call 1-800-388-2227 for the telephone number of the office nearest you.

Q: Should I use one of those companies that promise to help “fix” my credit?
A: That is your choice. Remember, however, that these companies cannot have accurate information removed from your credit file. Much of what they do can do for yourself at little or no cost.

Notice:

Upon receipt of your dispute, we first review and consider the relevant information you have submitted regarding the nature of your dispute. If that review does not resolve your dispute and further investigation is required, we provide notification of your dispute, including the relevant information you submitted, to the source that furnished the dispute information to us. The source reviews the information we provided, conducts an investigation with respect to the disputed information, and reports the results back to us. We then make deletions or changes to your credit file as appropriate based on the results of the reinvestigation. The name and address and, if reasonably available, the phone number of the furnisher(s) of information we contacted while processing your dispute(s) is shown under the Results of Your Investigation section on the cover letter that accompanies the copy of your revised credit file.

If you still disagree with an item after it has been verified, you may send to us a brief statement, not to exceed 100 words (200 words for residents of the state of Maine), explaining the nature of your disagreement. Your statement will become part of your credit file and will be disclosed each time your credit file is accessed.

If the reinvestigation results in a change to or deletion of the information you are concerned about, or you submit a statement in accordance with the preceding paragraph, you have the right to request that we send your revised credit file to any company that received your credit file in the past six months for any purpose (12 months for Colorado, New York, New Jersey and Maryland residents) or in the past two years for employment purposes.
All loan applications require the submission of personal financial statements on all principals (borrowers). Personal financial statements relate only to personal assets and liabilities; therefore, business assets and liabilities are excluded. These guidelines and the sample form should be helpful in preparing your personal financial statement.

1. Select the most recent period on which financial data will be based. The selection of an end-of-month period is deemed appropriate. Statements should be no more than 30 days old.

2. Note that the detailed information listed in sections 2-8 of the sample personal financial statement must be completed before completing the asset/liability/net worth sections.

**Compilation of Data**

**Assets:** In general terms this refers to the properties owned by an individual (excluding business assets) at a particular period in time.

**A. Cash on Hand and in Banks:** This represents personal checking account balances plus any cash or checks not yet deposited. Such information is generally obtained from monthly bank statements. If you have several accounts, compile the amounts on a separate schedule and enter the total on the financial statement form.

**B. Savings Accounts:** This represents savings account balances plus certificates of deposit (CDs).

**C. IRA:** This includes funds in Individual Retirement Accounts; 401Ks, Teachers' Retirement, Keogh Plans, and SEPs.

**D. Accounts and Notes Receivable:** Accounts receivables represent amounts due from individuals or businesses arising from performance of business-related services. A note receivable is an unconditional written promise by one party to another to pay a certain sum of money at a specific time period, usually over one year (i.e. private loan).

**E. Life Insurance:** This amount represents the cash surrender value on any life insurance policies held (generally only whole life policies). Information relating to cash surrender values can be obtained from your insurance agent. Normally, only whole life policies accumulate cash surrender value.

**F. Other Stocks and Bonds:** This represents the cost and market value of both listed and unlisted stocks and bonds held. Information relating to the cost and value of stocks and bonds could be obtained from any local stockbroker (e.g., Merrill Lynch) or the business section of the local newspaper.

**Note:** Both costs and market values of stocks are required on the personal financial statement (see Section III).
G. **Real Estate**: This represents the market value of all real estate owned by an individual (i.e. private residence, land, etc.). Market value may be defined as the price at which a prudent buyer would pay and a prudent seller would accept when neither is acting under pressure. For practical purposes, the market value can be determined from recent appraisals, asking prices for similar properties, or your county tax assessor's office.

H. **Automobile**: This represents the book value [sometimes referred to as the blue book value, (BBV)] of all automobiles owned. Information relating to the BBV of an automobile may be obtained from an automobile dealership or bank that finances automobile purchases.

I. **Other Personal Property**: This represents personal property other than automobiles. These include items such as investment in a sole proprietorship or partnership, household goods and appliances, furniture, jewelry, art, and other collectibles.

J. **Other Assets**: This represents all other assets other than those mentioned above. Such assets may include prepaid items and other advance payments such as deposits for personal services (i.e. telephone or utilities deposits).

**LIABILITIES**: This represents all non-business related amounts owed to individuals or establishments.

K. **Accounts Payable**: This represents amounts due to individuals or establishments arising from the performance of non-business related services.

L. **Notes Payable to Banks and Others**: This represents the principal amount due on bank loans as of the financial statement date. These include all notes other than real estate and automobiles. Balance information may be obtained from the original note and/or monthly loan statements (see section II).

M. **Installment Accounts**: This represents the balance due on an automobile loan. All information relating to automobile loans may be obtained directly from the lending company. Ask for the original loan amount and monthly payment amounts.

N. **Installment Accounts (other)**: This represents the balance due on established lines of credit, notably charge accounts (Visa, MasterCard, American Express, J.C. Penney, etc.). All information relating to account balances may be obtained from monthly statements.

O. **Loans on Life Insurance**: This represents the balance due on any loans made against the cash value of life insurance.

P. **Mortgages on Real Estate**: This represents the principal balance due on any mortgages payable on real estate. Balances can be obtained from the year-end statements or from your mortgage lender.
Q. *Unpaid Taxes:* This represents amounts due to either the Internal Revenue Service, state, or local tax agencies.

B. *Other Liabilities:* This represents amounts due on liabilities other than those listed above.

S. *Net Worth:* This represents the difference between total assets and total liabilities.
**SECTION V: RESOURCES**

---

**PERSONAL FINANCIAL STATEMENT**

U.S. SMALL BUSINESS ADMINISTRATION

As of __________________, 19

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock, or (4) any person or entity providing a guaranty on the loan.

<table>
<thead>
<tr>
<th>Name</th>
<th>Residence Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City, State, &amp; Zip Code</th>
<th>Business Name of Applicant/Borrower</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASSETS (Omit Cents)</th>
<th>LIABILITIES (Omit Cents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hands &amp; in Banks</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>Savings Accounts</td>
<td>Notes Payable to Banks and Others</td>
</tr>
<tr>
<td>IRA or Other Retirement Account</td>
<td>(Describe in Section 2)</td>
</tr>
<tr>
<td>Accounts &amp; Notes Receivable</td>
<td>Installment Account (Auto)</td>
</tr>
<tr>
<td>Life Insurance-Cash Surrender Value Only, (Complete Section 8)</td>
<td>Mo. Payments</td>
</tr>
<tr>
<td>Stocks and Bonds, (Describe in Section 3)</td>
<td>Installment Account (Other)</td>
</tr>
<tr>
<td>Real Estate, (Describe in Section 4)</td>
<td>Mo. Payments</td>
</tr>
<tr>
<td>Automobile-Present Value,</td>
<td>Loan on Life Insurance</td>
</tr>
<tr>
<td>Other Personal Property, (Describe in Section 5)</td>
<td>Mortgages on Real Estate</td>
</tr>
<tr>
<td>Other Assets, (Describe in Section 6)</td>
<td>(Describe in Section 4)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
</table>

**Section 1. Source of Income**

<table>
<thead>
<tr>
<th>Salary</th>
<th>As Endorser or Co-Maker</th>
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<tbody>
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<table>
<thead>
<tr>
<th>Not Investment Income</th>
<th>Legal Claims &amp; Judgments</th>
</tr>
</thead>
<tbody>
<tr>
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<table>
<thead>
<tr>
<th>Real Estate Income</th>
<th>Provision for Federal Income Tax</th>
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<td>$</td>
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<thead>
<tr>
<th>Other Income (Describe below)*</th>
<th>Other Special Debt</th>
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</table>

*Any rent or child support payments need not be disclosed in "Other Income" unless it is decided to have such payments counted toward total income.

**Section 2. Liabilities**

(Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

<table>
<thead>
<tr>
<th>Name and Address of Noteholder(s)</th>
<th>Original Balance</th>
<th>Current Balance</th>
<th>Payment Amount</th>
<th>Frequency (months/years)</th>
<th>How Secured or Endorsed Type of Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-O</td>
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SBA Form 413 (2-94) Use 6-01 Edition until stock is exhausted. Ref: GOP 50-10 and 50-30

(Stamp)
### Section V: Resources

#### Section 3
<table>
<thead>
<tr>
<th>Number of Shares</th>
<th>Name of Securities</th>
<th>Cost</th>
<th>Market Value</th>
<th>Date of Quotation/Exchange</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

#### Section 4: Real Estate
(List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

<table>
<thead>
<tr>
<th>Property A</th>
<th>Property B</th>
<th>Property C</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
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</table>

<table>
<thead>
<tr>
<th>Type of Property</th>
<th>G</th>
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<table>
<thead>
<tr>
<th>Address</th>
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<table>
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<tr>
<th>Date Purchased</th>
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<tr>
<th>Original Cost</th>
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<tr>
<th>Present Market Value</th>
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<table>
<thead>
<tr>
<th>Name &amp; Address of Mortgage Holder</th>
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<thead>
<tr>
<th>Mortgage Account Number</th>
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<table>
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<tr>
<th>Mortgage Balance</th>
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<table>
<thead>
<tr>
<th>Amount of Payment per Month/Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Status of Mortgage</th>
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<tbody>
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</table>

#### Section 5: Other Assets
(Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)

<table>
<thead>
<tr>
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<tbody>
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#### Section 6: Unpaid Taxes
(Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

<table>
<thead>
<tr>
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#### Section 7: Other Liabilities
(Describe in detail)

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#### Section 8: Life Insurance Held
(Give face amount and cash surrender value of policies - name of insurance company and beneficiaries)

<table>
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I authorize SSA to order to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify that above and the statements contained in the attachments are true and correct as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand that statements may result in loss of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1601).

<table>
<thead>
<tr>
<th>Social Security Number:</th>
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<tr>
<th>Signature:</th>
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<table>
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<th>Social Security Number:</th>
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<th>Signature:</th>
<th>Date:</th>
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**PLEASE NOTE:** The estimated average burden hours for the completion of this form is 1.5 hours per response. If you have questions or comments concerning this estimate or any other aspect of this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, D.C. 20416, and Clearance Officer, Paper Reduction Project (2445-0198), Office of Management and Budget, Washington, D.C. 20503.
The purpose of this sample case is to provide detailed explanations of the various components of a loan proposal as discussed in previous sections. The case, Just Heaven Day Spa, has been written based on experiences of the author and co-authors. Writing a business plan/loan proposal following this example does not necessarily guarantee loan approval since other factors have to be considered as part of the loan application process, especially the "Five C's" of Credit. As mentioned before, the emphasis and content of your plan can vary based on the objectives of your proposal. The length of your proposal can also vary in length; however, lenders generally want the most pertinent information to be included in your application. Your proposal should be brief, accurate, and concise.

Note: Facts and names in this plan are fictitious.
JUST HEAVEN DAY SPA

LOAN PROPOSAL

LORI MADDOX
OWNER

January 2, 2001

Phone Number: 770-111-5555
Proposed Location: 1234 Make Money Rd.
Start-date: 6/1/01
Loan Request: $302,603
EXECUTIVE SUMMARY

The intention of this proposal is to provide prospective lenders with pertinent information regarding the start-up plan of Just Heaven Day Spa. Just Heaven Day Spa will be the first day spa of its kind offering complete personal services for women and men in the Bankville area. The business will provide an "oasis" for busy clientele who want to be pampered and rejuvenated. With an extensive variety of special services including massage therapy, hair styling, aroma therapy, facials, manicures, pedicures, body wrapping, and tanning facilities, customers will feel as if they are "royalty for a day." Just Heaven Day Spa, owned and operated by Lori Maddox, will be located on 1234 Make Money Road in Bankville, Georgia. As a new day spa, the initial marketing strategies will be aimed toward promoting visibility and attracting customers. Even though this is a start-up business venture, Lori Maddox has over 20 years experience in the cosmetology industry and will carry many of her customers to her new business. Additionally, Ms. Maddox has researched the day spa industry for the past two years, discovering services and business applications that will help in creating a successful day spa for Bankville. Expected to be immediately successful, the business is projected to employ up to 15 designers, specialists, and assistants within 3 years.

The business will require a sizable initial investment to secure the real estate at the proposed location, construct the new facility, procure equipment, purchase inventory and supplies, and use as working capital in the beginning months. Presently, Ms. Maddox is seeking a $302,603 loan; the proceeds will be applied to Just Heaven Day Spa's start-up costs. Enclosed is all pertinent information for review and consideration.
DESCRIPTION OF BUSINESS

Just Heaven Day Spa will be Bankville’s most complete day spa. Just Heaven will offer a full line of “pampering services” and will be discovered by customers as the spot to relax close to home where one can rejuvenate the body and renew the spirit. While there are many beauty salons in the area, few offer any services beyond basic haircuts and styling. Just Heaven Day Spa should not be confused as a “production line” salon or barbershop offering the cheapest prices in town. Instead, the business will cater to an upscale discerning target market of women and men who want to be pampered with a variety of unique services by certified professional staff in beautiful, relaxing surroundings.

With hectic work schedules, stressful deadlines, busy children’s schedules, and other commitments, Bankvillians will find a way to enjoy their time away from the office or home without having to book reservations, fight nasty traffic, or drive hours to a destination resort spa. At Just Heaven Day Spa, customers can escape for a little relaxation by getting away without going away. Our special services will be affordable and convenient. Customers can come to one local place, spend a few hours, and receive the special attention they deserve.

Customers can choose from several personal services, and a host of packages will be available. Most of the revenues of the business will be generated from services with the exception of select retail beauty products including lotions, hair care products, and nail products. Our special services include:

Hair and Skin Services:

Cutting and Styling. Every customer will receive consultation on hair design. A customer will then relax with our head massage during shampoo and conditioner applications specially prescribed for each customer’s hair. Just Heaven Day Spa will give expert advice in the area of styling and make-up for special events such as weddings and parties. Specific services include wash & styling, designer haircuts, braids & twists, gentlemen’s haircuts, and youth haircuts.

Re-texturing. Just Heaven Day Spa can give flat hair body, tame natural curls, or remove unwanted perms. Using the newest techniques, cosmetologists can revive dull, limp hair into healthier, livelier hair. Typical services include full perms and spiral and permanent waves.

Coloring. Depending on the desires and needs of the client, color treatment will be used to enhance hair. Hair coloring can be subtle or bold. Just Heaven Day Spa will give a complimentary consultation to help customers with proper use of colors and styles. Specific services include one step color, two-step color, corrective color, highlights, and low lights.
Facials. Each and every facial is customized to meet individual skin care needs. A licensed skin specialist (aesthetician) will discuss options and results expected from each service.

Manicures and Pedicures. An expert nail technician will shape and buff nails and perform nail and cuticle treatments for men and women. Women can choose from our extensive color selection. A relaxing hand and foot massage provides the perfect ending to this wonderful service. Nail extensions, nail art, fill-ins, and other nail enhancements are included in this service.

Skin Care and Hair Removal. A licensed skin care specialist will offer cleansing and rejuvenating services. For skin resurfacing, treatment of scars, broken capillaries, sun damage, and stretch marks, technicians will use a micro dermabrasion technique. Just Heaven will also use laser hair removal techniques.

Therapeutic Massage Services:

Massages can meet individual needs including sport injury therapy and body tensions. Massage services will be conducted in private rooms by a licensed therapist.

Swedish Massage. Classical European massage technique applied to muscle groups. This massage reduces inflammation and helps muscles maintain their best state of relaxation and flexibility to achieve greater endurance, strength, and stamina.

Shiatsu. This Eastern massaging technique uses acupressure massage which revitalizes the body, releases tension, and reduces fatigue. This service increases circulation and balances the energies of the body and spirit.

Deep Massage. Using a special massage technique that releases deep muscle tension. Relieves chronic pain and soreness and releases pain and tension associated with stress.

Reflexology Massage. This ancient healing technique uses a variety of pressure point movements concentrating on the nerve endings of the hands and feet. The massage releases tension and stress, promoting circulation and revitalizing the body.

Body Wrap Treatments:

All body wraps use aromatherapy oils. Being wrapped in a cocoon of natural herbal sheets and special heat retentive blankets combined with soothing music will ensure relaxation and a memorable experience.
**Detox Body Wrap.** Relieves the body and releases mental fatigue while detoxifying the body and hydrating the skin.

**Energizing Body Wrap.** This wrap energizes the body and renew the spirit. Designed to evoke positive emotions.

**Muscular Body Wrap.** The muscular wrap relieves aching and sore muscles. The cool wrap reduces inflammation and muscle stress.

**Harmony Body Wrap.** For fast paced lifestyles, this wrap uses special herbs to relieve stress and tension.

**Salt Treatments.** This treatment uses Dead Sea salts and other plant and mineral elements to restore, refresh, soothe, and hydrate the skin. Prized for treating dry skin.

**Tanning Facilities:**

A state-of-the-art tanning facility offers complete privacy and comfort in a soothing, cool atmosphere.
PROPOSED LOCATION

Just Heaven Day Spa will be located on 1234 Make Money Road in Simmon County within two miles of the Bankville city limits. The location is ideal for a day spa because the site is on a major thoroughfare and the area is experiencing rapid growth of middle to upper income households. The site is convenient from downtown using the River Watch Parkway and is also easily accessible to those clients who live nearby in the Northeast portions of Bankville; Simmon County; and North Bankville, South Carolina. The location chosen provides easy access from the road and has more than adequate parking. Just Heaven Day Spa will be located near the current employer of Ms. Maddox, so current customers can continue to use her without inconvenience.

In addition to the reasons listed above, the location in Simmon County is an attractive area for a full service day spa for several specific reasons:

⇒ Simmon County is one of the fastest growing counties in the state. Number of households in the target area is estimated to increase from 32,000 to 41,000 by 2003 (GA 2000-demographic report).

⇒ More than half of the households in the target area have incomes of $65,000 or more. People in this area with higher average incomes can afford the luxuries that a day spa can offer.

⇒ The salon will be located near Make Money Plaza and the Market Place Center. These centers create great traffic flow with Harry's and Star Grocery Stores and a potpourri of specialty shops located in these centers.

Ms. Maddox believes the atmosphere at Just Heaven is a critical factor to its success. The unique ambiance will give the impression to clients that the day spa is something more than just a salon. The day spa will provide a calm and relaxing atmosphere with a soft and muted decor, music, and aromatherapy. The atmosphere will make Just Heaven unlike any business in the Bankville area. When a customer enters the salon, a spa coordinator will greet them and a licensed technician will ensure complete and total comfort and relaxation throughout the remainder of the visit.

The new facility will have over 3,000 square feet. Hairstyling and shampoo stations, manicure and pedicure stations, and skin care/hair removal stations will occupy 50 percent of the facility. A waiting area in this section with lounging chairs and coffee/sodas will make the customers comfortable. Since many people get ideas on hairstyles from TV and magazines, the waiting area will display the latest copies of trade publications, and movie and fashion magazines. The large reception counter will double as a display case for hair and beauty items. Additionally, products will be displayed on attractive shelves throughout the business. The remaining footage will be dedicated to four massage/body wrap rooms designed for comfort and relaxation, three attractive and peaceful tanning areas, an office, restrooms, and storage. Overall, the salon will have an attractive and inviting atmosphere so that customers will feel comfortable and enjoy the experience.
MARKET ANALYSIS

Industry Trends. According to the American Salon Green Book, day spas are one of the fastest growing segments of the beauty industry. In 1990, there were only 50 recognized day spas in the United States. Today, there are over 1,800, and the numbers are expected to double in the next three years. The International Spa Association (ISPA) has also recognized the explosion in day spas. Jane Segerberg, president of ISPA, says the spa industry is riding the crest of the health and wellness wave. People want to be pampered in a natural way to preserve the body and face. Convenience has also created demand for the day spa. Where going to a spa at a resort in the past was considered a special treat, for many people it has now become a consistent part of a regimen to calm and balance one’s self.

According to a survey conducted by DAYSPLAN magazine, customers are not as concerned about the variety of services at the day spa as much as the atmosphere that fosters relaxation and contentment. They also found that owners of day spas claimed that the majority of their income came from massages, facials, nail care, hair care, and body treatments. Over 75 percent of day spas were open at least 6 days a week for 8 or more hours, and nearly 50 percent had over 10 employees. The average gross income was $379,250 for all day spas. For day spas with facilities over 3,000 square feet, the average gross income was $534,090. DAYSPLAN also found that day spas in business for five or more years were also likely to produce greater incomes, an average of $571,276 (DAYSPLAN MAGAZINE, Nov/Dec 1998, pages 28-40).

Target Market and Segments. In the nineties, day spas have attracted a more diverse crowd. Growth has been fueled by baby boomers fighting the aging process, stressed-out workers looking for ways to relax and rejuvenate, and Americans spending more on luxuries. In 1999, the ISPA conducted the American Spa-goer Survey (spa-goer is defined as someone who visited a spa more than once in the past year) to discover the average spa-goer demographics. The study found the following:

- Relaxation is the primary reason for visiting a spa, followed by pampering and stress reduction.
- The largest share of regular spa-goers is the baby boomer population. Nearly half are between the ages of 34 and 52.
- Eighty percent of regular spa visitors are women.
- Visits from men have increased 78 percent in 5 years.
- Eighty-seven percent of all spa-goers are white and 8 percent are black.
- Forty percent have earned a college degree and 56 percent have attended some college.
- Twenty-six percent of regular spa-goers earn between $45,000 and $75,000. Thirty-five percent earn more than $75,000.
- Thirty-nine percent purchase health and beauty products from the spa.
- Only 7 percent of the Americans have visited a spa, but 32 percent of those surveyed said they are interested in future day spa visits.
• Twelve percent said they used the Internet to obtain spa and pricing information within the past year.

(American Demographics, March 2000, pg. 32)

Local Market Position. While there are hundreds of beauty salons and barbershops in the area, currently, Bankville does not have a “one-stop-shop” full-service day spa. Personal pampering and a grouping of specialized services will earn market share away from the competition. According to American Demographics, the Bankville area has an under-supply of day spas (there isn’t one located in the area). They report that spas do the best in areas of 100,000 or more. The Bankville area has over 400,000 people in its metropolitan statistical area.

Even though Just Heaven will be a new business, Ms. Maddox expects to carry over about 80 percent of her patrons from her existing employer. Furthermore, employees recruited will also bring their clientele. In order to expand the business’s customer base beyond existing clientele, Just Heaven plans to concentrate on the target segments similar to the demographic segments reported in the ISPA survey.

• Women between the ages of 18-65 - Thirty-six thousand women fall into this age group within a 5-mile radius of the proposed location (UGA GA2000 -- Geographical Information System/GIS).

• Local neighborhoods - Ninety-five thousand people of all ages live within a 5-mile radius. Several of these neighborhoods have household incomes averaging well over $75,000.

• Professional and white-collar workers - predominantly women.

Competition. As mentioned before, salons and barbershops are plentiful in the Bankville and Simon County area. All of them vary in size, type, and level of service, price, and cleanliness. Additionally, several manicure businesses and massage therapists thrive in the area. However, no one offers the full range of services as Just Heaven Day Spa. Just Heaven Day Spa plans to attract customers by being among the more progressive beauty and wellness businesses in the area. Just Heaven will differentiate itself from the competition by providing the best place to relax, rejuvenate, and renew oneself in one of the best facilities in Bankville. Additionally, certified staff will be well known for their beauty and wellness techniques and trends.
MARKET STRATEGY

The demand for the day spa business is exploding across the nation, and the Bankville market is also ready to have one. After researching the spa industry for two years, several factors have come to light that dictate a successful day spa. First, the business must provide a relaxing environment so customers feel as if they have escaped their busy schedules. Additionally, the experience needs to be unique so customers feel that no one else can offer the same service. Second, services must meet the customers’ needs, wants, and desires. Just Heaven’s professionals need to be on the cutting edge of new techniques, trends, and services in order to meet the needs of the customer. Third, successful day spas have marketing systems that attract and retain customers. Just Heaven will use specialized software for the beauty industry called Leprechaun. This software tracks customers and their history, profiles their needs and preferences, and logs special dates such as birthdays and anniversaries. Fourth, successful day spas have to advertise. Just Heaven will use several mediums including direct mail, radio, newspaper, yellow pages, and television advertising. Additionally, special targeted marketing and promotions will attract customers:

PRODUCT AND SERVICES PROMOTIONAL CALENDAR

**January – December**  Focus on the therapeutic benefits of massage therapy. Promotional emphasis on stress, muscle aches, and injury. Also emphasis as an alternative for dates and parties.

*Promo:* “Gift Certificates, Special Packages, and Private Parties” – promotions to get customers in the door. Certain massage techniques will be promoted each month.

**January/February**  Seasonally busy retail months for skin/nail care. Promotional emphasis on dry skin treatments, body lotions, cuticle oils, light sloughing products, moisturizers.

*Promo:* “Promotional Pairs.” One low price for hand lotion/nail color combinations and sunscreen/shampoo combinations. Also, specially priced paraffin services designed to get the customer to try them when they are most needed and hopefully keep them using the service.

**March/April**  Focus on foot care with summer coming up.

*Promo:* “Spring Into Foot Care” – Offer specials on pedicures, pedicure products, foot creams. Give sample products and have classes targeting foot care. Put up wax hair removal display. Offer free sunglasses with manicure and pedicure services.
SECTION V: RESOURCES

May/June: Bridal and Prom Season Focus will be on hair and nails for these special events.

Promo: "Isn't She Lovely." Highlight light colored polishes, French manicures, emergency nail care kits. Give an inexpensive pair of gardening gloves away with every manicure during May. With every set of new acrylic nails in June, offer a free pedicure.

September – December Focus on holidays and busiest retail season of the year.

Promo: "All I want for Christmas is something for myself." Stress relief products. Offer gift wrap for any purchase. Main focus on original gifts that cannot be purchased in the local vicinity. Convenient gift buying with gift kits and baskets pre-made for the shopper on the go. Also offer the service of customizing any gift basket or item. Salon will be fully decorated complete with a small Christmas tree laden with nail polishes.

OTHER PROMOTIONAL STRATEGIES

- An open house during the first month of business. Banners will be hung and refreshments will be served. Informational brochures and promotional material will be distributed. Additionally, hand written notes will be sent to existing customers, and newspaper ads and direct mail will announce the grand opening.

- Special promotion packages for professionals, stay-at-home mothers, and men. Just Heaven will also promote private parties for bridal parties, birthday parties, anniversaries, ladies night out, office parties, Mother's Day, sweet sixteen parties and/or any other occasion.

- Focusing on local physicians and their patients. Since doctors and JAMA recognize massage therapy, discounts will be offered to doctors and their patients. Information about massage therapy will be distributed to area doctors. Additionally, skin and facial services will be promoted to plastic surgeons.

- A 100 percent customer satisfaction guarantee. If a client is not satisfied, client will get next service free or their money back.

- Referral discounts. Clients who refer a friend receive 10 percent off any service and the referred customer receives a 10 percent newcomers discount.

- Thank you and welcome letters. Letters will be sent to all new and existing customers. Additionally, letters will be sent for special occasions such as birthdays and anniversaries.
- Free informational meetings and classes. Just Heaven will offer free classes in areas such as safe tanning, holiday trends in hair and nails, and skin care.

**MANAGEMENT, PERSONNEL AND OPERATIONS**

In general, the Just Heaven Day Spa promises to provide a safe, attractive environment in which to practice the trade of cosmetology and body therapies. The day spa expects to maintain a standard of excellence based and set forth upon the positions of staff that will assist in all phases of the daily operations. Initially, the business will not be staffed to capacity. Technicians will be added gradually as the business grows. All technicians must be able to work together to achieve the goals and objectives of the business. While individuality is recognized and appreciated in all workers, teamwork will be a priority.

*Management and Personnel:*

*Owner:* With over 20 years experience, Ms. Maddox will provide the basic policies, goals, and direction for the salon. She has managed the daily operations for three previous employers; therefore, she understands the business and the factors that make it a success (see resumes in supporting documents). Ms. Maddox will determine all rules, standards, and prices. She will handle all purchases and any disbursements. Ms. Maddox will arrange employees' schedules and issue payroll checks. Most importantly, she will be responsible for maintaining the integrity and image of the day spa, as well as its profitability.

*Designers & Specialists:* These technical members of the staff provide expertise and skills for the salon. Initially, eight cosmetologists, a manicure/pedicure specialist, a skin care specialist, massage therapist, and an electrologist will be recruited. Just Heaven Day Spa will hire designers and specialists from personal contacts, word of mouth, and sales rep. referrals. Designers and specialists are expected to have experience in their field, have some knowledge of hair and beauty products, and exhibit good organization skills. Designers and specialists will be paid on a 50/50 or 60/40 split. Incentives for retail products will also be given.

*Assistants:* Less experienced employees will be assistants with the responsibilities of maintaining cleanliness in the day spa, meet and greet customers, schedule appointments, and run errands. Basically, this is an apprenticeship position designed to be a learning experience. Assistants will be recruited from local cosmetology schools and referrals.
**Operations:**

Just Heaven Day Spa will be open six days a week from 8 a.m. to 8 p.m. Industry software will enable the store to keep track of inventory and sales records, monitor employee productivity, and evaluate monthly profit and loss statements. Darrel Anderson at the Meineke and Vos accounting firm will evaluate financial records monthly and prepare necessary tax documents. A local attorney, Vicki Melnik, will handle all legal matters including incorporating.
FINANCIAL INFORMATION

In order for Just Heaven to become a reality, the business will require a loan to secure the real estate at the proposed location, construct the new facility, procure equipment, purchase inventory and supplies, and use as working capital in the beginning months. Ms. Maddox should qualify for financing because she has the required equity injection, a great credit history, 20 years experience, security, and an opportunity in an exploding market. Ms. Maddox is seeking a $302,603 loan; the proceeds are to be applied to Just Heaven Day Spa's start-up costs. This section contains the financial information for review and consideration.

- Sources and Uses of Funds
- Profit and Loss Projections (two years)
- Cash Flow Projections (two years)
- Balance Sheets and Break Even Point
- Detailed Revenue Projections
- Loan Amortization Schedule

SOURCE AND USES OF FUNDS

SOURCES OF FUNDS

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TOTAL SOURCES OF FUNDS $356,004

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TOTAL USES OF FUNDS $356,004

Refer to supporting documents for list of equipment and quotes on all uses.
# JUST HEAVEN DAY SPA PROFIT AND LOSS PROJECTIONS - YEAR ONE

## REVENUES

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76
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<th>7</th>
<th>8</th>
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<th>10</th>
<th>11</th>
<th>12</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
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<td>41,592</td>
<td>44,624</td>
<td>48,794</td>
<td>52,966</td>
<td>56,478</td>
<td>60,588</td>
<td>63,522</td>
<td>68,545</td>
<td>73,169</td>
<td>79,377</td>
<td>85,377</td>
<td>91,959</td>
<td>41,592</td>
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</table>


| CASH PAID OUT | 870 | 870 | 870 | 870 | 870 | 870 | 1,044 | 1,044 | 1,044 | 1,044 | 1,044 | 11,464 |
| PURCHASES - SUPPLIES/INVENTORY | 17,352 | 17,352 | 17,352 | 17,352 | 17,352 | 17,072 | 19,072 | 19,072 | 19,072 | 19,072 | 218,424 |
| BANK CHARGES | 216 | 216 | 216 | 216 | 216 | 216 | 216 | 216 | 216 | 216 | 216 | 2,728 |
| INSURANCE | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 2,728 |

| TOTAL CASH PAID OUT | 1,055 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 198 | 2,664 |
| PAYROLL TAXES | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 3,000 |
| OPERATING SUPPLIES | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 1,800 |
| OFFICE SUPPLIES | 0 | 275 | 0 | 275 | 0 | 275 | 0 | 275 | 0 | 275 | 0 | 275 | 1,100 |
| OPERATING SUPPLIES | 1,259 | 1,259 | 1,259 | 1,259 | 1,259 | 1,393 | 1,393 | 1,393 | 1,393 | 1,393 | 1,393 | 15,911 |
| REPAIRS/MAINTENANCE | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 3,900 |
| TAXES/SUCESSES | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 2,870 |
| TELEPHONE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 200 | 2,000 |
| TRAVEL | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 5,040 |
| TOTAL LOAN PAYMENTS | 414 | 418 | 422 | 425 | 429 | 433 | 437 | 441 | 444 | 448 | 452 | 456 | 5,220 |
| UTILITIES | 2,607 | 2,607 | 2,599 | 2,599 | 2,592 | 2,588 | 2,584 | 2,581 | 2,577 | 2,573 | 2,568 | 2,568 | 31,055 |
| TOTAL CASH PAID OUT | 32,938 | 31,960 | 32,235 | 31,860 | 31,680 | 32,055 | 34,173 | 34,173 | 34,650 | 33,977 | 33,977 | 34,452 | 358,896 |

| CASH ON HAND | 3,032 | 4,110 | 3,635 | 4,110 | 3,355 | 5,623 | 5,623 | 5,148 | 5,821 | 5,971 | 5,971 | 5,971 | 5,971 |
| CASH RECEIPTS | 44,624 | 48,794 | 52,966 | 56,478 | 60,588 | 63,522 | 68,545 | 73,169 | 79,377 | 85,377 | 91,959 | 97,305 | 97,305 |
### SECTION V: RESOURCES

**BALANCE SHEET FOR JUST HEAVEN DAY SPA**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH</td>
<td>41,592</td>
<td>97,305</td>
</tr>
<tr>
<td>INVENTORY</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>DEPOSITS</td>
<td>760</td>
<td>760</td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>46,342</td>
<td>101,065</td>
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<tr>
<td>FIXED ASSETS</td>
<td></td>
<td></td>
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<tr>
<td>LAND AND BUILDING</td>
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<td>287,035</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>48,321</td>
<td>49,321</td>
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<tr>
<td>SIGNAGE</td>
<td>8,350</td>
<td>8,350</td>
</tr>
<tr>
<td>ACC. DEPRECIATION</td>
<td>(21,236)</td>
<td>(42,472)</td>
</tr>
<tr>
<td>TOTAL FIXED ASSETS</td>
<td>321,470</td>
<td>300,234</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>366,812</td>
<td>401,289</td>
</tr>
</tbody>
</table>

| LIABILITIES             |              |              |
| CURRENT LIABILITIES     |              |              |
| NOTE(S) PAYABLE (CURRENT) | 5,220    | 5,796        |
| LONG TERM LIABILITIES   | 202,881      | 286,685      |
| NOTES PAYABLE           |              |              |

| EQUITY                  |              |              |
| OWNERS INVESTMENT       | 53,401       | 53,401       |
| RETAINED EARNINGS       | 0            | 15,511       |
| NET INCOME              | 15,511       | 39,667       |
| TOTAL EQUITY            | 88,911       | 108,808      |
| TOTAL EQUITY + LIABILITIES | 366,812     | 401,289      |

### BREAKEVEN ANALYSIS FOR JUST HEAVEN DAY SPA

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
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<tr>
<td></td>
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<td>100.0%</td>
</tr>
<tr>
<td>VARIABLE EXPENSES</td>
<td></td>
<td></td>
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<tr>
<td>COST OF GOODS SOLD</td>
<td>2.5%</td>
<td>3.0%</td>
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<tr>
<td>COSMETOLOGIST</td>
<td>20.0%</td>
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</tr>
<tr>
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<td>6.8%</td>
</tr>
<tr>
<td>ESTHETICIAN</td>
<td>3.8%</td>
<td>3.2%</td>
</tr>
<tr>
<td>MASSEUSE</td>
<td>2.9%</td>
<td>3.2%</td>
</tr>
<tr>
<td>NAIL TECH</td>
<td>3.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>BANK CHARGES</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>OPERATING SUPPLIES</td>
<td>3.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>PAYROLL TAXES</td>
<td>6.4%</td>
<td>7.0%</td>
</tr>
<tr>
<td>TOTAL VARIABLE</td>
<td>51.9%</td>
<td>69.5%</td>
</tr>
<tr>
<td>CONTRIBUTION MARGIN</td>
<td>48.1%</td>
<td>41.7%</td>
</tr>
</tbody>
</table>

| FIXED EXPENSES          |                 |                 |
| ADVERTISING             | 10,000          | 16,000          |
| DUES/SUBSCRIPT          | 200             | 220             |
| PROPERTY INSURANCE      | 2,640           | 2,640           |
| WORKERS COMPENSATION    | 2,611           | 4,613           |
| LOAN PAYMENT            | 36,254          | 36,254          |
| LEGAL/ACCOUNT/PROFESS   | 4,348           | 3,000           |
| MISCELLANEOUS           | 1,200           | 1,800           |
| OFFICE SUPPLIES         | 1,500           | 1,100           |
| OFFICERS SALARIES       | 36,000          | 36,000          |
| ASSISTANT               | 9,600           | 19,200          |
| REPAIRS/MAINTENANCE     | 3,600           | 3,600           |
| TAXES/LICENSES          | 3,020           | 2,870           |
| TELEPHONE               | 3,470           | 3,465           |
| TRAINING                | 1,100           | 1,100           |
| UTILITIES               | 4,800           | 5,040           |
| TOTAL FIXED EXPENSE     | 129,345         | 138,282         |

| BREAK-EVEN POINT        | 288,733         | 333,984         |
| MONTHLY BREAK-EVEN      | 22,384          | 27,832          |
## Detailed Revenue Projections for Just Heaven Day Spa

### Revenues - Year 1

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<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>Total</th>
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<td>10,440</td>
<td>10,440</td>
<td>10,440</td>
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<td>13,920</td>
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<td>13,920</td>
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<td>5,472</td>
<td>5,472</td>
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<td>5,472</td>
<td>5,472</td>
<td>5,472</td>
<td>65,664</td>
</tr>
<tr>
<td>Facial/Waxing</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
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<td>1,500</td>
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<td>2,304</td>
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### Revenues - Year 2

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<th>Total</th>
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<td>5,472</td>
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<td>65,664</td>
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### Loan Payment Schedule

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<tr>
<td>Monthly Payment</td>
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<tr>
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</tr>
<tr>
<td>Principle Payment</td>
</tr>
<tr>
<td>Interest Payment</td>
</tr>
<tr>
<td>Ending Balance</td>
</tr>
</tbody>
</table>

<table>
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<tr>
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</thead>
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<td>Beginning Balance</td>
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<tr>
<td>Principle Payment</td>
</tr>
<tr>
<td>Interest Payment</td>
</tr>
<tr>
<td>Ending Balance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<tbody>
<tr>
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<tr>
<td>Principle Payment</td>
</tr>
<tr>
<td>Interest Payment</td>
</tr>
<tr>
<td>Ending Balance</td>
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NOTES ON FINANCIALS

OVERALL ASSUMPTIONS

The financial forecast is an estimate of the most probable yet conservative scenario for the forecast period. Accordingly, the forecast reflects the owner’s judgment based on present circumstances of the most likely set of conditions and the most likely action. The assumptions disclosed herein are those the owner believes are significant to the forecast or those key factors upon which the financial results of the company depends. Some assumptions may not materialize; therefore, actual results may vary.

SALES FORECAST

Projections for differing services are as follows:

<table>
<thead>
<tr>
<th>1st Year</th>
<th>Staff</th>
<th>Days</th>
<th>Daily Customers</th>
<th>Average Transaction</th>
<th>Capacity*</th>
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<tr>
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<td>3-4</td>
<td>24</td>
<td>5</td>
<td>29</td>
<td>50%</td>
</tr>
<tr>
<td>Hair Removal</td>
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<td>24</td>
<td>6</td>
<td>38</td>
<td>50%</td>
</tr>
<tr>
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<td>5</td>
<td>50</td>
<td>50%</td>
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<td>12</td>
<td>5</td>
<td>50</td>
<td>Appointment Only</td>
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<td>24</td>
<td>5</td>
<td>32</td>
<td>50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2nd Year</th>
<th>Staff</th>
<th>Days</th>
<th>Daily Customers</th>
<th>Average Transaction</th>
<th>Capacity*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hair Styling</td>
<td>5-8</td>
<td>24</td>
<td>5</td>
<td>29</td>
<td>60%</td>
</tr>
<tr>
<td>Hair Removal</td>
<td>2</td>
<td>24</td>
<td>6</td>
<td>38</td>
<td>60%</td>
</tr>
<tr>
<td>Facials and Waxes</td>
<td>2</td>
<td>20</td>
<td>5</td>
<td>50</td>
<td>60%</td>
</tr>
<tr>
<td>Massages</td>
<td>2</td>
<td>12</td>
<td>5</td>
<td>50</td>
<td>Appointment Only</td>
</tr>
<tr>
<td>Manicures/ Pedicures</td>
<td>2</td>
<td>24</td>
<td>5</td>
<td>32</td>
<td>60%</td>
</tr>
</tbody>
</table>

Retail - One percent of all hair styling revenues

*Capacity is based on hired personnel not number of available stations
COST OF GOODS SOLD

Based on 50 percent of total retail.

PAYROLL

First year: All staff paid 40 percent of gross sales of their specialty. However, assistant will be paid $200/wk. and a massage therapist will be paid 50 percent for body massages.
Second year: Payroll for cosmetologists will be 50 percent of hair styling sales. All other specialties will remain the same.

OPERATING EXPENSES

Advertising .................... Budgeted at $1,500/mo.
Bank charges .................. 2% of 20% gross revenues
Depreciation .................... Straight-line method on building and equipment
Dues & Subscriptions ........ Budgeted at $200/yr.
Property Insurance .......... Quote from State Farm Insurance Company
Workers’ Comp. .............. Quote Logan and Adams Insurance Company
Interest .......................... PV $302,603/l 10.5%/20 year amortization
Legal/accounting/profess... Includes civil engineer and budgeted at $150/mo.
Miscellaneous ............... Budgeted $100/mo.
Office Supplies ............... Budgeted $500 start-up and $250 qtr.
Operating supplies .......... 3.5% of gross revenue
Payroll Taxes .................. 12% of total payroll
Repairs and Maintenance .... Budgeted at $300/mo for outside maintenance and inside repair
Taxes and Licenses .......... Quote from county clerk and budgeted monthly
Telephone ...................... Quote from Southern Bell
Training .......................... Budgeted at $1100/yr.
Utilities ....................... Quote from Georgia Power

SUPPORTING DOCUMENTATION

1. Required Documents (See page 36)
2. Market Research (surveys, reports)
3. Building blueprint and interior layout
4. Certifications/licenses (i.e. Day care operators are required to be certified)
5. Documents that support business concept (menus, advertising, etc.)
6. Other documents that support loan proposal
Participants in the U.S. Small Business Administration’s Certified Lender Program & Preferred Lender Program

(This list includes only those banks with CLP and/or PLP status. All banks are eligible to participate in SBA’s Guaranteed Loan Programs.)

*Sponsor:* Wachovia Bank
3333 Riverwood Parkway
Suite 220
Atlanta, GA 30339
Alicia Larame
(770) 989-5841

*Bank of North Georgia
8025 Westside Parkway
Alpharetta, GA 30004
Deborah Dickenson
(770) 751-4743

*Allied Capital Lending
2970 Peachtree Road
Suite 825
Atlanta, GA 30305
Clayton Howell
(404) 760-0566

*Bank of the West
430 Chestnut Street
Chattanooga, TN 37402
Chapin Miller
(423) 267-1610

*BDC of Georgia, Inc.
1450 South Johnsons Ferry Rd.
Atlanta, GA 30319
Tom Dorman
(770) 475-6011

*Century South Bank
7 East Congress Street
Savannah, GA 31402
Jamie Chisolm
(912) 232-3800

*Branch Banking & Trust Co.
950 East Paces Ferry Rd.
Suite 2575
Atlanta, GA 30326
Amy Kardon
(404) 442-5022

*Anresco Independence Funding Co.
2 Concourse Parkway, Suite 275
Atlanta, GA 30328
Tanya Necessary
(770) 554-2788

*Atlantic States Bank
2140 Satellite Blvd.
Duluth, GA 30097
Dana Little
(678) 473-7632

*Business Loan Center
415 Beckrich Rd., Suite 250
Panama City Beach, FL 32407
Fred Crispin
(850) 234-5056

*Bank of America
Riverwood 100, 11th Floor
3350 Riverwood Parkway
Suite 1100
Atlanta, GA 30339-3340
Jim Vaughan
(770) 850-5513

*Capitol City Bank & Trust
562 Lee Street
Atlanta, GA 30310
Willie L. Yancey
(404) 752-6067

*Century South Bank
503 Mulberry Street
Macon, GA 31202
Robert Willingham
(478) 744-2400
*Citizens Trust Bank
75 Piedmont Avenue
Atlanta, Georgia 30303
Derek Grayson
(404) 653-2871

*CIT Small Business Lending
PMB 342
12460 Crabapple Road, Suite 202
Alpharetta, GA 30004-6386
Claudia Wilson
(678) 461-0461

The Coastal Bank
P.O. Box 9750
Savannah, GA 31412-9747
Robert Whitmarsh
(912) 235-4444

*Colonial Bank
510 Roberts Ct.
Kennesaw, GA 30144
Mark Moorhead
(770) 792-5641

*Columbus Bank & Trust
P.O. Box 870308
Stone Mountain, GA 30087
Marie Glover
(770) 465-9595

Commercial Capital Corporation
25 West 43rd Street, Suite 1105
New York, NY 10036
Charles Freeman
(212) 719-0002

Community Bank of Georgia
3333 Lawrenceville Highway
Tucker, GA 30084
Terrance Lewis
(770) 491-3333

Community Bank & Trust
P.O. Box 1900
Cornelia, GA 30531
William M. Galardi
(770) 287-8650

*Compass Bank
17218 Preston Rd.
Suite 3000
Dallas, TX 75252
Gregory Clarkson
(972) 735-3598

*Decatur First Bank
1120 Commerce Drive
Decatur, GA 30030
Scott Lewis
(404) 373-1000

*Eastside Bank & Trust
P.O. Box 549
219 Scenic Highway
Snellville, GA 30078
Chris Burnett
(770) 979-2265

Fidelity National Bank
3490 Piedmont Road
Suite 1450
Atlanta, GA 30305
Michael Sherman
(404) 240-1526

*First Colony Bank
P.O. Box 1067
Alpharetta, GA 30009
Robert Shaw
(770) 663-8488

First National Bank of Alma
P.O. Box 2028
Alma, GA 31510
Jon Lott
(912) 632-7262

*First National Bank of Cherokee
9860 Highway 92
Woodstock, GA 30188
Sandra W. Brown
(770) 591-9000

U.S. SBA CERTIFIED LENDER PROGRAM

SECTION V: RESOURCES
SECTION V: RESOURCES

U.S. SBA CERTIFIED LENDER PROGRAM

First National Bank of Coffee County
420 South Madison Avenue
Douglas, GA 31533
Mark L. Rowe
(912) 384-1100

*First Western SBLC
18111 Preston Road, Suite 600
Dallas, TX 75252
Mary Brownmiller
(972) 349-3200

*G.E. Capital Small Business Finance
5900 Windward Parkway
Suite 390
Alpharetta, GA 30005
Chris Cashwell
(678) 366-6909

*Goleta National Bank
665 Molly Lane
Suite 110
Woodstock, GA 30189
Donna Pierson
(770) 516-7744

*Gulf Coast Bank & Trust Company
7179 Jonesboro Road
Suite 200
Morrow, GA 30260
Charlie Stanford
(770) 960-8818

Gwinnett Banking Company
165 Nash Street
Lawrenceville, GA 30045
Paul Birkhead
(770) 995-0000

Habersham Bank
P.O. Box 1980
Cornelia, GA 30531
Bonnie Bowling
(800) 822-0316, Ext. 475

*Heller First Capital
900 Circle 75 Parkway, NW
Suite 900
Atlanta, GA 30339
Greg Dunn
(770) 933-7066

Horizon Bank
1059 Mistletoe Road
Decatur, GA 30033
Steve King
(404) 299-3660

*Independent Bank & Trust Company
4484 Marietta Street
Powder Springs, GA 30127
M. Gregson Griggs
(770) 426-0996

*First Union Small Business Capital
651 E. 4th Street, Suite 100
Chattanooga, TN 37403
Gary Griffin
(423) 634-3228

Mountain National Bank
5100 Lavista Road
Tucker, GA 30085-0049
Greg Russell
(770) 491-8808

Peoples State Bank
72 E. Parks Street
Baxley, GA 31513
Steve Ridgon
(912) 367-3658

*Quantum National Bank
505 Peachtree Industrial Boulevard
Suwanee, GA 30024
Debi Lynn
(770) 945-8300
SECTION V: RESOURCES

*Regions Bank
1457 Mount Vernon Road
Dunwoody, GA 30338
Susan Battle
(770) 395-9331

*Riverside Bank
1200 Johnson Ferry Road
Marietta, GA 30068
Robert Garcia
(770) 977-8585

SouthTrust Bank, N.A.
2000 Riveredge Parkway
Suite 350B
Atlanta, GA 30328
Juan Lago
(770) 951-4411

*Summit National Bank
4360 Chamblee-Dunwoody Road
Atlanta, GA 30341
Andree London
(770) 454-0441

SunTrust, Atlanta
P.O. Box 4418, MC 056
Atlanta, GA 30302
Leonard Ferrand
(404) 724-3872

Tucker Federal Bank
2355 Main Street
Tucker, GA 30084
Jack Lyle
(770) 908-6486

*Union County Bank
P.O. Box 398
Blairsville, GA 30514
Marla K. Mashburn
(706) 745-2151

*U.S. Bank
2839 Paces Ferry Road, Suite 1210
Atlanta, GA 30339
Shay Corbin Barkley
(770) 434-6660

*Westside Bank & Trust Company
P.O. Box 2147
Marietta, GA 30061
Kay Kirsche
(770) 514-1990

Vine Street Trust
5901-C Peachtree Dunwoody Rd.
Suite 420
Brian Faulk
Atlanta, GA 30328
(770) 551-8822

*Zions Small Business Finance
31 West Congress St.
Suite 208
Savannah, GA 31401
Lee Story
(800) 748-5604

*Denotes Preferred Lender Status.
Certified lenders have the expertise
to originate and process SBA loans
and receive SBA decision on loan
guarantee applications within three
working days. Preferred lenders
have the ability to originate, process,
and service loans backed by SBA
guarantees.
GEORGIA’S CERTIFIED DEVELOPMENT COMPANIES/CORPORATIONS

Atlanta Local Development Corporation
86 Pryor Street, Suite 300
Atlanta, Georgia 30303
(404) 880-4100 (City of Atlanta Only)
Lonnie Saboor
www.atlantada.com/program.html

The Business Growth Corporation of Georgia
2255 Cumberland Parkway, Suite 1200-A
Atlanta, Georgia 30339
(770) 434-0273
Barbara Benson
www.businessgeorgia.com/bgc.html

Certified Development Corporation of N.E. Georgia
305 Research Drive
Athens, Georgia 30605-2795
(706) 369-5601
Jim Doue
www.negrdc.org/

Coastal Area District Development Authority
1313 Newcastle Street, 2nd floor
Brunswick, Georgia 31521
(912) 261-2500
Lawton Johnson
www.cadda.com

CSRA Local Development Corporation
3023 Riverwatch Parkway
Suite A
Augusta, Georgia 30907
(706) 210-2010
Randy Griffin
www.csrradc.org/csrndlcd.html

Development Corporation of Middle Georgia
175-C Emery Highway
Macon, Georgia 31201
(912) 751-6160
Clayton Black
www.mgrdc.org
Small Business Assistance Corporation
111 B. Liberty Street, Suite 100
Savannah, Georgia 31401
(912) 232-4700
Tony O’Reilly
www.sbac.sav.com/

Economic Development Corporation of Fulton County
141 Pryor Street, Suite 5001
Atlanta, Georgia 30303
(404) 730-8073
Marva Bryan
www.fultoneed.org

Georgia Certified Development Corporation
3353 Peachtree Road, NE, Suite 1130
Atlanta, GA 30326
(404) 267-1041
Ronald W. Tigner
rsstaff@bilending.com

Georgia Mountains Regional Economic Development Corporation
460 S. Enota Drive
Gainesville, Georgia 30501
(770) 536-7839
Sheila Green
gmredc@nbank.net

North Georgia Certified Development Corporation
503 West Waugh Street
Dalton, Georgia 30720
(706) 272-2300
Cheryl Hollis
www.ngcdc.org

South Georgia Area Development Corporation
327 West Savannah Avenue
Post Office Box 1223
Valdosta, Georgia 31601
(912) 333-5281
Michele Frey
www.sgrdc.com/p3.html

Uptown, Inc.
Post Office Box 1237
Columbus, Georgia 31902
(706) 596-0111
Shelly Montgomery
www.uptowncolumbusga.com/
U.S. SBA MICRO-LOAN PROGRAM, GEORGIA PARTICIPANTS

Fulton County Development Corporation/GRASP Enterprises
241 Peachtree St., NW
Suite 200
Atlanta, GA 30303
(404) 659-5955

Small Business Assistance Corporation
111 E. Liberty St.
Suite 100
P.O. Box 10516
Savannah, GA 31401
(912) 232-4700

U.S. SBA COMMUNITY ADJUSTMENT AND INVESTMENT PROGRAM (CAIP, GEORGIA COUNTIES ELIGIBLE)

Dates shown are when eligibility expires for the county, unless extended due to a high 12-month average unemployment rate.

Appling 1/29/01
Bacon 1/29/01
Ben Hill 9/2/01
Calhoun 8/1/01
Emanuel 5/15/01
Jeff Davis 2/10/01
Jefferson 5/15/01
Johnson 2/10/01
Laurens 10/1/01
Montgomery 8/1/01
Randolph 8/1/01
Screven 3/12/01
Tattnal 8/1/01
Telfair 9/2/01
Terrell 8/1/01
Toombs 8/1/01
Upson 2/28/01
Washington 5/15/01
Wheeler 9/2/01
Wilcox 9/2/01
SBIC LICENSEES LOCATED IN GEORGIA

Cordova Ventures
2500 North Winds Parkway
Suite 475
Alpharetta, GA 30004
Paul DiBella & Ralph Wright, Partners
Phone: (679) 942-0300  Fax: (678) 942-0301

EGL/Natwest Ventures USA, L.P.
3495 Piedmont Road
Building Ten, Suite 412
Atlanta, GA 30305
Salvatore Massaro, Partner
Phone: (404) 949-8300  Fax: (404) 949-8311
Email: samassaro@eglholdings.com

First Growth Capital, Inc.
P.O. Box 815
I-75 & GA 42, Best Western Plaza
Forsyth, GA 31029
Vijay K. Patel, President
Phone: (912) 994-9260  Fax: (912) 994-1280
Email: vkpfge@aol.com

Mellon Ventures, L.P.
One Buckhead Plaza
3060 Peachtree Road, Suite 780
Atlanta, GA 30305
John Richardson
Phone: (404) 264-9180  Fax: (404) 264-9305

Wachovia Capital Associates, Inc.
191 Peachtree Street, N.E.
26th Floor
Atlanta, GA 30303
J. Peter Peyton, President
Phone: (404) 332-1437  Fax: (404) 332-1455
Email: joan.bridges@wachovia.com

October 11, 2000
GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS
REVOLVING LOAN FUNDS

Participating Counties and Towns

Alma
Americus
Appling County
Arabi
Blackshear
Bowman
Calhoun
Carrollton
Clarke County
Clinch County
Cordele
Crisp County
Dodge County
Early County
Eaton
Elbert County
Gainesville
Glennville
Glynn County
Haralson County
Heard County
Lafayette
Lanier County
Liberty County
Lumpkin
Manchester
McDuffie County
Meckinosh County
Montezuma
Moultrie
Mountain City
Ocilla
Pearson
Pickens County
Pierce County
Preston
Randolph County
Rome
Seminole County
Swainsboro
Sylvester
Taliferro County
Tel Fair County
Thomasville
Thomson
Tift County
Toombs County
Vidalia
Waynesboro
Wilkinson County
Willsacochee
Wrens

Note: Fund size and availability vary by location.

APPALACHIAN REGION
BUSINESS DEVELOPMENT REVOLVING LOAN FUND

Eligible Counties

Banks
Barrow
Bartow
Carroll
Catoosa
Chattooga
Cherokee
Dade
Dawson
Douglas
Elbert
Fannin
Floyd
Forsyth
Franklin
Gilmer
Gordon
Gwinnett
Habersham
Hall
Haralson
Hart
Heard
Jackson
Lumpkin
Madison
Murray
Paulding
Pickens
Polk
Rabun
Stephens
Towns
Union
Walker
White
Whitfield
EDA REVOLVING LOAN PROGRAMS

Albany Community Together (ACT)
Department of Community & Economic Development
230 South Jackson Street, Suite 315
Albany, Georgia 31701-2816
Linda Jeter
(229) 420-4328

City of Atlanta, Georgia
Atlanta Development Authority
86 Pryor Street, S.W., Suite 300
Atlanta, Georgia 30303-3131
Lonnie A. Saboor
(404) 880-4100

Central Savannah River Area Regional Development Center
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907
Randall E. Griffin
(706) 210-2010

Coastal Area District Development Authority
1313 Newcastle Street, 2nd Floor
Brunswick, Georgia 31520
Lawton Johnson
(912) 261-2500

Fulton County, Georgia
Department of Economic Development
141 Pryor Street, Suite 5001
Atlanta, Georgia 30303
Joseph Johnson, Jr.
(404) 730-8073

Georgia Mountains Regional Economic Development Center
P.O. Box 1720
Gainesville, Georgia 30503
Sheila S. Greene
(770) 536-7839

Lower Chattahoochee Regional Development Center
P.O. Box 1908
Columbus, Georgia 31902-1908
Ronald L. Starnes
(706) 649-1207
SECTION V: RESOURCES

EDA REVENGE LOAN FUNDS

Middle Flint Regional Development Center
228 West Lamar Street
Americus, Georgia 31709
Bobby L. Lowe
(229) 931-2909

Middle Georgia Regional Development Center
175-C Emery Highway
Macon, Georgia 31217
James C. Tonn
(478) 751-6160

North Georgia Regional Development Center
503 West Waugh Street
Dalton, Georgia 30720
Barry Tarter
(706) 272-2300

City of Savannah
P. O. Box 1027
Savannah, Georgia 31402
Michael B. Brown
(912) 651-3653

South Georgia Regional Development Center
P. O. Box 1223
Valdosta, Georgia 31603
Michelle C. Frey
(229) 333-5277

Southeast Georgia Regional Development Center
3395 Harris Road
Waycross, Georgia 31503
Lace Futch
(912) 285-6097

Southwest Georgia Regional Development Center
P. O. Box 346
Camilla, Georgia 31730
Dan Bollinger, Sr.
(229) 522-3552
The Georgia Small Business Development Center (SBDC) Network provides free consulting and low cost training programs for business owners. The site provides information about the SBDC and its special emphasis programs, such as Minority Business Enterprises, International Trade Development, and the Georgia Women Entrepreneur Initiative as well as links to financing alternatives.

The U.S Small Business Administration has several small business and loan programs that are described in detail on this site.

Inc. Magazine provides an excellent site for small businesses. The site offers free articles on financing and provides several templates for business plans and financial projections.

This site offers tips on marketing, start-up, financing, law, publicity, taxes for home offices, and the self-employed.

The National Business Association’s web site includes information on starting your own business, financing, writing a business plan, and advertising.

If you need additional help with business plans, this site contains detailed information on writing a business plan and provides good business plan examples. Additionally, the site has information on small business financing.

Part of the Lycos Network features templates for business plans including financials and handy tips in areas such as company research, taxes, and human resources, etc.

Quicken Small Business provides information on writing a business plan, applying for funding, and writing an employee manual.

This site helps entrepreneurs create professional business plans.

The Sample Business Plan Center contains a database of company types that an individual can search to find the closest sample plan that is most relevant to his or her business.
SECTION V: RESOURCES

**Web Pages to Help You Prepare a Loan Proposal**

www.helpbizowners.com
The Small Business Help Center is one-stop assistance for information on running a small business. Topics on this site include buying and selling a business, management, financing, franchising, marketing, human resources, and taxes, etc.

www.garage.com
The Garage.com web site targets startups specializing in information technology and life sciences that represent attractive investment opportunities for venture capital firms, corporate development, and individual high tech investors. Generally, these companies are seeking $500,000 to $4,000,000.

www.pwcmoneytree.com
This site presents the results of a quarterly survey of venture capital trends and results from around the nation.

www.capitalconnection.com
The Capital Connection Corporation provides equipment leasing and alternative financial solutions to commercial business.

www.businessfinance.com/index.htm
This site contains a free database of funding sources.

www.businessfinance.com
America's Business Funding Directory contains information on commercial financing, government loans, investment funds, real estate financing, and venture capital.

www.small-business-grants.com
The U.S. Federal Government is the nation's largest provider of financing businesses. Loans may be used for start-up, expansion, and equipment purposes.

www.bizfinance.com
Business Finance Mart allows small business owners to apply for a business loan online.

www.smallbusinessloans.com
A site which caters to small business loans and leasing.

www.bankrate.com
This site gives current information on loan, credit, mortgage, and other rates, as well as banking/credit news.

www.smallbusinesscenter.com
This site is a good resource for small business loans, credit reports, and insurance, etc.
www.studyweb.com/business/toc.htm
This site offers a list of topics having to do with business and finance.

www.entrepreneurmag.com
*Entrepreneur Magazine*’s online small business publication contains information about growing or managing a small business.

www.fortune.com
This site displays daily business reports and articles from the print magazine.

www.census.gov
If you need help finding demographic data, this site contains the most compact source of statistics on social and economic conditions in the U.S.

www.doi.state.ga.us
The Georgia Department of Labor’s Internet Quickstats web site gives one the ability to create special reports. Data categories listed are as follows: employer, demographics, income & wages, industry, labor force, occupation, area profile, and economic status.

www.demographics.com
This site reports on and analyzes consumer trends for business leaders.
### Profit and Loss Projections - Year One

#### Revenues
- Cost of Goods Sold
- Gross Profit

#### Expenses
- Advertising
- Bank Charges
- Depreciation
- Dues/Subscriptions
- Insurance
- Property
- Workers Compensation
- Interest
- Legal/Accounting/Professional
- Miscellaneous
- Office Supplies
- Operating Supplies
- Payroll
- Payroll Taxes
- Repairs/Maintenance
- Taxes/Licenses
- Telephone
- Training
- Utilities
- Total Expenses
- Net Profit

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<th>START-UP</th>
<th>1</th>
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<th>3</th>
<th>4</th>
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<td>Revenues</td>
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<tr>
<td>Expenses</td>
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<tr>
<td>Net Profit</td>
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## Profit and Loss Projections - Year Two

<table>
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<th>2</th>
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<th>4</th>
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<th>7</th>
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<th>10</th>
<th>11</th>
<th>12</th>
<th>TOTAL</th>
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<td><strong>Revenues</strong></td>
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<td></td>
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</tr>
<tr>
<td>Cost of Goods Sold</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Gross Profit</td>
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</tr>
<tr>
<td><strong>Expenses</strong></td>
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<td></td>
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SECTION V: RESOURCES  
FINANCIAL PROJECTION TEMPLATES


