



Coach House Bed & Breakfast

February 2000

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Coach House Bed and Breakfast

1.0 Executive Summary

Introduction

The long-term goal of Coach House Bed and Breakfast (Coach House) is to become the best choice on Tybee Island, Georgia for temporary lodging by creating a differentiated experience capitalizing on personal service, the historical nature of the Coach House building, and its unique location in one of the most attractive parts of the Old South. We plan to be more than a great bed and breakfast. We plan to create an environment of pampered luxury that surpasses the standard fare for Tybee. Expanding our exposure via the Internet and introducing the island to people that have not yet discovered this year-round paradise will allow us to maintain a higher than average occupancy rate and above average profits.

The Company

Coach House Bed and Breakfast is an established B&B, and has been in operation for the last three years as Marsh Hen Bed and Breakfast. After possession and a brief period of becoming established, Coach House will diversify into other ventures to ensure a steady flow of patrons (tourists and locals) through its doors.

The Coach House Bed and Breakfast will be a partnership, equally owned by John Maesch and Frank Williams. Mr. Maesch will reside on the property, managing and maintaining the business and satisfying Tybee Island license requirements.

Our Services

The Coach House Bed and Breakfast was originally built in 1920 and is believed to have been one of three train stations on Tybee Island, linking the island to Savannah. The building has undergone a number of restorations and uses since the train service ceased operation. With construction completed, it now has the potential of four rental units with owner-occupancy in an unused room.

Creating a "home away from home" which is often more beautiful and palatial than where they are traveling from will ensure many return customers. The riches of Chatham County have always drawn a significant number of tourists to the Savannah/Tybee Island area. In addition to providing information about such locations, we plan to collaborate with tour agencies and businesses throughout the area by offering packages and special rates.

As the B&B becomes established through the peak season, we plan to expand our services to the residents of Tybee and Savannah in time for the off-season. The adjoining rooms open creating a large area, ideal for formal or informal gatherings (i.e. wedding receptions, office parties, Christmas parties, etc.).

The Market

B&Bs, along with other short-term lodging on Tybee Island, have been a substantial part of the island tourism. Of the short-term lodgings on Tybee, ten are categorized as inns, 19 as long-term lease facilities (rentals, condos, and houses) and only four as B&Bs, including the Coach House. Hotels/motels constitute the largest percentage of rental properties on the island in terms of units.

A modest projection for increased unit rental is 30% per year. Competitors on the island have averaged 30% + rental increases over the past three years, and the Georgianne Inn is forecasting 50% increases for the next two years before hitting full capacity. This projection is without any significant increase in advertising or exposure, but is based on the general average increase in tourism.

Our two major customer segments are tourists from the north who traditionally prefer the cozy environment of B&Bs, and local patrons who need the facilities for various events. Subscriptions to various Web services will provide international exposure to potential customers for nominal annual fees.

Coach House Bed and Breakfast

Financial Considerations

Coach House will be acquired at \$500,000 via a small business administration (SBA) loan (CDC 504 Loan Program) with the buyers supplying 20% down (\$100,000), Ameribank supplying 50% (\$250,000), and SBA supplying 30% (\$150,000). We are assuming an initial capital start-up of \$12,000 for operating expenses.

We estimate average monthly fixed costs to be at \$6,770 (\$3,486 for expenses and \$3,284 for interest payments). Peak and off-season will have significant impact on the monthly earnings. For the first year, on-season revenues will offset off-season losses. As Coach House B&B builds its market position among the local patrons, we anticipate that off-season revenues will be enough to break even during that season.

1.1 Objectives

1. Open the Coach House Bed and Breakfast as a "turn key operation" on May 3, 2000 with existing bookings for the Marsh Hen Bed and Breakfast (prior ownership), and new bookings under an increased rental rate after possession.
2. Demonstrate a minimum of 65% occupancy averaged throughout year 2000.
3. Increase exposure and market using Internet technology and direct advertising to northern regions of the United States.
4. Through incentives and increased exposure on the Internet, we hope to increase off-season occupancy by 30% the first year.
5. Increase off-season use by divesting into other uses for property (cater parties, receptions, weddings, etc.).

1.2 Mission

The mission of Coach House is to become the best choice in Tybee for temporary lodging by expanding our exposure via the Internet (with multiple networks and links), and introducing the island to areas that have not yet discovered this year-round paradise. We plan to be more than a great bed and breakfast. We plan to create an environment of pampered luxury that surpasses the standard fare for Tybee.

The Coach House guest will have every need met to ensure his/her comfort. For special occasions, catered meals, chilled wine, etc. can be provided for an additional stipend. During the weekends, guests will return to the B&B in the evening and find cheese, fruit, and wine for snacking before turning in.

As the B&B becomes established through the peak season, we plan to expand our services to the residents of Tybee and Savannah in time for the off-season. The adjoining rooms open creating a large area, ideal for formal or informal gatherings (i.e. wedding receptions, office parties, Christmas parties, etc.). The outdoors, with its access to the beach, a beautiful, tropical front yard, and a private deck, opens several additional opportunities. A gazebo in the front yard would make the perfect location for a wedding, as would the sand and surf for those that prefer a beach wedding. With the capability for a catered reception inside, Coach House will make the event smooth and easy for the guests. Immediate family or selected members of the wedding party would be able to stay at the B&B, while other party members will be referred to neighboring Inns. This collaborative practice is not new to Tybee, but Coach House

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will be a new member in the exchange.

Tourists will want to explore the riches of Chatham County (Bonaventure Cemetery, River Street, Worms Low, Savannah's historic district, market square, dolphin tours, the marinas, and Fort Pulaski to name a few). In addition to providing information about such locations, we plan to collaborate with tour agencies and businesses throughout the area by offering packages and special rates with in-kind incentives for the cooperating merchants, including tours originating from the Coach House.

Amenities that go beyond the typical B&B will include:

- Pralines on pillows.
- A complimentary music CD for each room that the guest may keep (copy included in packet).
- An extensive video and audio library for guest use.
- CD stereo systems and VCRs in each room.
- Starbucks coffee.
- A variety of herbal teas.
- Daily fresh-baked muffins and fresh fruit.
- Links to other businesses and services on the island and the mainland.

1.3 Keys to Success

In order to succeed, the new management will strive to achieve the following goals:

- Position Coach House B&B as the best B&B on Tybee Island among the numerous tourists.
- Build strong market position among the local patrons.
- Maintain sound financial management of the venture.

2.0 Company Summary

Coach House Bed and Breakfast is an established B&B, and has been in operation for the last three years as Marsh Hen Bed and Breakfast. After possession and a brief period of becoming established, Coach House will diversify into other ventures to ensure a steady flow of patrons (tourists and locals) through its doors.

2.1 Company Ownership

The Coach House Bed and Breakfast will be a partnership, equally owned by John Maesch and Frank Williams. As of this writing, the decision to incorporate has not yet been made, but will be considered after the owners relocate to Georgia and establish local legal representation. Mr. Maesch will reside on the property, managing and maintaining the business and satisfying Tybee Island license requirements. Mr. Williams will remain in Indiana fulfilling his employment contract.

As the B&B becomes self-supporting, Mr. Williams will resign--transferring his retirement money to the capital reserve, relocating to Tybee, and assisting with the daily responsibilities of the B&B.

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2.2 Company History

The Coach House Bed and Breakfast was originally built in 1920 and is believed to have been one of three train stations on Tybee Island, linking the island to Savannah. The station offered patrons a place to shower and change after a day at the beach before boarding for the return trip. The building has undergone a number of restorations and uses since the train service ceased operation. It currently functions as the Marsh Hen Bed and Breakfast, having begun in 1997 with two rental units and one living unit, following a period of extensive renovations and improvements to the property. While open, the current owner continued with improvements (a new roof and new construction for an efficiency apartment above the existing roof). Due to continual structural improvements during 1997, 1998 and 1999, the B&B has not yet gone through a season with full operational capacity. With construction completed, it now has the potential of four rental units with owner-occupancy in an unused room.

In addition to the limitations caused by construction, Inn operators and other business members on the island have reported that the current owner lacks some of the commitment, investment, and business sense to run at a higher capacity. The current owner will often leave the building to the care of an answering machine, and categorically deny accessibility to various classes of people. The general consensus is that it has operated as a hobby and not a business under the current ownership.

The table below outlines the B&B's performance over the last three years under the current ownership.

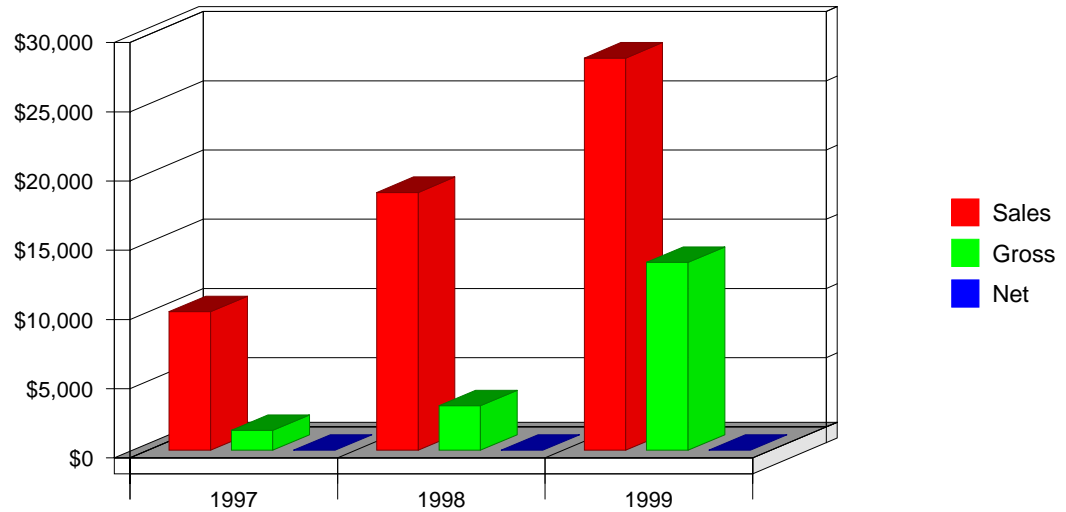
Coach House Bed and Breakfast

Table: Past Performance

Past Performance	1997	1998	1999
Sales	\$10,000	\$18,608	\$28,320
Gross Margin	\$1,429	\$3,203	\$13,565
Gross Margin %	14.29%	17.21%	47.90%
Operating Expenses	\$8,571	\$15,405	\$14,755
Collection Period (Days)	49	33	47
Inventory Turnover	0.00	0.00	4000.00
Balance Sheet			
Short-term Assets	1997	1998	1999
Cash	\$5,000	\$7,000	\$12,000
Accounts Receivable	\$1,000	\$1,500	\$4,000
Inventory	\$1,000	\$1,500	\$2,000
Other Short-term Assets	\$500	\$500	\$1,000
Total Short-term Assets	\$7,500	\$10,500	\$19,000
Long-term Assets			
Capital Assets	\$200,000	\$200,000	\$200,000
Accumulated Depreciation	\$10,000	\$20,000	\$30,000
Total Long-term Assets	\$190,000	\$180,000	\$170,000
Total Assets	\$197,500	\$190,500	\$189,000
Capital and Liabilities			
	1997	1998	1999
Accounts Payable	\$10,000	\$15,000	\$20,000
Current Borrowing	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$10,000	\$15,000	\$20,000
Long-term Liabilities	\$100,000	\$50,000	\$0
Total Liabilities	\$110,000	\$65,000	\$20,000
Paid-in Capital	\$50,000	\$50,000	\$50,000
Retained Earnings	\$37,500	\$75,500	\$119,000
Earnings	\$0	\$0	\$0
Total Capital	\$87,500	\$125,500	\$169,000
Total Capital and Liabilities	\$197,500	\$190,500	\$189,000
Other Inputs			
	1997	1998	1999
Payment Days	30	30	30
Sales on Credit	\$7,500	\$13,956	\$21,240
Receivables Turnover	7.50	9.30	5.31

Coach House Bed and Breakfast

Past Performance



3.0 Services

The Coach House Bed and Breakfast is a resort lodging facility on Tybee Island, Georgia, designed to provide guests with luxurious surroundings at reasonable rates while vacationing in the coastal Georgia area.

4.0 Market Analysis Summary

The Coach House B&B will focus on quality, luxurious, yet affordable, lodging for vacationers interested in exploring Tybee Island and the surrounding coastal regions of Savannah, Georgia. This area is a sleeping giant on the verge of awakening.

Our most important groups of potential customers are those who traditionally choose the bed and breakfast climate to the more traditional and sterile surroundings of hotels / motels. Creating a "home away from home" which is often more beautiful and palatial than where they are traveling from will ensure many return customers.

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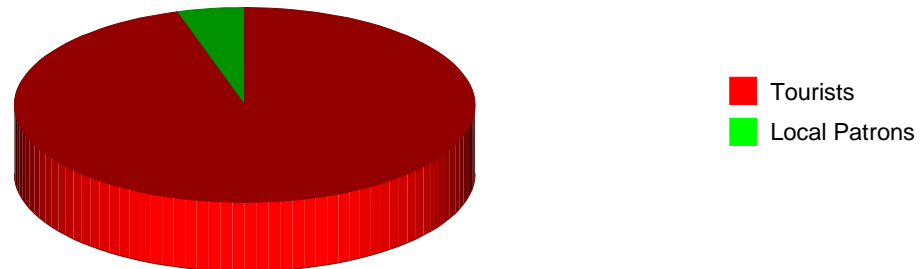
4.1 Market Segmentation

A modest projection for increased unit rental is 30% per year. Competitors on the island have averaged 30% + rental increases over the past three years, and the Georgianne Inn is forecasting 50% increases for the next two years before maxing out at full capacity. This projection is without any significant increase in advertising or exposure, but is based on the general average increase in tourism.

Table: Market Analysis

Market Analysis	Growth	2000	2001	2002	2003	2004	CAGR
Potential Customers							
Tourists	20%	100,000	120,000	144,000	172,800	207,360	20.00%
Local Patrons	5%	5,000	5,250	5,513	5,789	6,078	5.00%
Total	19.40%	105,000	125,250	149,513	178,589	213,438	19.40%

Market Analysis (Pie)



4.2 Market Analysis

Our two major customer segments are tourists from the north who traditionally prefer the cozy environment of B&Bs, and local patrons who need the facilities for various events. The table below outlines the total market potential for our business.

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4.3 Target Market Segment Strategy

The Marsh Hen's history demonstrates that money can be made in this area simply by existing. We continue to see that Tybee Island, in general, is under exposed as a winter vacation destination. We plan to aggressively pursue guests from the north while introducing Tybee Island to this under-tapped market population. We also plan to use the B&B for local patrons by opening it for catered parties, receptions, etc.

Subscriptions to various Web services will provide international exposure for nominal annual fees. Committing to staying in the building to book reservations and opening the B&B to diverse groups of people will also increase bookings.

4.3.1 Market Needs

Similar to tourists who choose to stay in traditional hotels, customers who patronize B&Bs seek relaxation, fun and stress management while on vacation. However, this type of customer also prefers comfortable accommodations in a cozy, family environment. These patrons are more social, they love meeting new people while at the same time require enough privacy to enjoy their vacation. Coach House has all the necessary facilities to attract such customers.

4.4 Service Business Analysis

B&Bs, along with other short-term lodging on Tybee Island, have been a substantial part of the island tourism. Of the short-term lodgings on Tybee, ten are categorized as Inns, 19 as long-term lease facilities (rentals, condos, and houses) and only four as B&Bs, including the Coach House (currently operating as the Marsh Hen Bed and Breakfast). Hotels/motels constitute the largest percentage of rental properties on the island in terms of units. However, the average B&B patron is not typically interested in the hotel/motel climate. That and the comparison of rates, which are substantially higher in the hotel/motel industry, do not put such facilities in the category of competitor.

4.5 Competition and Buying Patterns

The bed and breakfast industry offers a unique lodging environment, which caters to an ever-increasing group of travelers. B&Bs create a climate of home, where guests become temporary members of a larger family. The B&B home opens itself to guests, allowing them to participate and share in the richness of a community, while still allowing whatever degree of privacy is preferred. Meals can be shared with the innkeepers and other travelers allowing new relationships to be created and old ones enriched. Or, meals can be taken in the privacy of the guest's room.

A variety of settings available in the B&B are situated to enable individuals or small groups to locate the perfect setting for whatever mood or activity one is pursuing (reading, watching television, playing board games, etc.). In the B&B, a guest is a guest in one's home, not a customer. It becomes a place to return to: at the end of a day, or during the next vacation (like going home).

At the Coach House B&B, guests will have the right mix of membership and privacy. Being

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dutiful without being intrusive is a delicate balance and one that owners have mastered in their various walks of life.

5.0 Strategy and Implementation Summary

We commit to creating the best on Tybee Island from the beginning. As a furnished (turn key) operation, we will be able to invest more time and money into the finer things (the extra amenities that go above and beyond those associated with the other Inns on the Island). In most resort areas, parking is a problem. Coach House has off-street parking that will accommodate all guests. These are the extras that people remember, and separate an exceptional lodging from one that is merely okay.

With the right exposure, we believe that an un-tapped market of vacationers can be enticed to Tybee Island and the Coach House. Membership in WorldRes.com (an international Web catalog for Inns and B&Bs) will put us in front of millions of computer screens on a daily basis.

The WorldRes partner network allows real-time reservations on today's most popular websites, including AOL, Yahoo!, and Lycos. In addition, WorldRes has developed exclusive relationships with destination and special activity websites and call centers. WorldRes provides a free connection to the SABRE travel agent system, providing access to over 100,000 agents worldwide, as well as to users of Travelocity, one of the most popular online travel sites.

All of this visibility is free, with the exception of a five to ten percent transaction fee for any booking made directly via the service and online; much less expensive, yet more comprehensive than traditional advertising. However, not all B&B patrons are computer-friendly. Therefore, we will be placing seasonal specific advertisements in regional newspapers and major city magazines.

5.1 Competitive Edge

We start with a critical competitive edge: there is no competitor we know of that can offer the convenience and luxury one will find at the Coach House. We have traveled the country and stayed in many B&Bs. We know how to create the climate that others seek when shopping for B&B lodging.

5.2 Sales Strategy

Coach House will sell its rooms directly to repeat customers, as well as via traditional travel agents and through the Internet. All reservations will be handled by Mr. Maesch. Repeat customers will have the privilege of priority reservations during the high season. As mentioned above, the new owners will also list Coach House on www.worldres.com, which will make it available to millions of international tourists.

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5.2.1 Sales Forecast

Our sales forecast is based on the historical industry trend of Tybee Island and the following rates and occupancy assumptions:

	Off-season	On season (May-Sept.)
Occupancy Rate	45%	85%
Apartment	\$150	\$200
Large Jacuzzi	\$100	\$175
Adjoining Unit	\$80	\$150
Smaller Unit	\$70	\$125

Sales Monthly (Planned)

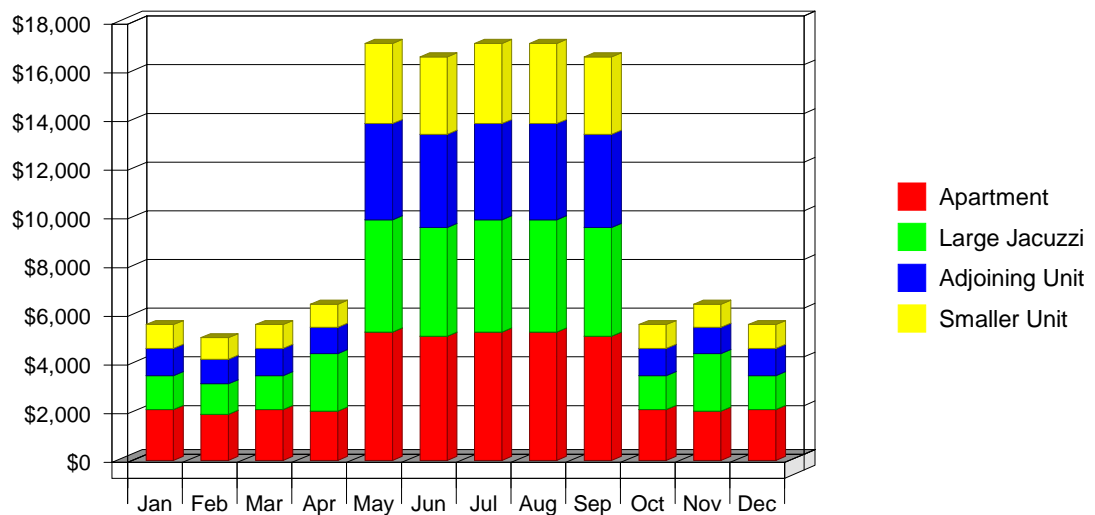


Table: Sales Forecast (Planned)

Sales Forecast			
Sales	2000	2001	2002
Apartment	\$40,320	\$42,336	\$44,453
Large Jacuzzi	\$34,324	\$36,040	\$37,842
Adjoining Unit	\$27,140	\$28,496	\$29,921
Smaller Unit	\$22,934	\$24,081	\$25,285
Total Sales	\$124,718	\$130,953	\$137,501
Direct Cost of Sales	2000	2001	2002
Apartment	\$0	\$0	\$0
Large Jacuzzi	\$0	\$0	\$0
Adjoining Unit	\$0	\$0	\$0
Smaller Unit	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$0	\$0	\$0

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6.0 Management Summary

The Coach House will operate as an owner-occupied business. Salary for the first year of operation will be \$12,000, as indicated on the expense table. This salary, though low, is reasonable considering that major living expenses (mortgage, utilities, etc.) will be covered by the business.

6.1 Personnel Plan

As mentioned above, Mr. Maesh will reside on the property while performing necessary day-to-day management tasks. The co-owner, Mr. Williams, is currently employed in Indiana, but will retire in September 2000 and will relocate to the Tybee Island. Since he will reside off of the property, his total planned compensation is higher than that of Mr. Maesh's. The table below outlines projected personnel plan for Coach House.

Table: Personnel (Planned)

Personnel Plan	2000	2001	2002
John Maesch	\$12,000	\$15,000	\$18,000
Frank Williams	\$3,000	\$20,000	\$22,000
Total Payroll	\$15,000	\$35,000	\$40,000
Total People	2	2	2
Payroll Burden	\$2,250	\$5,250	\$6,000
Total Payroll Expenditures	\$17,250	\$40,250	\$46,000

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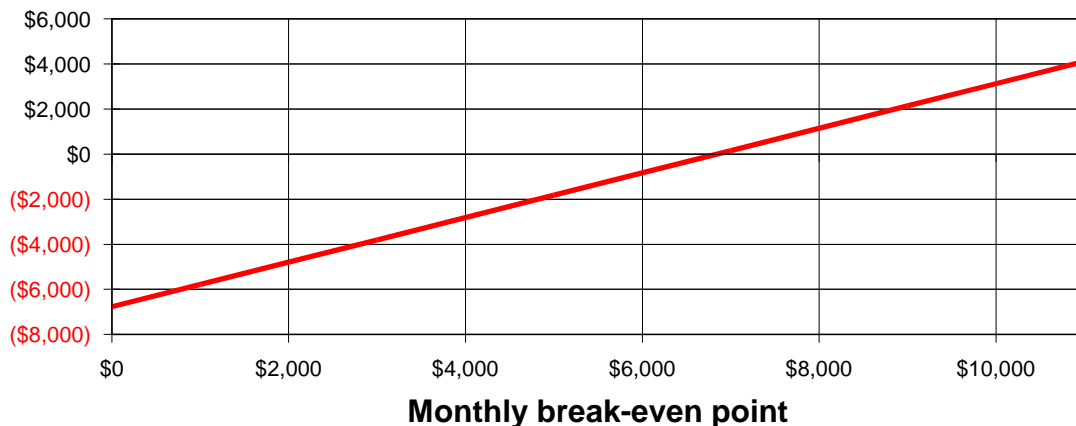
7.0 Financial Plan

Coach House will be acquired at \$500,000 via an small business administration (SBA) loan (CDC 504 Loan Program) with the buyers supplying 20% down (\$100,000), Ameribank supplying 50% (\$250,000), and SBA supplying 30% (\$150,000). The bank mortgage is for 20 years at ten percent and the SBA 504 loan is for ten years, also at ten percent. We are assuming an initial capital start-up of \$12,000 for operating expenses. In addition to the \$12,000 of start-up money available from Mr. Maesch's retirement, Mr. Williams will be adding \$30,000 by September 15, 2000.

7.1 Break-even Analysis

We estimate average monthly fixed costs to be at \$6,770 (\$3,486 for expenses and \$3,283 for interest payments). Peak and off-season will have significant impact on the monthly earnings. For the first year, on-season revenues will offset off-season losses. As Coach House B&B builds its market position among the local patrons, we anticipate that off-season revenues will be enough to break even during that season. Further, a rate increase may be considered in Fiscal Year 2001.

Break-even Analysis



Break-even point = where line intersects with 0

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Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	6,838
Monthly Sales Break-even	\$6,838

Assumptions:	
Average Per-Unit Revenue	\$1.00
Average Per-Unit Variable Cost	\$0.01
Estimated Monthly Fixed Cost	\$6,770

Coach House Bed and Breakfast

7.2 Projected Profit and Loss

Below is the Coach House's projected income statement for the next three years. As mentioned above, earnings are subject to seasonal fluctuations. The new ownership will, however, strengthen Coach House's market position among the local community who will patronize the establishment during the low season, and thus offset the negative impact of the season.

Table: Profit and Loss (Planned)

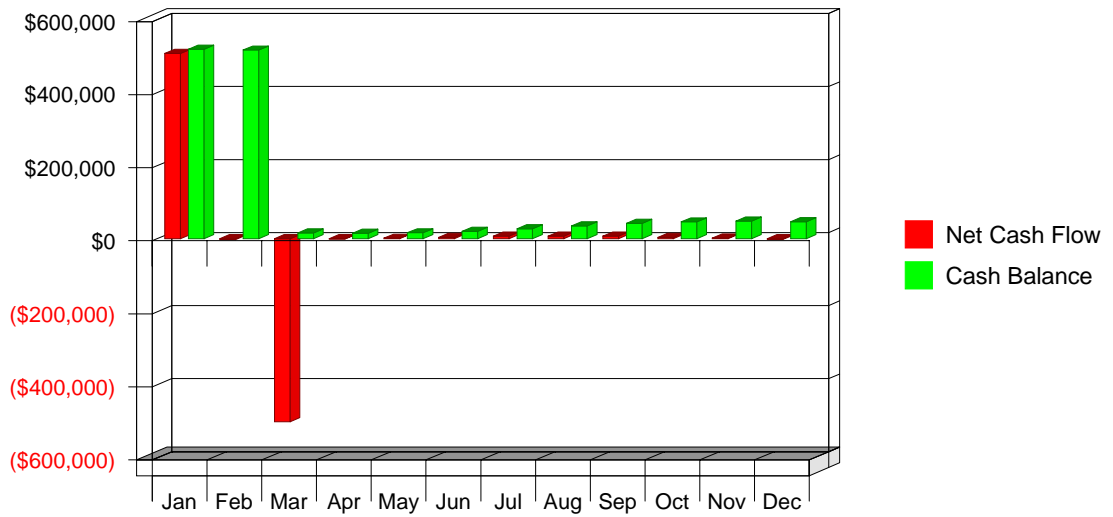
Pro Forma Profit and Loss	2000	2001	2002
Sales	\$124,718	\$130,953	\$137,501
Direct Cost of Sales	\$0	\$0	\$0
Other	\$0	\$0	\$0
	-----	-----	-----
Total Cost of Sales	\$0	\$0	\$0
Gross Margin	\$124,718	\$130,953	\$137,501
Gross Margin %	100.00%	100.00%	100.00%
Operating Expenses:			
Advertising/Promotion	\$2,000	\$3,000	\$3,150
Travel	\$0	\$0	\$0
Miscellaneous	\$600	\$700	\$735
Payroll Expense	\$15,000	\$35,000	\$40,000
Payroll Burden	\$2,250	\$5,250	\$6,000
Depreciation	\$4,440	\$4,500	\$473
Depreciation	\$2,580	\$2,600	\$210
Depreciation	\$2,400	\$2,500	\$10,500
Depreciation	\$420	\$450	\$368
Duties & Subscriptions	\$175	\$200	\$2,100
Depreciation	\$9,996	\$10,000	\$10,000
Room/Housecleaning	\$300	\$350	\$2,730
Groceries	\$1,500	\$2,000	\$2,625
License	\$175	\$200	\$210
	-----	-----	-----
Total Operating Expenses	\$41,836	\$66,750	\$79,100
Profit Before Interest and Taxes	\$82,882	\$64,203	\$58,401
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$52,500	\$51,750	\$50,150
Taxes Incurred	\$7,595	\$3,113	\$2,063
Extraordinary Items	\$0	\$0	\$0
Net Profit	\$22,786	\$9,340	\$6,188
Net Profit/Sales	18.27%	7.13%	4.50%

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7.3 Projected Cash Flow

The table below outlines the projected cash flow and shows that the company will have enough cash reserves to cover the off-season's low sales. These projections are realistic in terms of the historical market of Tybee Island and operations, based on current pricing research and the addition of a fourth rental unit.

Cash (Planned)



Coach House Bed and Breakfast

Table: Cash Flow (Planned)

Pro Forma Cash Flow	2000	2001	2002
Cash Received			
Cash from Operations:			
Cash Sales	\$31,179	\$32,738	\$34,375
From Receivables	\$91,109	\$97,894	\$102,788
Subtotal Cash from Operations	\$122,288	\$130,632	\$137,164
Additional Cash Received			
Extraordinary Items	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$525,000	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$647,288	\$130,632	\$137,164
Expenditures			
Expenditures from Operations:			
Cash Spent on Costs and Expenses	\$8,024	\$7,686	\$8,484
Wages, Salaries, Payroll Taxes, etc.	\$17,250	\$40,250	\$46,000
Payment of Accounts Payable	\$87,653	\$69,369	\$75,903
Subtotal Spent on Operations	\$112,927	\$117,305	\$130,387
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$15,000	\$17,000
Purchase Other Short-term Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$500,000	\$0	\$0
Dividends	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0
Subtotal Cash Spent	\$612,927	\$132,305	\$147,387
Net Cash Flow	\$34,361	(\$1,674)	(\$10,223)
Cash Balance	\$46,361	\$44,687	\$34,464

Coach House Bed and Breakfast

7.4 Balance Sheet

The table below outlines the projected balance sheet of Coach House for Fiscal Year 2000-2002.

Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets	2000	2001	2002
Short-term Assets			
Cash	\$46,361	\$44,687	\$34,464
Accounts Receivable	\$6,429	\$6,751	\$7,088
Other Short-term Assets	\$1,000	\$1,000	\$1,000
Total Short-term Assets	\$53,790	\$52,438	\$42,553
Long-term Assets			
Long-term Assets	\$700,000	\$700,000	\$700,000
Accumulated Depreciation	\$34,440	\$38,940	\$39,413
Total Long-term Assets	\$665,560	\$661,060	\$660,588
Total Assets	\$719,350	\$713,498	\$703,140
Liabilities and Capital			
	2000	2001	2002
Accounts Payable	\$4,564	\$4,372	\$4,826
Current Borrowing	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$4,564	\$4,372	\$4,826
Long-term Liabilities	\$525,000	\$510,000	\$493,000
Total Liabilities	\$529,564	\$514,372	\$497,826
Paid-in Capital	\$50,000	\$50,000	\$50,000
Retained Earnings	\$117,000	\$139,786	\$149,126
Earnings	\$22,786	\$9,340	\$6,188
Total Capital	\$189,786	\$199,126	\$205,314
Total Liabilities and Capital	\$719,350	\$713,498	\$703,140
Net Worth	\$189,786	\$199,126	\$205,314

7.5 Business Ratios

The following table provides industry information for Coach House B&B based on the Standard Industry Classification (SIC) Index, 7011.

Coach House Bed and Breakfast

Table: Ratios (Planned)

Ratio Analysis	2000	2001	2002	Industry Profile
Sales Growth	340.39%	5.00%	5.00%	5.90%
Percent of Total Assets				
Accounts Receivable	0.89%	0.95%	1.01%	5.00%
Inventory	0.00%	0.00%	0.00%	1.00%
Other Short-term Assets	0.14%	0.14%	0.14%	26.00%
Total Short-term Assets	7.48%	7.35%	6.05%	32.00%
Long-term Assets	92.52%	92.65%	93.95%	68.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Other Short-term Liabilities				
Other Short-term Liabilities	0.00%	0.00%	0.00%	19.40%
Subtotal Short-term Liabilities	0.63%	0.61%	0.69%	11.10%
Long-term Liabilities	72.98%	71.48%	70.11%	34.60%
Total Liabilities	73.62%	72.09%	70.80%	45.70%
Net Worth	26.38%	27.91%	29.20%	54.30%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	100.00%	100.00%	100.00%	0.00%
Selling, General & Administrative Expenses	81.73%	92.87%	95.50%	75.10%
Advertising Expenses	1.60%	2.29%	2.29%	1.90%
Profit Before Interest and Taxes	66.46%	49.03%	42.47%	2.50%
Main Ratios				
Current	11.79	11.99	8.82	1.45
Quick	11.79	11.99	8.82	1.05
Total Debt to Total Assets	73.62%	72.09%	70.80%	54.00%
Pre-tax Return on Net Worth	71.33%	58.23%	52.87%	1.70%
Pre-tax Return on Assets	18.82%	16.25%	15.44%	3.70%
Business Vitality Profile				
	2000	2001	2002	Industry
Sales per Employee	\$62,359	\$65,477	\$68,751	\$43,366
Survival Rate				77.78%
Additional Ratios				
	2000	2001	2002	
Net Profit Margin	18.27%	7.13%	4.50%	n.a
Return on Equity	12.01%	4.69%	3.01%	n.a
Activity Ratios				
Accounts Receivable Turnover	14.55	14.55	14.55	n.a
Collection Days	20	24	24	n.a
Inventory Turnover	0.00	0.00	0.00	n.a
Accounts Payable Turnover	15.82	15.82	15.82	n.a
Total Asset Turnover	0.17	0.18	0.20	n.a
Debt Ratios				
Debt to Net Worth	2.79	2.58	2.42	n.a
Short-term Liab. to Liab.	0.01	0.01	0.01	n.a
Liquidity Ratios				
Net Working Capital	\$49,226	\$48,066	\$37,727	n.a
Interest Coverage	1.58	1.24	1.16	n.a
Additional Ratios				
Assets to Sales	5.77	5.45	5.11	n.a
Current Debt/Total Assets	1%	1%	1%	n.a
Acid Test	10.38	10.45	7.35	n.a
Sales/Net Worth	0.66	0.66	0.67	n.a
Dividend Payout	\$0	0.00	0.00	n.a

Appendix

Appendix Table: Sales Forecast (Planned)

Sales Forecast	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales												
Apartment	\$2,093	\$1,890	\$2,093	\$2,025	\$5,270	\$5,100	\$5,270	\$5,270	\$5,100	\$2,093	\$2,025	\$2,093
Large Jacuzzi	\$1,395	\$1,260	\$1,395	\$2,363	\$4,611	\$4,463	\$4,611	\$4,611	\$4,463	\$1,395	\$2,363	\$1,395
Adjoining Unit	\$1,116	\$1,008	\$1,116	\$1,080	\$3,953	\$3,825	\$3,953	\$3,953	\$3,825	\$1,116	\$1,080	\$1,116
Smaller Unit	\$977	\$882	\$977	\$945	\$3,294	\$3,188	\$3,294	\$3,294	\$3,188	\$977	\$945	\$977
Total Sales	\$5,580	\$5,040	\$5,580	\$6,413	\$17,128	\$16,575	\$17,128	\$17,128	\$16,575	\$5,580	\$6,413	\$5,580
Direct Cost of Sales												
Apartment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Large Jacuzzi	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjoining Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Smaller Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Appendix

Appendix Table: Personnel (Planned)

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
John Maesch	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Frank Williams	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000	\$1,000	\$1,000
Total Payroll	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$2,000	\$2,000	\$2,000
Total People	1	1	1	1	1	1	1	1	1	2	2	2
Payroll Burden	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$300	\$300	\$300
Total Payroll Expenditures	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$2,300	\$2,300	\$2,300

Appendix

Appendix Table: Profit and Loss (Planned)

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$5,580	\$5,040	\$5,580	\$6,413	\$17,128	\$16,575	\$17,128	\$17,128	\$16,575	\$5,580	\$6,413	\$5,580
Direct Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Margin	\$5,580	\$5,040	\$5,580	\$6,413	\$17,128	\$16,575	\$17,128	\$17,128	\$16,575	\$5,580	\$6,413	\$5,580
Gross Margin %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:												
Advertising/Promotion	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167
Travel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Payroll Expense	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$2,000	\$2,000	\$2,000
Payroll Burden	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$300	\$300	\$300
Depreciation	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370
Depreciation	\$215	\$215	\$215	\$215	\$215	\$215	\$215	\$215	\$215	\$215	\$215	\$215
Depreciation	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Depreciation	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35
Duties & Subscriptions	\$175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833
Room/Housecleaning	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Groceries	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125
License	\$175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$3,520	\$3,170	\$3,170	\$3,170	\$3,170	\$3,170	\$3,170	\$3,170	\$3,170	\$4,320	\$4,320	\$4,320
Profit Before Interest and Taxes	\$2,060	\$1,870	\$2,410	\$3,243	\$13,958	\$13,405	\$13,958	\$13,958	\$13,405	\$1,260	\$2,093	\$1,260
Interest Expense Short-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Expense Long-term	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375	\$4,375
Taxes Incurred	(\$579)	(\$626)	(\$491)	(\$283)	\$2,396	\$2,258	\$2,396	\$2,396	\$2,258	(\$779)	(\$571)	(\$779)
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$1,736)	(\$1,879)	(\$1,474)	(\$849)	\$7,187	\$6,773	\$7,187	\$7,187	\$6,773	(\$2,336)	(\$1,712)	(\$2,336)
Net Profit/Sales	-31.11%	-37.27%	-26.41%	-13.24%	41.96%	40.86%	41.96%	41.96%	40.86%	-41.86%	-26.69%	-41.86%

Appendix

Appendix Table: Cash Flow (Planned)

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	\$1,395	\$1,260	\$1,395	\$1,603	\$4,282	\$4,144	\$4,282	\$4,282	\$4,144	\$1,395	\$1,603	\$1,395
From Receivables	\$2,667	\$3,121	\$4,413	\$3,996	\$4,518	\$9,095	\$12,625	\$12,652	\$12,846	\$12,625	\$8,033	\$4,518
Subtotal Cash from Operations	\$4,062	\$4,381	\$5,808	\$5,599	\$8,800	\$13,239	\$16,907	\$16,934	\$16,989	\$14,020	\$9,636	\$5,913
Additional Cash Received												
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$525,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$529,062	\$4,381	\$5,808	\$5,599	\$8,800	\$13,239	\$16,907	\$16,934	\$16,989	\$14,020	\$9,636	\$5,913
Expenditures												
Expenditures from Operations:												
Cash Spent on Costs and Expenses	\$580	\$540	\$553	\$574	\$842	\$828	\$842	\$842	\$828	\$525	\$545	\$525
Wages, Salaries, Payroll Taxes, etc.	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$1,150	\$2,300	\$2,300	\$2,300
Payment of Accounts Payable	\$20,174	\$5,204	\$4,863	\$4,986	\$5,248	\$7,574	\$7,458	\$7,578	\$7,574	\$7,363	\$4,728	\$4,902
Subtotal Spent on Operations	\$21,903	\$6,894	\$6,566	\$6,711	\$7,240	\$9,552	\$9,450	\$9,570	\$9,552	\$10,188	\$7,573	\$7,727
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$21,903	\$6,894	\$506,566	\$6,711	\$7,240	\$9,552	\$9,450	\$9,570	\$9,552	\$10,188	\$7,573	\$7,727
Net Cash Flow	\$507,158	(\$2,513)	(\$500,758)	(\$1,111)	\$1,560	\$3,687	\$7,456	\$7,364	\$7,437	\$3,832	\$2,063	(\$1,814)
Cash Balance	\$519,158	\$516,645	\$15,887	\$14,776	\$16,336	\$20,022	\$27,479	\$34,842	\$42,279	\$46,112	\$48,175	\$46,361

Appendix

Appendix Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Assets													
Cash	\$12,000	\$519,158	\$516,645	\$15,887	\$14,776	\$16,336	\$20,022	\$27,479	\$34,842	\$42,279	\$46,112	\$48,175	\$46,361
Accounts Receivable	\$4,000	\$5,518	\$6,177	\$5,949	\$6,762	\$15,090	\$18,426	\$18,647	\$18,840	\$18,426	\$9,986	\$6,762	\$6,429
Other Short-term Assets	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Total Short-term Assets	\$17,000	\$525,677	\$523,822	\$22,836	\$22,538	\$32,426	\$39,448	\$47,126	\$54,683	\$61,705	\$57,098	\$55,937	\$53,790
Long-term Assets													
Long-term Assets	\$200,000	\$200,000	\$200,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Accumulated Depreciation	\$30,000	\$30,370	\$30,740	\$31,110	\$31,480	\$31,850	\$32,220	\$32,590	\$32,960	\$33,330	\$33,700	\$34,070	\$34,440
Total Long-term Assets	\$170,000	\$169,630	\$169,260	\$668,890	\$668,520	\$668,150	\$667,780	\$667,410	\$667,040	\$666,670	\$666,300	\$665,930	\$665,560
Total Assets	\$187,000	\$695,307	\$693,082	\$691,726	\$691,058	\$700,576	\$707,228	\$714,536	\$721,723	\$728,375	\$723,398	\$721,867	\$719,350
Liabilities and Capital													
Accounts Payable	\$20,000	\$5,043	\$4,697	\$4,814	\$4,995	\$7,326	\$7,206	\$7,326	\$7,326	\$7,206	\$4,564	\$4,745	\$4,564
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$20,000	\$5,043	\$4,697	\$4,814	\$4,995	\$7,326	\$7,206	\$7,326	\$7,326	\$7,206	\$4,564	\$4,745	\$4,564
Long-term Liabilities	\$0	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000
Total Liabilities	\$20,000	\$530,043	\$529,697	\$529,814	\$529,995	\$532,326	\$532,206	\$532,326	\$532,326	\$532,206	\$529,564	\$529,745	\$529,564
Paid-in Capital	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Retained Earnings	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000
Earnings	\$0	(\$1,736)	(\$3,615)	(\$5,088)	(\$5,937)	\$1,250	\$8,023	\$15,210	\$22,397	\$29,170	\$26,834	\$25,122	\$22,786
Total Capital	\$167,000	\$165,264	\$163,386	\$161,912	\$161,063	\$168,250	\$175,023	\$182,210	\$189,397	\$196,170	\$193,834	\$192,122	\$189,786
Total Liabilities and Capital	\$187,000	\$695,307	\$693,082	\$691,726	\$691,058	\$700,576	\$707,228	\$714,536	\$721,723	\$728,375	\$723,398	\$721,867	\$719,350
Net Worth	\$167,000	\$165,264	\$163,386	\$161,912	\$161,063	\$168,250	\$175,023	\$182,210	\$189,397	\$196,170	\$193,834	\$192,122	\$189,786