

Jacobs Barber Shop

START UP BUSINESS PLAN 2005 - 2008

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JACOBS BARBER SHOP

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Mr. Jeff Jacobs is a youth member of Curve Lake First Nation and wishes to start up his own company, Jacobs Barber Shop (JBS). Jacobs Barber Shop will be located on the territory of Curve Lake First Nation within the community's small business center unit 3. Jeff decided to start up a barber business for two main reasons which are: to utilize his hair cutting expertise and experience and because there are no other barbers within a 20 km radius.

Jacobs Barber Shop will target the market area of Curve Lake First Nation and the surrounding region. Moreover, JBS will target the following markets which are:

1. The entire Aboriginal male population of Curve Lake First Nation;
2. The permanent non-Aboriginal male population of Curve Lake First Nation; and
3. The seasonal male population of Curve Lake First Nation.

In order to properly service the identified markets, this company will sell a wide array of men's barber services and products which include:

- (a) Classic and contemporary cuts and styles;
- (b) Hair washes and face shaves;
- (c) Retail gels, combs, brushes, shampoos and other miscellaneous items.

Mr. Jacobs expects that his business will officially open in the summer of 2004. More specifically, the official start up date for the company has been set for June 2004.

In order to properly start up Jacobs Barber Shop, Jeff has identified that the following key capital, marketing and administrative investments must be made which are:

- ▶ Make a moderate investment into specialized barber equipment and tools;
- ▶ Invest into minor leasehold improvements;
- ▶ Invest into the design and implementation of a well targeted promotional strategy; and
- ▶ Make a minor investment into working capital and inventory.

In addition to the above required investments, Mr. Jacobs has secured a lease agreement with Curve Lake First Nation. The unit is within the communities mini mall and has many great attributes like location, free parking and ease of access.

It is estimated that the total costs to start up Jacobs Barber Shop is \$22,710. The total capital, marketing and business support costs are \$14,800, \$5,910 and \$2,000 respectively.

The remainder of this document will outline all key aspects of this proposed enterprise. Included in the following pages are a detailed management plan, market and industry assessment, marketing and operational plan and a detailed financial plan.

2.1 OWNERSHIP STRUCTURE

Jacobs Barber Shop will be owned and operated as a sole proprietorship by Mr. Jeff Jacobs. This legal business structure well suits the needs of the owner and business alike. At the time of opening, Mr. Jacobs will have his company registered within the province of Ontario. The company's Master Business License will allow the company to open and maintain a commercial bank account. The cost for business registration is reflected in the financial projections of this plan.

2.2 MANAGEMENT TEAM

Mr. Jacobs has always dreamed of owning his very own barber shop. Starting up this company is like a dream come true. After living with his family until he was 19, Jeff decided to leave his home town to pursue a career in hair cutting. After completing a 1 year course at a local college that specializes in hair cutting, Jeff went on to work for Joe's Hair Cuts in Ottawa. Jeff worked for this shop for 10 years until the owner retired. At this time, Jeff was forced to find new employment and did so at a small unique shop in downtown Ottawa called Mark's Cuts. Up until this time, Jeff worked for this same company which was for over 8 years. During the past 18 years, Jeff has acquired many invaluable skills and knowledge regarding hair cutting and the overall industry. Within both Joe's Hair Cuts and Mark's Cuts, Jeff was required to fulfill important management roles as well as provide hair cuts. Some of Jeff's personal and professional highlights include:

- ▶ Successfully completed a one year hair cutting course at Humber College in Toronto, ON;
- ▶ Has attended and completed various hair cutting courses and seminars to maintain touch with specialized techniques and issues surrounding the industry;
- ▶ Has over 18 years of hair cutting experience;
- ▶ Has provided hair cuts for many Canadian celebrities;
- ▶ Has held various middle management duties and roles under various employers;
- ▶ Is knowledgeable of various traditional and new styles of men's hair cuts;
- ▶ Is very approachable and has honed his people skills.

As indicated above, Jeff has many great attributes which he will bring to his business in order to ensure its success. Moreover, he has invested almost half of his life providing great hair cutting services to many satisfied customers. As the owner and operator of Jacobs Barber Shop, Jeff will need to fulfill the following key roles and responsibilities which include:

- ▶ The overall management of JBS;
- ▶ Oversee all financial aspects of the company;
- ▶ Is responsible for maintaining the company's equipment;
- ▶ Will maintain and ensure good customer and supplier relations;
- ▶ Is in charge of accounts receivable and payable;
- ▶ Will manage the human resources of the company;
- ▶ Provide hair cutting services to his customers;
- ▶ Maintain all administrative duties of the company.

In addition to these duties, Jeff will be required to fulfill other key duties such as:

- (a) Properly prepare and submit Aboriginal Business Canada claims;
- (b) Work with and submit periodical reports to his lending institution;
- (c) Set up administrative and accounting systems to ensure they are effective and operating properly.

The above duties can be very time consuming and may affect the overall viability of this company. It is for this reason that Mr. Jacobs has contacted a local Aboriginal Consultant to assist with completing these duties. Mr. Michael Jacobs of Crane Aboriginal Management Services has been contacted and will be hired for a fee of \$2,000 to provide these key services. A proposal for these needed services is provided in the attachments.

Jeff will also utilize the services of his wife Patsy. Mrs. Jacobs will assist weekly with completing various administrative duties. She is currently employed at the Curve Lake Government Services Building as Executive Secretary and is very knowledgeable and experienced in administration. Mrs. Jacobs will be paid \$15 hour and it is anticipated that she will work 2 hours weekly. Annually this assistance will cost \$1,440 (48 weeks).

Jeff has contacted his uncle Ken Jacobs to act as his business advisor. Ken has been actively involved within the Aboriginal public sector and works for Indian and Northern Affairs Canada. Ken has agreed to provide free business advice when requested.

Jeff has also contacted the Canadian Association of Barbers (CAB) and will become a member of this association. The cost of this membership is \$500 annually. In return, the CAB will provide JBS with up to date industry and market information regarding various issues. This association will also bring the business its solid reputation and comfort to customers. Also, JBS will be listed on its annual barber shop directory.

In the event that Mr. Jeff Jacobs cannot perform his duties as owner, he has contacted his close friend and fellow barber, Mr. Matt Johnson to ensure his business keeps operating. Matt is retired and has many years experience as a barber and also lives nearby. Matt has agreed that in the case of an emergency or sickness, he will take over all duties of Jeff at a cost of \$400 per week.

Overall, Mr. Jacobs has a plethora of skills, knowledge and experience he will utilize to successfully manage his company and will ensure a solid foundation is in place. Given the capabilities of the owner along with other professionals and associations willing to assist with this company ensures no management gaps are left exposed. Resumes for Mr. Jeff Jacobs, Mrs. Patsy Jacobs, Mr. Ken Jacobs and Mr. Matt Johnson are provided in the attachments of this plan.

The following section will provide comprehensive facts and statistics regarding the hair cutting industry and local market. Also included is a detailed competitive analysis.

3.1 DEFINITION OF THE HAIR CUTTING INDUSTRY

Jacobs Barber Shop will operate within and belong to the Canadian Barber Shop industry (SIC 9711). A definition for this industry was extracted from the Statistics Canada web-site and is provided below.

The Canadian Barber Shop industry is comprised of establishments engaged in providing men's barbering and hair styling services.

3.2 BARBER AND BEAUTY SHOP INDUSTRY IN CANADA

The following information for the barber and beauty shop industry was collected and released by Statistics Canada in 2003. Barber and beauty shops are part of the service producing industries playing a dominant role in the national economy and which collectively account for over two-thirds of the employment generated in Canada. Barber and beauty shops are primarily engaged in providing men's barbering or hairstyling and women's hairdressing and beauty services.

The fact that most Canadian barber and beauty shops are small independent operations is indicated by 2002 industry sales figures. Over 99% of sales were made by businesses with sales less than \$2 million. The large number of businesses in the industry, 15,770 in 2002, is a result of the relative ease and low cost of business start up, and has led to intense competition between barber and beauty shops. Most independent operators began in the business by working for someone else's shop and felt they could succeed on their own.

In 2002, 86% of sales were generated by services with 14% resulting from merchandise sales. Approximately 77% of employees were full time with 23% part time.

While the number of barber and beauty shops in Canada rose 7.5%, from 14,667 in 2000 to 15,770 in 2002, revenue did not take a corresponding leap. Revenue in shops across Canada dropped marginally from \$1.675 million in 2001 to \$1.673 million in 2002. For a very long period of time, this industry has put up great performance statistics in terms of sales to assets. Brian Luborsky who is the chairman and CEO of Premier Salons International of Markham, Ontario says "It costs \$50,000 to set up shop. I can do \$250,000 in sales a year out of my stores. Now, say I make 10% on that: I'm getting a 50% return on investment, and that's hard to beat".

Overall, this service industry is performing well and achieving moderate growth annually.

3.3 KEY TRENDS AND CHARACTERISTICS OF THE INDUSTRY

The following industry characteristics and trends were extracted from various industry publications and reports.

- ▶ The barber and beauty shop industry is expected to grow at an annual 4% over the next three years. This means that for years 2003, 2004 and 2005 the industry will represent a total value of \$1.739m, \$1.809m and 1.881m respectively;
- ▶ Many traditional barbers are successfully attending training to learn new contemporary cuts demanded by various demographic segments;
- ▶ The average price for hair cuts in Canada for youth, adults and seniors is \$12, \$15 and \$11 respectively (includes barber shops only). Therefore the average hair cut price is \$12.66;
- ▶ Youths averaged 8 - 10 cuts per year while male adults and seniors average 12 annually;
- ▶ Barber shops and barbers who operate full time have and maintain a solid clientele. Approximately 75% of a shops clientele are repeat customers;
- ▶ Approximately 5% of a shops customers request shaving or shampooing services;
- ▶ Common amenities provided by shops included multiple magazine and newspaper subscriptions, music and free candy or snacks for their customers;
- ▶ The average income for workers in this industry is \$20,000;
- ▶ Most barber shop business occurs without an appointment.

The above vital information will be utilized to determine key aspects of Jacobs Barber Shop such as: operations and sales projections.

3.4 LOCAL MARKET DEMOGRAPHICS AND TARGET MARKETS

The following sub-sections will identify critical demographic information regarding the community of Curve Lake First Nation. Also included is a breakdown of the company's key target markets.

Curve Lake First Nation is located approximately 20 kilometers north of Peterborough, Ontario. The total on and off reserve population for this First Nation is 4,000 and 1,000 respectively. This information was extracted from the community profiles page of INAC's web-site. The approximate geographic land mass of this community is 876 hectares. The service sector accounts for half of the labour workforce, with these being divided almost equally between government and non-government services. The construction and trade industries account for an additional one quarter of the labour force, with the remaining workers employed in forestry, agriculture, manufacturing, transportation, communications and other utilities and miscellaneous industries. In total, there are approximately 25 local businesses and organizations in Curve Lake.

Other primary research conducted by ABC Consulting reveals that there are approximately 1,000 households within the territory of Curve Lake First Nation. This statistic was calculated by taking the total on reserve population and dividing it by the national Aboriginal average of peoples per household which is 4.

After intensive research, no reputable statistics were found for local household income. It is for this reason that the demographic statistics for Peterborough, Ontario were adopted. These statistics were

gathered by the city's Economic Development Department. This Department estimates that the average household income for this market area is \$42,000. This statistic combined with the total number of households equals a purchasing power of \$4.2 million annually.

Within this market area, Jacobs Barber Shop will target the following primary, secondary and tertiary markets:

1. The entire Aboriginal male population of Curve Lake First Nation;
2. The permanent non-Aboriginal male population of Curve Lake First Nation; and
3. The seasonal male population of Curve Lake First Nation.

Below is a detailed description of the company's three identified target markets.

1. *Aboriginal Male Population*

This is the company's largest and only primary market segment. It is foreseen that the company will target all youth ages 5 - 16, adults ages 17 - 60 and seniors ages 61 and up. This market will consist of the on reserve population only. Within Curve Lake First Nation, there is a total on reserve population of 4,000. Within this statistic, approximately 55% of the population is male. Therefore, the total market size equals 2,200. Vital statistics released by this First Nation indicate that of the male population 50% are youth, 40% are adults and 10% are seniors. These percentages applied to their applicable market equals 1,100 youth, 880 adults and 220 seniors. Youth is defined as 0 - 16 years of age. In order to accurately estimate the youth population of this community, ABC Consulting contacted the First Nations membership department and found out that 80% of youth are aged 5 - 16. Therefore, the company's youth market is 880 in size.

2. *Non-Aboriginal Male Population*

This is the company's secondary and second largest market. This market includes all non-Aboriginal male permanent residents of Curve Lake First Nation. Statistics for this market were collected and released by the First Nations Capital Department. This includes all permanent leaseholders of land which is estimated to be 330 leases or households. It is also estimated that within each household there is 1.5 males. Therefore, the total market size for this market can be calculated by multiplying the number leases or households by the estimated number males per household which equals 495.

3. *Seasonal Male Population*

The annual seasonal male population will be the company's tertiary and smallest market. Within Curve Lake First Nation there are many leaseholders who only occupy their cottages during differing times of the year. Most of this market will visit and stay two to three months during the summer. Statistics compiled by the communities Capital Department reveal that there are approximately 250 seasonal leaseholders or households. It is also estimated that within each household there is 1 male. Therefore, the total market size for this market can be calculated by multiplying the number of households by the number of males per household which equals 250.

3.5 MARKET SUMMARY

Statistics compiled and released by Statistics Canada and the Barber’s Association of Canada (BAC) for 2002 indicate that the average Canadian male spends approximately \$100 annually on hair cuts. Average spending on shampoos, gels and personal care items such as combs and brushes was \$40 annually. Given this vital end user information and the statistics compiled in the previous section an accurate calculation of Jacobs Barber Shop market can be achieved. Table #1 summarizes the total market size of this company.

MARKET SUMMARY			
Table #1			
<i>Market</i>	<i>Total in Market</i>	<i>Hair Cut Market Size</i>	<i>Retail Market Size</i>
Primary	2,200	2,200 x \$100 = \$220,000	2,200 x \$40 = \$88,000
Secondary	495	495 x \$100 = \$49,500	495 x \$40 = \$19,800
Tertiary	250	250 x \$100 = \$25,000	250 x \$40 = \$10,000
Totals	2,945	\$294,500	\$117,800

The above table indicates that the total market size in dollars for hair cuts within the company’s primary, secondary and tertiary market is approximately \$294,500. The same information for retail products such as shampoos, gels, brushes and combs is \$117,800. Overall, the total market size in dollars for Jacobs Barber Shop is an estimated \$412,300.

The following table illustrates the projected market share and sales for Jacobs Barber Shop for Year 1 specific to hair cuts and retail products by target market.

PROJECTED MARKET SHARE						
Table #2						
	Hair Cuts			Retail Products		
<i>Market</i>	<i>Total Size</i>	<i>% of Market Share</i>	<i>Total Sales</i>	<i>Total Size</i>	<i>% of Market Share</i>	<i>Total Sales</i>
Primary	\$220,000	30%	\$66,000	\$88,000	5%	\$4,400
Secondary	\$49,500	15%	\$7,425	\$19,800	1%	\$198
Tertiary	\$25,000	10%	\$2,500	\$10,000	1%	\$100
Totals	\$294,500	25% Average	\$75,925	\$117,800	3% Average	\$4,698

Given that the average price for hair cuts in Canada is \$12.66, the company will perform approximately 5,997 hair cuts in its first year of operation. This seems reasonable compared to the number days the company is proposed to operate which is 312 annually. Therefore, the company will need to perform an average 19 cuts per day. Each cut approximately takes a total of 12 minutes each which equals approximately 3.8 hours of hair cutting per day.

For the sale of its retail products, the company has estimated that the average sale will be \$5. Therefore, the company will need to sell 940 units of gel, shampoos, brushes or combs (combined). This sales figure is very conservative.

Hair washes and face shave statistics were compiled and reveal that 10% of the total market request these specialized barbering services. The average sale for these services is \$5. It is projected that JBS will perform 5,997 hair cuts in the first year. If 5% of customers pay for a shave or hair wash, additional sales will be derived. Therefore, the projected sales figure for this service can be calculated by using the following equation.

$$\text{Total Hair Cuts} \times \% \text{ Demand for Service} \times \text{Average Sale} = \text{Total Sales for Service}$$

or

$$5,997 \times .05\% = 299 \times \$5 = \$1,495$$

The above calculation conservatively suggests that the company will achieve total sales of \$1,495 for its hair washing and shaving services. This sales figure is very conservative given the demographic statistics presented.

In year 1, the company expects to achieve sales of \$75,925, \$4,698 and \$1,495 for its hair cutting services, retail products and specialized barbering services respectively. In total, the company expects first year sales of \$82,118. This sales figure is very conservative and attainable and has been compiled by utilizing many reputable sources of applicable statistics.

3.6 SWOT ANALYSIS

An examination of the company's strengths, weaknesses and the industry and market opportunities and threats will assist in determining areas of concern and of future potential. The following table highlights this key information below.

SWOT ANALYSIS Table #3	
STRENGTHS	<ul style="list-style-type: none"> ▶ Great and close location which is very accessible to each market with free parking; ▶ Bank machine within a close proximity of the business; ▶ An excellent knowledge of the company's primary and secondary market; ▶ Many years experience in providing the proposed services and products.
WEAKNESSES	<ul style="list-style-type: none"> ▶ Little knowledge regarding the company's tertiary market; ▶ No established clientele; ▶ Possible difficulties in reaching the company's tertiary markets.
OPPORTUNITIES	<ul style="list-style-type: none"> ▶ Providing a specialized service where need remains constant; ▶ No other competition within the immediate marketplace; ▶ Large and growing market; ▶ Entry into the industry is fairly low cost with great potential.

THREATS	▶ Existing nearby competitors have an already established clientele base which consists of a portion of the target market of JBS.
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3.7 COMPETITIVE ANALYSIS

Currently there are no existing competitors within the community of Curve Lake First Nation. The nearest competitors are 15 to 20 kilometers away. In total, three distant and direct competitors exist within the nearby communities of Lakefield, Bridgenorth and Buckhorn. The following table provides a detailed analysis of each competitor.

Competitive Analysis						
Table #4						
Competitor	Location	Services	Clientele	Years in Business	Average Price for Cuts	Value Added Services
Joe's	Lakefield	Cuts/Shaves/Washing	Established	10	\$14.00	Magazines and Daily Papers
Sam's	Bridgenorth	Cuts/Shaves/Washing	Established	22	\$13.00	Magazines, Daily Papers and Candy
Al's	Buckhorn	Cuts and Washes	Established	8	\$12.00	Magazines and Daily Papers
JBS	CLFN	Cuts/Shaves/Washes & Retail Products	Not Established	0	\$12.66	Magazines, Daily Papers, Candy and Debit Machine

Each competitor along with JBS will operate within the same days and hours which are Monday thru Saturday 9 am to 6 pm. Also, each of JBS's competitors only accept cash payments and don't provide free parking to their customers

After analyzing the above table, Mr. Jacobs has identified the following key competitive advantages his company has over its competition which are:

- (a) Great location within a central area of all proposed target markets;
- (b) More value added services such as available debit payment options;
- (c) Offers retail products specific to the needs of the market;
- (d) Owner possesses years of hair cutting experience and knowledge in the industry;
- (e) Free parking with bank machine close by;
- (f) Tax exempt products and services.

Mr. Jacobs will expose these key advantages to convert loyal and potential customers to utilize the services of his business.

The following section will identify the key services and products the company will sell along with all pricing, promotion and distribution strategies that will be utilized.

4.1 SERVICES AND PRODUCTS

Jacobs Barber Shop will generate revenues by selling barbering services and specialized barbering products. The following is a list and short description of these services and products.

1. General and Contemporary Hair Cuts (youth, adult and senior)

JBS will provide its customers with a wide array of traditional and new hair cuts. There are approximately 20 different cuts which Jeff will provide. Among these the most popular include the mushroom cut; ski jump; brush cut and crew cut. Along with these cuts Jeff will offer two different types of cuts at the back which include a taper and square cut. The average cut will take approximately 12 minutes.

2. Face Shave

JBS will provide face shaving services to its customers (beards and moustaches). This will be done by applying a house face cream and shaving where desired by a customer with a straight blade. Jeff has many years experience in using, maintaining and sharpening a straight blade razor. This type of razor will be used as it is the most effective method. The average shave will take about 10 minutes. After the shave is finished, Jeff will provide his customers with a hot cloth and aftershave lotion.

3. Hair Wash and Rinse

JBS will offer hair washing and rinsing prior to or after cuts and or shaves. The company will use a house shampoo and conditioner. This service will be offered to all customers. It is estimated that this service will take 5 - 7 minutes in duration. All towels for drying will be provided by JBS.

4. Hair Brushes and Combs

JBS will retail various types of hair brushes and combs. These products will be displayed at the front of the store.

5. Shampoos / Conditioners and Gels

JBS will retail specialized and name brand shampoos, conditioners and hair gels. These products will be displayed near the front of the store. Only one size of these products will be offered.

As indicated above, JBS will provide its customers with a very healthy depth and breadth of products and services. Details regarding the company’s suppliers for its retail products are provided in the operational plan of this document.

4.2 PRICING

The company will utilize two main pricing methods to sell its services and products. For its retail products, the company will utilize a market based mark-up pricing strategy. Therefore, JBS will determine its retail prices for these products by taking the wholesale cost and applying the industry standard mark-up. The industry standard mark up for products number 4 and 5 is 100%.

For the company’s services, a set price for each will be determined that is inclusive of direct costs and desired profit. The following table outlines the key information regarding price structure for the company’s services and products.

PRICE AND PRICE STRUCTURES						
Table #5						
Product / Service	<i>Price</i>		<i>Cost</i>		<i>Profit</i>	
	\$	%	\$	%	\$	%
Cuts (Youth, Adult & Senior)	\$12	100	\$1.20	10	\$10.80	90
	\$15	100	\$1.50	10	\$10.50	90
	\$11	100	\$1.10	10	\$10.90	90
Face Shave (Beard & Moustache)	\$6	100	\$.60	10	\$5.40	90
	\$4	100	\$.40	10	\$3.60	90
Wash & Rinse	\$5	100	\$.50	10	\$4.50	90
Brushes & Combs	\$5	100	\$2.50	50	\$2.50	50
Hair Products	\$5	100	\$2.50	50	\$2.50	50

The above prices and costs are well within the industry norm and will assist the company to achieve its desired profit goals.

4.3 DISTRIBUTION METHODS

The distribution strategy of the company is very simple and within industry norms. The company will provide all of its barbering services at the place of business. The company's retail products will be sold by its owner and / or staff.

4.4 PROMOTIONAL STRATEGY

Jacobs Barbering Services belongs to an industry where little advertising and promotion must be undertaken. However, there is a standard level of activities which should be implemented to ensure specific objectives of the company are achieved. It is for this reason that JBS will design and implement a well defined and targeted promotional strategy that will:

- I. Educate and remind all three main markets of the location of the business, its operating days and hours and its services and products;
- II. Ensure the company maintains an image of professionalism and quality;
- III. Generate a consistent level of sales during low periods of the year.

Due to the mediums available within the local marketplace of Curve Lake First Nation, Jacobs Barber Shop expects full market reach. The following advertising mediums will be utilized to attain this goal.

Firstly, a company identity package will be created. This package will consist of business cards, envelopes, letterhead and a digital logo. This package will be put together by a local and reputable company. A copy of the company's digital logo will be attained on CD and utilized throughout the company's other mediums. The quantities of each package item will be determined by Jeff Jacobs. A quote for this service was attained and is expected to cost \$2,000.

Secondly, direct mail outs will be created and distributed throughout the entire community of Curve Lake. This will be done by placing 5.5 x 8 inch cards in local mailboxes of the Aboriginal and non-Aboriginal population. The cost of this activity will be minimal as all the direct mailings will be created on the company's computer. The fee being charged to complete this task by the local post office is 10 cents per insert. It is estimated that the company will distribute 1,600 inserts at a frequency of 4 times annually. In total, the company will distribute 6,400 inserts annually at a cost of \$640.

Thirdly, the company will invest into interior and exterior signage. An interior sign (4ft x 6ft) will be purchased to display all products and services and their prices for customers. An exterior sign will be purchased to hang at the front of the mini mall where the business will be located. This sign will be 15ft x 12ft and will display the company's name, logo, address and contact number. A quote for both signs has been attained and costed at \$400 and \$600 respectively.

Fourthly, the owner will purchase two sets of aprons for the barbers and customers. These sets will be purchased from a local supplier of these products for \$175 each. Each set contains 12 aprons.

Fifthly, Jacobs Barber Shop will advertise locally by utilizing broadcast and print mediums. The following table illustrates this.

JACOBS BARBER SHOP PRINT & BROADCAST ADVERTISEMENTS				
Table #6				
Medium Source	Location	Market Reach	Frequency	Cost
Wolf Radio	Peterborough	Excellent	Monthly	\$100 x 12 = \$1,200
Lakefield Harold	Lakefield	Good	Monthly	\$60 x 12 = \$720
Curve Lake Paper	Curve Lake	Excellent	Bi-Weekly	Free
Total Cost				\$1,920

The company’s owner, Jeff Jacobs expects that the company will receive frequent good word of mouth advertising. There is no cost for this form of medium, but the benefits are great. Overall, the total costs for the company’s start up and on-going advertising activities are as follows:

Identity Package	\$2,000.00
Direct Mailings	\$ 640.00
Signage	\$1,000.00
Apparel	\$ 350.00
Broadcast and Print Ads	<u>\$1,920.00</u>
Total Advertising Costs	<u>\$5,910.00</u>

SECTION #5.0

OPERATIONAL PLAN

The following section will outline the general operating procedures, facilities, operational workflow, human resource, insurance, government, working capital, capital and inventory requirements.

5.1 GENERAL OPERATING PROCEDURES AND FACILITY

The proposed regular operating hours and days of Jacobs Barber Shop is Monday thru Saturday 9am - 6pm. These operating days and hours are subject to change depending upon the market needs. The company will also be properly prepared to accept cash and debit payments only. No credit will be given to any customers of the business.

Jacobs Barber Shop has arranged to lease unit #3 of Curve Lake First Nation’s mini mall. This unit is located at the front of the mall facing north. The unit is 800 square feet in size and is fully equipped with the necessary electrical, plumbing and lighting fixtures. The lease agreement will be signed a month prior to the opening of the business. Mr. Jacobs has carefully read and understands the terms of the lease agreement. The lease agreement is for a period of 3 years and includes security. At this time, the owner has the option to renew the lease. The cost to lease this unit is \$400 per month or \$4,800

annually.

After viewing the unit, Mr. Jacobs has determined that he will need to make a minor investment into leasehold improvements. These improvements will include renovating the bathroom and finishing the interior with trim and paint. The cost to complete this work is an estimated \$2,000. This includes both labour and material. The leasehold improvements will be the property of the company until the lease agreement expires or the value depreciates down to zero.

5.2 OPERATIONAL WORKFLOW

The operational workflow of the company is simple. The company will not take appointments for hair cuts and service will be based on a first come first serve basis. Below is the four step operational workflow of the company.

1. Customer(s) arrive at store;
2. Barber will seat customers one at a time in the barber chair;
3. Perform desired barbering services; and
4. Collect payment.

5.3 HUMAN RESOURCE REQUIREMENTS

It is anticipated that the company will need to hire 1 part time barber and 1 janitor who will be employed on a casual basis. The part time barber will be hired to give the company's owner a break weekly. This employee will work Thursdays for 9 hours and will be paid \$13 per hour. This person that occupies this position must be fully capable of performing all job functions listed in the products and services table.

A casual janitor position will need to be filled to perform some maintenance requirements of the company. The janitor will work 2 hours per week and will be paid \$10 an hour. This position will require little experience, but will require some WHMIS training as the chemicals used by cleaners today must be handled safely. This training is available at no charge through the local training board. The responsibilities of this position includes: cleaning the floors; counters; and chairs.

The hiring process will consist of a job advertisement posted at the First Nation offices and in the local newsletter. This will minimize any advertising costs and allow for preference to be given to persons of Aboriginal decent. In the event the position is not filled, an advertisement will be placed in the local newspaper to attract a good pool of respondents. Interviews will be held 1 - 2 months prior to the official opening of the business. Preference for both positions will be given to persons of Aboriginal descent. E.I. (Employment Insurance) will not be offered by the company as they are not required under the Canada Employment Insurance Act.

For the protection of the business against litigation that must be paid out by the company and workplace claims that may be required to be paid out, W.S.I.B (Workplace Safety and Insurance Board) will be provided to the employees under the Ontario Workplace Safety Insurance Act. The added Barber falls under category 944 at a rate of \$2.36 per \$100 of payroll and janitorial services falls under category 923 at a rate of \$3.23 per \$100 of payroll. Based on the amount of wages being paid, the cost to the business will be minimal at a total cost of approximately \$132.64 and \$31.08 respectively. The cost of approximately \$165 will easily offset the cost of any claims should they have one. Optional insurance is also available to the owner through this program.

The following table illustrates the company’s human resource schedule for 2004, 2005 and 2006.

HUMAN RESOURCE SCHEDULE			
Table #7			
Employee	2004	2005	2006
Barber (P.T.)	\$5,616.00	\$5,616.00	\$5,616.00
Janitor	\$960.00	\$960.00	\$960.00
Total	\$6,576.00	\$6,576.00	\$6,576.00

Mr. Jeff Jacobs will work between 45 and 55 hours per week and will make an annual draw of \$35,000. This level of draw is deemed sufficient and will allow the owner to have a comfortable living. As the owner, Mr. Jacobs will be required to handle the entire administrative portfolio of the business. This includes all marketing, bookkeeping and legal aspects of the business. Also included in the owner responsibilities will be the lead in all customer service aspects including the handling of complaints and the resolution of such issues.

Leland’s Home Improvements is a local carpentry company that provides renovation services. A quote has been attained by this company to provide the needed leasehold improvements. The estimated cost for this service is \$2,000. Arrangements have been made to have this company provide the needed work prior to the official opening of the business.

5.4 INSURANCE REQUIREMENTS

Jacobs Barber Shop will need to incur costs for commercial insurance. Insurance coverage is needed for business liability and the assets of the business. The unit being leased is already covered under the First Nation’s insurance policy. A quote for these insurance needs has been attained from Johnson’s Insurance and is estimated to cost \$2,000 annually.

5.5 GOVERNMENT REQUIREMENTS

As the business is located within a First Nation, there are very few tax issues which must be addressed. By law, the company is required to collect GST and PST based on the location of the sale. If a transaction is First Nation to First Nation, tax collection is not required, however, in any other instance it is. Also, as the income of Jeff is non-taxable when generated on a First Nation, there is no legal requirement to report income to Revenue Canada. As sales begin to increase, the owner must be properly prepared to address any issues that may arise from an income tax inquiry.

5.6 WORKING CAPITAL REQUIREMENTS

JBS will generate sufficient working capital to sustain operations, but due to the demands imposed at start up, the company will need to have \$3,000.00 for working capital.

5.7 CAPITAL REQUIREMENTS

As documented throughout this plan, it is estimated that the company will need to make an investment of \$14,800 into new capital. The following table illustrates these investments. Accompanying quotes are provided in the attachments of this plan.

CAPITAL REQUIREMENTS	
Table #8	
Capital Item	Cost
1 Hydraulic Barber Chair	\$2,500
Clippers, brushes other barber specific tools	\$800
Leasehold Improvements	\$2,000
Working Capital	\$3,000
Barber Wash Tub	\$500
Cash Register & Debit Machine	\$500
Sound System	\$800
Inventory	\$1,175
Mirrors	\$500
Computer and peripherals (includes software)	\$3,025
TOTAL CAPITAL COSTS	\$14,800

*Please note all costs include applicable taxes, delivery and set up.

By making the above investments, the company will possess everything it needs to achieve and exceed its company and financial goals.

5.8 INVENTORY REQUIREMENTS

It is estimated that the company's inventory of hair products and accessories will turn 4 times annually. Therefore at start up, the company will need to make an investment into beginning inventory of \$1,175. The inventory breakdown of products is 50% hair brushes and combs and 50% shampoos, conditioners and gels respectively.

All products of the company will be purchased from Franks Hair Products (FHP). This company is a local wholesaler of these products. No credit has been established with this supplier and they do not deliver their products. The wholesale prices for these products are within industry norms and allow the company to attain projected profit levels. An opportunity to expand offered products exists as FHP has a wide selection of products.

6.1 COSTS AND FINANCING

In order to properly establish Jacobs Barber Shop, Mr. Jeff Jacobs has proposed a financing package that consists of owner's equity, government assistance and traditional borrowing. Table #9 illustrates the proposed costs and financing.

COSTS AND FINANCING			
Table #9			
Costs		Financing	
Capital		Capital	
Inventory	\$1,175	J. Jacobs Cash Equity (10%)	\$1,480
Leasehold Improvements	\$2,000	Aboriginal Business Canada (50%)	\$7,400
Equipment	\$3,100	Curve Lake First Nation Loan (40%)	<u>\$5,920</u>
Chair	\$2,500		
Office Equipment	\$3,025		
Working Capital	<u>\$3,000</u>		
Total Capital	\$14,800	Total Capital Financing	\$14,800
Marketing		Marketing	
Start-up and On-going Activities	\$5,910	Aboriginal Business Canada (60%)	\$3,546
		Cash from Operations (40%)	<u>\$2,364</u>
Total Marketing	\$5,910	Total Marketing Financing	\$5,910
Business Support		Business Support	
Aftercare Services	\$2,000	Aboriginal Business Canada (75%)	\$1,500
		Cash from Operations (25%)	<u>\$ 500</u>
Total Business Support	\$2,000	Total Business Support Financing	\$2,000
TOTAL PROJECT COSTS	\$22,710	TOTAL PROJECT FINANCING	\$22,710

As identified in the above table, Mr. Jeff Jacobs will make a cash investment into the business of 10% or \$1,480 towards capital costs.

Aboriginal Business Canada (ABC) will be approached to make a contribution of \$7,400, \$3,546 and \$1,500 towards capital, marketing and business support. Due to the age of the owner, this project fits under ABC's Youth priority area and meets all program criteria. To fund the remaining \$5,920 of capital costs, Mr. Jacobs will apply for a commercial loan from his First Nation's Economic Development Committee. This loan will be repaid over 3 years at an annual rate of interest of 9%. Bridge financing for approved Aboriginal Business Canada funds will be sought through the owner's personal banking institution. This is reflected in the financial projections.

Cash from operations will fund the remaining costs for marketing and business support. It should be noted that without assistance from Aboriginal Business Canada, this project will not proceed.

6.2 FINANCIAL PROJECTIONS AND NOTES

The following pages contain the financial projections and notes to financial projections for years 2004, 2005 and 2006. Included is a monthly cashflow statement, projected income statements, balance sheets, sources and uses of funds statement, amortization schedule and a mortgage amortization schedule. A break even analysis is also included.

Cashflow

The cashflow of the company remains strong throughout the start up period of the company. Without assistance from the federal government, this start up would not survive. Mr. Jacobs will continue to monitor the cashflow of the company to ensure that projected sales and expenses were not seriously over or understated.

Sales

The company will generate sales by selling its mix of barbering services and products. As detailed in Section #3.0, the company is projected to generate a healthy and conservative level of sales. In year 1 the company will generate sales of \$82,118. The following table illustrates sales for years 2 and 3 by applying an annual percentage of increase.

SALES PROJECTIONS					
Table #10					
Product / Service	Sales Yr. 1	% Increase Yr. 2	Sales Yr. 2	% Increase Yr. 3	Sales Yr. 3
Cuts	\$75,925	3%	\$78,203	1%	\$78,985
Retail Products	\$4,698	2%	\$4,792	2%	\$4,888
Specialized Services	\$1,495	2%	\$1,525	2%	\$1,556
Total Sales	\$82,118	1.8%	84,520	1.01%	85,429

In year 2005 and 2006 the company's total sales are projected to be \$84,520 and \$85,429 respectively. The applied annual increase in sales of the company's products and services are very conservative.

Costs of Goods Sold

The costs of goods sold for Jacobs Barber Shop includes materials and wholesale products. The percentages of these costs have been outlined in Section #4.0 of this plan. See section for details.

Expenses

Expenses were based on the following facts and assumptions.

Capitalization Expenses

As documented throughout the plan.

Marketing Expense

Based on activities outlined in marketing plan.

Association and Business Registration Expense

As quoted by the Canadian Association of Barbers.

Wages Expense

As outlined in the company's human resources requirements.

Lease Expense

As indicated in the lease agreement.

Utilities Expense

Based on quote from Hydro One

Communications Expense

Based on quote from Bell Canada. Cost includes message services, call identity and waiting and other monthly services plus anticipated long distance calls.

Repairs and Maintenance Expense

Based on small business profile as a percent of sales.

General and Office Supplies Expense

Based on assumption.

Insurance Expense

Based on quote for this expense.

Magazine Subscription Expense

Based on actual quotes and costs of yearly subscriptions.

Miscellaneous Expense

Based on assumption in all years.

Debit Machine Expense

At a rate of 1% of sales.

Bank Charges and Interest Expense

Based on quote from CIBC.

Loan Interest and Principle Repayment

Based on the mortgage schedule for a \$5,920 loan over 3 three years at a 9% annual interest rate.

Break-Even Analysis

By analyzing the financial data presented in the financial projections for Year 1, the company's total variable costs and fixed costs are \$59,279 and \$21,946.

The variable costs of the company include: materials, wholesale costs, 50% of marketing, 75% of wages, repairs and maintenance, general and office expense, miscellaneous expense, debit expense, professional fees and owner's draws.

The fixed costs of the company includes: 50% of marketing, membership expenses, 25% of wages, lease expense, utilities, communication expenses, insurance, magazine subscriptions, bank charges and interest, loan principle and interest and depreciation.

A calculation of the company's break even point in sales for year 1 was calculated by using the following equation.

$$\text{Total Fixed Costs} / \text{Contribution Margin \%} = \text{Break-Even Point in Sales}$$

or

$$\$21,946 / .28\% = \$78,378$$

In order to break-even in year 1, the company will need to generate sales of \$78,378.

**JACOBS BARBER SHOP
12 MONTH CASHFLOW**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
CASH IN													
Beginning Cash	\$0												\$0
Hair Cutting Revenue	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$6,327	\$75,925
Retail Products	\$392	\$392	\$392	\$392	\$392	\$392	\$392	\$392	\$392	\$392	\$392	\$392	\$4,698
Specialized Barbering Services	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1,495
Cash Equity	\$1,480												\$1,480
Aboriginal Business Canada		\$7,400	\$3,546		\$1,500								\$12,446
CLFN Commercial Loan	\$5,920												\$5,920
Bridge Financing	\$12,446	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,446
TOTAL CASH IN	\$26,689	\$14,243	\$10,389	\$6,843	\$8,343	\$6,843	\$6,843	\$6,843	\$6,843	\$6,843	\$6,843	\$6,843	\$114,410
COST OF GOODS SOLD													
Material (barbering supplies)	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$7,742
Wholesale Cost of Products	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$2,349
TOTAL COGS	\$841	\$841	\$841	\$841	\$841	\$841	\$841	\$841	\$841	\$841	\$841	\$841	\$10,091
GROSS REVENUE	\$25,848	\$13,402	\$9,548	\$6,002	\$7,502	\$6,002	\$6,002	\$6,002	\$6,002	\$6,002	\$6,002	\$6,002	\$104,319
CASH OUT													
Capitalization Activities	\$11,800												\$11,800
Marketing Activities	\$3,670	\$160	\$160	\$320	\$160	\$160	\$160	\$320	\$160	\$160	\$160	\$320	\$5,910
Association and Registration Costs	\$580												\$580
Salary and Wages	\$682	\$682	\$682	\$682	\$682	\$682	\$682	\$682	\$682	\$682	\$682	\$682	\$8,181
Lease Expense	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
Utilities Expense	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
Communications Expense	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$1,440
Repairs and Maintenance	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
General and Office Supplies	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Insurance Expense	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$2,000
Magazine Subscription Expense	\$500												\$500
Miscellaneous Expense	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Debit Machine Expense	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$821
Bank Charges and Interest	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$480
Loan Interest	\$44	\$43	\$42	\$41	\$40	\$39	\$38	\$37	\$36	\$34	\$33	\$32	\$460
Principle Repayment	\$144	\$145	\$146	\$147	\$148	\$149	\$150	\$152	\$153	\$154	\$155	\$156	\$1,799
Bridge Loan Repayment		\$7,400	\$3,546		\$1,500								\$12,446
Professional Fees	\$2,000												\$2,000
Owner's Draws	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$2,917	\$35,000
TOTAL CASH OUT	\$23,532	\$12,542	\$8,688	\$5,302	\$6,642	\$5,142	\$5,142	\$5,302	\$5,142	\$5,142	\$5,142	\$5,302	\$93,017
NET CASH FLOW	\$2,316	\$860	\$860	\$700	\$860	\$860	\$860	\$700	\$860	\$860	\$860	\$700	\$11,302
CUMULATIVE CASH FLOW	\$2,316	\$3,177	\$4,037	\$4,738	\$5,598	\$6,459	\$7,319	\$8,020	\$8,880	\$9,741	\$10,601	\$11,302	

JACOBS BARBER SHOP
PROJECTED INCOME STATEMENT

	Year 1 Projection	Year 2 Projection	Year 3 Projection
REVENUES			
Hair Cutting Revenue	\$75,925	\$78,203	\$78,985
Retail Products	\$4,698	\$4,792	\$4,888
Specialized Barbering Services	\$1,495	\$1,525	\$1,556
TOTAL REVENUES	\$82,118	\$84,520	\$85,429
COST OF GOODS SOLD			
Materials (barbering supplies)	\$7,742	\$7,973	\$8,054
Wholesale Cost of Products	\$2,349	\$2,396	\$2,444
TOTAL COST OF GOODS SOLD	\$10,091	\$10,369	\$10,498
GROSS MARGIN	\$72,027	\$74,151	\$74,931
SELLING & ADMIN EXPENSES			
Marketing Activities	\$5,910	\$4,000	\$5,000
Association Membership	\$580	\$500	\$500
Salary and Wages (Including WSIB)	\$8,181	\$8,181	\$8,181
Lease Expense	\$4,800	\$4,800	\$4,800
Utilities Expense	\$2,400	\$2,600	\$2,800
Communications Expense	\$1,440	\$1,600	\$1,700
Repairs and Maintenance Expense	\$600	\$1,000	\$1,100
General and Office Supplies Expense	\$1,200	\$1,300	\$1,400
Insurance Expense	\$2,000	\$2,200	\$2,400
Magazine Subscription Expense	\$500	\$500	\$500
Miscellaneous Expense	\$600	\$1,000	\$1,100
Debit Machine Expense	\$821	\$845	\$854
Bank Charges and Interest	\$480	\$550	\$600
Loan Interest	\$460	\$291	\$106
Professional Fees	\$2,000	\$1,000	\$1,000
Depreciation	\$2,528	\$2,528	\$2,528
TOTAL SELLING & ADMIN EXPENSES	\$34,500	\$32,895	\$34,570
NET PROFIT (LOSS) FROM OPERATIONS	\$37,527	\$41,256	\$40,361
Add: Contribution from ABC for Marketing and Business Support	\$5,046	\$0	\$0
NET PROFIT (LOSS) FROM OPERATIONS	\$42,573	\$41,256	\$40,361

**JACOBS BARBER SHOP
3 YEAR PROJECTED BALANCE SHEET**

	OPENING	Year 1 Ending	Year 2 Ending	Year 3 Ending
ASSETS				
<i>Current Assets</i>				
Cash	\$3,000	\$11,302	\$13,118	\$13,854
Inventory	\$1,175	\$1,175	\$1,175	\$1,175
Total Current Assets	\$4,175	\$12,477	\$14,293	\$15,029
Fixed Assets				
Leasehold Improvements	\$2,000	\$2,000	\$2,000	\$2,000
Barber Equipment	\$3,100	\$3,100	\$3,100	\$3,100
Hydraulic Chair	\$2,500	\$2,500	\$2,500	\$2,500
Office Equipment	\$3,025	\$3,025	\$3,025	\$3,025
Less: Accumulated Depreciation	\$0	\$2,528	\$5,056	\$7,584
Plus: Land	\$0	\$0	\$0	\$0
Total Fixed Assets	\$10,625	\$8,097	\$5,569	\$3,041
TOTAL ASSETS	\$14,800	\$20,573	\$19,862	\$18,070
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$0	\$0	\$0	\$0
Current Portion of Loan	\$1,799	\$1,968	\$2,153	\$0
<i>Long - Term Liabilities</i>				
Long Term Portion of Debt	\$4,121	\$2,153	\$0	\$0
TOTAL LIABILITIES	\$5,920	\$4,121	\$2,153	\$0
OWNER'S EQUITY				
Aboriginal Business Canada Contr.	\$7,400			
Contributed Assets Equity	\$0			
Cash Equity Injection	\$1,480			
Beginning Owner's Equity	\$0	\$8,880	\$16,453	\$17,709
Net Income	\$0	\$42,573	\$41,256	\$40,361
Less: Owner's Draw	\$0	\$35,000	\$40,000	\$40,000
OWNER'S/PARTNER'S EQUITY	\$8,880	\$16,453	\$17,709	\$18,069
TOTAL EQUITY AND LIABILITIES	\$14,800	\$20,573	\$19,861	\$18,069

**JACOBS BARBER SHOP
PROJECTED SOURCES AND USES OF FUNDS**

	Year 1 Ending	Year 2 Ending	Year 3 Ending
Net Profit	\$42,573	\$41,256	\$40,361
Add: Depreciation	\$2,528	\$2,528	\$2,528
Less: Owner's Draws	\$35,000	\$40,000	\$40,000
Cash From Operations	\$10,101	\$3,784	\$2,889
Financing Activities			
Government Sources	\$7,400		
Cash Equity Injection	\$1,480		
Term Debt	\$5,920		
Less: Repayment of Debt	\$1,799	\$1,968	\$2,153
Total Financing	\$13,001	-\$1,968	-\$2,153
Capitalization Activities			
Capitalization Activities	\$11,800	\$0	\$0
Total Capitalization Activities	\$11,800	\$0	\$0
Net Cash From Operations	\$11,302	\$1,816	\$737
Beginning Cash	\$0	\$11,302	\$13,118
Ending Cash	\$11,302	\$13,118	\$13,854

**JACOBS BARBER SHOP
AMORTIZATION SCHEDULE**

		Year 1 Ending	Year 2 Ending	Year 3 Ending
Leasehold Improvements	\$2,000			
Useful Life	5	\$400	\$400	\$400
Barber Equipment	\$3,100			
Useful Life	5	\$620	\$620	\$620
Hydraulic Chair	\$2,500			
Useful Life	10	\$500	\$500	\$500
Office Equipment	\$3,025			
Useful Life	3	\$1,008	\$1,008	\$1,008
Total Depreciation		\$2,528	\$2,528	\$2,528