

Mona and Gavin Laveaux
No Place Like Home
201 Essex Avenue
Sudbury, ON P3C 2V6

November 4, 2002

John Smith
Bank XYZ
223 Generic Avenue, Suite 402
Toronto, ON M5J 1A7

Dear Mr. Smith,

We are very pleased to enclose our business plan for No Place Like Home. Inside, you'll find a wealth of information about our business, a thorough assessment of opportunities in the marketplace, and a detailed plan for seizing them. We look forward to the possibility of working with you to make No Place Like Home a success in the coming months and years.

We are eager to hear your comments and answer any questions you may have. You can reach us at (705) 555-3422.

Thank you for your time and attention.

Sincerely,

Mona and Gavin Laveaux

Mona and Gavin Laveaux

Operating as
No Place Like Home

Business Plan

November 4, 2002

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Executive Summary

Purpose of this plan

- Think through planned changes that will help us capitalize on our current popularity among Sudbury homeowners and gift buyers.
- Confirm that we need a low-interest \$12,000 loan offered by Madge Ebersol, Mona's mother, and establish plans for repaying it.

About No Place Like Home

- Founded in 1994.
- Owned by my wife Mona and I.
- Sell a wide assortment of home décor items (e.g. decorative pillows and flower vases) and unique small furniture (e.g. coffee tables and rocking chairs).

Our customers

- Gift buyers and established residents of Sudbury looking for reasonably priced, unique items for their homes.

Competitive advantages

- Located on the busiest shopping street in downtown Sudbury.
- Well known in the city.

Financial highlights

- Steady growth in the last 2 years.
- For 2003, we project a 10.3% increase in sales.

Gavin Laveaux
Mona Laveaux
Mona and Gavin Laveaux
No Place Like Home
201 Essex Avenue
Sudbury, ON P3C 2V6
Phone (705) 555-3422
Fax (705) 555-3423
noplacelikehome@zzz.ca

Business Description

Business Overview

Legal name of business
Mona and Gavin Laveaux

Trade name of business
No Place Like Home

Business address
201 Essex Avenue
Sudbury, ON P3C 2V6

Phone number
(705) 555-3422

Fax number
(705) 555-3423

E-mail address
noplacelikehome@zzz.ca

Structure of business
General Partnership

<i>Owners</i>	<i>% Ownership</i>
Gavin Laveaux	50%
Mona Laveaux	50%

Date business established
February 1994

Nature of business
Retail

Bank and branch location used for business matters
Scotiabank, 2040 Algonquin Road, Sudbury

Bank and branch location used for personal matters
Scotiabank, 2040 Algonquin Road, Sudbury

Business Background

- 1994. Originally sold window dressings, floor coverings, and antique-style furniture primarily to interior decorators.
- 1999. Two key interior decorator customers moved away. Consequently decided to phase out floor coverings and window dressings and focus on homeowners directly.
- 2001. Moved to current location. Began offering home accents and gifts. Business has really taken off since then.

Personal Goals

- Accommodate the retirement of Mona's mother (who works in the store) in 3 months.
- Work less on weekends; spend more time with our daughters.
- Pay off mortgage within the next 7 years.
- Earn enough to send our kids to university.
- In the long run, either sell the business or hand it over to our daughters.

Business Vision

Committed to providing a unique assortment of affordable home furnishings...

- in a way that promotes our belief in personal customer service...
- so we can attract new customers and increase the loyalty of existing customers...
- as measured by an annual increase in sales of 10% or more.

Business Objectives

Short-term

- Hire 1 senior salesperson in the next 3 months.
- Hire 1-2 junior salespeople in the next 12 months.
- Start collecting customer mailing addresses to support promotions.

Long-term

- Grow sales by 21% within two years.
- Grow net profit before tax by 232% within two years.
- Train senior salesperson to become store manager within 3 years.

Product

Description

Unique household furnishings and accents

- Coffee tables, rocking chairs, mirrors, lamps, glassware, pillows, etc.

Competitive Advantage

- Located on busiest shopping street in Sudbury.
- Very good reputation.

The Marketplace

Industry

Industry Factors and Trends

Demographic

- Rising age of Sudbury population means more people staying home more of the time.
 - Increased spending on household accents and furnishings.

Social

- People choosing to stay home rather than travel.
- Martha Stewart paves way for heightened interest in home décor.
 - Strong market for home accessories.

Economic

- Economic downturn causes many to put off buying big-ticket “luxury” items.
- Market for less expensive “pick-me-up” gifts still strong.
- Sudbury economy getting stronger, with an increasing number of management and professional/technical workers who have more disposable income.
 - Local market for home décor likely to grow.
- Home décor gift sales spike in the weeks surrounding Christmas and Boxing Day.
 - Tightest cash flow in late autumn, as we stock up for peak season.

Industry Outlook

- Market for lower-priced gifts and home accents will expand as aging population with growing disposable income spends more time at home.

Market Size

According to *Financial Post Canadian Demographics 2000*:

- \$98.5 million spent on furniture, appliances, and home furnishings in greater Sudbury in 2000.
- Sudbury’s 164,000 inhabitants spend more per capita on retail goods than any other urbanites in the northern regions of Southern Ontario.

Competition

Competitors

- **Box and Bin**
 - Large selection of low- and mid-priced designer house wares, including glassware.
 - Great location in Sudbury Commons Mall.
 - Part of a national chain.
 - Advertises every day in local newspaper.
- **Design Sudbury**
 - Good selection of unusual furniture.
 - Around for over 50 years, so most residents know about it.
 - Street parking only.
- **The Grey Swan**
 - Good location in upscale strip mall.
 - Very popular for wedding registries.
 - Cramped store.
 - High prices.

- **Tabby's Gifts**
 - Mix of "hip" greeting cards and home décor items – many novelty "gag" gifts.
 - Popular with young crowd.

Competitive Opportunities & Challenges

Challenges

- Low- and mid-priced home décor chains like Box and Bin make it more difficult to compete on either price or selection.

Opportunities

- Not many stores offer merchandise that can't readily be found elsewhere.
- Some competitors' shops are cramped or impersonal.
 - Opportunity for a home décor store that offers "unique" items in a relaxing, attractive, personal atmosphere.

Customers

Customer Segments

- Gift buyers.
- Interior decorators.
- People shopping for their own homes.

Target Customers

Gift buyers (buy 4-5 times/year) and people shopping for their own homes (buy 2-3 times/year)

- Like to be "the first kid on the block" with an unusual item.
- Appreciate fair value and clearly marked prices.
- Prefer personalized service.
- Require the flexibility of a generous return policy.

All of which we provide!

Sales & Marketing

Positioning

- *Excitement* that goes with finding a unique item.
- *Sense of calm* that comes with shopping in a comfortable, quiet, and beautiful store.
- *Feeling of confidence*, as a result of our fairly extensive home decorating knowledge.

Pricing

Mid-range pricing on most items

- With the exception of furniture, no item in the store is priced higher than \$150.
 - Picture frames @ \$25-\$60 (Box and Bin \$13-\$30 – Grey Swan \$50-\$90).
- Can't charge very low prices, since we must afford special suppliers and shipping costs that accompany unique items.
- Can't charge very high prices, because we want to encourage impulse buying by casual browsers.

Furniture priced higher

- Writing desk @ \$1,900 (Box and Bin \$250 – Design Sudbury \$2,200).
- Satisfy customers looking to make bigger purchases.
- Nice furniture in store contributes to relaxing and beautiful atmosphere.

Promotion

- Our posters and some décor items displayed in coffee shop next door.
- Sidewalk sign outside store advertises sales.
- "10% off" coupons included in merchant flyer mailing to area residents every 2 months.
- Advertisement in Sunday edition of Sudbury Times before Christmas.
- By end of year, will launch a quarterly e-mail newsletter for existing customers that provide home decoration tips and updates on new merchandise. Mona will write it. Starting to collect e-mail addresses at checkout now.

Sales

- Mona, Mona's mother, and I are currently the only salespeople.
- Customers pay by VISA, Mastercard, American Express, Interac, cash, or cheque.
- Full refund with store receipt up to 60 days after purchase (5% of sales returned).
- Free delivery services (within the city limits) for large furniture items costing more than \$200.

Business Operations

The Team

- I keep the books and manage inventory.
 - Previously worked as an office manager at Whitby Manufacturing.
- Mona decides what merchandise to buy and how to display it in the store.
 - Previously a store manager for six years at The Grey Swan.
- Madge Ebersol, Mona's mother, manages the till 20 hours/week. In the past, Madge managed the store anytime Mona and I went away.

Advisors

- Harold Bloomfell, chartered accountant with Maisey Associates.
- Lisa Steadmon, Account Manager at Scotiabank.
- Staci Laveaux, Director of Marketing at Bus Stop, a Toronto-based clothing retail chain.
- Marnie Wilcox, Head Buyer at Sudbury's Gorge Department Store.

Hiring Plans

1 full-time salesperson within 3 months

- Replace Mona's mother; accommodate increased traffic.
- \$25,000/year.
- Must have experience working in retail.
- May be promoted to store manager within 3 years, giving us more flexibility to spend time away from the store.
- Classified ads to be posted in Sudbury Chronicle.

2 more part-time salespeople within 12 months

- Accommodate increased traffic, allow Mona to take weekends off.
- \$7/hour.
- Primarily responsible for the till (no experience required).
- Find high school students through referrals from our daughters' teachers.

Wages for new employees to be paid from operating cash flow.

Suppliers

- **Even Odds**
 - Picture frames, mirrors, kitchen accessories, and other gift items.
 - Currently account for 30% of sales.
 - 3% discount on items purchased in volume (more than 100 units).
- **Teak 'n Timber**
 - Hand-carved pieces like mirror frames, large picture frames, and rocking chairs.
 - Currently account for 20% of sales.
 - 4% discount for payment within 45 days.
- **Room Art**
 - Coffee tables, bedside tables, and chests.
 - 15% of our total sales.
- **Sleep & Swim**
 - Items for the bedroom and bathroom, including pillows, throws, soap dishes, and toothbrush holders.
 - 22% of our sales.

- Sliding scale discount of 5% to 8%, depending on order size.
- **Marty's Movers**
 - \$25/furniture delivery in city limits.
 - Usually paid immediately.
- Items purchased from a variety of smaller suppliers constitute the remaining 13% of sales.
- Every year, Mona identifies potential suppliers at the Fall Home Show in Toronto.

Alliances

- **The Big Drip** (our next door neighbour and the most popular coffee shop in Sudbury)
 - We allow them to put two tables of outdoor seating outside our store.
 - Advertisements for our store featured prominently in their coffee shop.
 - Clearly-marked products from our store (e.g. framed pictures, flower vases) used to decorate coffee shop.

Planned Changes

- **\$6,500 for leasehold improvements**
 - Update fixtures to allow us to display more gift items and small accents.
 - Install new lighting to spotlight key items and make store more attractive.
 - New shelving for stock room to allow greater small item inventory.
- **\$5,000 for one-time increase in gift inventory**
 - Small gift items driving most of growth in sales.
 - Currently, frequent stock-outs.
 - Increased inventory will help capitalize on store's growing popularity.
- **\$500 for 2nd cash register**
 - Accommodate increased traffic and improve customer service.

TOTAL REQUIRED: \$12,000

- **To be supplied by Madge Ebersol.**
- **To be repaid from cash flow, with \$4,000 annual principal repayments every December, and annual interest at a rate of 5%.**

Contingency Plans

Mona and I already have:

- Personal wills.
- Personal life insurance.
- Commercial property insurance.
- General liability insurance.
- *Workers' Compensation insurance intended for new employees.*

- If something happens to one of us, the other one will continue running the store.
- If something happens to both of us, my sister Staci will have the right to either continue running the business or sell it on our daughters' behalf.
- Once our daughters come of age, they will be our successors if they wish.
- If a major competitor moves onto our doorstep, we will launch flyer campaign to existing customers with the slogan, "What makes your home unique?"
- If one of our key suppliers ends our relationship, we will build alternate relationships with other suppliers Mona identifies.

Financial Information

Financial Highlights

- No Place Like Home will do \$355,000 in sales in 2003, up from \$321,952 in sales in 2001.
- Net profits will grow from \$4,696 in 2002 to \$5,424 in 2003.

BALANCE SHEET

As at October 31, 2002

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u> <i>(Projected)</i>	<u>2004</u> <i>(Projected)</i>
<u>ASSETS</u>					
Current Assets					
Cash	\$ 2,735	\$ 2,066	\$ 4,119	\$ 3,778	\$ 19,006
Inventory	23,705	26,218	27,368	34,606	35,715
Prepaid expenses	1,950	2,000	2,075	2,150	2,225
Total Current Assets	<u>28,390</u>	<u>30,284</u>	<u>33,562</u>	<u>40,534</u>	<u>56,946</u>
Fixed Assets (net of depreciation)					
Equipment	1,563	1,094	766	536	375
Store Fixtures	1,890	4,726	3,308	8,266	5,786
Total Net Fixed Assets	<u>3,453</u>	<u>5,820</u>	<u>4,074</u>	<u>8,802</u>	<u>6,161</u>
TOTAL ASSETS	<u>\$ 31,843</u>	<u>\$ 36,104</u>	<u>\$ 37,636</u>	<u>\$ 49,336</u>	<u>\$ 63,107</u>
<u>LIABILITIES AND EQUITY</u>					
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	\$ 23,351	\$ 24,433	\$ 21,110	\$ 19,386	\$ 21,569
Current portion of long-term debt	-	-	-	4,000	4,000
Accrued liabilities	1,150	1,150	1,310	1,310	1,310
Total Current Liabilities	<u>24,501</u>	<u>25,583</u>	<u>22,420</u>	<u>24,696</u>	<u>26,879</u>
Long-Term Liabilities					
Long-term debt (excluding current portion)	-	-	-	4,000	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>24,501</u>	<u>25,583</u>	<u>22,420</u>	<u>28,696</u>	<u>26,879</u>
<u>EQUITY</u>					
Gavin Laveaux, Capital	3,671	5,260	7,608	10,320	18,114
Mona Laveaux, Capital	3,671	5,260	7,608	10,320	18,114
TOTAL EQUITY	<u>7,342</u>	<u>10,520</u>	<u>15,216</u>	<u>20,640</u>	<u>36,228</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 31,843</u>	<u>\$ 36,103</u>	<u>\$ 37,636</u>	<u>\$ 49,336</u>	<u>\$ 63,107</u>

INCOME STATEMENT
For the years ending October 31, 2002

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u> <i>(Projected)</i>	<u>2004</u> <i>(Projected)</i>	<u>Assumptions</u>
SALES	\$ 259,306	\$ 291,306	\$ 321,962	\$ 355,000	\$ 390,500	Assume 10% growth
COST OF GOODS SOLD						
Opening Inventory	11,555	23,705	26,218	27,368	34,606	
<i>Add Purchases</i>	133,506	146,767	161,213	182,500	195,250	50% of sales
<i>Less Ending Inventory</i>	23,705	26,218	27,368	34,606	35,715	10% increase
Cost of Goods Sold	121,356	144,254	160,063	175,262	194,141	
GROSS PROFIT	137,950	147,052	161,899	179,738	196,359	
EXPENSES						
Owner's salaries	84,000	86,000	88,000	90,000	92,000	1K annual increase each
Employee wages	13,857	14,589	21,503	25,947	28,542	10% increase
Employee benefits	-	-	-	150	200	
Selling expenses/commissions	2,463	2,795	3,531	3,550	3,905	10% increase
Accounting and legal	750	800	950	1,000	1,050	5% increase
Advertising and promotion	617	985	1,325	1,700	1,870	10% increase
Automobile and travel	731	802	871	6,068	6,371	new car lease, 5% increase
Business taxes, fees, licenses	1,487	1,550	1,550	1,900	1,995	5% increase
Rent	22,800	23,400	24,000	24,900	25,800	5% increase
Insurance	1,857	2,059	3,165	4,500	4,725	5% increase
Interest	-	-	-	417	217	5% on balance outstanding
Bank charges	249	225	261	204	214	5% increase
Maintenance and repairs	676	856	983	1,020	1,071	5% increase
Freight and shipping	1,225	1,475	1,800	1,775	1,864	5% increase
Internet access / email	-	-	140	240	252	5% increase
Telephone	981	908	936	1,020	1,071	5% increase

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Assumptions</u>
Utilities	1,306	1,502	1,558	1,650	1,732	5% increase
Other office expenses	2,595	3,658	5,283	6,000	6,300	5% increase
Depreciation and amortization	1,589	2,270	1,347	2,273	1,592	
Total Expenses	<u>137,183</u>	<u>143,874</u>	<u>157,203</u>	<u>174,314</u>	<u>180,771</u>	
NET PROFIT BEFORE INCOME TAXES	<u>\$ 767</u>	<u>\$ 3,178</u>	<u>\$ 4,696</u>	<u>\$ 5,424</u>	<u>\$ 15,588</u>	

BUSINESS FINANCES MONTHLY CASH FLOW
For the year ending October 31, 2003

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Assumptions
CASH RECEIPTS													
Cash sales	35,000	75,000	15,000	20,000	25,000	25,000	35,000	30,000	20,000	20,000	25,000	30,000	busy holiday season, busier in summer loan from Madge
Loan proceeds	12,000												
TOTAL CASH RECEIPTS -A	47,000	75,000	15,000	20,000	25,000	25,000	35,000	30,000	20,000	20,000	25,000	30,000	
CASH DISBURSEMENTS													
Cash purchase of goods	22,500	37,500	7,500	10,000	12,500	12,500	17,500	15,000	10,000	10,000	12,500	15,000	50% on monthly sales + 5K initial build-p leasehold improvements and cash register
Purchase of fixed assets	7,000												
Owner's salaries	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	45K/yr for each Mona and Gavin 25k/yr full time; 80 hours/month part time.
Employee wages	1,200	2,000	1,200	2,083	2,083	2,083	2,083	2,643	2,643	2,643	2,643	2,643	
Employee benefits		150											staff appreciation dinner
Selling expenses/commissions	350	750	150	200	250	250	350	300	200	200	250	300	credit card fee 2%on 50% of sales annual financial statements and tax returns
Accounting and legal			1,000										
Advertising and promotion		700		200		200		200		200		200	bi-monthly mailer, pre-Christmas ad
Automobile and travel	439	439	439	439	439	439	439	439	439	439	1,239	439	new car lease, attend home show
Business taxes, fees, licenses			1,500					400					business fees and licences
Rent	2,225	2,225	2,225	2,225	2,225	2,225	2,225	2,225	2,225	2,225	2,225	2,225	no change anticipated
Insurance	375	375	375	375	375	375	375	375	375	375	375	375	no change anticipated
Interest												417	5% interest payable at the end of each year
Payments on loans/mortgages		4,000											annual principal repayment
Bank charges													no change anticipated

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Assumptions
	17	17	17	17	17	17	17	17	17	17	17	17	
Maintenance and repairs	85	85	85	85	85	85	85	85	85	85	85	85	no change anticipated
Freight and shipping	175	375	75	100	125	125	175	150	100	100	125	150	one delivery (\$25) per \$5K of sales
Internet access / email	20	20	20	20	20	20	20	20	20	20	20	20	no change anticipated
Telephone	85	85	85	85	85	85	85	85	85	85	85	85	no change anticipated
Utilities	150	150	175	175	150	150	125	125	100	100	125	125	more heat in winter, less in summer
Other office expenses	500	500	500	500	500	500	500	500	500	500	500	500	office supplies and shrinkage
TOTAL CASH DISBURSEMENTS -B	42,621	56,871	22,846	24,004	26,354	26,554	31,479	29,664	24,689	24,489	27,689	30,081	
INCREASE IN CASH (A-B)	4,379	18,129	(7,846)	(4,004)	(1,354)	(1,554)	3,521	336	(4,689)	(4,489)	(2,689)	(81)	
OPENING CASH BALANCE	4,119	8,498	26,627	18,781	14,777	13,423	11,869	15,390	15,726	11,037	6,548	3,859	
ENDING CASH BALANCE	8,498	26,627	18,781	14,777	13,423	11,869	15,390	15,726	11,037	6,548	3,859	3,778	

PERSONAL STATEMENT OF NET WORTH
As at October 31, 2002

ASSETS

Cash	\$ 6,000
Residence	120,000
Vehicles	4,000
Equity in Business	15,216
Investments	6,500
RRSPs - Gavin	55,000
RRSPs - Mona	47,250
RESP	10,500

TOTAL ASSETS (A)

\$ 264,466

LIABILITIES

Amount outstanding on your credit cards	\$ 1,746
Mortgage outstanding on residence	46,500

TOTAL LIABILITIES (L)

\$ 48,246

NET WORTH (A-L)	\$ 216,220
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Real Estate Owned

<u>Description</u>	<u>Purchase Price</u>	<u>% Owned</u>	<u>Year Purchased</u>
Townhouse - 412 Samoa Drive, Sudbury	\$ 120,000	100% - Jointly owned	1997