



Dry Cleaner

BUSINESS PLAN

A.Z. VENTURES, INC. DBA EXPERT CLEANING

1000 Major Blvd.
Albuquerque, NM 81234

This business plan is for an expanding dry cleaning business. The business has been franchised in numerous locations. The owners feel that there is room for even more expansion, as the plan indicates. The risk analysis section of the plan contains an interesting discussion of the environmental issues faced by the dry cleaning industry.

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EXECUTIVE SUMMARY

Introduction

A.Z. Ventures, Inc., dba Expert Cleaning, a New Mexico corporation, has been in business since 1986 and was incorporated in November, 1988. The sole purpose of the business at that time was to operate a full-service dry cleaning plant, with quality and customer service playing key roles in the plan of success. This proved to be a successful formula as within two years the business grew into the # 1 Expert Cleaning franchise location in the country. In 1988, a second full-service plant was opened. Expansion continued in 1992 as A.Z. Ventures purchased the rights to the state of New Mexico from the Expert Cleaning Franchise Company. The contract gives A.Z. Ventures the right to further develop the market through franchise sales. In June of 1992, the business expanded once again when Felgen's Shop 'n Save offered A.Z. Ventures the contract to develop satellite locations within Albuquerque metro area Felgen's Shop 'n Save stores. These sites are excellent as they provide high foot traffic and visibility in one of the area's largest supermarket chains. Expert Cleaning is dynamic, on-the-move, growing, and in position to become a market leader in retail dry cleaning the Albuquerque metro area within the next decade.

Expansion Continues in 1996

Three years of networking with shopping center developers and real estate brokers is paying large dividends. Expert Cleaning has been offered a lease at perhaps the most sought-after retail development to be built in

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Albuquerque this year. The company's 1996 expansion is based upon a location at the NW corner of Major & Campbell. The demographics and trade area for this site are nothing short of spectacular. The aforementioned location is scheduled to be opened in the second quarter of 1996.

Experienced Management Team

LeRoy and Monica Arnold are the co-founders and owners of the company (A.Z. Ventures, Inc.), as well as the Master Franchisers for the state of New Mexico. Furthermore, their son, Alan A. Arnold, joined the management of the company subsequent to graduation from the University of New Mexico in 1993. Over the past eight years, management has nurtured and expanded the business by focusing on high-quality dry cleaning and superior customer service. Furthermore, management has created an enjoyable and challenging workplace for their employees, which has greatly assisted in minimizing employee turnover and training expenses. Currently, the company is training and nurturing several individuals for positions as managers and supervisors at the new location.

Brand Name Creates Advantages

The company enjoys several sustainable advantages through the use of the Expert Cleaning brand name. Within the past ten years, franchises have become dominant players in all types of retail industries. A well-known brand name, such as Expert Cleaning, creates a high level of trust among the public. This not only helps bring more customers into the store, but the company's outstanding reputation "opens doors" with shopping center and land developers. Currently, the company is the only national dry cleaning franchise in New Mexico and is being considered for several sites based solely on the brand name and reputation of Expert Cleaning in New Mexico.

Capital Requirements

Management is seeking debt financing to fund the company's expansion. The total cost of the expansion has been calculated at approximately \$ 166,000. It is important to note that a large portion of the funds needed will be used to purchase equipment. Consequently, financing can be secured with these assets. The planned locations are scheduled to be built and opened in the 2nd quarter of 1996. From past experience, management realizes that construction delays are reasonably possible, thus slowing expansion and the timing for financing.

The Bottom Line

The company has conservatively projected sales of \$930,000 for 1996. Despite large expansion costs, the company anticipates a net profit of approximately \$140,000. Projected sales revenue of \$1.1 million in 1997 will result in \$180,000 of net profit.

COMPANY HISTORY

The Parent Company

Expert Cleaning and Expert Cleaning Franchise Company were incorporated in Florida in 1977. In 1988, American Partners, Inc. (API), a Nevada corporation and wholly-owned subsidiary of American Partners Cleaners (a corporation organized under the laws of the United Kingdom), acquired both divisions of the company. Currently, Expert Cleaning internally operates 105 locations in the Los Angeles metro area and Expert Cleaning Franchise Company has 250 operating franchisees in states including New Mexico, California, Florida, Maryland, New York, Ohio, Pennsylvania, Texas, Virginia, Washington, Wisconsin, and Massachusetts. Furthermore, Expert Cleaning Franchise Company has embarked on a program to expand



Expert Cleaning internationally, beginning with Mexico and South America. Currently, plants operate in Mexico, Puerto Rico, and other Latin American countries.

The #1 Expert Cleaning Location in the Country

A.Z. Ventures, dba Expert Cleaning, opened its first location in Albuquerque in late 1986. A carefully prepared demographic, customer, and competitor study highlighted the need for a high-quality, competitively-priced dry cleaning establishment in this area. The results of the research were quickly confirmed as the store made an immediate impact. Within one year, Expert Cleaning was the market share leader of the four dry cleaners on the corner of Major Blvd. and Ottawa. First-year sales of \$260,000 increased 20% in each of the next two years, finally reaching \$500,000. Since that time sales revenues have increased approximately 5% each year. These outstanding results propelled A.Z. Ventures's location to the top of the Expert Cleaning franchise system.

Master Franchise Agreement Adds a New Dimension

In 1992, Expert Cleaning Franchise Company introduced the Master Franchise Program. Moving away from company-employed franchise sales agents, specific territories and regions were made available for sale to private interests. Because of the outstanding success of A.Z. Ventures in New Mexico, the first Master Franchise in the United States was offered to A.Z. Ventures. As a part of this agreement, A.Z. Ventures shares both one-half of the \$25,000 franchise fee and one-half of the commission on equipment (exact amount varies) with the Expert Cleaning Franchise Company. Furthermore, A.Z. Ventures is entitled to one-half of the monthly royalty paid by franchisees to the Expert Cleaning Franchise Company. The Master Franchise Agreement qualifies A.Z. Ventures for distributor status and entitles the company to substantial price discounts (30% off list price) for all equipment purchased. The distributor discount provides a cost savings of \$32,500 from the current equipment list price of \$ 125,000.

The Master Franchise Agreement was signed in 1992, and since that time A.Z. Ventures has been actively seeking locations which exceed the demographic requirements of the Expert Cleaning Franchise Company. Briefly, the minimum demographic requirements are: a median household income of \$42,000 within a one-mile radius, 2,000 households within a one-mile radius, and a traffic count of 30,000 per day in the intersection of the store. Locations under consideration include in-line spaces in strip centers, preferably anchored by a grocery store. In addition, stand-alone buildings, either on a pad in the parking lot of a shopping center or on a separate piece of land, are acceptable. The business is location-driven, and the above-mentioned criteria are strictly followed when selecting potential locations.

A.Z. Ventures has established relationships with several commercial real estate agents in the Albuquerque metro area, as well as Santa Fe. These individuals work closely with real estate developers and keep A.Z. Ventures apprised of future development and construction plans. Although there are several expanding dry cleaners in the Albuquerque metro area, real estate agents and developers are eager to speak with A.Z. Ventures about future sites for the following reasons:

First, Expert Cleaning is the only national brand-name dry cleaner in New Mexico. The idea of a "brand name" in dry cleaning is an attractive prospect to developers, especially because the industry is composed mainly of one-location "mom & pop" operations. National brand names attract more people to the shopping center and ensure the developing company successful tenants.

Second, Expert Cleaning offers a \$10 million environmental insurance package that protects the landlord from any environmental concerns. Within the past few years, landlords have become very sensitive to environmental liability issues, and in some cases have refused to allow dry cleaners to rent space in shopping centers. In an effort to curb these apprehensions, the environmental package was created. Beyond the liability concerns, the package details the safety features and test results of the equipment to be used within an Expert Cleaning store. The developers who have been introduced to the environmental package are very impressed with the proactive policy that Expert Cleaning is taking. Moreover, it is a noteworthy competitive advantage as no other



companies in this industry have developed a comprehensive environmental policy.

Duties of the Master Franchiser

Locating qualified franchisees is chief among A.Z. Ventures's responsibilities. Leads are accumulated through the use of advertisements that run each Sunday in the business opportunity section of the classified advertisements. Additionally, A.Z. Ventures hosts a booth at franchise shows in Albuquerque and Santa Fe. Furthermore, avenues such as contacting out-placement and personnel offices for large corporations are being explored.

Financial qualification is among the early topics discussed with the potential franchisee. The size of the investment (about \$225,000, depending on equipment) is clearly presented to the franchise candidate. If the individual is financially capable of making such an investment and remains interested in the dry-cleaning business, the information process continues and the potential franchisee is disclosed and receives the Expert Cleaning Uniform Franchise Offering Circular (UFOC).

A.Z. Ventures's company-owned locations have become successful due mainly to the high level of quality and customer service. To be successful in these two areas, it is crucial to understand and be able to relate to the customers needs and wants. In order to keep Expert Cleaning positioned as a company dedicated to quality and customer service it is important that every Expert Cleaning franchisee is committed to surpassing the customer's expectations. Therefore, the candidate's attitude, values, and enthusiasm are carefully evaluated.

Felgen's Shop 'n Save Offers Convenient Locations

In early 1992, Felgen's Shop 'n Save, Inc., one of the largest supermarket chains in the Albuquerque metro area, contacted A.Z. Ventures in regards to opening Expert Cleaning outlets in specific Felgen's Shop 'n Save locations. In an effort to draw more customers and increase its share of the grocery market, Felgen's Shop 'n Save undertook a campaign to remodel its stores. Bank of America, along with national franchisers such as Taco Bell and Kentucky Fried Chicken, and Expert Cleaning were invited to join the Felgen's Shop 'n Save team.

The Felgen's opportunity provides a challenging and exciting opportunity for A.Z. Ventures dba Expert Cleaning to expand within the Albuquerque area. In recent years, new sites are rarely developed and always accompanied by "bidding wars" and fierce competition among local dry cleaners. The Felgen's Shop 'n Save contract enables A.Z. Ventures to open locations in high-traffic environments shielded from the aforementioned competition. Moreover, these sites are considered to be of the highest convenience, presenting A.Z. Ventures with a notable competitive advantage in an industry where "convenience is king." Felgen's Shop 'n Save has provided highly visible store placements near the front doors of the supermarkets. Signage (neon) has been made available on the front facade of the building and within the store. Additionally, in-store advertising is available via advertisements and coupons placed in several aisle locations within the supermarket.

OPERATIONS

The company's operations strategy is designed to efficiently turn out quality garments that exceed the customer's expectations. The Expert Cleaning Operating System (EC-OS), a proven and tested system, outlines operational procedures and processes and serves as the backbone of the operation. The EC-OS will be fully applied to all franchised locations as well as stores opened internally through the company.

A.Z. Ventures consists of two divisions: internally operated plants, and Master Franchiser responsibilities. The operations responsibilities of the Master Franchiser are split into two sections: franchise sales and franchisee support. Procedures for each of these areas have been established and utilized by the Expert Cleaning Franchising Company. Briefly, franchise sales include such areas as lead generation, candidate qualification, real estate, lease negotiations, and demographic analysis. Additionally, as the Master Franchiser, A.Z. Ventures



will act as a liaison in regards to financing issues, equipment procurement, and installation.

The company is willing to assist its franchisees in any way possible as operational and financial success of the franchise system directly affects the success of the company. After a franchise location is opened, A.Z. Ventures will offer ongoing operational support, beginning with the grand opening "festivities." Monica Arnold, Vice President of Operations and Training, will assist the new franchisee with operations for the first two weeks. Although all franchisees spend three weeks in a comprehensive training program (required and provided by the Expert Cleaning Franchising Company), the expertise of a knowledgeable trainer is crucial in the start-up phase. Furthermore, A.Z. Ventures will provide ongoing training that is either requested or necessary, and will remain available to assist with issues involving production and equipment maintenance.

Equipment is State-of-the-Art

Equipment used in an Expert Cleaning production plant is strictly automated and state-of-the art. In order to maximize production throughput and efficiency, utilization of equipment on the "cutting edge" is specified. Furthermore, all equipment is environmentally safe and exceeds Environmental Protection Agency and OSHA requirements.

The equipment layout in each production plant varies depending on the size and shape of the space. Facilities of 1800-2000 sq. ft. allow adequate space to properly place and operate equipment. Efficiency and convenience are key issues in this process. Currently, this duty is subcontracted to a knowledgeable and experienced individual in the industry. Eventually, however, floor plan layouts for franchised plants, as well as A.Z. Ventures plants, will be handled internally by the company. Floor plans for satellite locations are easily constructed due to the absence of equipment. The Felgen's Shop 'n Save satellite locations are approximately 600 sq. ft. and consist of counters, a finishing station (bagging station), and stationary storage railings.

Equipment is the largest expenditure involved with opening a plant location. With the discount of 30% off list price that A.Z. Ventures receives, equipment for a full-service plant will cost approximately \$100,000. The dry-cleaning machine is the most important and also the most expensive single item of equipment, costing \$27,500. The particular machine to be used by the company is a 50 lb. Columbia 1050 Dry-to-Dry, with spin disc filters. This machine is highly efficient and minimizes waste. Other important equipment includes shirt pressing equipment, a boiler, and standard utility presses.

The company performs preventative equipment maintenance on a regular basis. However, this does not prevent all equipment breakdowns. Most often, the malfunction is caused by a relatively inexpensive component. When this happens, one of several equipment mechanics in the Albuquerque metro area will be called to fix the machine. Maintenance expenses average approximately \$250 per month, per plant. The equipment is very durable and the initial equipment purchased in 1986 is still in operation. The manufacturer's estimated useful life for equipment ranges between 12-15 years.

MARKETING PLAN

In a competitive environment like the dry-cleaning industry, a well structured marketing strategy is crucial to long-term success. Simply stated, the Expert Cleaning marketing plan centers around a complete understanding of the customer. Store location, service alternatives, advertising, and pricing are designed to attract and meet the needs of the Expert Cleaning target market.

Target Market

The target market is composed of several important facets. In general terms, the customer can be classified as an upwardly mobile, "white collar" individual with a dual household income. The customer is price-conscious but strongly values quality and is willing to pay for it, within reason. Furthermore, convenience plays a chief role in the target customer's decision process.



The company allocates valuable resources towards the selection of locations and works closely with real estate agents and developers to determine potential sites. Several important factors compose the location "formula." Among them are such elements as: income level, traffic counts in the intersection, real estate prices, average age of residents, an evaluation of other types of businesses in close proximity to the location, housing construction, and nearby dry-cleaning competition.

A minimum median household income of \$42,000 is required for residences within a 1 -mile radius of the location. Furthermore, income trends from the past three years are evaluated to ascertain future levels. The daily traffic count in the intersection or street is also an important issue. In some instances heavy traffic can be a deterrent to a successful location. Because of this, traffic patterns and ease of access are viewed and charted.

Brand Name & Advertising Create Customer Loyalty

Expert Cleaning is positioned within the market as a quality and competitively-priced dry cleaner. In addition to excellent service and quality, the strength of a national brand name has greatly assisted in drawing customers to the locations. The public has grown very accustomed to dealing with national franchises in all areas of retail business. Franchises are dominating the retail scene because people know and trust that they will receive a similar experience each time. This is very important from the company's standpoint. Customers have spent a lot of time and money selecting their clothes and expect their "investment" to be returned in perfect condition. The company strives to not only meet the customer's expectations, but surpass them.

Advertising is one of the dominant and perennial strengths of Expert Cleaning The company has won several national advertising awards based on artwork and themes used in advertising campaigns. The creativity involved effectively positions, distinguishes, and separates the company from competing dry cleaners. Direct mail (utilizing zip codes) is the most effective medium to reach the designated target market. Several times during the year, advertisements and coupons will be sent to residences within a three-mile radius of each retail location. Approximately two percent of sales is devoted to advertising each year. Furthermore, other creative types of advertising will be considered on a city-wide basis as more locations are opened.

Competitor Evaluation

Competition is a strong force in the dry-cleaning industry and is considered location-specific. In a general sense, each dry cleaner in the Albuquerque metro area is a competitor, but direct competition is considered to be only those operations in close proximity to a given location. In addition to the many "mom & pop" operations, several non-franchised chains exist in the market. Marshall's, Presto-Clean, Southwest, Janet's, and Finer are among the most noteworthy. Within the next three years of expansion, competitive encounters with all of the aforementioned may occur. In light of this, these operations have been scouted and evaluated in regards to competitive criteria. The company is confident that its formula of high quality and competitive prices will spell success against any competitor.

MANAGEMENT TEAM

The founders of A.Z. Ventures, LeRoy and Monica Arnold, have and continue to nurture and support this growing business. With a mutual understanding of the multiple facets of a service-oriented operation, LeRoy and Monica have used their strengths to make A.Z. Ventures a success. The energy, excitement, and experience of the team increased in January 1994, when their son, Alan A. Arnold, graduated from the University of New Mexico and joined the business. The roles of each of these individuals within A.Z. Ventures will be clearly distinguished and defined.

Key Managers Provide Experience and Dedication

LeRoy Arnold is the president and co-founder of A.Z. Ventures. Born and raised in Marine City, Michigan, Mr.



Arnold pursued and completed a Bachelor of Science Degree in Accounting from Wayne State University in Detroit. For the next four years, LeRoy honed his financial skills working as a Senior Staff Accountant for two CPA firms. In 1971, Mr. Arnold joined the Air Force and was assigned to the Air Force Academy in Colorado Springs. He attained the rank of Staff Sergeant (E-5), the highest grade possible in four years. In 1975, LeRoy joined a *Fortune* 500 company as Chief Accountant for its automotive subsidiary. Over the next thirteen years, LeRoy diligently served the company in a variety of roles and steadily climbed the corporate ladder. In 1985 his hard work paid off as he was promoted to Controller of the Western Division. Growing weary of corporate life after several relocations, he made the decision to become self-employed. After a year of researching small business alternatives, Monica and he decided that Expert Cleaning was their future.

Over the past eight years, Mr. Arnold has used his accounting background to oversee the financial, expansion, and strategic planning responsibilities for A.Z. Ventures. Furthermore, management skills and techniques previously acquired have been useful in organizing and leading employees.

In 1992, when A.Z. Ventures became the Master Franchiser for the state of New Mexico, LeRoy quickly began the franchise sales effort. Creating and maintaining relationships with commercial real estate agents, advertising, candidate presentations, and close communication with Expert Cleaning Franchise Company in Los Angeles are among a few of his current responsibilities.

Monica Arnold, co-founder of A.Z. Ventures, was also born in Marine City, Michigan, and is a graduate of Holy Cross High School. Immediately after graduation she attended Wayne County Community College with emphasis on retail management. During the last two years of high school and while attending college, Mrs. Arnold broadened her retail experience by working for J.L. Hudson's, a major Detroit-area department store, and National Bank of Detroit. The Arnolds had their first child in 1971 and Monica geared her efforts to raising the family. Three children later, she returned to the workforce in a position with the McDonald's Corporation. As a store manager, Monica was able to sharpen her customer service and personnel and operations management skills.

Monica currently serves A.Z. Ventures as the Vice President of Operations and Training. In addition to the experience gained from everyday involvement, she has expanded her expertise in these areas by completing several seminars offered by the International Fabricare Institute. With a thorough understanding of the dry-cleaning industry, Monica has tailored her management style to fully utilize the skills of A.Z. Ventures employees. She creates a positive and enjoyable workplace which emphasizes mutual respect and customer satisfaction. Using her experience from previous employers in service-oriented industries, Monica deals with patrons very effectively. Always striving to exceed the customer's expectations, Mrs. Arnold leads by example. By employing an even blend of patience and firmness, employees are effectively trained and re-trained. The low turnover rate enjoyed by A.Z. Ventures is partially attributed to the impressive and complete training program. Presently, Monica holds a position on the Expert Cleaning Presidents Council, and is a board member of the New Mexico Drycleaners and Laundry Association.

Currently, both Mr. and Mrs. Arnold are overextended in their job responsibilities. An expanding business requires attention to both the growing areas as well as to the original entity. Reluctant to take attention away from the profit center of the current operation, expansion areas such as franchise sales have not been fully developed. In light of this, the Arnolds welcomed the addition of their son to the management team.

Alan A. Arnold graduated with Bachelor of Science Degrees in Entrepreneurship and Accounting from the University of New Mexico in December, 1993. Admitted to the graduate level Entrepreneurship Program as an undergraduate, Mr. Arnold excelled. While within the program, he and a partner authored a business plan which was used to successfully attract over \$200,000 in start-up financing. Additionally, Mr. Arnold was a finalist in the business plan competition at the University of New Mexico and invited to participate in the prestigious International Business Plans Challenge. This was the first time in the twelve-year history of the contest that an undergraduate student earned the chance to participate. Furthermore, Alan was invited to join an international business consulting team traveling to developing countries. In addition to leading a two-day business seminar, Mr. Arnold assisted three companies in adapting their business strategies to be competitive



within a free market economy.

Over the course of the past six years, Mr. A. A. Arnold has actively participated in the operations of A.Z. Ventures. Involved in such areas as personnel management, quality control, and customer satisfaction, he has gained a considerable amount of experience. Mr. A.A. Arnold has worked on both daily operations and franchise sales over the past year. Management of at least one of the production centers and multiple satellite locations falls under his responsibility. Furthermore, Alan has joined LeRoy on the A.Z. Ventures franchise sales team, taking over such duties as lead investigations, candidate qualification, and sales presentations. LeRoy handles franchise real estate, franchisee financing issues, equipment, and most importantly, "closing the deal." Furthermore, as president, he is accountable for marketing, advertising, legal, and financial issues. Monica continues her operational and training duties on an expanded basis to include franchise locations.

Employee Training and Retention are Keys to Future Success

In order to remain cost effective, the organizational structure of the company will remain streamlined and lean. In addition to the key personnel aforementioned, each plant will be under the direct supervision of a plant manager responsible for production (employees, throughput, quality control) and retail operations at the location. In addition, each plant will have an afternoon (nonproduction) supervisor. Accountable to the plant manager, this individual will be responsible for supervising employees, customer relations, and all closing duties (generating computerized reports, cash drawers, bank transmissions, and general clean-up).

Currently, the company is cultivating several individuals for management and supervisory positions. Plant managers will lead employees by example. In light of this, training strongly emphasizes the importance of becoming sufficient in all facets of the operation. Furthermore, ongoing training and education is strongly advocated by management. The plant manager (along with key production employees) will be required to attend quarterly trade seminars.

Attracting and retaining qualified and talented employees is chief among the company's responsibilities and objectives. In order to accomplish this, management is in the process of establishing employee incentive programs. In addition to monetary compensation (above the industry average), health insurance (not commonly offered), paid holidays, paid vacation (one week), and a bonus plan based upon a combination of sales and net income will be offered.

The company's ability to retain production employees has been a key factor in its success. Beyond financial compensation, job enrichment and multi-tasking create and sustain morale and interest. Employees are required to train and become sufficient in several production areas within the plant. This removes the monotony of performing the same task each day and provides a high level of personnel flexibility for daily operations. Moreover, training expense is minimized and consistency, in regards to quality and performance, is achieved.

In closing, the management team is healthy, energetic, and determined to make this company flourish. Profitable companies do not achieve their success without successful people; Expert Cleaning is no different.

FINANCIAL PLAN

The projected financial statements will attempt to provide an informative and clear view of the projected financial status of the company for the next three years. It is important to note that all financial models are based on conservative estimates and assumptions.

Management is interested in seeking debt financing to fund the proposed expansion. Currently management's personal resources, as well as the company's retained earnings, are being completely utilized to fund this growth strategy. As aforementioned, equipment purchases comprise a large proportion of the costs of the expansion. Hence, debt financing can be secured with these assets. Maintaining equity and the controlling interest of the company are important considerations of management.



The projected financial statements are derived through the use of actual expense amounts and cost percentages from previous years of operation. An allowance for inflation and an increase in costs is included in these figures.

Revenues

The stream of sales revenues in the Projected Statement of Profit and Loss is considered by management to be very conservative. The estimates for projected revenues are based upon the performance of locations recently opened by the company and franchisees.

Similar to the satellite locations, revenue projections for plant locations are based upon a combination of past sales performance of the company and national averages. According to the International Fabricare Institute, the largest dry-cleaning association in the world, the average revenue for 30,000 dry cleaning operations in the United States is \$191,000. Expert Cleaning company-operated stores across the country average sales revenues of \$309,000. Expert Cleaning plants in New Mexico exceed both of the aforementioned, with average yearly revenues of \$325,000. Management has estimated first-year sales revenues for the two new plants to be approximately \$300,000. Second-year and third-year revenues are forecasted to be \$350,000 and \$385,000 respectively.

Exit Strategy

The nature, demand, and longevity of the dry-cleaning industry, coupled with the expertise of the company and a qualified management team, will minimize risk and bring financial success to the endeavor. In the case that a chain of unforeseeable events should force the company to cease ongoing operations, the assets will be liquidated and distributed in the normal order of priority.

Management is confident that the tools necessary to build a foundation for short- and long-term success with this business are present. This business plan is built around several assumptions (such as interest rates) which have been adequately noted and explained. Despite this, there are several inherent risks associated with dry cleaning operations, as well as franchising, that are addressed below.

Financial Rationale

Cost of Sales

Production Supplies	6.5% of sales revenue (not including revenues from royalties) hangers, cleaning products, plastic
Labor	35% of sales revenue (not including revenues from royalties)
Overhead	2.5% of sales revenue (not including revenues from royalties)
Payroll Taxes	12.5% of labor and management salary, workmen's comp (3%), FICA (7.65%), State Unemployment (1.5%), Federal Unemployment (.075%)

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Payroll Taxes	12.5% of labor and management salary, workmen's comp (3%), FICA (7.65%), State Unemployment (1.5%), Federal Unemployment (.075%)

**Operating Expenses****Sales and Marketing**

Advertising	2% of sales revenue	direct mail, classified advertisements
Entertainment	1% of sales revenue	meetings with developers, brokers, franchisees
Literature	\$300/yearly	industry trade magazines, manuals
Salaries	5% of sales revenue	salary for key management
Trade/Franchise Shows	\$2,150/yearly	booth rental, freight, admission, dues
Travel	.05% of sales revenue	travel related to franchise/trade shows, meetings

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Trade/Franchise Shows	\$2,150 yearly	booth rental, freight, admission, dues
Travel	.05% of sales revenue	travel related to franchise/trade shows, meetings

General & Administrative Costs

Bank Service Charges	.06% of sales revenue	expense related to credit, debit cards
Customer Claims	.025% of sales revenue	based upon historical records
Depreciation	10 year SL method	—
Dues/Subscriptions	\$175/month	trade associations, IFI, ICSC, ADLA
Equipment Repairs	\$150 per location/month	general repairs
Gas & Oil	\$350 per month	company vehicles and vans
Hazardous Waste Removal	\$100/month	removal of by-product waste
Franchise Fee	2.5% of sales revenue	—
Insurance (General)	\$250 per location	general insurance
Insurance (Officer/Life)	\$1,080 per year	life insurance for key management
Insurance (Auto)	\$670 per month	insurance for company vehicles, vans
Insurance (Medical)	\$500 per plant	approx. \$55 per full-time employee
Legal & Accounting	\$575 per month	\$175 per plant, \$50 per drop store
Lease Auto	\$1,343 per month	company vehicles for key management
License & Permits	\$540 per plant/year	business, environmental, employment permits
Office Expense	\$100 per plant/month	photocopies, answering service, etc.
Postage	\$15 per plant/month	Federal Express, general mail, etc.
Rent	\$3,200/month	Major & Ottawa 1350sq.ft. @ \$20 per sq.ft.

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Customer Claims	.025% of sales revenue	based upon historical records
Depreciation	10 year SL method	—
Dues/Subscriptions	\$175/month	trade associations, IFI, ICSC, ADLA
Equipment Repairs	\$150 per location/month	general repairs
Gas & Oil	\$350 per month	company vehicles and vans
Hazardous Waste Removal	\$100/month	removal of by-product waste
Franchise Fee	2.5% of sales revenue	—
Insurance (General)	\$250 per location	general insurance
Insurance (Officer/Life)	\$1,080 per year	life insurance for key management
Insurance (Auto)	\$670 per month	insurance for company vehicles, vans
Insurance (Medical)	\$500 per plant	approx. \$55 per full-time employee
Legal & Accounting	\$575 per month	\$175 per plant, \$50 per drop store
Lease Auto	\$1,343 per month	company vehicles for key management
License & Permits	\$540 per plant/year	business, environmental, employment permits
Office Expense	\$100 per plant/month	photocopies, answering service, etc.
Postage	\$15 per plant/month	Federal Express, general mail, etc.



General & Administrative Costs

Rent	\$2,000 month \$4,333 month	Forest & Merrick 750 sq. ft. (in Felgen's Shop 'n Save) Major & Campbell 2000 sq.ft. @ \$26 per sq.ft.	Major & Ottawa 1350 sq.ft. @ \$20 per sq.ft.
Repairs/Maintenance	\$4,200 per year \$1,800/year 1 \$2,500/year 2	Major & Ottawaequipment repairs, parts Major & Campbell equipment repairs, parts Major & Campbell equipment repairs, parts	
Supplies, Computer	\$350 month per plant	maintenance, paper, ribbons, invoices	
Taxes (Personal Property)	\$1,500 per year \$150 per year \$2,000 per year	Major & Ottawa Forest & Merrick Major & Campbell	
Telephone	\$225/plant/month \$60 per month \$250 per month \$200 per month \$20 per month	Menick yellow pages cellular phones beepers	
Utilities	\$1,100/plant/month	electric, water, gas	
Vehicle Expense	\$40/vehicle/month	repairs, maintenance, etc.	
	\$2,000 month	Forest & Merrick 750 sq. ft. (in Felgen's Shop 'n Save)	
	\$4,333 month	Major & Campbell 2000 sq.ft. @ \$26 per sq.ft.	
Repairs/Maintenance	\$4,200 per year \$1,800/year 1 \$2,500/year 2	Major & Ottawaequipment repairs, parts Major & Campbell equipment repairs, parts Major & Campbell equipment repairs, parts	
Supplies, Computer	\$350 month per plant	maintenance, paper, ribbons, invoices	
Taxes (Personal Property)	\$1,500 per year \$150 per year \$2,000 per year	Major & Ottawa Forest & Merrick Major & Campbell	
Telephone	\$225/plant/month \$60 per month \$250 per month \$200 per month \$20 per month	– Menick yellow pages cellular phones beepers	
Utilities	\$1,100/plant/month	electric, water, gas	
Vehicle Expense	\$40/vehicle/month	repairs, maintenance, etc.	

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	%
Sales Revenue														
Major & Ottawa	\$41,000	40,000	46,000	44,000	43,500	41,000	39,000	41,000	43,800	46,000	46,400	47,200	518,900	55.83
Forest & Merrick	11,000	11,000	11,000	11,000	11,000	10,500	10,000	10,500	10,500	11,000	11,000	129,500	13.93	
Major & Campbell	0	0	0	21,000	23,000	25,000	27,000	28,000	29,000	31,000	32,000	33,000	249,000	26.79
Royalty Revenue														
	2,139	2,139	2,189	2,664	2,714	2,814	2,801	2,814	2,901	2,901	2,939	3,014	32,027	3.45
Total Sales	\$54,139	53,139	59,189	78,664	80,214	79,814	79,301	81,814	86,201	90,401	92,339	94,214	\$929,427	
Cost of Sales														
Production Supplies	\$3,380	3,315	3,705	4,940	5,038	5,005	4,973	5,135	5,415	5,688	5,811	5,928	\$58,331	6.28
Labor	18,200	17,850	19,950	26,600	27,125	26,950	26,775	27,650	29,155	30,625	31,290	31,920	314,090	33.79
Overhead	1,300	1,275	1,425	1,900	1,938	1,925	1,913	1,975	2,083	2,188	2,235	2,280	22,435	2.41
Payroll Tax	2,613	2,563	2,864	3,817	3,892	3,868	3,843	3,968	4,183	4,393	4,488	4,579	45,070	4.85
Total Cost of Sales	25,493	25,003	27,944	37,257	37,992	37,748	37,503	38,728	40,835	42,893	43,824	44,707	439,9264	7.33
Gross Profit	28,645	28,135	31,245	41,407	42,222	42,066	41,799	43,086	45,366	47,508	48,514	49,507	489,500	
Gross Margin	52.91%	52.95	52.79	52.64	52.64	52.71	52.71	52.66	52.63	52.55	52.54	52.55	52.67%	

1996 Consolidated Statement of Projected Profit and Loss

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Total



1996 Consolidated Statement of Projected Profit and Loss

Sales Revenue

Major & Ottawa	\$41,000	40,000	46,000	44,000	43,500	41,000	39,000	41,000	43,800	46,000	46,400	47,200	518,900
Forest & Merrick	11,000	11,000	11,000	11,000	11,000	11,000	10,500	10,000	10,500	10,500	11,000	11,000	129,500
Major & Campbell	0	0	0	21,000	23,000	25,000	27,000	28,000	29,000	31,000	32,000	33,000	249,000
Royalty Revenue	2,139	2,139	2,189	2,664	2,714	2,814	2,801	2,814	2,901	2,901	2,939	3,014	32,027
Total Sales	\$54,139	53,139	59,189	78,664	80,214	79,814	79,301	81,814	86,201	90,401	92,339	94,214	\$929,421

Cost of Sales

Production Supplies	\$3,380	3,315	3,705	4,940	5,038	5,005	4,973	5,135	5,415	5,688	5,811	5,928	\$58,331
Labor	18,200	17,850	19,950	26,600	27,125	26,950	26,775	27,650	29,155	30,625	31,290	31,920	314,090
Overhead	1,300	1,275	1,425	1,900	1,938	1,925	1,913	1,975	2,083	2,188	2,235	2,280	22,435
Payroll Tax	2,613	2,563	2,864	3,817	3,892	3,868	3,843	3,968	4,183	4,393	4,488	4,579	45,070
Total Cost of Sales	25,493	25,003	27,944	37,257	37,992	37,748	37,503	38,728	40,835	42,893	43,824	44,707	439,926
Gross Profit	28,645	28,135	31,245	41,407	42,222	42,066	41,799	43,086	45,366	47,508	48,514	49,507	489,500
Gross Margin	52.91%	52.95	52.79	52.64	52.64	52.71	52.71	52.66	52.63	52.55	52.54	52.55	52.67%

Operating Expenses

Sales and Marketing

Advertising	0	0	1,100	3,200	0	0	3,500	0	0	0	3,500	0	11,300	1.22
Entertainment	500	500	500	500	500	500	500	500	500	500	500	500	6,000	0.65
Literature	25	25	25	25	25	25	25	25	25	25	25	25	300	0.03
Sales	2,297	2,637	2,958	3,813	4,011	3,981	3,965	4,001	4,319	4,520	4,617	4,711	46,471	5.0
Trade/Publisher Shows	0	1,650	0	0	0	500	0	0	0	0	0	0	2,150	0.23
Travel	550	550	550	550	550	550	550	550	550	550	550	550	6,600	0.71
Total Sales/Marketing Costs	3,792	5,382	5,134	8,208	5,066	5,566	8,540	5,166	5,385	5,595	9,192	5,766	72,821	7.84
General & Admin. Costs														
Bank Service Charges	271	265	301	415	424	421	421	439	462	487	495	506	4,907	0.53
Customer Claims	130	128	141	190	194	195	191	198	208	219	224	228	2,244	0.24
Depreciation	1,756	1,756	1,756	1,137	1,137	1,137	1,137	1,137	1,137	1,137	1,137	1,137	11,502	1.22
Dues/Subscriptions	125	125	125	150	150	150	150	150	150	150	150	150	1,725	0.18
Equipment Repairs	180	180	180	330	330	330	330	330	330	330	330	330	3,510	0.38
Gas & Oil	382	379	280	266	271	270	268	277	292	306	313	319	3,141	0.34
Household Waste Removal	72	72	72	144	144	144	144	144	144	144	144	144	1,512	0.16
Franchise Fee	922	922	922	1,072	2,072	2,172	2,247	2,272	2,347	2,447	2,522	2,572	23,389	2.52
Insurance (General)	200	210	280	540	540	540	540	540	540	540	540	540	5,730	0.62
Insurance (Officer Life)	90	90	90	90	90	90	90	90	90	90	90	90	1,080	0.12
Insurance (Auto)	640	640	640	640	640	640	640	640	640	640	640	640	8,028	0.86
Insurance (Employee Med)	250	250	250	500	500	500	500	500	500	500	500	500	5,250	0.56
Legal & Accounting	225	225	225	400	400	400	400	400	400	400	400	400	4,275	0.46
Losses Auto	848	848	848	848	848	848	848	848	848	848	848	848	10,172	1.09
Utilities & Rentals	45	45	45	90	90	90	90	90	90	90	90	90	945	0.10
Office Expense	110	110	110	210	210	210	210	210	210	210	210	210	2,220	0.24
Postage	25	25	25	40	40	40	40	40	40	40	40	40	435	0.05
Rent	5,300	5,300	5,300	9,633	9,633	9,633	9,633	9,633	9,633	9,633	9,633	9,633	102,600	11.04

Operating Expenses

Sales and Marketing

Advertising	0	0	1,100	3,200	0	0	3,500	0	0	0	3,500	0	11,300	1.22
Entertainment	500	500	500	500	500	500	500	500	500	500	500	500	6,000	0.65
Literature	25	25	25	25	25	25	25	25	25	25	25	25	300	0.03



Salaries	2,707	2,657	2,959	3,933	4,011	3,991	3,965	4,091	4,310	4,520	4,617	4,711	46,471	5.0
Trade/Franchise Shows	0	1,650	0	0	0	500	0	0	0	0	0	0	2,150	0.23
Travel	550	550	550	550	550	550	550	550	550	550	550	550	6,600	0.71
Total Sales/Marketing Costs	3,782	5,382	5,134	8,208	5,086	5,566	8,540	5,166	5,385	5,595	9,192	5,786	72,821	7.84
General & Admin. Costs														
Bank Service Charges	271	265	301	415	424	421	421	439	462	487	495	506	4,907	0.53
Customer Claims	130	128	143	190	194	193	191	198	208	219	224	228	2,244	0.24
Depreciation	1,756	1,756	1,756	3,137	3,137	3,137	3,137	3,137	3,137	3,137	3,137	3,137	33,502	3.60
Dues/Subscriptions	125	125	125	150	150	150	150	150	150	150	150	150	1,725	0.19
Equipment Repairs	180	180	180	330	330	330	330	330	330	330	330	330	3,510	0.38
Gas & Oil	182	179	200	266	271	270	268	277	292	306	313	319	3,141	0.34
Hazardous Waste Removal	72	72	72	144	144	144	144	144	144	144	144	144	1,512	0.16
Franchise Fee	922	922	922	1,972	2,072	2,172	2,247	2,272	2,347	2,447	2,522	2,572	23,389	2.52
Insurance (General)	290	290	290	540	540	540	540	540	540	540	540	540	5,730	0.62
Insurance (Officer/Life)	90	90	90	90	90	90	90	90	90	90	90	90	1,080	0.12
Insurance (Auto)	669	669	669	669	669	669	669	669	669	669	669	669	8,028	0.86
Insurance (Employee Med)	250	250	250	500	500	500	500	500	500	500	500	500	5,250	0.56
Legal & Accounting	225	225	225	400	400	400	400	400	400	400	400	400	4,275	0.46
Lease Auto	848	848	848	848	848	848	848	848	848	848	848	848	10,172	1.09
License & Permits	45	45	45	90	90	90	90	90	90	90	90	90	945	0.10
Office Expense	110	110	110	210	210	210	210	210	210	210	210	210	2,220	0.24
Postage	25	25	25	40	40	40	40	40	40	40	40	40	435	0.05
Rent	5,300	5,300	5,300	9,633	9,633	9,633	9,633	9,633	9,633	9,633	9,633	9,633	102,600	11.04



Repairs/Maintenance	350	350	350	500	500	500	500	500	500	500	500	500	5,550	0.60
Supplies, Computer	350	350	350	700	700	700	700	700	700	700	700	700	7,350	0.79
Taxes (Personal Property)	130	130	290	290	290	290	290	290	290	290	290	3,000	5,870	0.63
Telephone	561	561	561	786	786	786	786	786	786	786	786	786	8,757	0.94
Utilities	1,100	1,100	1,100	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	23,100	2.49
Vehicle Expense	110	110	110	110	110	110	110	110	110	110	110	110	1,320	0.14
Total G&A Costs	12,320	12,308	12,540	21,114	21,232	21,326	21,398	21,456	21,580	21,730	21,825	24,607	233,436	25.12
Total Operating Exp.	16,102	17,690	17,674	29,322	26,318	26,892	29,938	26,622	26,965	27,325	31,017	30,392	306,257	32.95
Income from Operations	12,544	10,446	13,571	12,085	15,904	15,174	11,860	16,464	18,401	20,183	17,497	19,115	183,243	19.72
Interest Income 0.00%														
Interest Expense	0	0	0	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	16,956	1.82
Income before Taxes	12,544	10,446	13,571	10,201	14,020	13,290	9,976	14,580	16,517	18,299	15,613	17,231	166,287	17.89
Taxes on Income	2,258	1,880	2,443	1,836	2,524	2,392	1,796	2,624	2,973	3,294	2,810	3,102	24,943	2.68
Net Income after Taxes	10,286	8,565	11,128	8,365	11,496	10,898	8,181	11,956	13,544	15,005	12,803	14,129	141,344	
% of Total Sales	19.00	16.12	18.80	10.63	14.33	13.65	10.32	14.61	15.71	16.60	13.87	15.00	15.21	

Repairs/Maintenance	350	350	350	500	500	500	500	500	500	500	500	500	5,550
Supplies, Computer	350	350	350	700	700	700	700	700	700	700	700	700	7,350
Taxes (Personal Property)	130	130	290	290	290	290	290	290	290	290	290	3,000	5,870
Telephone	561	561	561	786	786	786	786	786	786	786	786	786	8,757
Utilities	1,100	1,100	1,100	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	23,100
Vehicle Expense	110	110	110	110	110	110	110	110	110	110	110	110	1,320
Total G&A Costs	12,320	12,308	12,540	21,114	21,232	21,326	21,398	21,456	21,580	21,730	21,825	24,607	233,436
Total Operating Exp.	16,102	17,690	17,674	29,322	26,318	26,892	29,938	26,622	26,965	27,325	31,017	30,392	306,257
Income from Operations	12,544	10,446	13,571	12,085	15,904	15,174	11,860	16,464	18,401	20,183	17,497	19,115	183,243
Interest Income			0.00%										
Interest Expense	0	0	0	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	16,956
Income before Taxes	12,544	10,446	13,571	10,201	14,020	13,290	9,976	14,580	16,517	18,299	15,613	17,231	166,287
Taxes on Income	2,258	1,880	2,443	1,836	2,524	2,392	1,796	2,624	2,973	3,294	2,810	3,102	24,943
Net Income after Taxes	10,286	8,565	11,128	8,365	11,496	10,898	8,181	11,956	13,544	15,005	12,803	14,129	141,344
% of Total Sales	19.00	16.12	18.80	10.63	14.33	13.65	10.32	14.61	15.71	16.60	13.87	15.00	15.21



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	%
Sales Revenue														
Major & Ottawa	41,000	40,000	46,000	44,000	43,500	41,000	39,000	41,000	43,800	46,000	46,400	47,200	518,900	46.74
Forest & Merrick	11,000	11,000	11,000	11,000	11,000	10,500	10,000	10,500	10,500	11,000	11,000	11,000	129,500	11.67
Major & Campbell	34,000	33,000	34,000	35,000	36,000	35,000	34,000	33,000	34,000	36,000	37,000	37,000	418,000	37.65
Franchise Sales	0	0	0	0	0	0	0	0	0	0	0	0	---	0.00
Royalty Revenue														
	3,614	3,589	3,664	3,639	3,664	3,689	3,601	3,564	3,651	3,651	3,689	3,739	43,752	3.94
Total Sales	89,614	87,589	94,664	93,639	94,164	90,689	87,101	87,564	91,951	96,151	98,089	98,939	1,110,152	
Cost of Sales														
Production Supplies	5,590	5,460	5,915	5,850	5,883	5,655	5,428	5,460	5,740	6,013	6,136	6,188	69,316	6.24

1997 Consolidated Statement of Projected Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales Revenue													
Major & Ottawa	41,000	40,000	46,000	44,000	43,500	41,000	39,000	41,000	43,800	46,000	46,400	47,200	518,900
Forest & Merrick	11,000	11,000	11,000	11,000	11,000	11,000	10,500	10,000	10,500	10,500	11,000	11,000	129,500
Major & Campbell	34,000	33,000	34,000	35,000	36,000	35,000	34,000	33,000	34,000	36,000	37,000	37,000	418,000
Franchise Sales	0	0	0	0	0	0	0	0	0	0	0	0	—
Royalty Revenue	3,614	3,589	3,664	3,639	3,664	3,689	3,601	3,564	3,651	3,651	3,689	3,739	43,752
Total Sales	89,614	87,589	94,664	93,639	94,164	90,689	87,101	87,564	91,951	96,151	98,089	98,939	1,110,152
Cost of Sales													
Production Supplies	5,590	5,460	5,915	5,850	5,883	5,655	5,428	5,460	5,740	6,013	6,136	6,188	69,316

Labor	30,100	29,400	31,850	31,500	31,675	30,450	29,225	29,400	30,905	32,375	33,040	33,320	373,240	33.62
Overhead														
Payroll Tax	2,150	2,100	2,275	2,250	2,263	2,175	2,088	2,100	2,208	2,313	2,368	2,300	26,600	2.40
Total Cost of Sales	4,321	4,222	4,573	4,523	4,548	4,371	4,198	4,222	4,438	4,648	4,743	4,783	53,913	4.83
Gross Profit	42,105	41,182	44,613	44,123	44,508	42,653	40,938	41,182	43,290	45,348	46,279	46,671	522,809	47.00
Gross Margin %	47,451	46,406	50,651	49,516	49,796	48,030	46,164	46,381	48,661	50,803	51,810	52,267	587,342	
Operating Expenses	52,95	52,98	52,87	52,88	52,88	52,97	53,80	52,97	52,92	52,84	52,82	52,83	52,91	
Sales and Marketing Advertising														
Entertainment	0	3,580	0	0	0	3,580	0	0	0	3,580	0	10,500	8.95	
Literature	500	500	500	500	500	500	500	500	500	500	500	500	6,000	0.54
Salaries	25	25	25	25	25	25	25	25	25	25	25	25	300	0.03
Travel	4,431	4,379	4,733	4,682	4,708	4,534	4,355	4,378	4,598	4,808	4,894	4,947	55,508	5.00
Trade-Show Shows	0	1,050	0	0	0	500	0	0	0	0	0	0	2,150	0.19
Travel	550	550	550	550	550	550	550	550	550	550	550	550	6,600	0.59
Total Sales-Marketing Costs	5,556	7,144	9,308	5,737	5,763	6,149	8,938	5,453	5,673	5,883	9,479	6,022	11,058	7.30
General & Admin. Costs														
Bank Service Charges	475	463	505	499	502	483	463	460	492	537	525	530	5,021	0.53
Customer Claims	215	210	228	228	226	218	209	210	221	231	236	238	2,666	0.24
Depreciation	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	3,208	39,573	3.56
Disc/Subscriptions	148	145	163	157	156	141	142	148	156	163	164	167	1,857	0.17
Equipment Repairs	400	400	400	400	400	400	400	400	400	400	400	400	4,800	0.43
Gas & Oil	308	294	319	315	317	305	292	294	309	324	334	333	3,732	0.34
Household Waste Removal	144	144	144	144	144	144	144	144	144	144	144	144	1,728	0.16
Franchise Fee	2,022	2,572	2,622	2,672	2,722	2,672	2,597	2,522	2,597	2,697	2,772	2,772	31,839	2.87
Insurance (General)	540	540	540	540	540	540	540	540	540	540	540	540	6,480	0.59
Insurance (Office Bldg)	90	90	90	90	90	90	90	90	90	90	90	90	1,080	0.10
Insurance (Auto)	440	440	440	440	440	440	440	440	440	440	440	440	5,280	0.48
Insurance (Employee Med)	500	500	500	500	500	500	500	500	500	500	500	500	6,000	0.54

Labor

30,100 29,400 31,850 31,500 31,675 30,450 29,225 29,400 30,905 32,375 33,040 33,320 373,240



Overhead	2,150	2,100	2,275	2,250	2,263	2,175	2,088	2,100	2,208	2,313	2,360	2,380	26,660
Payroll Tax	4,323	4,222	4,573	4,523	4,548	4,373	4,198	4,222	4,438	4,648	4,743	4,783	53,593
Total Cost of Sales	42,163	41,182	44,613	44,123	44,368	42,653	40,938	41,182	43,290	45,348	46,279	46,671	522,801
Gross Profit	47,451	46,406	50,051	49,516	49,796	48,036	46,164	46,381	48,661	50,803	51,810	52,267	587,341
Gross Margin %	52.95	52.98	52.87	52.88	52.88	52.97	53.00	52.97	52.92	52.84	52.82	52.83	52.91
Operating Expenses													
Sales and Marketing													
Advertising	0	0	3,500	0	0	0	3,500	0	0	0	3,500	0	10,500
Entertainment	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Literature	25	25	25	25	25	25	25	25	25	25	25	25	300
Salaries	4,481	4,379	4,733	4,682	4,708	4,534	4,355	4,378	4,598	4,808	4,904	4,947	55,508
Trade/Franchise Shows	0	0	1,650	0	0	0	500	0	0	0	0	0	2,150
Travel	550	550	550	550	550	550	550	550	550	550	550	550	6,600
Total Sales/Marketing Costs	5,556	7,104	9,308	5,757	5,783	6,109	8,930	5,453	5,673	5,883	9,479	6,022	81,058
General & Admin. Costs													
Bank Service Charges	475	463	505	499	502	481	463	469	492	517	525	530	5,921
Customer Claims	215	210	228	225	226	218	209	210	221	231	236	238	2,666
Depreciation	3,298	3,298	3,298	3,298	3,298	3,298	3,298	3,298	3,298	3,298	3,298	3,298	39,573
Dues/Subscriptions	148	145	163	157	156	148	142	148	156	163	164	167	1,857
Equipment Repairs	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Gas & Oil	301	294	319	315	317	305	292	294	309	324	330	333	3,732
Hazardous Waste Removal	144	144	144	144	144	144	144	144	144	144	144	144	1,728
Franchise Fee	2,622	2,572	2,622	2,672	2,722	2,672	2,597	2,522	2,597	2,697	2,772	2,772	31,839
Insurance (General)	540	540	540	540	540	540	540	540	540	540	540	540	6,480
Insurance (Officer/Life)	90	90	90	90	90	90	90	90	90	90	90	90	1,080
Insurance (Auto)	446	446	446	446	446	446	446	446	446	446	446	446	5,352
Insurance (Employee Med)	500	500	500	500	500	500	500	500	500	500	500	500	6,000



Legal & Accounting	400	400	400	400	400	400	400	400	400	400	400	400	4,800	0.43
Lease Auto	848	848	848	848	848	848	848	848	848	848	848	848	10,172	0.92
License & Permits	90	90	90	90	90	90	90	90	90	90	90	90	1,080	0.10
Office Expense	210	110	110	210	210	210	210	210	210	210	210	210	2,320	0.21
Postage	25	25	25	40	40	40	40	40	40	40	40	40	435	0.04
Rent	9,633	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	110,833	9.98
Repairs/Maintenance	770	770	770	770	770	770	770	770	770	770	770	770	9,240	0.83
Supplies, Computer	700	700	700	700	700	700	700	700	700	700	700	700	8,400	0.76
Taxes (Personal Property)	290	290	290	290	290	290	290	290	290	290	290	290	3,000	0.56
Telephone	786	786	786	786	786	786	786	786	786	786	786	786	9,432	0.85
Utilities	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	26,400	2.38
Vehicle Expense	110	110	110	110	110	110	110	110	110	110	110	110	1,320	0.12
Total G&A Costs	22,145	21,534	21,686	21,833	21,888	21,788	21,668	21,608	21,740	21,897	21,993	24,715	264,499	23.83
Total Operating Exp.	27,708	28,639	30,995	27,590	27,671	27,898	30,598	27,062	27,413	27,780	31,473	30,737	345,557	31.13
Income from Operations	19,751	17,767	19,056	21,926	22,125	20,138	15,565	19,320	21,248	23,023	20,337	21,530	241,786	21.78
Interest Income			0.00%											
Interest Expense	1,720	1,680	1,820	1,800	1,810	1,740	1,670	1,680	1,765	1,850	1,888	1,984	21,328	1.92
Income before Taxes	18,031	16,087	17,236	20,126	20,315	18,398	13,895	17,640	19,482	21,173	18,449	19,626	220,458	19.86
Taxes on Income	3,246	2,896	3,183	3,623	3,657	3,342	2,501	3,175	3,507	3,811	3,321	3,533	39,682	3.57
Net Income after Taxes	14,785	13,192	14,134	16,503	16,658	15,056	11,394	14,465	15,976	17,362	15,128	16,093	180,775	
% of Total Sales	16.50	15.06	14.93	17.62	17.69	16.64	13.08	16.52	17.37	18.06	15.42	16.27	16.28	

Legal & Accounting	400	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Lease Auto	848	848	848	848	848	848	848	848	848	848	848	848	848	10,172
License & Permits	90	90	90	90	90	90	90	90	90	90	90	90	90	1,080
Office Expense	210	110	110	210	210	210	210	210	210	210	210	210	210	2,320
Postage	25	25	25	40	40	40	40	40	40	40	40	40	40	435
Rent	9,633	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	110,833
Repairs/Maintenance	770	770	770	770	770	770	770	770	770	770	770	770	770	9,240
Supplies, Computer	700	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Taxes (Personal Property)	290	290	290	290	290	290	290	290	290	290	290	290	290	3,000
Telephone	786	786	786	786	786	786	786	786	786	786	786	786	786	9,432
Utilities	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	26,400
Vehicle Expense	110	110	110	110	110	110	110	110	110	110	110	110	110	1,320
Total G&A Costs	22,145	21,534	21,686	21,833	21,888	21,788	21,668	21,608	21,740	21,897	21,993	24,715	264,499	
Total Operating Exp.	27,700	28,639	30,995	27,590	27,671	27,898	30,598	27,062	27,413	27,780	31,473	30,737	345,557	
Income from Operations	19,751	17,767	19,056	21,926	22,125	20,138	15,565	19,320	21,248	23,023	20,337	21,530	241,786	
Interest														0.00%



Income

Interest
Expense

1,720	1,680	1,820	1,800	1,810	1,740	1,670	1,680	1,766	1,850	1,888	1,904	21,328
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Income before
Taxes

18,031	16,087	17,236	20,126	20,315	18,398	13,895	17,640	19,482	21,173	18,449	19,626	220,451
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Taxes on
Income

3,246	2,896	3,103	3,623	3,657	3,312	2,501	3,175	3,507	3,811	3,321	3,533	39,682
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Net Income
after Taxes

14,785	13,192	14,134	16,503	16,658	15,086	11,394	14,465	15,976	17,362	15,128	16,093	180,770
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% of Total
Sales

16.50	15.06	14.93	17.62	17.69	16.64	13.08	16.52	17.37	18.06	15.42	16.27	16.28
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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	%
Sales Revenue														
Major & Campbell	0	0	0	21,000	23,000	25,000	27,000	28,000	29,000	31,000	32,000	33,000	249,000	100
Total Sales	0	0	0	21,000	23,000	25,000	27,000	28,000	29,000	31,000	32,000	33,000	249,000	

1996 Statement of Projected Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	%
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Sales Revenue

Major &
Campbell

0	0	0	21,000	23,000	25,000	27,000	28,000	29,000	31,000	32,000	33,000	249,000	100
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Total Sales

0	0	0	21,000	23,000	25,000	27,000	28,000	29,000	31,000	32,000	33,000	249,000
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Cost of Sales														
Production Supplies	0	0	1,365	1,495	1,625	1,755	1,820	1,885	2,015	2,080	2,145	16,185	6.5	
Labor	0	0	7,140	7,820	8,500	9,180	9,520	9,860	10,540	10,880	11,220	84,660	34	
Overhead	0	0	525	575	625	675	700	725	775	800	825	6,225	2.5	
Payroll Tax	0	0	893	978	1,063	1,148	1,190	1,233	1,318	1,360	1,403	10,583	4.3	
Total Cost of Sales	0	0	9,923	10,868	11,813	12,758	13,230	13,703	14,648	15,120	15,593	117,653	47	
Gross Profit	0	0	11,079	12,133	13,188	14,241	14,770	15,200	16,353	16,880	17,408	131,348		
Gross Margin	0	0	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75		
Operating Expenses														
Sales and Marketing														
Advertising	0	0	2,000	0	0	1,200	0	0	1,200	0	4,400	4,777		
Entertainment	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Trade Show Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Travel	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Total Sales/Marketing Costs	0	0	2,000	0	0	1,200	0	0	1,200	0	4,400	4,777		
General & Admin. Costs														
Bank Service Charges	0	0	125	132	135	162	168	174	186	192	198	1,404	0.60	
Customer Claims	0	0	33	34	63	68	70	73	78	80	83	623	0.25	
Depreciation	0	0	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	12,430	4.99	
Dues/Subscriptions	0	0	25	25	25	25	25	25	25	25	25	225	0.09	
Equipment Repairs	0	0	150	150	150	150	150	150	150	150	150	1,350	0.54	
Gas & Oil	0	0	74	81	88	95	98	102	109	112	116	872	0.35	
Hardware/Waste Removal	0	0	72	72	72	72	72	72	72	72	72	648	0.26	
Franchise Fee	0	0	525	575	625	675	700	725	775	800	825	6,225	2.50	
Insurance (General)	0	0	250	250	250	250	250	250	250	250	250	2,250	0.90	
Insurance (Officer/Life)	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Insurance (Auto)	0	0	0	0	0	0	0	0	0	0	0	0	0.00	

Cost of Sales

Production
Supplies

0	0	0	1,365	1,495	1,625	1,755	1,820	1,885	2,015	2,080	2,145	16,185	6.5
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Labor

0	0	0	7,140	7,820	8,500	9,180	9,520	9,860	10,540	10,880	11,220	84,660	34
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Overhead

0	0	0	525	575	625	675	700	725	775	800	825	6,225	2.5
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Payroll Tax

0	0	0	893	978	1,063	1,148	1,190	1,233	1,318	1,360	1,403	10,583	4.3
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Total Cost of

0	0	0	9,923	10,868	11,813	12,758	13,230	13,703	14,648	15,120	15,593	117,653	47
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**Sales**

Gross Profit	0	0	0	11,078	12,133	13,188	14,243	14,770	15,298	16,353	16,880	17,408	131,348
Gross Margin	0	0	0	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75

Operating Expenses**Sales and Marketing**

Advertising	0	0	0	2,000	0	0	1,200	0	0	0	1,200	0	4,400	1.77
Entertainment	0	0	0	0	0	0	0	0	0	0	0	0	—	0.00
Literature	0	0	0	0	0	0	0	0	0	0	0	0	—	0.00
Salaries	0	0	0	0	0	0	0	0	0	0	0	0	—	0.00
Trade/Franchise Shows	0	0	0	0	0	0	0	0	0	0	0	0	—	0.00
Travel	0	0	0	0	0	0	0	0	0	0	0	0	—	0.00
Total Sales/Marketing Costs	0	0	0	2,000	0	0	1,200	0	0	0	1,200	0	4,400	1.77

General & Admin. Costs

Bank Service Charges	0	0	0	126	138	150	162	168	174	186	192	198	1,494	0.60
Customer Claims	0	0	0	53	58	63	68	70	73	78	80	83	623	0.25
Depreciation	0	0	0	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	1,381	12,430	4.99
Dues/Subscriptions	0	0	0	25	25	25	25	25	25	25	25	25	225	0.09
Equipment Repairs	0	0	0	150	150	150	150	150	150	150	150	150	1,350	0.54
Gas & Oil	0	0	0	74	81	88	95	98	102	109	112	116	872	0.35
Hazardous Waste Removal	0	0	0	72	72	72	72	72	72	72	72	72	648	0.26
Franchise Fee	0	0	0	525	575	625	675	700	725	775	800	825	6,225	2.50
Insurance (General)	0	0	0	250	250	250	250	250	250	250	250	250	2,250	0.90
Insurance (Officer/Life)	0	0	0	0	0	0	0	0	0	0	0	0	—	0.00
Insurance (Auto)														



	O	O	O	O	O	O	O	O	O	O	O	O	O	... 000
Insurance (Employer's Mo)	O	O	O	250	250	250	250	250	250	250	250	250	250	2,250 8.98
Legal & Accounting	#	O	O	175	175	175	175	175	175	175	175	175	175	1,575 0.63
Lease Auto	O	O	O	O	O	O	O	O	O	O	O	O	O	-- 0.80
License & Permits	#	O	O	45	45	45	45	45	45	45	45	45	45	405 0.16
Office Expense	#	O	O	100	100	100	100	100	100	100	100	100	100	900 0.36
Postage	#	#	O	15	15	15	15	15	15	15	15	15	15	135 0.05
Rent	O	O	O	4,333	4,333	4,333	4,333	4,333	4,333	4,333	4,333	4,333	4,333	39,000 15.7
Repairs/Maintenance	O	O	#	150	150	150	150	150	150	150	150	150	150	1,350 0.54
Supplies, Computer	#	O	O	350	350	350	350	350	350	350	350	350	350	3,150 1.27
Taxes (Personal Property)	#	O	O	160	160	160	160	160	160	160	160	160	160	1,440 0.58
Telephone	O	O	O	225	225	225	225	225	225	225	225	225	225	2,025 0.81
Utilities	O	#	#	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	9,900 3.98
Vehicle Expense	O	O	O	O	O	O	#	O	O	O	O	O	O	-- 0.08
Total GRA Costs	O	O	O	8,233	8,307	8,381	8,455	8,492	8,529	8,603	8,677	8,677	8,677	76,321 30.65
Total Operating Exp	#	O	O	10,233	8,307	8,381	9,655	8,492	8,529	8,603	9,840	8,677	80,721	32.4
Income from Operations	O	#	O	844	3,825	4,306	4,587	6,278	6,768	7,749	7,040	8,730	50,627	20.3
Interest Income			0.00											
Interest Expense	O	O	O	1,884	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	16,956 6.81
Income before Taxes	O	O	#	(1,040)	1,941	2,922	2,783	4,394	4,884	5,865	5,156	6,846	33,671	13.5
Taxes on Income	#	O	O	(187)	340	526	487	791	879	1,056	928	1,232	5,051	2,03
Net Income after Taxes	O	O	O	(853)	1,592	2,396	2,217	3,603	4,005	4,809	4,228	5,614	27,610	
% of Total Sales	O	O	O	(4.06)	6.92	9.58	8.21	12.87	13.81	15.51	13.21	17.01	11.09	

	0	0	0	0	0	0	0	0	0	0	0	—	0.00	
Insurance (Employee Med)	0	0	0	250	250	250	250	250	250	250	250	2,250	0.90	
Legal & Accounting	0	0	0	175	175	175	175	175	175	175	175	1,575	0.63	
Lease Auto	0	0	0	0	0	0	0	0	0	0	0	—	0.00	
License & Permits	0	0	0	45	45	45	45	45	45	45	45	405	0.16	
Office Expense	0	0	0	100	100	100	100	100	100	100	100	900	0.36	
Postage	0	0	0	15	15	15	15	15	15	15	15	135	0.05	
Rent	0	0	0	4,333	4,333	4,333	4,333	4,333	4,333	4,333	4,333	39,000	15.7	
Repairs/Maintenance	0	0	0	150	150	150	150	150	150	150	150	1,350	0.54	
Supplies, Computer	0	0	0	350	350	350	350	350	350	350	350	3,150	1.27	
Taxes (Personal Property)	0	0	0	160	160	160	160	160	160	160	160	1,440	0.58	
Telephone	0	0	0	225	225	225	225	225	225	225	225	2,025	0.81	
Utilities	0	0	0	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	9,900	3.98	
Vehicle Expense	0	0	0	0	0	0	0	0	0	0	0	—	0.00	
Total G&A Costs	0	0	0	8,233	8,307	8,381	8,455	8,492	8,529	8,603	8,677	8,677	76,321	30.65
Total Operating Exp.	0	0	0	10,233	8,307	8,381	9,655	8,492	8,529	8,603	9,840	8,677	80,721	32.4
Income from Operations	0	0	0	844	3,825	4,806	4,587	6,278	6,768	7,749	7,040	8,730	50,627	20.3
Interest Income	0.00													
Interest Expense	0	0	0	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	16,956	6.81
Income before Taxes	0	0	0	(1,040)	1,941	2,922	2,703	4,394	4,884	5,865	5,156	6,846	33,671	13.5
Taxes on Income	0	0	0	(187)	349	526	487	791	879	1,056	928	1,232	5,051	2.03



Net Income after Taxes	0	0	0	(853)	1,592	2,396	2,217	3,603	4,005	4,809	4,228	5,614	27,610
% of Total Sales	0	0	0	(4.06)	6.92	9.58	8.21	12.87	13.81	15.51	13.21	17.01	11.09

USE OF FUNDS

Major & Campbell

Equipment Total	\$80,728
Equipment Installation	21,000
Initial Stock of Supplies	3,000
Leasehold Improvements	*30,000
Working Capital	5,500
Deposits	5,000
Grand Opening	4,000
Initial Marketing	2,000
Floor Safe	500
POS Computer System	10,000
Counters	3,000
Misc.	1,000
Total	\$165,728

* This figure will probably be much lower due to the fact that the building is build-to-suit.

Major & Campbell

* This figure will probably be much lower due to the fact that the building is build-to-suit.

Equipment Total	\$80,728
Equipment Installation	21,000
Initial Stock of Supplies	3,000
Leasehold Improvements	*30,000
Working Capital	5,500
Deposits	5,000
Grand Opening	4,000
Initial Marketing	2,000
Floor Safe	500
POS Computer System	10,000
Counters	3,000
Misc.	1,000
Total	\$165,728

RISK ANALYSIS

Environmental Issues

In the past few years environmental issues have become a serious concern. Increased legislation and social concern have led to new requirements and practices that must be followed. The drycleaning industry is not an exception. Fortunately, however, the company is in an excellent position to deal with these issues. Equipment purchased for new locations is state-of-the-art and exceeds the minimum requirements of the Environmental Protection Agency. An example of this is the spill tank that sits underneath the dry-cleaning machine. If solvent (perchloroethylene) is accidentally released from the process, the spill pan will catch and contain it. After the leak is repaired, the solvent can be automatically pumped back into the operational tanks. Furthermore, other add-on components that minimize risk are regularly used.

Environmental issues have also affected the expansion and franchising. Fearing a potentially dangerous and costly accident, developers and landlords are apprehensive about allowing a drycleaning plant to operate on their property. Recognizing this as an impediment to future expansion, Expert Cleaning established a \$10



million environmental insurance policy. This holds the developer and land owner harmless in the event of a mishap. The policy has been very effective and distinguishes Expert Cleaning from local dry-cleaning chains which cannot afford to offer a policy of this magnitude.

SUMMARY

The preparation of this business plan serves several purposes for the company. In addition to adding a high level of internal organization and planning to management's efforts, the document is designed to attract financing to support upcoming expansion.

The location that A.Z. Ventures is proposing to open is at the NW corner of Major Blvd. and Campbell Blvd. Management has been working to obtain this excellent site for over a year. The most important aspect of our business is location, and the demographics of this site are in the top echelon of new sites in the Albuquerque metro area. The new store will undoubtedly prove to be a great performer for A.Z. Ventures, Inc.

The contract with Felgen's Shop 'n Save allows the company to operate highly convenient and extremely busy locations, an environment which is integral to success in the dry-cleaning industry. Furthermore, this contract has opened new doors and led to the cultivation of business relationships with members of the real estate and development communities in Albuquerque. Incidentally, several of the prospective plant sites currently under management's consideration are products of aforementioned relationships. A.Z. Ventures has no immediate plans to open Felgen's Shop 'n Save satellite stores in 1995 due to the upcoming renovations of several of the potential Felgen's stores. However, it is possible that a Felgen's satellite location could be sold to a franchisee.

The company possesses several strengths which will play an instrumental role in its upcoming ventures. Assets, such as a tested and proven concept, the Expert Cleaning brand name, its operating system, and award-winning marketing program will assist in making Expert Cleaning the market leader in retail dry-cleaning in the Albuquerque metro area. In conclusion, an investment in A.Z. Ventures, Inc., is an investment in qualified and determined individuals—a dedicated team that is striving and working together to achieve the stated goals and objectives of the company.