



# Real Estate Brokerage Business Plan

RJ Wagner & Associates Realty, Inc., is an S corporation domiciled in the state of Texas. This corporation is capitalized by one single stockholder and one principal investor, Regina Wagner. Regina Wagner is a licensed broker and the sponsoring broker for this firm. The licensed broker of this firm will sponsor licensed real estate agents (independent contractors) in the state of Texas. This corporation will formalize the real estate services offered.

RJ Wagner & Associates Realty, Inc., will open its doors for operation in July. The office is located in Houston, Texas (Champions area) in the Greenwood Square Shopping Center, to provide services to the higher income section of Metropolitan Houston.

Credibility and reputation excel with the broker of this firm, with a published real estate book and real estate organizational programs placed in the Houston Association of Realtors and the Dallas Association of Realtors bookstores and superstores. For the past year novice licensed agents have enjoyed the organizational tools and guidance offered in the book Texas Real Estate/The Mobile Mentor.

## 1.1 Objectives

The primary objectives of our organization are to:

- Become a profitable organization allowing us the freedom of taking advantage of other real estate investment opportunities as they become available.
- Recruit and hire self-motivated, success-oriented, and hardworking sales agents.
- Maintain an office of at least 15 sales agents who meet the previous requirements.
- Develop a solid, corporate identity in our specified targeted market area.
- To establish good working relationships and begin working as a team, promoting communication and suggestions from all participants.
- Become one of the top brokerage firms in operation in the Champion area by our third year of operation, or before.
- Realize a positive return on investment within the first 12 months.

We believe the above-mentioned objectives are obtainable because of the professionalism of the manager and sales associates this corporation will hold. Individuals gaining a real estate license leave school with the knowledge of the real estate laws and procedures. The turnover rate in this business is high since agents have no training outside the laws and regulations of the business itself. Once they have a license, only then, they may obtain the sales and marketing training that is needed upon entering the profession. This training is available at a high price to the agent. When starting out, most agents are not able to obtain this training at the high prices set forth, and without the proper training the average earnings of a beginning real estate agent is very low in comparison to industry standards.

The office environment we will be providing will be productively arranged yet inviting to the agent as well as the client. There will be a location in the office each day with a daily marketing routine/schedule to follow. Agents have the opportunity to be guided each day through a marketing plan to gain clients. They may choose to follow the guidelines and training provided or they may follow their own daily routines. We will be supplying a program allowing the new agents to earn more than the average real estate agent by providing



guidance and stability.

If an agent with our company sets a goal to obtain only one seller and one buyer for the month, on an average of £150,000 sale on each side, would earn the agent £6,750 per month X 12 months = £81,000 per year.

Regina's goal as the broker is to assist each agent in conquering this goal.

The same sales as noted above would profit the corporation £2,250 per month X 12 months = £27,000 for the year X 15 agents = £405,000. This is not including sales from the active broker of this corporation which would be £4,500 commission from each side to total £9,000 (100%) to the corporation. The broker will receive a salary from the corporation.

## 1.2 Mission

This plan is written as a guide for starting and managing this new business, and will also serve as the basis for a separate, detailed marketing plan. Following is a summary of the main points of this plan.

- The objectives of RJ Wagner & Associates Realty, Inc., are to generate a profit, grow at a challenging and manageable rate, and to live up to the ethical codes set forth by the Texas Real Estate Commission.
- The first mission of RJ Wagner & Associates Realty, Inc., is to first recruit Texas real estate agents. The agents choosing this firm will receive top commission allowing them more financial advantage for advertising in order to gain more business.
- The ongoing mission will be to assist both homeowners selling their homes, as well as homebuyers purchasing the home of their future, by providing professional and personal assistance. Ensuring customer's best interest are always of the utmost importance.
- The keys to success for RJ Wagner & Associates Realty, Inc., are marketing and networking, responsiveness and quality of customer service and generating repeat customers.
- We wish to establish a successful partnership with our clients, our staff members, and our title companies, that respect the interests and goals of each party.
- The local market for this business, while not new, is wide open for new and expanding brokerage firms.
- An initial financial analysis of the viability of this venture shows outstanding promise and results. Several sources note that the real estate business has proven to be quite lucrative in today's fast-paced world.

While so doing, the company will always continue to strengthen its position in the target market area by providing superior customer service to clients and to sales associates.

In conclusion, as shown in the highlights chart to follow, this plan projects rapid growth, as additional agents join, and high net profits over the next three years. Implementing this plan, in conjunction with a comprehensive and detailed marketing plan, will ensure that RJ Wagner & Associates Realty, Inc., rapidly becomes a profitable venture for the owner as well as for the contracting agents.

## Company Summary

RJ Wagner & Associates Realty, Inc., is a new company that provides high-level expertise in real estate sales in the state of Texas. It will focus initially on homesellers and homebuyers, as well as in-house sales agents. Our customer service philosophy is unique. In a philosophic sense, RJ Wagner & Associates Realty, Inc., has three distinct customer groups: sellers, buyers, and agents.

Sellers of real property are our first customers. Listers of properties (sellers) pay commissions from the sale of their property and are the direct clients of the real estate brokers. We will never lose our focus that clients who have retained RJ Wagner & Associates Realty, Inc., to list and sell their properties are our first obligation.

Our second real customer is the buyer of residential real estate. We will provide superior personal services to



buyers.

Our third real customer is the licensed real estate sales agent. It is the agent's job to provide a professional service to both sellers and buyers, specifically in this order. Therefore, it is the direct responsibility of RJ Wagner & Associates Realty, Inc., to provide service to our sales agents.

As it grows, it will take on new agents providing them with a highly competitive commission earnings, as well as providing them with a support service that will allow for more productive time in order to gain clients at a faster pace. Hence motivating productive licensed agents in the real estate arena. As it grows, it will look for additional marketing techniques to offer clientele and serve the public in the high standards handed down by the Texas Real Estate Commission.

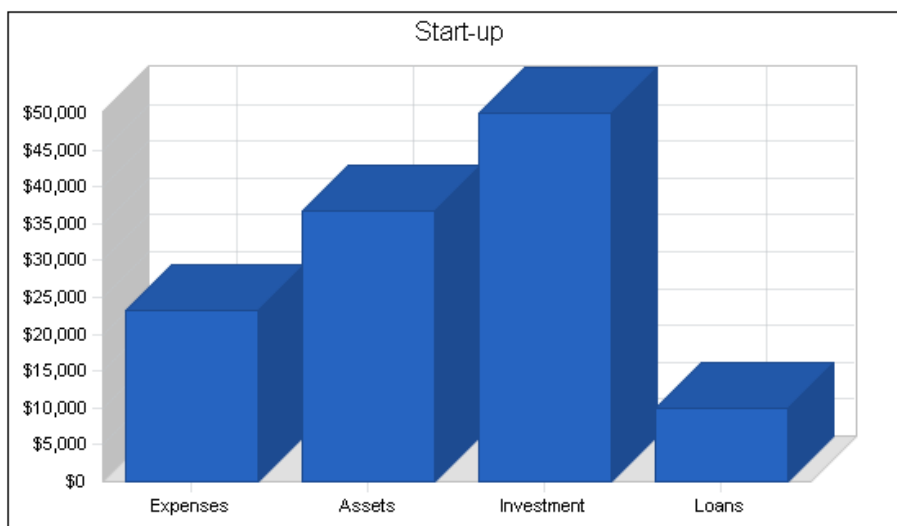
## 2.1 Company Ownership

RJ Wagner & Associates Realty, Inc., has been formed as an S corporation domiciled in the state of Texas. This corporation is capitalized by one single stockholder and one principal investor, the owner and broker of this firm, Regina J. Wagner.

## 2.2 Start-up Summary

Our start-up costs are outlined in the following chart. Said start-up costs derive from website design, office equipment, main computer station (complete with all realtor information for agent usage), stationery, legal costs, furnishings, office advertising and services, and expenses associated with opening our first office. The start-up costs are to be financed by direct owner investment and credit. The assumptions are shown in the following table and chart.

Lease office space averages £1.10 - 1.60 per square foot to equal an approximate of £1,500 per month, plus utilities, for efficient leased office space. Commercial lease will be for a three to five year agreement with the first month and a security deposit equal to the monthly lease rate payable at the time of lease start date.



### Start-up Funding

Start-up Expenses to Fund	£23,244
Start-up Assets to Fund	£36,756
Total Funding Required	£60,000

Assets



Non-cash Assets from Start-up	£27,000
Cash Requirements from Start-up	£9,756
Additional Cash Raised	£0
Cash Balance on Starting Date	£9,756
Total Assets	£36,756

## Liabilities and Capital

### Liabilities

Current Borrowing	£0
Long-term Liabilities	£0
Accounts Payable (Outstanding Bills)	£10,000
Other Current Liabilities (interest-free)	£0
Total Liabilities	£10,000

### Capital

#### Planned Investment

Investor 1	£20,000
Investor 2	£20,000
Other	£10,000
Additional Investment Requirement	£0
Total Planned Investment	£50,000

Loss at Start-up (Start-up Expenses)	(£23,244)
Total Capital	£26,756

Total Capital and Liabilities	£36,756
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Total Funding	£60,000
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## Start-up

### Requirements

#### Start-up Expenses

Legal/Incorporating	£930
Better Business Bureau Fee	£399
Stationery etc.	£2,000



Brochures	£1,000
Mailings/Postal	£1,000
Advertising	£2,500
Company Yard Signs	£1,300
Insurance	£225
Answering Service	£200
Website Design	£440
Utilities Start Up	£250
Rent	£3,000
Expensed equipment/Computer/Copier	£3,000
Office Furnishings/Lease or Used	£4,000
Office Supplies	£1,000
Other/Miscellaneous	£1,000
Business Software	£1,000
Total Start-up Expenses	£23,244

Start-up Assets	
Cash Required	£9,756
Other Current Assets	£20,000
Long-term Assets	£7,000
Total Assets	£36,756

Total Requirements	£60,000
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## Services

At RJ Wagner & Associates Realty, Inc., our principal service consists of selling residential real estate in a targeted market area. Our services provide our clients with an international network of buyers and sellers through the multiple listing service (MLS). Because of our capabilities to network with other brokers, we will sell homes faster than our clients could if they tried to market their home without the assistance of a licensed real estate agent.

In addition, our customers will list their homes with our agency because of our aggressive and highly-skilled professionals. We will continuously have an above-average sales force to generate and close residential listings.

The owner and broker of RJ Wagner & Associates Realty, Inc., is committed to success in the real estate market and adheres to the strict rules handed down by the Texas Real Estate Commission. Our high level of commitment will enable the company to attract top professionals as sales associates and clients looking to buy and sell residential real estate.

Agents with this firm will be provided with the following services:

- Top commissions.
- 24/7 hour office access.
- Own Web page.
- Marketing/sales guidelines to follow each day.
- Personal goal setting training



- Professional/commercial office setting in a highly visible and reputable location in the city of Houston.
- 24-hour answering service.
- Free inside/outside panoramic photography of each property listing. All photos are placed on HAR/MLS (Multiple Listing Service) and to the Internet realty sites.
- Full broker support.
- Professional flyer will be furnished complete with property photos for advertisement.
- Yard signs will be supplied and installed for the agent.
- Flyer distribution to other broker sites/agents.

Sellers will be provided with the following services:

- Free CMA (Comparative Market Analysis).
- Inside/outside photos in panoramic view placed on MLS (Multiple Listing System) and real estate Internet sites. This allows potential buyers to view our seller's property online.
- Advertising in local real estate publications.
- We design an attractive pamphlet with all property information, room dimensions, tax information, a letter from the seller, and a complete history of the home for potential buyers to read while viewing the property. This pamphlet is for the seller to keep or to give to the new owner when the home sells.
- Attractive yard signs with flyer tubes attached for potential buyers driving by.
- "Just Listed Post Cards" mailed to surrounding neighborhoods.
- Listing flyers distributed to other broker sites.
- Circulated open house invitations (per seller approval).
- Supra System Computerized Lockboxes (we know when and who entered premises at all times).
- Excellent follow-up system on each showing.
- If no contract is submitted within the first listed month, we re-analyze our future marketing procedures with the seller.

Buyers will be provided with the following services:

- We match buyers to homes. We have an extensive questionnaire for our buyers to list their wants and needs. We then take this questionnaire and put the supplied information into our Passport program to match buyers to the homes matching their criteria. (Passport is the latest software available to licensed real estate agents and brokers in the state of Texas.)
- We go a step further with our buyers and we go on-site for them. We visit the homes of their choice and take inside and outside panoramic photos for their viewing. We can email the photos or have a face to face showing with the buyer. The buyer does not have to go on-site unless they choose to. We bring the home to them.
- We present their offers and comply with all negotiating for them.

## Market Analysis Summary

RJ Wagner & Associates Realty, Inc., will be focusing on supplying homebuyers and homesellers professionalism and expertise in reaching a successful sale and/or purchase in their real estate needs. Our concentration also lies with our in-house agents. We feel by providing our in-house agents the support program they need our productivity should excel at a rapid pace.

Due to the strengthening of the economy in Houston area, more homebuyers today are looking to purchase homes. These changes in attitudes of homebuyers are a tremendous boost to real estate firms.

We are poised to take advantage of these changes, and expect to become a recognized name and profitable entity in the Houston real estate market. We chose to locate our office in the area of most revenue potential. Our targeted market area, the Champions area, shows stability and growth. We have a beautiful office, centered in the Champions area. This location will enable our sales associates to work in an area that will allow them to



make more money in a shorter period of time.

The first quarter home values were up 8.8% from the same period in 2000, the Office of Federal Housing Enterprise Oversight says. The gain reflects an increase from the previous quarter, when residential real estate values saw year-over-year growth of 8.1%.

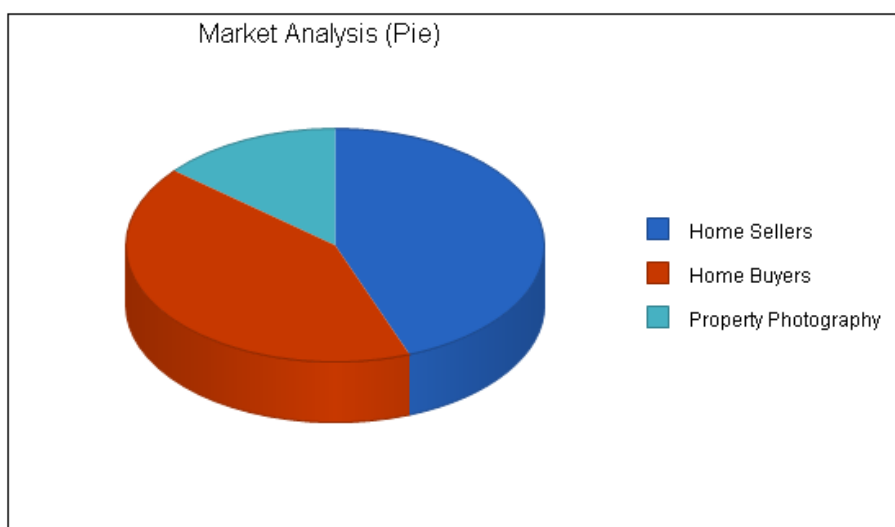
As stated in the Objectives section--we outline the profits to be gained with each agent striving for one seller and one buyer each month. We also state the extensive marketing plans, goal setting and training provided by this corporation to assist each agent in reaching this goal.

As stated in the Services section--we outline the services we will be supplying to the agents, sellers and buyers (all of which this corporation considers to be our customer).

As the outline following will indicate--our agents will earn top commissions, be supplied with the latest in marketing and advertising assistance, and have on-site broker assistance at all times. This coupled with the teamwork and excellent marketing programs provided, we feel we have a recipe for success.

#### 4.1 Market Segmentation

1. Our most important market segment is the homeseller. The seller will be calling upon RJ Wagner & Associates Realty, Inc., for our excellent marketing strategies and techniques, and our ability to deliver personal consulting, professionalism and a follow up system.
2. As important would be the homebuyer. These buyers will be calling on RJ Wagner & Associates Realty, Inc., to "match" their criteria selections. This corporation will be previewing matching criteria homes for the buyer, thus providing the buyer with on-site viewing capabilities without actually visiting the home site.
3. Individuals desiring to lease will also be guided to lease properties of their matching criteria needs.
4. When referring a client outside our expertise range, we would search for a reputable and knowledgeable agent to assist them at their destination. When this corporation is the recipient of a referral--we would match the buyer to homes meeting his/her criteria specifications.
5. Last, but not least, would be the corporation in-house agents. We view each one as a customer and are sensitive to their needs. Tools, training, marketing techniques and strategies, and guidance needed is available at all times. Each agent will have the opportunity to be assisted in designing a work schedule that adheres to their work style, hence allowing greater productivity. All agents will receive on-site guidance in all areas needed.



Market Analysis

Year 1   Year 2   Year 3   Year 4   Year 5





Potential Customers	Growth	CAGR
Home Sellers	3% 153,819 158,434 163,187 168,083 173,125	3.00%
Home Buyers	3% 145,412 149,774 154,267 158,895 163,662	3.00%
Property Photography	3% 48,334 49,784 51,278 52,816 54,400	3.00%
Total	3.00% 347,565 357,992 368,732 379,794 391,187	3.00%

## 4.2 Target Market Segment Strategy

We cannot survive just waiting for the customer to come to us. Instead, we must get better at focusing on the specific market segments whose needs match our offerings. Focusing on targeted segments is the key to our future.

Therefore, we need to focus our marketing message and our services offered. We need to develop our message, communicate it, and make good on it.

## Strategy and Implementation Summary

RJ Wagner & Associates Realty, Inc., will focus on the real estate needs in the Houston and surrounding areas. Our target customer will be, and our concentration will focus on the representation of, homesellers, homebuyers, relocation clientele.

To be the success we are striving to become this corporation realizes it must place a tremendous concentration on its in-house licensed agents. The agents with this firm will be supported and assisted to the best of our ability.

### 5.1 Competitive Edge

The corporate broker of this firm has a published real estate book (Texas Real Estate/The Mobile Mentor). This book and the accompanying organizational programs, are distributed throughout the state of Texas in real estate book stores and associations. This book was written for the novice agent which will be provided to oncoming agents as a reference tool, therefore, allowing a fast start program.

This firm allows "Top Commissions" to the agents allowing for more agent advertising and marketing promotions. This firm is highly supportive to the agent it sponsors in the respect of compliance with agent listing tasks. All of which free the agent's time to do what the agent is trained to do and that is to sell and gain clients.

This firm has a marketing plan in place for agents to utilize. The company will be assisting all agents in goal setting/planning and in their marketing techniques/strategies. Even though the agents are independent contractors, this firm will run as a team. The open door policy will be in place at all times inviting new ideas and suggestions.

In addition, please reference the Services section for an outline of our services offered to in-house agents, our sellers and our buyers. All services offered to each provide this corporation with a competitive edge, for we know of no other firm offering the extensive services we provide.

### 5.2 Sales Strategy

- Sales in our business is gaining property listings and utilizing a marketing plan that works best for the client.
- We locate and match homes to buyers according to the criteria submitted by the buyer.
- We assist in relocating clients to their new destinations and/or assist clients relocating to our area in their home search. We offer an excellent referral service anywhere in the United States.



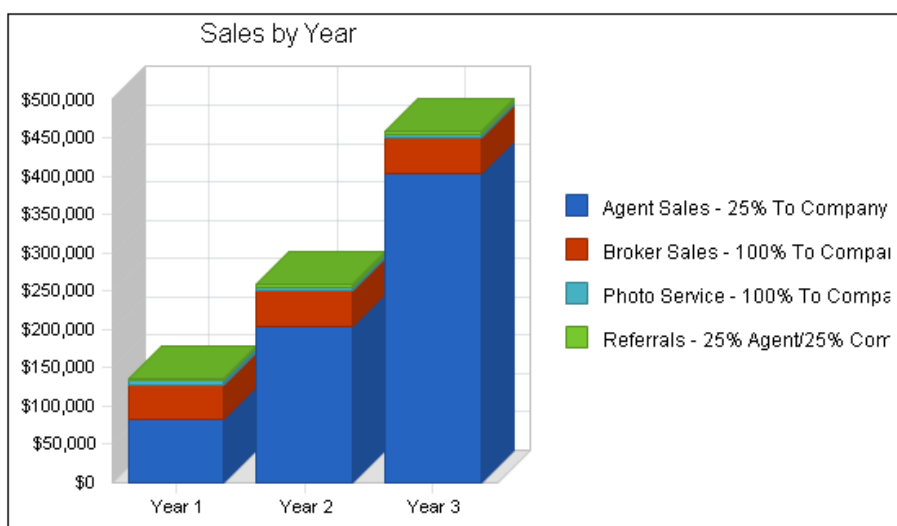
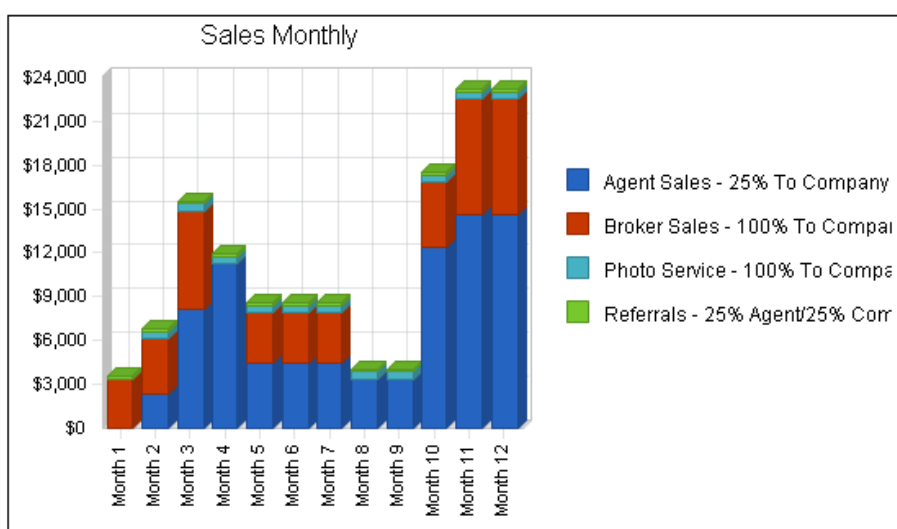


- We search for lease properties for individuals wishing to lease versus purchasing.
- We allow above-standard commission percentage rates, then provide excellent marketing and advertising programs.
- We provide our selling agents with an excellent support program as well as guidance.

Each potential seller listing or buyer representation we receive should be treated as an individual mission. Each client and client property must be analyzed to ensure our marketing program supplied fits their particular property and promotes it in the best possible way.

### 5.2.1 Sales Forecast

The following table and chart give a run-down on forecasted sales. We expect sales to be slowest during September through December, building between January through March and the most growth during the months of March through August.



### Sales Forecast

	Year 1	Year 2	Year 3
Sales			
Agent Sales - 25% To Company	£83,625	£205,000	£405,000
Broker Sales - 100% To Company	£44,245	£45,000	£45,000



Photo Service - 100% To Company	£5,280	£5,760	£5,760
Referrals - 25% Agent/25% Company	£2,244	£3,750	£3,750
Total Sales	£135,394	£259,510	£459,510

	Year 1	Year 2	Year 3
Direct Cost of Sales			
Agent Sales - 25% To Company	£8,363	£67,650	£187,500
Broker Sales - 100% To Company	£10,837	£40,500	£40,500
Photo Service - 100% To Company	£440	£440	£440
Referrals - 25% Agent/25% Company	£330	£400	£400
Subtotal Direct Cost of Sales	£19,970	£108,990	£228,840

### 5.3 Milestones

The accompanying table lists important program milestones, with dates and managers in charge, and budgets for each. The milestone schedule indicates our emphasis on planning for implementation.

What the table doesn't show is the commitment behind it. Our business plan includes complete provisions for plan-vs.-actual analysis, and we will hold monthly follow-up meetings to discuss the variance and course corrections.

### Milestones

Milestone	Start Date	End Date	Budget	Manager	Department
Business Plan	6/1/2001	6/15/2001	£2,000	RJW	Owner
Logo Design	6/1/2001	6/15/2001	£500	RJW	Owner
Website Design/Placement	6/1/2001	6/15/2001	£500	RJW	Owner
Company Stationary Design/Print	6/1/2001	6/15/2001	£2,000	RJW	Owner
Co.Docs (CD-Rom/Disk) Agent Distribution	6/1/2001	6/15/2001	£500	RJW	Owner
Company Signs/Advertising	5/15/2001	6/15/2001	£1,300	RJW	Owner
BBB Membership/Yearly	1/1/2001	6/15/2001	£390	RJW	Owner
Photo Merchant Account Charge	5/15/2001	6/15/2001	£200	RJW	Owner
Incorporating Charges	3/15/2001	6/15/2001	£930	RJW	Owner
Nat'l Realtor Assoc. Membership/Yearly	1/1/2001	12/31/2002	£300	RJW	Owner
TX Realtor Assoc. Membership/Yearly	1/1/2001	12/31/2002	£300	RJW	Owner
Houston Assoc.Corp. MLS/Yearly	1/1/2001	12/31/2002	£1,080	RJW	Owner
Montgomery Assoc. Membership/Yearly	1/1/2001	12/31/2001	£300	RJW	Owner
Purchased Office Equipment/Computer,etc.	5/30/2001	7/1/2001	£3,000	RJW	Owner
Office Utilities	6/15/2001	7/30/2001	£200	ABC	Department
Commercial Office Lease	6/15/2001	7/30/2001	£3,000	RJW	Owner
Answering Service	6/15/2001	7/30/2001	£200	ABC	Department
Commercial Phone Lease	6/15/2001	7/30/2001	£200	ABC	Department
Lease Copy Machines	6/15/2001	7/30/2001	£1,150	RJW	Owner
Totals			£18,050		

### Management Summary



The initial management team is the owner/licensed broker. The broker of this firm has the only authority to sponsor oncoming licensed real estate agents under the corporate broker license. Upon joining this firm agents will receive a complete training program to include the broker's published book, Texas Real Estate: The Mobile Mentor, a complete library to include all company documents and marketing correspondence furnished on CD-RW and/or Diskette, free inside/outside photography of all listings, marketing plan/goal setting guidance and counseling. This firm and their agents will experience on-site broker guidance and on-site mortgage advisory at all times.

At this time, this broker is an active listing broker. Recruiting licensed agents is now in process in the Houston and surrounding areas. This firm estimates to add a total of three licensed agents in 2001, with a minimum of 12 agents to be added throughout the year of 2002. (A minimum of one agent per month gain in 2002). This firm strives to obtain a minimum total of 15 licensed real estate agents contracting under this sponsored broker. Agents with this firm have the option to work in-house or out of a home-based office.

In addition to the real estate services provided by this corporation to homesellers and to homebuyers, this firm offers inside/outside photography services in-house as well as to other broker firms. This service is free to in-house agents and a service fee is charged to other broker sites and agents utilizing this service.

As RJ Wagner is a sole proprietorship, the principal's personal net worth is given below.

## Personal Net Worth

### Assets

Current Assets	Notes:	Balance
Checking		£1,500
Savings		£6,000
Investment		£58,000
Household Goods		£24,000
Auto		£6,300
Auto		£0
All Other		£0
Total Current Assets		£95,800
Long-term Assets		
Main Residence		£150,000
Improvements		£0
Account		£0
All Other		£20,000
Total Long-term Assets		£170,000
Total Assets		£265,800



## Liabilities

Current Borrowing	Balance
Credit Card	£3,000
Credit Card	£350
Credit Card	£58
Auto Loan	£3,681
Other Current Debt	£1,500
Other Current Debt	£0
All Other	£0
Subtotal Current Borrowing	£8,589

Long-term Borrowing	
Mortgage	£64,000
Other Long-term Loans	£0
All Other	£0
Subtotal Long-term Borrowing	£64,000

Total Liabilities £72,589

Net Worth £193,211

## 6.1 Personnel Plan

This firm will not have employees but rather independent contractors. Therefore, the firm will not be issuing payroll to employees. Payroll will be issued to the broker of the corporation alone. All reception/secretarial needs will be complied with by the on-site/on duty agents on any given day. There will be two licensed agents on duty at all times.

Licensed agents will receive 3% commission on "one" side (seller or buyer side) of the sale spectrum. Of that 3% commission earned, 25% is awarded to the company. If an agent performs the act of the selling agent and also the buyer agent of the same property sale, then this agent would gain the full 6% commission (both sides of the agency), therefore, the corporation would be awarded 25% from each agency side.

We believe this plan is a fair compromise between fairness and expedience, and meets the commitment of our mission statement. The detailed monthly personnel plan for the first year is included in the appendix.

## Personnel Plan

	Year 1	Year 2	Year 3
Wagner	£36,000	£60,000	£100,000
Other	£0	£0	£0
Total People	0	0	0

Total Payroll £36,000 £60,000 £100,000



## Financial Plan

- We want to finance growth mainly through cash flow. We recognize that this means we will have to grow more slowly than we might like.
- The most important factor for R.J. Wagner & Associates Realty is the closing sales days. These dates will be determined ultimately by the seller and the buyer and a move out/move in schedule will be complied with. Immediately following the closing sale commission will be disbursed by the title company conducting the closing.

### 7.1 Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table as annual assumptions. The monthly assumptions are included in the appendix. From the beginning, we recognize that collection days are critical, but not a factor we can influence easily. At least we are planning on the problem, and dealing with it. Interest rates, tax rates, and personnel burden are based on conservative assumptions.

Some of the more important underlying assumptions are:

- We assume a strong economy, without major recession.
- We assume that there are no unforeseen changes in the economy that would change our estimations.

#### General Assumptions

	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	25.42%	25.00%	25.42%
Other	0	0	0

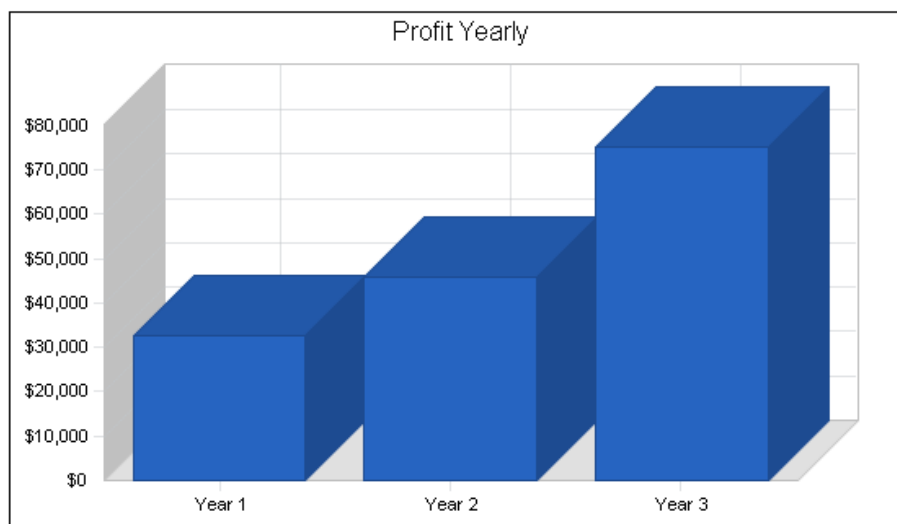
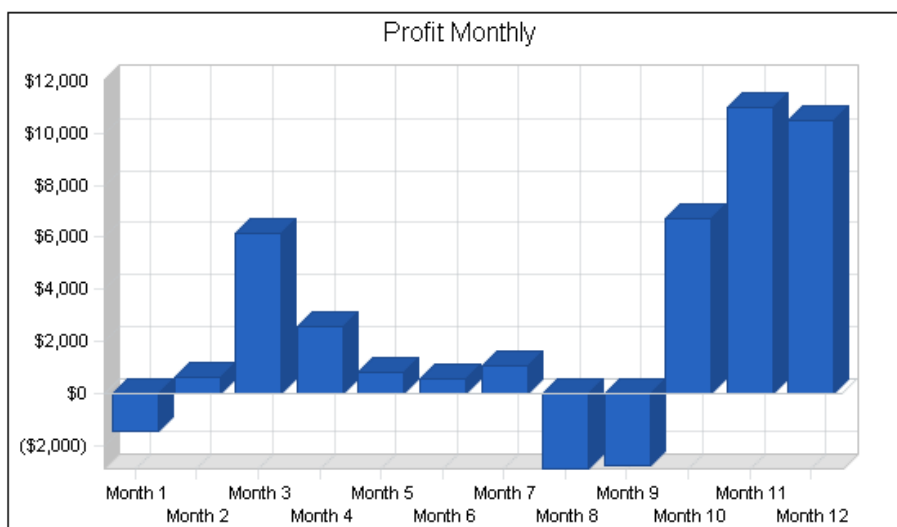
### 7.2 Projected Profit and Loss

Our projected profit and loss is shown in the following table.

As with the break-even, we are projecting very conservatively regarding cost of sales and gross margin. Initially, we will depend on our associates for most fulfillment, which is why costs should be lower than shown. We prefer to project conservatively so that we make sure we have enough cash.

We are spending less on marketing expenses due to our paid memberships with the associations. This broker has a published real estate book and organizational programs placed in the Houston Association of Realtors and also the Dallas Association of Realtors. The associations advertise these marketing tools free to this broker.

The detailed monthly projections are included in the appendix.



### Pro Forma Profit and Loss

	Year 1	Year 2	Year 3
Sales	£135,394	£259,510	£459,510
Direct Cost of Sales	£19,970	£108,990	£228,840
Other	£0	£0	£0
Total Cost of Sales	£19,970	£108,990	£228,840

Gross Margin	£115,425	£150,520	£230,670
Gross Margin %	85.25%	58.00%	50.20%

### Expenses

Payroll	£36,000	£60,000	£100,000
Marketing/Promotion	£8,100	£1,000	£1,000
Depreciation	£1,270	£970	£970
Utilities	£1,800	£1,950	£1,950





Rent	£15,600	£15,600	£15,600
Insurance	£1,800	£1,800	£1,800
Office Supplies	£3,000	£3,200	£3,200
Business Software	£1,000	£1,000	£1,000
Leased Equipment	£3,000	£3,000	£3,000
Payroll Taxes	£0	£0	£0
Other	£0	£0	£0

Total Operating Expenses	£71,570	£88,520	£128,520
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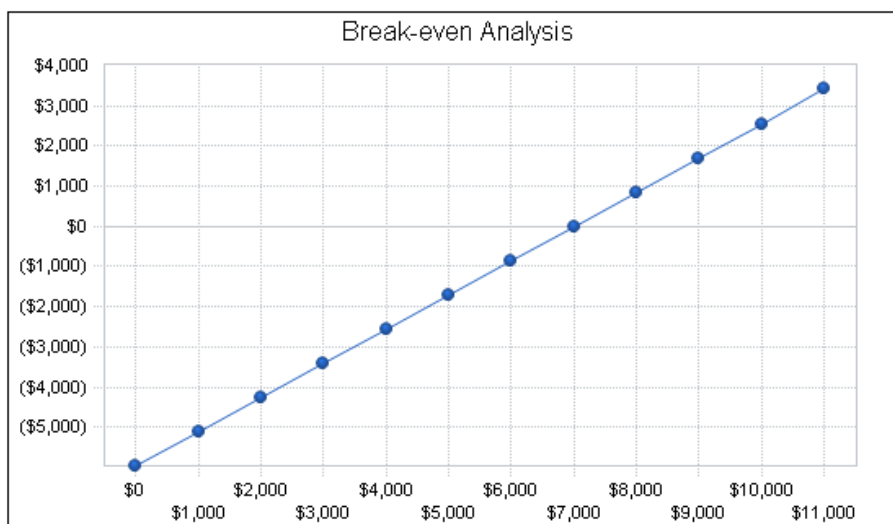
Profit Before Interest and Taxes	£43,855	£62,000	£102,150
EBITDA	£45,125	£62,970	£103,120
Interest Expense	£325	£831	£1,220
Taxes Incurred	£10,779	£15,292	£25,653

Net Profit	£32,750	£45,877	£75,277
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Net Profit/Sales	24.19%	17.68%	16.38%
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### 7.3 Break-even Analysis

The following table and chart will summarize our break-even analysis. Most of our cost of fulfillment is actually the sales of the agents as well as the sales of the active broker. We don't expect to reach break-even until a few months into the business operation.



### Break-even Analysis

Monthly Revenue Break-even £6,996

Assumptions:

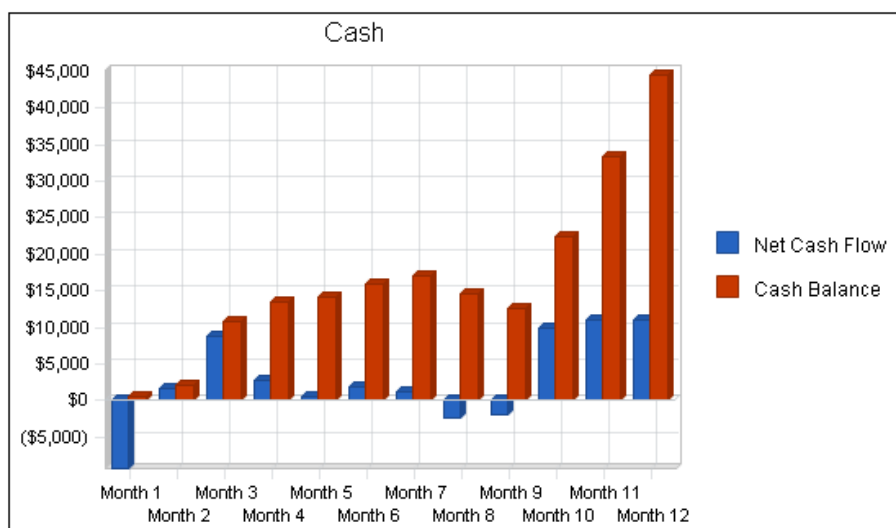
Average Percent Variable Cost 15%

Estimated Monthly Fixed Cost £5,964



## 7.4 Projected Cash Flow

Cash flow projections are critical to our success. The monthly cash flow is shown in the illustration, with one bar representing the cash flow per month, and the other the monthly balance. The annual cash flow figures are included here and the more important detailed monthly numbers are included in the appendix.



## Pro Forma Cash Flow

Year 1    Year 2    Year 3

### Cash Received

#### Cash from Operations

Cash Sales	£121,855	£233,559	£413,559
Cash from Receivables	£8,983	£21,774	£39,221
Subtotal Cash from Operations	£130,838	£255,333	£452,780

#### Additional Cash Received

Sales Tax, VAT, HST/GST Received	£0	£0	£0
New Current Borrowing	£6,000	£4,620	£3,150
New Other Liabilities (interest-free)	£0	£0	£0
New Long-term Liabilities	£0	£0	£0
Sales of Other Current Assets	£0	£0	£0
Sales of Long-term Assets	£0	£0	£0
New Investment Received	£0	£0	£0
Subtotal Cash Received	£136,838	£259,953	£455,930

### Expenditures

Year 1    Year 2    Year 3

#### Expenditures from Operations

Cash Spending	£36,000	£60,000	£100,000
Bill Payments	£66,091	£149,398	£272,528
Subtotal Spent on Operations	£102,091	£209,398	£372,528



## Additional Cash Spent

Sales Tax, VAT, HST/GST Paid Out	£0	£0	£0
Principal Repayment of Current Borrowing	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0
Long-term Liabilities Principal Repayment	£0	£0	£0
Purchase Other Current Assets	£0	£0	£0
Purchase Long-term Assets	£0	£0	£0
Dividends	£0	£0	£0
Subtotal Cash Spent	£102,091	£209,398	£372,528

Net Cash Flow £34,747 £50,555 £83,401

Cash Balance £44,503 £95,058 £178,459

## 7.5 Projected Balance Sheet

The balance sheet in the following table shows managed but sufficient growth of net worth, and a sufficiently healthy financial position. The monthly estimates are included in the appendix.

## Pro Forma Balance Sheet

	Year 1	Year 2	Year 3
<b>Assets</b>			
<b>Current Assets</b>			
Cash	£44,503	£95,058	£178,459
Accounts Receivable	£4,556	£8,733	£15,463
Other Current Assets	£20,000	£20,000	£20,000
Total Current Assets	£69,059	£123,791	£213,922
<b>Long-term Assets</b>			
Long-term Assets	£7,000	£7,000	£7,000
Accumulated Depreciation	£1,270	£2,240	£3,210
Total Long-term Assets	£5,730	£4,760	£3,790
Total Assets	£74,789	£128,551	£217,712
<b>Liabilities and Capital</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Current Liabilities</b>			
Accounts Payable	£9,282	£12,548	£23,282
Current Borrowing	£6,000	£10,620	£13,770
Other Current Liabilities	£0	£0	£0
Subtotal Current Liabilities	£15,282	£23,168	£37,052
Long-term Liabilities	£0	£0	£0



Total Liabilities	£15,282	£23,168	£37,052
Paid-in Capital	£50,000	£50,000	£50,000
Retained Earnings	(£23,244)	£9,506	£55,383
Earnings	£32,750	£45,877	£75,277
Total Capital	£59,506	£105,383	£180,661
Total Liabilities and Capital	£74,789	£128,551	£217,712
Net Worth	£59,506	£105,383	£180,661

## 7.6 Business Ratios

The following table outlines some of the more important ratios from the Offices of Real Estate Agents and Brokers industry. The final column, Industry Profile, details specific ratios based on the industry as it is classified by the Standard Industry Classification (SIC) code, 6531.

## Appendix

Sales Forecast		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales													
Agent Sales - 25% To Company	0%	£0	£2,375	£8,125	£11,250	£4,500	£4,500	£4,500	£3,375	£3,375	£12,375	£14,625	£14,625
Broker Sales - 100% To Company	0%	£3,389	£3,731	£6,750	£0	£3,375	£3,375	£3,375	£0	£0	£4,500	£7,875	£7,875
Photo Service - 100% To Company	0%	£0	£480	£480	£480	£480	£480	£480	£480	£480	£480	£480	£480
Referrals - 25% Agent/25% Company	0%	£187	£187	£187	£187	£187	£187	£187	£187	£187	£187	£187	£187
Total Sales		£3,576	£6,773	£15,542	£11,917	£8,542	£8,542	£8,542	£4,042	£4,042	£17,542	£23,167	£23,167
Direct Cost of Sales		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Agent Sales - 25% To Company		£0	£238	£813	£1,125	£450	£450	£450	£338	£338	£1,238	£1,463	£1,463
Broker Sales - 100% To Company		£339	£373	£675	£1,350	£675	£1,350	£675	£1,350	£1,350	£1,350	£675	£675
Photo Service - 100% To Company		£0	£40	£40	£40	£40	£40	£40	£40	£40	£40	£40	£40
Referrals - 25% Agent/25% Company		£0	£30	£30	£30	£30	£30	£30	£30	£30	£30	£30	£30
Subtotal Direct Cost of Sales		£339	£681	£1,558	£2,545	£1,195	£1,870	£1,195	£1,758	£1,758	£2,658	£2,208	£2,208

Pro Forma Cash Flow		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received													
Cash from Operations													
Cash Sales		£3,218	£6,096	£13,988	£10,725	£7,688	£7,688	£7,688	£3,638	£3,638	£15,788	£20,850	£20,850
Cash from Receivables		£0	£12	£368	£707	£1,542	£1,180	£854	£854	£839	£404	£449	£1,773
Subtotal Cash from Operations		£3,218	£6,108	£14,356	£11,432	£9,230	£8,868	£8,542	£4,492	£4,477	£16,192	£21,300	£22,623
Additional Cash Received													
Sales Tax, VAT, HST/GST Received	0.00%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Current Borrowing		£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500
New Other Liabilities (interest-free)		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Long-term Liabilities		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of Other Current Assets		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of Long-term Assets		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Investment Received		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Received		£3,718	£6,608	£14,856	£11,932	£9,730	£9,368	£9,042	£4,992	£4,977	£16,692	£21,800	£23,123
Expenditures		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations													
Cash Spending		£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000
Bill Payments		£10,062	£1,912	£3,142	£6,260	£6,124	£4,638	£4,905	£3,867	£3,867	£7,822	£7,822	£9,093
Subtotal Spent on Operations		£13,062	£4,912	£6,142	£9,260	£9,124	£7,638	£7,905	£7,404	£6,867	£6,861	£10,822	£12,093
Additional Cash Spent													
Sales Tax, VAT, HST/GST Paid Out		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Principal Repayment of Current Borrowing		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Liabilities Principal Repayment		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Long-term Liabilities Principal Repayment		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Other Current Assets		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Long-term Assets		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Dividends		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Spent		£13,062	£4,912	£6,142	£9,260	£9,124	£7,638	£7,905	£7,404	£6,867	£6,861	£10,822	£12,093
Net Cash Flow		(£9,344)	£1,696	£8,714	£2,672	£606	£1,730	£1,137	(£2,412)	(£1,890)	£9,831	£10,978	£11,030
Cash Balance		£412	£2,108	£10,821	£13,493	£14,099	£15,829	£16,966	£14,554	£12,663	£22,495	£33,472	£44,503



Pro Forma Profit and Loss												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	£3,576	£6,773	£15,542	£11,917	£8,542	£8,542	£8,542	£4,042	£4,042	£17,542	£23,167	£23,167
Direct Cost of Sales	£339	£681	£1,558	£2,545	£1,195	£1,870	£1,195	£1,758	£1,758	£2,058	£2,208	£2,208
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Cost of Sales	£339	£681	£1,558	£2,545	£1,195	£1,870	£1,195	£1,758	£1,758	£2,058	£2,208	£2,208
Gross Margin	£3,237	£6,093	£13,985	£9,372	£7,347	£6,672	£7,347	£2,285	£2,285	£14,885	£20,960	£20,960
Gross Margin %	90.52%	89.95%	89.95%	78.64%	86.01%	78.11%	86.01%	56.52%	56.52%	84.85%	90.47%	90.47%
Expenses												
Payroll	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000
Marketing/Promotion	£200	£200	£600	£700	£1,000	£700	£900	£900	£700	£700	£1,000	£700
Depreciation	£150	£150	£150	£150	£125	£90	£75	£75	£75	£75	£75	£80
Utilities	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150
Rent	£1,300	£1,300	£1,300	£1,300	£1,300	£1,300	£1,300	£1,300	£1,300	£1,300	£1,300	£1,300
Insurance	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150
Office Supplies	£100	£100	£200	£200	£300	£300	£300	£300	£300	£300	£300	£300
Business Software	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,000
Leased Equipment	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250
Payroll Taxes	15%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Operating Expenses	£5,300	£5,300	£5,800	£5,900	£6,275	£5,940	£5,925	£6,125	£5,925	£5,925	£6,225	£6,930
Profit Before Interest and Taxes	(£2,063)	£793	£8,185	£3,472	£1,072	£732	£1,422	(£3,841)	(£3,841)	(£3,841)	£14,735	£14,030
EBITDA	(£1,913)	£943	£8,335	£3,822	£1,197	£822	£1,497	(£3,766)	(£3,766)	(£3,766)	£14,810	£14,110
Interest Expense	£4	£8	£13	£17	£21	£25	£29	£33	£36	£38	£42	£46
Taxes Incurred	(£620)	£196	£2,043	£864	£263	£177	£348	(£968)	(£920)	(£920)	£2,229	£3,672
Net Profit	(£1,447)	£588	£6,129	£2,592	£788	£530	£1,045	(£2,905)	(£2,759)	(£2,759)	£6,888	£11,017
Net Profit/Sales	-40.46%	8.68%	39.44%	21.75%	9.23%	6.21%	12.23%	-71.88%	-68.25%	-68.25%	47.55%	45.26%

Pro Forma Balance Sheet													
	Starting Balances	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets													
Current Assets													
Cash	£9,756	£412	£2,108	£10,821	£13,493	£14,099	£15,829	£16,966	£14,554	£12,663	£22,495	£33,472	£44,503
Accounts Receivable	£0	£358	£1,023	£2,209	£2,694	£2,006	£1,680	£1,680	£1,230	£795	£2,145	£4,012	£4,556
Other Current Assets	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000
Total Current Assets	£29,756	£20,770	£23,131	£33,030	£36,187	£36,105	£37,509	£38,646	£35,784	£33,458	£44,640	£57,485	£69,059
Long-term Assets													
Long-term Assets	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000	£7,000
Accumulated Depreciation	£0	£150	£300	£450	£600	£725	£815	£890	£965	£1,040	£1,115	£1,190	£1,270
Total Long-term Assets	£7,000	£6,850	£6,700	£6,550	£6,400	£6,275	£6,185	£6,110	£6,035	£5,960	£5,885	£5,810	£5,730
Total Assets	£36,756	£27,620	£29,831	£39,580	£42,587	£42,380	£43,694	£44,756	£41,819	£39,418	£50,525	£63,295	£74,789
Liabilities and Capital													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
Accounts Payable	£10,000	£1,811	£2,934	£6,054	£5,970	£4,474	£4,758	£4,275	£3,743	£3,601	£7,519	£8,773	£9,282
Current Borrowing	£0	£500	£1,000	£1,500	£2,000	£2,500	£3,000	£3,500	£4,000	£4,500	£5,000	£5,500	£6,000
Other Current Liabilities	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Current Liabilities	£10,000	£2,311	£3,934	£7,554	£7,970	£6,974	£7,758	£7,775	£7,743	£8,101	£12,519	£14,273	£15,282
Long-term Liabilities	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Liabilities	£10,000	£2,311	£3,934	£7,554	£7,970	£6,974	£7,758	£7,775	£7,743	£8,101	£12,519	£14,273	£15,282
Paid-in Capital	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000
Retained Earnings	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)	(£23,244)
Earnings	£0	(£1,447)	(£859)	£5,270	£7,862	£8,650	£9,180	£10,225	£7,319	£4,561	£11,249	£22,266	£32,750
Total Capital	£26,756	£25,309	£25,897	£32,026	£34,618	£35,406	£35,936	£36,981	£34,075	£31,317	£38,005	£49,022	£59,506
Total Liabilities and Capital	£36,756	£27,620	£29,831	£39,580	£42,587	£42,380	£43,694	£44,756	£41,819	£39,418	£50,525	£63,295	£74,789
Net Worth	£26,756	£25,309	£25,897	£32,026	£34,618	£35,406	£35,936	£36,981	£34,075	£31,317	£38,005	£49,022	£59,506

Personnel Plan												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Wagner	0%	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000
Other	0%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total People		0	0	0	0	0	0	0	0	0	0	0
Total Payroll		£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000

General Assumptions												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0