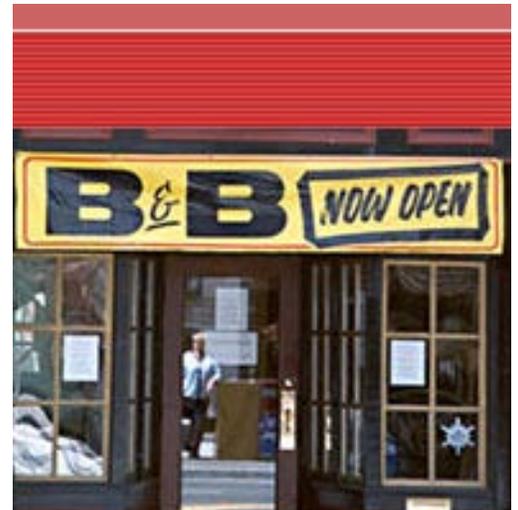


Mariner View Bed & Breakfast Sample Business Plan (Service)

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Mariner View Bed & Breakfast

Business Plan for the period
Starting May 2000

Executive Summary

Business Description

Mariner View B&B is a bed & breakfast establishment that is scheduled to begin operations on May 1, 1998. Mariner View B&B will provide high quality accommodation and full breakfast for both tourist and business customers alike. Accommodation at Mariner View B&B will consist of 4 comfortably furnished rooms, each with queen-sized beds. Full breakfast will be served according to menu selection from the night before. The region in and around Horton Ears has beautiful scenery, numerous places of interest and activities. Guests will have many opportunities to enjoy themselves in this area that is well suited for getaway holidays.

Ownership and Management

Mariner View B&B will be a partnership, owned and managed equally by Grenig Sandham and Samantha Myam. The partners do not plan to hire any staff at the moment. Mr. Sandham spent 10 years of his early career working for Lowat Resort Hotels before establishing himself in the sailmaking industry in which he has worked for 20 years. Ms. Myam was an advertising executive for 15 years before moving to Horton Ears to work as the editor of the local newspaper. She has been at the weekly newspaper for 3 years and plans on a gradual transfer towards running the B&B as a full-time occupation. They have informally offered rooms to let in their home during the busy summer seasons for the last three years and have enjoyed this lifestyle.

Key Initiatives and Objectives

Our primary objectives over the next year are to:

1. Obtain a bank loan of \$75,000 to cover selected renovations, start-up and initial operating costs for Mariner View B&B.
2. Implement a cost-effective promotional strategy that will maximize awareness and trial for the bed and breakfast.
4. Achieve 15% return on referral visits.

Marketing Opportunities

In light of market research, our target market are travelers between the ages of 25 and 55, married with moderate to high income. Three quarters will have booked accommodations before leaving home and will stay two nights as a get-away from either of two nearby urban centres. In addition, there is potential in this area for business travelers as well as small conferences.

Competitive Advantages

Roughly the same distance between two centres of population, Horton Ears enjoys a larger potential consumer market than other sites in the region might. It is also at the T junction of the route between both of these centres and Shelbyville, five hours away. Moreover, Horton Ears has one of the finest harbors in Newfoundland. The location of Mariner View B&B is ideal for a weekend getaway. It is far enough from the city to feel as if a couple is somewhere special but not so far as to be a tiring journey. The town of Horton Ears provides the charm of a local fishing village along with a number of activities close by if customers are looking for alternatives. Mariner View B&B has been designed to provide the comfort of a home with the option to partake in the company of the owners or retreat to the seclusion of a comfortable room. The building will retain its heritage appeal inside and out, while offering the modern amenities expected for a comfortable stay. The SSandham-Myams have entertained their friends and family for years and truly enjoy creating a welcoming and comfortable atmosphere.

Marketing Strategy

Our promotional strategy includes membership in local and national industry associations. This provides inclusion in their registries and guidebooks. Similarly, ensuring a listing in every possible guidebook is a top priority. Distribution of brochures created for Mariner View B&B is also essential. These will be placed or sent to locations such as the Chamber of Commerce, tourism offices, libraries, museums, travel agents and wholesalers. We will also place ads in the urban newspapers in the getaway weekend section. An increasingly viable form of promotion is on the internet. We will create a website through which we can advertise and book customers directly.

Return customers and referrals constitute a valuable source of revenue in the industry. We will encourage this by offering impeccable service and maintaining a customer database. From time to time, we will offer our past customers special rates.

Pricing will be set competitively with a similar business in the first year. It will subsequently be raised 5% per year over the next two years to reflect better service and location. Our rooms can be booked by telephone, in person, through agents or over the internet. We will provide a commission to travel agents that is comparable to that provided by other accommodation facilities in the province.

Summary of Financial Projections

A 10 year, 7% mortgage for \$75,000 will be used to finance renovations to the existing property, resulting in four guest rooms. The mortgage will be secured against the house. Direct cost of sales is projected to be 19% in the first year, dropping to 6% and 5% in the next two years respectively. The relatively high cost of sales in the first year reflects startup costs incurred in the month before operation. The cost of sales in Years Two and Three are low in comparison to industry averages because the partners plan to rely on other income rather than draw a wage from the partnership. We project that our net

income will increase from a loss of \$6,468 in 1998 to a profit of \$21,508 in 2000.

Confidentiality and Recognition of Risks

Confidentiality Clause

The information included in this business plan is strictly confidential and is provided on the understanding that it will not be disclosed to third parties without the expressed written consent of Grenig Sandham or Samantha Myam.

Recognition of Risk

This business plan represents management's best estimate of the future potential of our business venture. It should be recognized that not all major risks can be accurately predicted or otherwise avoided and that few business plans are free of errors of omission or commission. Therefore investors should be aware that this business has inherent risks that should be evaluated prior to any investment.

Business Overview

Business History

Mariner View B&B is a bed & breakfast establishment that is scheduled to begin operations on May 1, 1998. Mariner View B&B will be a partnership, owned and operated by Grenig Sandham and his wife, Samantha Myam. Mr. Sandham spent 10 years of his early career working for Lowat Resort Hotels before establishing himself in the sailmaking industry in which he has worked for 20 years. Ms. Myam was an advertising executive for 15 years before moving to Horton Ears to work as the editor of the local newspaper. She has been at the weekly newspaper for 3 years and plans on a gradual transfer towards running the B&B as a full-time occupation. They have informally offered rooms to let in their home during the busy summer seasons for the last three years and have enjoyed this lifestyle. They feel that there is an opportunity to ultimately build this into a self-sustaining concern over the next three years.

Vision and Mission Statement

Our mission is to successfully build, promote and provide quality bed and breakfast accommodations for the Horton Ears region.

Objectives

Our primary objectives over the next year are to:

1. Obtain a bank loan of \$75,000 to cover selected renovations, start-up and initial operating costs for Mariner View B&B.

Implement a cost-effective promotional strategy that will maximize awareness and trial for the bed and breakfast.

Achieve 20% occupancy in first year of operation.

Achieve 15% return or referral visits.

Ownership

Mariner View B&B will be a partnership, owned equally by Grenig Sandham and Samantha Myam.

Location and Facilities

Mariner View B&B is located at 6641 Windjammer Close, in Horton Ears, Newfoundland. The house is a heritage house situated across the road from the town's protected harbour, near the centre of Horton Ears. Mr. Sandham inherited this property from his mother two years ago and they moved in shortly thereafter. The Sandham-Myams used the proceeds of the sale of their property in Shelbyville to cover inheritance taxes and thus provide free title to the proposed B&B property.

The house currently has 4 bedrooms (not including the owner's suite), a large living area, a breakfast area and atrium. Renovation plans include adding an extra room and private bath facilities for all of the rooms. To enable installation of private baths in every room, one of the existing rooms will be cut up to provide two larger rooms with bath facilities. The third room will have a bathroom built from the existing floor area of that room. A further room will be added to the house on the ground level, with a private entrance opening onto the back yard of the property. This addition will satisfy a growing demand for this type of feature as well as offer a room that has wheelchair access. Two rooms will have fireplaces installed in addition to the existing fireplace in the living room common area.

Products and Services

Description of Products and Services

Mariner View B&B will provide high quality accommodation and full breakfast for both tourist and business customers alike.

Accommodation at Mariner View B&B will consist of 4 comfortably furnished rooms, each with queen-sized beds. Two cots are available for over-flow bookings or family groups. A typical full breakfast consists of a choice of fruit juice, fruit salad, toast, pancakes, french toast, waffles, bacon, sausage, and kippers.

Activities in and around Horton Ears include: boat day-trips; a visit to the town museum, nature walks along the coast line and in the hills nearby; walks in the town; and parachuting and hangliding at the Horton Regional Airport.

Key Features of the Products and Services

Our services will be developed to provide the optimal amount of personalized service for our customers. A large percentage of inn business comes from repeat customers and recommendations by friends and family. As a result, creating a good impression the first

time is essential for the long term success of such an operation.

All rooms have been designed to provide a separate living space, in addition to common areas, to allow guests their own space in which to spend their leisure time. This can be a very important feature, especially in the case of inclement weather, where the guests are not able to go outside. This can also be an advantage for business customers who need space to work. As mentioned earlier, each unit will have a private bathroom.

Mariner View B&B will maintain high service standards and will provide their customers with: well appointed, clean rooms; prompt response to reservation requests; ar knowledge and resource material on local culture, history, geography and events; warmth of welcome and hospitality; and flexibility of meal content and timing

Production of Products and Services

Both Grenig and Samantha have enough flexibility in their jobs to accommodate the schedule demanded by a bed and breakfast operation. It is expected that in the first year there will be no need for extra help involved in the duties required for running the inn. If the need arises for extra cleaning help, they will contract out locally. This expense is variable with respect with volume of business and would thus be covered by an increase in revenue.

Renovation will begin in January 1998. Both Samantha and Grenig are planning on taking a substantial amount of time off to defray part of the cost of renovations. Samantha will be undertaking the demolition phase in preparation for contractors to do the framing, plumbing, and electrical by May 15. Both Grenig and Samantha have experience in renovations from earlier properties and will do much of the finishing work. Grenig has a woodworking shop set up in the garage of the property and will finish off tthe rooms in an warm and inviting style, appropriate for a comfortable vacation setting.

Over a number of years, the partners have accumulated a substantial amount of furniture and art which reflects a mixture of local culture as well as modern and foreign influences. They intend to furnish and decorate each bedroom in a different style in order to differentiate each living area. They believe that this segmentation of their B&B will be a selling point for their customers.

As a result of the renovation, there will be a need for reconstructive landscaping. In addition to mending the upset in the appearance of the yard, extra expense will be put into creating a landscape that is interesting in all seasons. The backyard is in view from the breakfast area as well as the atrium and will be an integral part of the clients' accommodation experience. A variety of rocks, ground cover and bird attractors will be included in the landscaping theme.

Future Products and Services

Our services will evolve over time to reflect industry trends and changing client needs. To help us improve our services, we will regularly feedback from our clients regarding how satisfied they are will our services and what could be done to improve their stay with us.

Comparative Advantages in Production

feel as if a couple is somewhere special but not so far as to be a tiring journey. The town of Lookinleap provides the charm of a local fishing village along with a number of activities close by for customers to partake if they are looking for alternatives. Mariner View B&B has been designed to provide the comfort of a home with the option to partake in the company of the owners or retreat to the seclusion of a comfortable room. The building will retain its heritage appeal inside and out, while offering the modern amenities expected for a comfortable stay.

Local attractions throughout the year include The Horton Ears Maritime Music Festival and the Horton Regional Air Show. Local fishermen have started to charter boats for interested tourists. This is now becoming an increasingly popular activity for visitors to the area.

welcoming and comfortable atmosphere. They are people who have an eye for detail and are well versed in local culture and events. In addition to his experience in the hospitality industry, Grenig has accumulated a wealth of information with respect to local sailing and fishing lore through his current occupation. Samantha has always been an early riser and is an amateur naturalist. She also enjoys a good challenge when it comes to cooking and is looking forward to preparing a suitably comprehensive breakfast menu to meet the requirements of their customers.

Industry Overview

Market Research

A market study was performed in order to assess the feasibility of our venture and point out key factors that would contribute to its success. The market study was conducted using a variety of informational sources including tourism and hospitality industry studies, innkeeper's association literature, Internet sites and personal interviews with owners of similar establishments in other regions of Newfoundland.

Size of the Industry

According to a study by the Canadian Tourism Commission, published in October 1996, the 14.6 million Canadians who traveled within Canada for pleasure spent about \$10.9 billion in 1995. Accounting for 86 million overnight trips, this works out to an average of \$127 per night. Newfoundland accounts for roughly 1% of the Canadian totals, representing 900,000 overnight visits and \$100 million in tourism revenue.

Key Product Segments

Accommodation within the hospitality industry comes in many different forms but can be broken down into a few basic segments:

1. Hotel
2. Bed & Breakfast/Inn

3.Motel

4.Student hostel

5.Vacation rental property

Segmentation is based mainly on the size of the concern, relative price and level of service provided to the customer. The spectrum of accommodation offerings ranges from a high priced hotel in the city offering a five star restaurant and exercise facilities to a student hostel geared toward providing value for the backpacker.

The Bed & Breakfast segment in particular can be characterized by the following generalizations: Pricing is on the medium to high end of the scale relative to others, especially in urban areas Location, character of the building and personalized ambience are key factors within this segment Bed & Breakfasts are often the only accommodations available in more rural areas

Key Market Segments

A study commissioned in 1996 by the Professional Association of Inns listed the following demographics of guests on the Eastern Seaboard region: 83% are married; 82% are homeowners; 71% have completed a bachelor degree or higher; and their median income is US\$70,000.

Thirty-two percent indicated they were tourists while 29% said they were celebrating a special occasion. A quarter of the respondents indicated that they were there on business.

Purchase Process and Buying Criteria

The top reasons for staying at a bed and breakfast were: personal touch(82%); charm of building(79%); secluded getaway(70%); decor (69%); and romance (64%).

In terms of the offerings that played the most important role in their purchase decision, the top attributes were: warmth of the innkeeper (82%); private bathrooms (61%); full breakfast (52%); fireplace in room (45%); nearby activities and shopping (45%); historical building or area (29%); credit cards accepted (28%); and afternoon/evening refreshments (20%).

Forty-five percent of guests travel to a community where the bed & breakfast is located primarily with intention of staying in a bed & breakfast.

Accepting payment by credit card is an important feature for 80% of visitors.

On average, about 15% of bed & breakfast guests are return visitors and a further 15% have been referred by past guests. Thus, quality of stay and customer satisfaction is an important factor in the decision process. Apart from the qualities mentioned above, certain standards in the rooms contribute to the overall satisfaction of the stay. To this end, the relative importance of having "basic" amenities in a guesthouse were: Mattress and pillow quality (88%); towels (84%); linens (82%); washcloths (75%); glasses (62%);

reading lights (61%); soap (50%); and reading material (30%).

Description of Industry Participants

There are more than 400 places of accommodation in Newfoundland, accounting for roughly 10,000 rooms. Of the 400 properties, about 40% are low-end, no-frills motels and 25% are vacation rental properties. On the other side of the scale, 10% of these are hotels with more than 50 rooms. These are situated in the larger cities and tourist areas. The remaining 25% of accommodations in Newfoundland consist of hotels with less than 50 beds. Within this segment, there are 65 bed and breakfast establishments with an average of four rooms each.

Key Industry Trends

Tourism is closely tied to performance in the economy and will fluctuate accordingly. Overall, however, total tourism volume has steadily risen over the past 10 years. Domestic tourism appears to be a fairly consistent contributor, while foreign tourism has increased. This may well increase even more over the next few years due to the recent Open Skies Agreement, allowing freer access to US-Canada air routes. Despite the increase in foreign tourism, we expect that the majority of our customers will be domestic, given our geographical placement outside of the urban centres.

According to the North American Accommodation Association, average occupancy rates for the first year of business can range from 15% to 85% depending on a number of factors. The average first year occupancy rate for all non-urban bed and breakfast establishments was found to be 20%, rising to 60% in the third year. Discussions with similar establishments within the region indicate that these numbers may be a bit high due to the location. Despite this, our observations of specific establishments indicate that a properly planned and implemented marketing strategy can dramatically increase the occupancy rates.

Industry Outlook

The market outlook for tourism in Newfoundland is good. The recent investment by several multinational technology firms has spurred a resurgence in the economy and caused a recent inflow of highly educated, high-income workers to settle in the surrounding urban areas. In addition, the first shipment of oil from the Hibernia oil fields has just left for market and the Sable Island project is underway. In response, the economy is predicted to pick up from its doldrums and show 3.9% growth in GDP for 1998. This figure represents the average of growth estimates published by the Bank of Montreal, CIBC, TD and the Conference Board, which ranged from 2 to 5% growth in GDP. This spells a corresponding rise in tourism revenue in the local region.

Marketing Strategy

Target Markets

In light of market research, our target market are travelers between the ages of 25 and 55,

married with moderate to high income. Three quarters will have booked accommodations before leaving home and will stay two nights as a get-away from one of the two urban centres.

Description of Key Competitors

The competition can be broken into two segments: within the immediate vicinity of Horton Ears; and within a certain radius of two urban centres.

Considering our target market of get-away vacationers, the "competition" actually consists of all accommodations within distance of each nearby urban centre. Assigning a two and a half hour's travel time from each of the centres, there are 30 places of accommodation, accounting for roughly 1000 beds.

In Horton Ears, there is one hotel and one other bed and breakfast, totaling 23 beds. Sherry's Motor Hotel and Resort is at the edge of town and offers 20 rooms. There is a children's playground in the courtyard and a pool that is open in mid-summer. It is across the street from the local beach. The rooms are plain and the service minimal. Occupancy appears to be moderate to high in the summer but drops off to lower levels in the winter, servicing primarily business travelers. Mother Macguire's B&B, located two miles inland, has three beds. Owned and operated for ten years by Betsy Macguire, it operates at about 80% occupancy and enjoys a regular clientele. Although bathroom accommodations are shared, Betsy provides a comfortable atmosphere, large rooms and an exquisitely kept country garden. She also offers full dinner meals of country style, home-cooked food upon request.

Analysis of Competitive Position

consumer market than other sites in the region might. It is also at the T junction of the route between both of these centres and Shelbyville, five hours away. Moreover, Horton Ears has one of the finest harbors in Newfoundland.

In terms of competitive advantage within the local market, Mariner View B&B will be servicing a different customer. Sherry's Motor Hotel and Resort caters to business travelers year-round and family vacationers in the summer. These accommodations are adequate but lack the distinctive touch that our market segment is seeking. Mother Macguire's B&B proves to us that there is a viable market for this type of accommodation. Looking at and comparing other bed and breakfast establishments in the larger vicinity it is evident that the degree of hospitality and effort put into the business is directly proportional to its success. Maariner View B&B will be able to establish itself in this market as well, offering better amenities and differentiating itself by location near a beautiful and interesting harbor.

Pricing Strategy

Mother Macguire's currently charges \$45 in low season and \$75 in high season. This is higher than Sherry's and is slightly higher than the average rates for non-urban bed and breakfast establishments Newfoundland. We plan on matching these rates for the first

year. We believe that in second and third years we will be able to increase these rates by 5-10% reflect the harbor location in town and inclusion of private facilities.

Promotion Strategy

Our promotional strategy is targeted to create maximum awareness and repeat business with the most efficient and cost effective use of funds.

There are several Innkeeper/Bed and Breakfast associations that we will join. They offer a relatively inexpensive, effective advertising media. Ranging from very local to international in coverage, most include yearly fees and some require certain standards to be met to qualify membership. At this moment, we plan on joining the national association (CIAO) an American association (PIAIA), and the provincial B&B Hospitality Home & Country Inn Association.

Advertising on the Internet is an increasingly effective tool. There are several sites that have a database of listings of accommodations for all regions in North America. In some cases, they are paid for by governmental tourism bodies; however they are mainly supported by the associations mentioned earlier. We will constantly search for and maintain inclusion in these lists. We also plan to build our own promotional website referenced from these lists as well as register on all the search engines with an effective set of search terms.

Inclusion in travel guides and B&B directories is indicated as the most effective advertising tool for this industry. In addition to joining aforementioned associations, we plan on gaining inclusion in CAA and AAA material, the Newfoundland Tourism Commission, the Chamber of Commerce and every guidebook currently in print.

We will place ads in the urban newspapers in the getaway weekend section.

Return customers and referrals constitute a valuable source of revenue in the industry. We will encourage this by offering impeccable service and maintaining a customer database. From time to time, we will offer our past customers special rates.

We may use the off-season as an opportunity to develop retreat/conference business from the local urban colleges.

Distribution Strategy

Our rooms can be booked by telephone, in person, through agents, via our homepage, or over the telephone. We will provide a commission to travel agents that is comparable to that provided by other accommodation facilities in the province.

Management and Staffing

Organizational Structure

Mariner View B&B will be a partnership, owned and operated by Grenig Sandham and Samantha Myam.

Management Team

Grenig Sandham spent 10 years of his early career working for Lowat Resort Hotels before establishing himself in the sailmaking industry in which he has worked for 20 years.

Samantha Myam was an advertising executive for 15 years before moving to Horton Ears to work as the editor of the local newspaper. She has been at the weekly newspaper for 3 years. Resumes for Grenig and Samantha are attached to this business plan.

Staffing

There will be no need for staffing for the first year. Depending on occupancy rates and Samantha's ability to take on the position full time, there may be an need to hire extra cleaning help from the local population. This is not in the plan at the moment.

Labour Market Issues

Given a high level of unemployment in the region, there will likely be no shortage of potential workers available should a need to hire outside staff develop. Employee benefits would be paid in accordance with Labour Standards Codes and Regulations of the Department of Environment & Labour.

Regulatory Issues

Intellectual Property Protection

Trademarks, copyrights, or patents are not applicable to our business.

Regulatory Issues

We will obtain a vendor's or seller's number from the Government of Newfoundland Department of Finance, obtain a Business Number (BN) from Revenue Canada, and register with the Workers' Compensation Commission. We will obtain a business license and building permits from the municipal governments.

In order to operate a bed and breakfast establishment in Newfoundland a Provincial Tourism Establishment License is required, for which municipal approval must be obtained. In addition, the premises must be inspected by the fire commissioner. Newfoundland also supports inspection by Canada Select to ensure minimum standards.

Risks

Market Risks

Mariner View B&B's main market risk is the entry of competition from another similar type of establishment. The risk of losing business to another such business is partially mitigated by building up a loyal customer base. Also the establishment of another such business may actually benefit our market as a whole by raising the profile of Horton Ears in the tour books, thus increasing tourism traffic through the town. Also, if the competitor

was of sufficient quality standard, Mariner View may consider co-marketing or a cooperative approach to bring larger groups for the conference market.

Other Risks

The Government of Newfoundland has talked about regulating the bed and breakfast industry for a number of years. Mariner View B&B plans to achieve standards that have already been set out by a number of bed and breakfast associations across North America. If such regulations are legislated, we feel that Mariner View will be able to easily meet the imposed standards.

Implementation Plan

Implementation Activities and Dates

Within the first year we will meet the following goals:

Ongoing - Establish inclusion in major guidebooks and B&B lists
January 1998 - Start renovation, install bathrooms in house

February 1998 - Continue renovation in house, start addition to house, develop website

March 1998 - Finish work in house

April 1998 - Finish work on addition, landscaping, buy linens etc., advertise in urban area newspapers

May 1998 - Open for business

June 1998 - Promote/arrange for B&B stays in October and November for academic or business retreats

December 1998 - Achieve more than 15% occupancy in first 8 months

Financial Plan

Discussion of Projected Net Income

Our revenue projections for 1998 are \$14,396 which reflects 7 months of accommodation receipts. This corresponds to the assumption of a occupancy rate of 25% over the first 7 months of operations and would result in a net loss in the first fiscal year of \$6,468.

Revenues are estimated to reach \$34,555 in 1999 and \$42,441 in 2000 with occupancy rates growing to 35% and 42% respectively. Net income would correspondingly rise to \$14,354 and \$21,932 in the second and third years.

Our direct cost of sales is based on a cost of fifteen dollars per customer night. This is primarily made up of food costs but includes other items such as soap, tissues and toilet paper. Cost of goods as a percentage of net sales is skewed in the first year due to startup costs in the month before operations begin. Expenses such as sales & marketing, property & utilities, and operations are relatively consistent over the three year span of the business

plan. As a percentage of revenues however, these categories are high in the first year because they are being applied to only seven months of revenue.

Since the partners will continue to work at their original jobs during the first three years of operation, no wages will be drawn from the business during this period. Also, because the business is not incorporated, the expenses do not include any drawings taken by the owner.

Discussion of Monthly Cash Flow Statement

Due to the seasonal nature of the tourism business, spending will be watched carefully to ensure a positive cash flow. Despite this, Mariner View B&B does not expect to require the use of an operating loan. The monthly cash flow is located at the end of this business plan.

Discussion of Projected Annual Cash Flow

If we meet our projected financial targets, there will be no need for operating loans in 1999 or 2000. Repayment of the mortgage loan will total \$10,440 per year, which \$870 per month for 10 years at 7% interest rate. The mortgage will be secured against the house. We do not expect to require operating funds in Years 2 or 3. If such a need arises, however, we will finance this from our personal incomes.

Discussion of Pro-Forma Balance Sheet

We do not project any difficulty meeting our long term debt obligations, provided we meet our financial objectives which are based on occupancy estimates.

Discussion of Business Ratios

We have compared our ratios to those compiled in the Robert Morris Associates Annual Statement Studies. The gross margins are similar to industry averages. Profit margins are much lower than average in the first year reflecting 4 months of the fiscal year with no revenue and low occupancy rates associated with startup of such a business. The following years show profit margins that are much closer to the industry standard.

Note 1: Revenue Assumptions

a. Our Revenue projections by product and by month for the first year are:

Year 1	Room Revenue	*****	*****	*****	Total
Month 1					0
Month 2					0
Month 3					0
Month 4					0
Month 5	793				793
Month 6	2,288				2,288
Month 7	3,660				3,660
Month 8	4,118				4,118
Month 9	1,098				1,098
Month 10	549				549
Month 11	549				549
Month 12	1,342				1,342
Total	\$14,397				\$14,397

b. Our revenue projections by product for Years 2 and 3 are:

	Room Revenue	*****	*****	*****	Total
Year 2	34,555				34,555
Year 3	42,441				42,441

Note 2: Assumptions Regarding the Collection of Sales Revenue

a. We assume that the percent of our sales which are collected: in the month they are made; in the month following; in two months; and in three months are:

Current Month	100%
In the Following Month	0%
In Two Months	0%
In Three Months	0%
Total	100%

b. Based on these assumptions we have projected how much we will collect from our sales in each month. The following table also identifies any adjustments we may have made to these figures.

Year 1	Projecte d Collectio ns	Adjustm ent	Revised Estimate
Month 1	0		0
Month 2	0		0
Month 3	0		0
Month 4	0		0
Month 5	793		793
Month 6	2,288		2,288
Month 7	3,660		3,660
Month 8	4,118		4,118
Month 9	1,098		1,098
Month 10	549		549
Month 11	549		549
Month 12	1,342		1,342
Total	\$14,397	\$0	\$14,397

c. Not all of our sales in the first year will be collected during that year. Based on the assumptions shown above our Accounts Receivable at the end of Year 1 will be:

\$0

d. We assume that our Accounts Receivable at the end of Years 2 and 3 will be:

Year 2

Year 3