



Business Plan

Business Plan Prepared By

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First Class Greetings LLC Business Plan

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First Class Greetings LLC Business Plan

Executive Summary

Venture Description

First Class Greetings, LLC will impact the national stationery market with patent pending, innovative, stamped and ready-to-mail greeting cards. The First Class Greetings' card line includes the major greeting card categories of birthday, thank-you, seasonal holidays and general humor. First Class Greetings offers a full selection of original artwork, photographs and seasonal images by numerous artists with national and international recognition. First Class Greetings competes within the mid-market price range at \$2.75 with a first class postage stamp affixed, creating an added sense of value.

The uniqueness of the First Class Greetings concept is simple. Each greeting card is stamped and ready to mail. An envelope, with its corner removed, reveals the stamp affixed to the greeting card. The obvious benefit to the consumer is convenience. The consumer is spared the hassle of searching for a stamp to send the greeting card. This added value makes it an attractive product for targeted locations such as airports, hotels, card shops and cafés.

Management and Organization Plan

First Class Greetings has organized as a Limited Liability Company. The management of the company will be the responsibility of Chris Straka. Chris Straka has over seven years of business development and analysis experience. Chris served as the business analyst for the national Hoofin' Joe's Restaurant chain, and was a founding partner in Enviro-Juice, a \$1,500,000 four-unit restaurant chain in the Seaside area.

Marketing Plan

First Class Greetings' product line is positioned in the 7 billion dollar a year U.S. greeting card industry. Greeting cards can be found in over 100,000 retail outlets in the United States. Over 90% of American households participated in the greeting card industry in 200A, with the average household purchasing 35 individual cards per year. This successful national market business model can be applied to international markets for continued growth.

For marketing and distribution, First Class Greetings is enlisting sales representatives nationwide. First Class Greetings has selected 20 representatives to cover the Western regions of the United States, and it will soon add over 80 additional sales reps to cover the remainder of the nation.



Financial Plan

First Class Greetings is seeking a \$300,000 loan in order to implement its business plan. The funding will help to secure an office/shipping location, increase the current line from 100+ images to over 300, provide working capital, attract an experienced marketing director from within the greeting card industry, and market at national tradeshow and in industry trade magazines. Current orders support the business plan assumptions and project gross income by year three at nearly \$2,500,000.

The marketing advantage created from the patent pending greeting card system will position First Class Greetings as an attractive candidate for acquisition within the competitive greeting card industry. The long-term strategy is to concentrate on building value in the company through increasing cash flow and to harvest this value by merging with a larger competitor or by taking the company public. Consistent with these end goals, considerable attention will be placed on business fundamentals as outlined in the plan. Investor distributions are planned in year three, assuming projections are realized and market saturation and reinvestment needs begin to level off. Following year four, new limited partners will replace limited partners wishing to withdraw capital from the company, or, if prudent, their equity will be purchased by the company.



First Class Greetings LLC Business Plan

Management and Organization

Legal Form of Business

First Class Greetings is organized as an LLC in StateA. The LLC form of doing business was chosen for its tax treatment and the ease of bringing in new members over time. As we penetrate new markets in various states, our attorney will be consulted to ensure that all legal requirements are met.

Management Team

The following three individuals of the management team comprise the original members of First Class Greetings, LLC, and will continue to take an active role in the leadership of the organization as additional management staff persons are added.

Chris Straka—All initial First Class Greetings operations, including marketing distribution, advance planning and business analysis will be under Chris Straka’s direction. Chris Straka is the founder of First Class Greetings with over seven years of business development and analysis experience. Chris Straka recently served as the business analyst for Hoofin’ Joe’s Restaurants—voted America’s number one eatery in the 1990s—a \$300 million restaurant chain with 101 restaurants nationwide. Chris Straka also brings to the table a successful entrepreneurial background as a founding partner in Enviro-Juice, a \$1.5 million four-unit restaurant chain in the Seaside area. Under Chris Straka’s direction, Enviro-Juice received national recognition including a write-up in Blue Planet Magazine and was voted best Seaside area juice chain in 1999. The first Enviro-Juice was profitable after only three months of operation, while the Suntown, StateA, location was profitable from day one. The restaurants were sold to a larger corporation at a multiplier of nearly three times net.

Jody Arbek—Jody Arbek serves as a part-time art director. Jody is owner and founder of Startling Visions art gallery, located in Conch Ville, StateA. Since founding Startling Visions art gallery in 1980, Jody has been responsible for the production of over 60 original art shows showcasing as many artists. Jody has also received awards and recognition for contribution to the arts. All First Class Greetings original art procurement will be under Jody Arbek’s direction.

Shaun Patrick—Shaun Patrick serves as a part-time marketing consultant to First Class Greetings. Shaun brings over six years of marketing and tradeshow experience. Shaun was instrumental in the start-up months of First Class Greetings, seeing the company through its initial product rollout as well as the first two tradeshows.

Marketing Director—The marketing director position is currently open. The director will be fully responsible for all marketing aspects of the business including full implementation and revisions of the marketing plan, tradeshow organization, sales rep negotiations, brand promotion and market expansion. During the early stages of the business, the current management group will manage these functions.

As funding permits, a qualified candidate from within the greeting card industry will be sought to fill the position.



Board of Directors/Advisory Council

The following advisors will form an informal advisory council to the management of First Class Greetings. Throughout the year, the management team will call on the advisors asking for their viewpoint and expertise on strategic matters. At least once each year, all advisors will be invited to an advisory council meeting where a more formal discussion of the following year's goals and strategies will take place.

Stefanie Samuelsen—Stefanie Samuelsen is a Clinical Professor of Finance and Management at Western-Thomas Graduate School of Management, Western University. She has also been an Entrepreneur-in-Residence at the Foundation for Advancement in America since 1994. In 1998, Commerce Weekly named her one of the top 12 entrepreneurship professors at graduate business schools in the U.S. In 200A, Wallace and Timberton Accounting Firm selected her as Entrepreneur of the Year. Her guidance and feedback in the areas of financial strategies and entrepreneurship will be immeasurable.

Recruitment and Selection of Employees

During 200B, the primary management and operation of the company will be Chris Straka's responsibility. Chris will build a management team focused on issues of marketing, finance and distribution beginning in 200C. Part-time production positions will be hired for shipping and order fulfillment. All other jobs, such as printing, bookkeeping and accounting will be subcontracted out. As the business matures beyond its entrepreneurial beginnings, long-term objectives include seeking experienced and seasoned personnel from within the greeting card industry.

Compensation and Ownership

Compensation at the management level will be achieved through salary. While majority ownership will remain with member, Chris Straka; minority ownership positions will be made available to investors and employees.

Employee Reward and Incentive Plan

Members and employees of the LLC will receive yearly cash bonuses tied to profitability. In 200D, and every year after, investors will receive profit distributions. Various incentive programs encourage outside (non-employee) involvement in the company. Sales representatives are offered a commission based on gross sales (15%) and artists are offered a commission for their artwork based on gross sales associated with their artwork (6%). Members and employees of the LLC will receive yearly cash bonuses tied to profitability. In 200D, and every year after, investors will receive profit distributions.



Communication

As sales representatives and new employees are added to the team a good part of the initial conversations revolve around the original members vision for the company and way of doing business. In order to ensure a good fit and continued adherence to our values, an employee handbook is being developed outlining expectations and company direction. A good deal of communication will be through the internet as the management team will be geographically spread out. An intranet web-site is envisioned where the team can communicate daily.

Infrastructure

Many outside advisors will be relied upon for their contracted services, among them:

Cara Cuthbert—Insurance advice and coverage, paid for through policies obtained.

Lea Liu, Attorney at Law—Legal services as needed, paid hourly or by project.

Michelle Norris—Mailbox/display rack designs and all marketing and tradeshow displays and materials, paid by the project.

W. J. Peete, ITS—Computer and information technology services as needed, paid hourly.

Sandra Wu, CPA MS-Tax—Accounting and tax services provided quarterly and yearly paid by the project.



First Class Greetings LLC Business Plan

Product/Service Plan

Purpose of Product/Service

The company's objective is to develop, market and distribute postage pre-paid greeting cards to selected upscale card shops, airports, hotels and coffeehouse locations. The First Class Greetings' product line is positioned in the high-quality, mid-price range of the market. The company's product line differentiates itself by offering consumers a greeting card that is stamped and ready to mail. First Class Greetings will also further differentiate its product through unique, high-quality artwork.

Features and Benefits

Card Designs and Images

The First Class Greetings' card line includes the major greeting card categories of birthday, thank-you, seasonal, holidays and general humor. The line consists of original artwork from a number of different artists. Different styles include watercolors, oils, photography and other mediums to help diversify and keep the line fresh, original and appealing to varied demographics and tastes. The initial Coffee Notes line consists of 30 coffee-related images. An additional 88 non-coffee images debuted at the Stationery Show of America, May 200A, in New York. These 118 images will help solidify First Class Greetings as a viable stationery company.

Envelope Design

The envelope is a patent pending original design that incorporates functional and aesthetic features. The original feature of the envelope design is that the top right hand corner is cut off to reveal a postage stamp adhered directly to the note card rather than the envelope.

Display Racks

First Class Greetings can be displayed from a variety of customized counter-top, floor-spinners and wall display racks. The original rack design is a patent pending counter-top model, designed with a mailbox built into the display. Floor-spinners and wall racks are also available to offer space saving alternatives as well as the ability to hold a larger number of the upgraded cards.

Benefits

The benefit of this card line to the end customer is the ease and speed of use. A busy traveler does not have to find a stamp—they can simply sign the card and send it.



Stage of Development

First Class Greetings is a new business organized as a limited liability company. After considerable product/market research and product design, First Class Greetings is beginning Phase One Start-Up operations the first quarter 200B. During Phase One, efforts will be concentrated on penetrating the market in the western states. Sales representatives are in place and orders have already been received for delivery in March 200B. Interest was high at the Stationery Show of America, October 200A, in New York. The existing orders from that show and two regional coffee shows along with the initial responses to the sales reps efforts are convincing evidence of the feasibility of the plan.

Product/Service Limitations

One product limitation could be additional pilfering and shoplifting of the product because of the added value of having a stamp affixed to the card. The patent pending design will limit stealing of the envelopes, since the stamp is affixed to the card itself. A stamped note card is less likely to be stolen due to its perceived higher value (\$2.75 value) than a stamped envelope. In addition, the cut envelope corner renders the envelope useless since no stamp can be adhered to it in the appropriate place.

Product/Service Liability

Product liability risk was discussed at length with people from the greeting card industry, the advisory council members, legal counsel, and the insurance broker. The product does not in and of itself create extreme risk above and beyond what is deemed reasonable. Therefore, the insurance and legal status of the company should be sufficient to cover the unlikely risk associated with the product.

Production

The two main components for production are the greeting cards and the envelopes. In the Seaside area alone 12 major printing companies are capable of producing the quality and quantity needs projected. The two vendors currently being used were selected in consideration of quality and price. Beachcombers Printing and Lithograph out of Seaside publishes the greeting cards, while Mid-Continent Envelope out of Midtown manufactures the patent pending envelope. Since there are many companies that can provide this service, First Class Greetings has developed relationships with back-up production companies as well.

Facilities

Currently, First Class Greetings operates out of Chris Straka's home. A 1,300 square-foot facility has been located in Seaside that will provide adequate space for operations starting in 200C. Members and employees will work both virtually from their remote locations and from the company facility. Each Wednesday, all members will work at the company facility. As sales top \$4 million (anticipated in 200F), the business will move all offices, storage and shipping facilities to one central location in San Morton, StateA. San Morton has been chosen for its proximity to current printing, employee and financial resources.



Suppliers

Since production is handled by subcontractors, the most pressing concern is to have enough artists to supply artwork to grow the product line from 100+ images to over 300—the average number of images an established, mid-sized greeting card company carries. It will be necessary to attract artists with different styles including watercolors, oils, photography and other mediums to help diversify and keep the line appealing to the intended customers. Jody Arbek, Art Director, will use her background, network, and expertise to establish a group of artists that will meet these needs. Many incentive programs, including commissions on sold cards, will be employed to keep the artists interested in the potential of working with First Class Greetings.

Related Products/Services and Spin-offs

First Class Greetings can easily grow from the current marketing strategy and spin-off product lines to include stationery, wrapping paper, boxed note cards, postcards, etc. Of these related products, postcards would be the most likely choice since they are consistent with the current marketing strategy—a postage-ready product that provides convenience to the customer.

Another option for future growth is to enter the e-market on the Internet. Several card companies have experienced phenomenal growth, in terms of visitors, in the last year. In most cases, e-cards are made available for free to visitors. Advertising spots shown while visitors are selecting cards are meant to bring in the profits. As of yet, profitability is often sought after but not attained on the Internet. Opportunities will be evaluated for profitability to make cards available in this medium.

Trademarks, Patents, Copyrights, Licenses, Royalties

First Class Greetings has trademarked its logo, which appears on the backs of all cards and envelopes. This trademark will become recognized by consumers as a sign of quality and convenience and will help to establish First Class Greetings as a superior greeting card company.

The envelope is a patent pending original design that incorporates utility functions as well as aesthetic features. The patent approval process should be completed in 200B.

All artwork created under contract for First Class Greetings is held as copyrighted material by First Class Greetings, not the artist. The artist is compensated through commissions based on gross sales associated with the specific artwork.

Governmental Approvals

Since First Class Greetings is an already established limited liability company, all governmental approvals have been satisfied for its start-up—including local, state, and federal registrations. In addition to these regular necessary approvals, the U.S. Postmaster of San Morton, StateA, has tested First Class Greetings, finalizing its compatibility with the U.S. postal system and its machinery. To date, all envelopes tested have successfully passed through the postal system.



First Class Greetings LLC Business Plan

Marketing Plan

Industry Profile

Current Size

First Class Greetings' product line is positioned in the \$7 billion a year U.S. greeting card industry. Large companies command nearly 85 percent of the market share (Market Group Research, Inc.). Given that these companies have greater financial resources, market penetration, and brand recognition, First Class Greetings will target the remaining \$1+ billion market currently divided between as many as 1,700 small- to medium-sized independent card companies.

Growth Potential

Annual growth in the greeting card industry is expected to remain at 1% to 3% throughout the year 200G. This growth comes from two sources. The first is based on the number of consumers in the marketplace. Greeting cards are primarily purchased by women between the ages of 35 and 65—baby boomers. The number of this customer segment is expected to remain the same until the year 200G. The second source is greeting card prices, which are expected to increase at a rate slightly higher than the rate of inflation (Cards and Gifts Magazine, January 200B). First Class Greetings' growth projections are based on these findings and new market sales.

Industry Trends

Many of the marketing and card design decisions will be guided by the following greeting card industry trends:

- Of total greeting cards purchased annually, roughly half is from seasonal sales and the remaining half is from everyday card sales. Sales of non-occasion cards are on the increase (USA Research Plus, July 200A).
- Major card selling holidays are, in order, Christmas, Valentines Day, Easter, Mother's Day, Father's Day, and Graduation (USA Research Plus, July 200A).
- Women between ages 35 and 65 purchase over 80 percent of all greeting cards (Cards and Gifts Magazine, January 200B).
- The average person receives 30 cards per year, eight of which are birthday cards. In fact, nine in 10 Americans aged 16 to 69 received at least one card on their last birthday (Global Marketing, Spring 200A).
- The number of substitutable products for greeting cards is dramatically increasing with technology, including e-mail, e-cards, telephone, mobile phones, digital technology, etc.



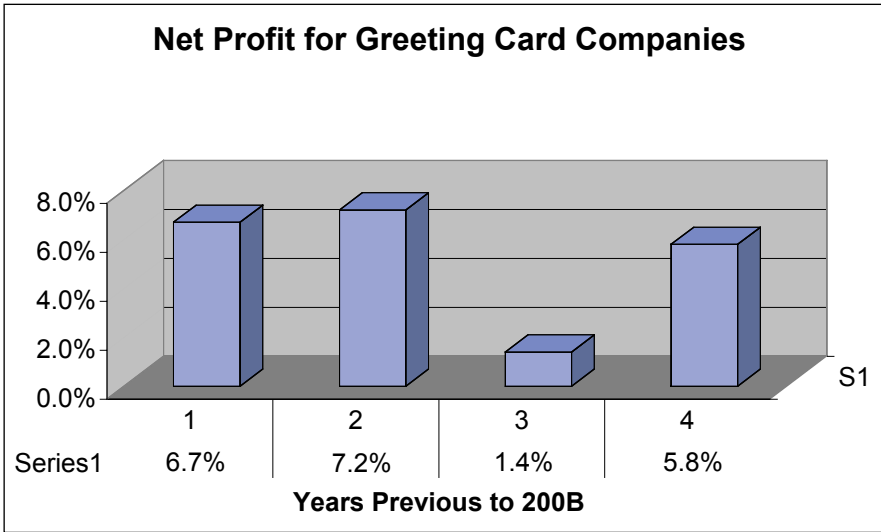
First Class Greetings will respond to these trends in the following ways: Due to the special offering of First Class Greetings—a convenient card with postage affixed—everyday cards, including birthday cards, will be produced. Limited selections of holiday cards may be made available in holiday point-of-purchase displays for established retail customers. Cards will be designed to appeal primarily to women between the ages of 35 to 65. In addition, a larger demographic group including men and women concerned with time and convenience will be targeted. In the future, cards appealing to young men and women will also be developed to begin to harvest this future market of potential customers.

Other characteristics

Of the total greeting cards purchased annually, roughly half are seasonal while the remaining half are everyday card-sending situations. The most popular everyday card-sending situation is still birthday, which accounts for nearly 60 percent of everyday cards sold. First Class Greetings would like to concentrate on everyday cards in an effort to stabilize revenues and output. A limited selection of holiday cards may be made available for established retail customers.

Net profit margins in the greeting card industry (SIC 2771) have shown some consistency in the last four years. (Figures listed from most recent to least recent.) The lowest profit percentage year, 1.4% net profit, reveals the impact on greeting card sales during a dramatic shift in distribution towards card sales in large discount retailers (statistics taken from the RMA Annual Reports for the cited years).

Greeting card sales are highly relational to population figures. Therefore, the highest populated geographic areas will generate the highest sales. Due to First Class Greetings’ unique offering, geographic locations with high tourism and travel will be targeted. These areas will have the highest concentration of potential customers that will respond to a more convenient greeting card—one with the postage already affixed.





Distribution Channels

Distribution channels within the greeting card industry are experiencing many changes. Over the past ten years, the typical card shop distribution channel has shrunk from about 40% of industry sales to less than 30% today. The main cause is increased distribution of cards in mass-merchandisers such as grocery stores, discount stores, etc. This trend is expected to continue into 200E when this distribution is expected to maintain 15-20% of sales. The number of cards distributed through specialty shops and trendy gift shops has increased slightly.

Competitive Analysis

Direct Competition

One competitor worth close examination is Green Living Products (GLP). GLP is a publicly traded company that specializes in wildlife and nature related greeting cards and grosses over \$3 million annually. The company is similar in size and revenue to First Class Greetings' budget figures. GLP utilizes 130 independent sales reps to support and service 5,200 national retail locations (Source: GLP SEC filing). A complete list of direct competitors is included in the Appendix.

One of First Class Greetings' greatest marketing advantages is the originality of a greeting card that is stamped and ready to mail. At this time, no other greeting card company has attempted this combination. This allows First Class Greetings a brief window of opportunity to rapidly gain market share and saturation.

Indirect Competition

First Class Greeting's indirect competition is vast. Every greeting card, post card, telegram or email service is a possible alternative for our customer. In a broader sense, the ability to pick up the phone or use the Internet to order a candy-gram, balloon or flowers is also competition.

Future Competition

A newer distribution channel, the Internet, will also create many changes. This channel is highly speculative at this point. Some companies are willing to spend the money to attract the next wave of consumers—the 20-somethings. These Internet efforts are expected to bring losses of some magnitude for the next three to 10 years (Gift Shop Manager Magazine, August 200A).



Competitive Analysis

The number of card manufacturers competing for retail space is large. First Class Greeting's competitive advantage consists of the patented envelope, stamped card, upscale art and positioning in airports, hotels and other locations where people are on the go. The price is in the middle range for cards and since the cards won't be seen in every retail outlet, the customer will view them as different. First Class Greeting's major weakness as a newer manufacture is gaining access to the proper outlets. The design of our display racks along with the ever-growing sales force will help to penetrate the market.

Market Analysis

Target Market Profile

Greeting cards can be found in over 100,000 retail outlets in the United States. Over 90 percent of American households participated in the greeting card industry in 200A, with the average household purchasing 35 individual cards per year. First Class Greetings seeks entrance into this retail market through

- Airport concession/retail companies.
- Hotel gift shops.
- Unique card and gift shops.
- Cafés.
- A complete list of potential target markets appears in the Appendix.

Customer Profile

Although people of all ages and types exchange greeting cards, women, aged 35 to 65 still purchase over 80 percent of all greeting cards. This demographic will define the primary target customer for most product lines. In addition, First Class Greetings will focus on an even larger demographic group including men and women concerned with time and convenience. Potential customers will be found in hotel gift shops, airports, tourist locations, cafés, card shops, etc.



Future Markets

Future markets of the product as it exists could be many. The company will continue to explore other upscale market opportunities as it gains a hold in the venues already discussed. International versions of the product have been discussed and would require further investigation into postal rates between countries etc. The costs of designing and marketing for the International markets make it an option that is most likely viable if First Class Greetings attracts a larger company for a merger or acquisition opportunity.

Market Penetration

Company Image

The image of First Class Greetings is tied to the unique artwork. Every effort will be made to ensure that each line of cards maintains high design, paper and manufacturing quality. All correspondence with clients, whether a letter, invoice or brochure, will reflect that artistic appreciation. As the company grows and looks to give back to the community, a natural fit will be to support cultural institutions such as art museums and art schools.

Customer Service

The retailers that offer First Class Greetings cards will have primary contact with the sales representatives. Management will work to keep in constant communication with the sales reps to ensure that their service is timely. Sales reps will be trained to physically check all locations at least monthly to be sure that displays are attractive and adequate. Quality controls will be established with manufacturing and shipping personnel so that returns are kept to a minimum. Few returns are expected, but product that arrives at the retailer damaged will be replaced immediately.

Location

The business is headquartered in StateA, but as a company distributing product across the nation, the location is not vital to success.

Direct-Sales Force

A direct-sales force will not be used to sell the greeting cards at this time.



Sales Representatives

Independent sales representatives provide the best mode for distribution in order to maintain pricing controls and higher margins. Independent sales reps are not full-time employees of First Class Greetings, thus benefits are not necessary. Independent sales reps receive a flat commission based on gross sales. First Class Greetings' sales reps are set at a commission rate of 15% of gross sales. The average sales rep can service up to 40 accounts with the average location generating around \$1,000 per year.

Twenty independent sales reps covering 13 states are in place to sell the company's product. The company anticipates adding over 80 additional sales reps to cover the remainder of the United States. In addition to field calls, sales reps will represent the product line at all regional tradeshows, with the marketing director attending all national tradeshows.

Licensing or Distributors

For the foreseeable future, licensing will not be used.

Advertising and Promotion

The company will use various methods to promote its product at the retail level as well as to the end consumer—for example, tradeshows, point-of-sale materials, and the website (www.firstclasscards.com). In addition, sales materials will be produced at the beginning of each season featuring new products and merchandising programs. One of the company's most effective forms of retail advertising is the visual point-of-purchase display in retail stores.

Publicity

Publicity efforts will be tied to the artists the company uses. Articles will be written that highlight the life and livelihood of an artist and touch on the sources of inspiration they look to when designing cards. In time, First Class Greeting would like to sponsor art exhibits showing the works of all the artists represented on our cards.

Telemarketing/Direct mail

Direct mail and telemarketing efforts will not be used to sell the greeting cards at this time.

Internet

Eventually the First Class Greetings web site will be used to showcase new lines of cards to retail outlets. Reordering and inventory control can be a feature of this site. E-mails will be sent to retail outlets in a timely fashion to boost sales of seasonal cards.



Trade Shows

Trade shows are an essential strategy to the future success of First Class Greetings and are the most efficient means of acquiring new accounts as well as new sales reps. A tradeshow presence also helps to secure brand awareness within the industry. Tradeshows offer a targeted market of owners and buyers looking for new items for their businesses. With proper marketing and booth location, new accounts will be obtained. The pending Coffee Notes and traditional accounts were located through two regional coffee-related tradeshows and a national stationery show.

Market Penetration Effectiveness

There are two main channels for product sales and distribution. The first plan is to integrate First Class Greetings into as many locations as quickly as possible through national independent sales representatives. Their effectiveness is easily measured by sales results. The second channel targets specialized stationery, hotel, and coffee tradeshows.

Pricing

Pricing Strategy

First Class Greetings will compete near the mid-price range within the market. While greeting cards range in price from \$0.38 to \$10.00, the average counter card retails for around \$2.65. Most of the First Class Greetings' cards retail at \$2.75 with a first class postage stamp already affixed, creating an added sense of value.

Price List

Pricing to vendors is typically 50% of retail. First Class Greeting has agreed to sell to vendors at closer to 43% of retail as it works to gain display space. Sales representative will have flexibility to make deals, especially with new customers as long as the first order is better than break even and reorder at regular pricing is projected within 3 months. The smaller display racks may be given to new or better customers as a perk.

First Class Greetings warrants that the cards will be of good quality or they will be replaced. Shipping time on orders will be guaranteed. Research is being done on shipping options and risks as the time guarantees are developed.



Pricing Policies

While discounts are being offered to entice new vendors, long-term or volume discounting is not contemplated at this time. As new products are added and if larger retailers at higher volumes become part of the distribution system, discounts will be investigated.

Break-Even Analysis

To determine break-even sales, First Class Greetings uses this formula:

$$\frac{\text{Fixed costs}}{\text{Gross Margin \% - Commissions \%}} = \frac{\$227,029}{(46.4\% - 16\%)} = \$746,806$$

Since sales of \$744,106 are projected for year 200C, First Class Greetings will exceed break-even in 200D (its third year of operations). The break-even number of card sales in units can also be calculated. This number can be very helpful in initial communication, goal setting, and evaluation of sales representatives.

$$\frac{\text{Fixed costs}}{\text{Unit Gross Margin - Unit Commissions}} = \frac{\$227,029}{(.69 - .29)} = 553,729 \text{ cards}$$

This amount is the equivalent of 46,144 cards sold per month.



First Class Greetings LLC Business Plan

Financial Plan

Start-up Costs

The start-up phase is in process. Nearly \$100,000 in equity funding has been spent in product development and initial marketing efforts. Inventory costs for the first year of operations are budgeted at \$130,000 while operating expenses are projected at around \$198,000.

Sales Projections

Sales for the next three years are projected to be \$218,200, \$744,106, and \$2,450,000. In year 200A, First Class Greetings established an independent sales force of 20 reps. The plan is to add approximately 80-100 additional sales reps to cover the United States in year 200C (the second year for the plan). It is estimated that each representative can service 40 locations with an average sales volume of \$1,000. By Year 4 each of those sales reps will be selling \$40,000.

Income Projections

Net income (loss) projections for the next three years are \$(141,884), (\$74,756), and \$407,018. The company expects to be profitable in Year 3 of the plan. The large, national sales force is expected to integrate First Class Greetings into as many retail locations as possible, allowing for relatively quick market penetration and growth.

Cash Requirements

First Class Greetings has received \$300,000 in start-up funds to date. The original owner has contributed \$175,000, and investors have supplied the remaining \$125,000 of capital. An additional \$330,000 will be required to fund relocation, working capital requirements, additional personnel, additional artwork images, and marketing/trade shows.

The growth plan could include spin-off product lines to include stationery, wrapping paper, boxed note cards, post cards, and expansion into the international market. Many of the same types of costs would apply, and an additional \$200,000 in financing would be required to improve working capital, acquire additional images, and promote the new offerings.

Sources of Financing

First Class Greetings expects to obtain an additional \$30,000 in equity financing in December, 200B and is seeking a 3-year business loan in the amount of \$300,000 in April, 200B. It is estimated that the interest rate on the loan will be 8%.



First Class Greetings LLC Business Plan

Exit Strategy

The marketing advantage created from the patent pending greeting card system will position First Class Greetings as an attractive acquisition candidate within the competitive greeting card industry. The long-term strategy is to concentrate on building value in the company through increasing cash flow and to harvest this value by merging with a larger competitor or by taking the company public. Consistent with these end goals, considerable attention will be placed on the business fundamentals as outlined in the plan. Partner distributions are planned in year three, assuming projections are realized and market saturation and reinvestment needs begin to level off. Following year four, new limited partners will replace limited partners wishing to withdraw capital from the company, or, if prudent, their equity will be purchased by the company.

START-UP FUNDING & EXPENDITURES**First Class Greetings LLC****Start-up Cash**

Equity Investments	300,000
Loan Proceeds	-
Real-Estate Loans	-
Total Start-up Cash	300,000

Start-up Expenditures**Security Deposits**

Rent (last month's)	-
Telephone Deposit	150
Utilities Deposit	-
Other Deposits	-
Total Security Deposits	150

Start-up Expenses

Accounting Fees	1,500
Activation Fee	-
Corporate Fees & Taxes	300
Federal Tax ID	50
Fictitious Name Costs	-
Insurance	300
Legal & Consulting Fees	2,000
Meals & Entertainment	2,500
Office Supplies	-
Payroll Expenses (training/setup)	
Salaries & Wages	-
Payroll Taxes	-
Benefits	-
Pre-opening advertising	5,000
Printing (cards, stationery, brochures)	3,000
Sales Tax Permit	100
Other Start-up Expenses	800
Total Start-up Expenses	15,550

Other Costs

Opening Inventory	40,000
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Capital Expenditures

Computer Equipment	34,215
Equipment/Machinery	-
Furniture & Fixtures	9,048
Vehicles	-
Leasehold Improvements	-
Buildings	-
Land	-
Total Start-up Capital Expenditures	43,263

Total Start-up Expenditures

	98,963
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**First Class Greetings LLC
Cash Flow Statement (Projected)**

200B	Pre Start-up	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Cash In														
Cash Sales		-	-	-	-	-	-	-	-	-	-	-	-	-
Collections from Accounts Receivables		-	-	-	-	2,970	6,732	8,316	9,900	29,700	34,650	39,600	39,600	171,468
Equity Received	300,000	-	-	-	-	-	-	-	-	-	-	-	30,000	330,000
Loans Received	-	-	-	-	300,000	-	-	-	-	-	-	-	-	300,000
Other Cash In (receipts from other assets)		-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash In (interest, royalties etc.)		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash In	300,000	-	-	-	300,000	2,970	6,732	8,316	9,900	29,700	34,650	39,600	69,600	801,468
Total Cash Available	300,000	201,037	190,952	180,917	470,182	461,987	440,330	425,521	390,959	393,072	373,585	363,773	384,486	1,002,505
Cash Out														
Inventory Expenditures														
Inventory/Raw Material (Cash)	40,000	-	-	-	-	-	-	-	-	-	-	-	-	40,000
Inventory/Raw Material (Paid on Account)	-	-	-	-	-	-	-	15,000	-	20,000	20,000	20,000	20,000	95,000
Production Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses														
Advertising	5,000	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	300	38	38	38	38	38	38	38	38	38	38	38	38	756
Licenses & Fees	450	-	-	-	-	-	-	-	-	-	-	-	-	450
Marketing & Promotion	3,000	250	400	1,000	500	6,600	1,000	6,750	1,000	6,500	400	200	500	28,100
Meals & Entertainment	2,500	-	-	-	-	-	-	-	-	-	-	-	-	2,500
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Supplies	-	250	400	500	450	750	750	750	750	750	750	750	750	7,600
Outside Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Expenses														
Salaries & Wages	-	6,250	6,250	6,250	6,880	7,678	8,014	8,350	12,550	13,600	14,650	14,650	15,700	120,822
Payroll Taxes	-	1,562	1,562	1,562	1,562	2,437	2,437	2,438	2,438	2,438	2,438	2,438	2,438	25,750
Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	3,500	750	400	400	750	500	500	750	425	425	750	425	425	10,000
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shipping & Delivery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	435	435	435	435	435	435	435	435	435	435	435	435	5,220
Training & Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	150	150	150	150	150	150	150	150	150	150	150	200	1,850
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	800	-	-	-	-	-	-	-	-	-	-	-	-	800
Paid on Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating Costs														
Capital Purchases	43,263	-	-	-	-	-	-	-	-	-	-	-	-	43,263
Estimated Income Tax Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	-	-	-	2,000	1,951	1,901	1,851	1,801	1,750	1,699	1,648	14,601
Loan Principal Payments	-	-	-	-	-	7,401	7,450	7,500	7,550	7,600	7,651	7,702	7,753	60,607
Owner's Draw	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Out	150	-	-	-	-	-	-	-	-	-	-	-	-	150
Total Cash Out	98,963	10,085	10,035	10,735	11,165	28,389	23,125	44,462	27,587	54,137	49,412	48,887	50,287	467,269
Monthly Cash Flow (cash in - cash out)	201,037	(10,085)	(10,035)	(10,735)	288,835	(25,419)	(16,393)	(36,146)	(17,687)	(24,437)	(14,762)	(9,287)	19,313	334,199
Beginning Cash Balance	-	201,037	190,952	180,917	170,182	459,017	433,598	417,205	381,059	363,372	338,935	324,173	314,886	-
Ending Cash Balance	201,037	190,952	180,917	170,182	459,017	433,598	417,205	381,059	363,372	338,935	324,173	314,886	334,199	334,199

**First Class Greetings LLC
Cash Flow Statement (Projected)**

200C	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Cash In													
Cash Sales	-	-	-	-	-	-	-	-	-	-	-	-	-
Collections from Accounts Receivables	44,550	31,814	45,194	38,228	24,206	54,104	49,766	72,733	82,290	72,848	88,967	75,648	680,347
Equity Received	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Received	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash In (receipts from other assets)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash In (interest, royalties etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash In	44,550	31,814	45,194	38,228	24,206	54,104	49,766	72,733	82,290	72,848	88,967	75,648	680,347
Total Cash Available	378,749	315,768	264,029	245,702	216,477	204,958	195,622	192,845	188,672	171,561	172,924	154,319	1,014,546
Cash Out													
Inventory Expenditures													
Inventory/Raw Material (Cash)	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory/Raw Material (Paid on Account)	35,000	20,000	20,000	20,000	20,000	20,000	25,000	40,000	40,000	40,000	50,000	50,000	380,000
Production Expenses	1,070	1,070	1,070	1,070	1,070	1,070	1,605	1,605	1,605	1,605	1,605	2,140	16,585
Operating Expenses													
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	38	38	38	38	38	38	38	38	38	38	38	38	456
Licenses & Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing & Promotion	250	400	1,000	500	6,600	1,000	6,750	1,000	6,500	400	200	500	25,100
Meals & Entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Supplies	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Outside Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Expenses													
Salaries & Wages	16,498	19,337	17,859	14,885	21,227	20,306	25,178	27,205	25,203	28,622	25,797	31,146	273,262
Payroll Taxes	2,437	2,437	2,437	2,437	2,437	2,437	2,438	2,438	2,438	2,438	2,438	2,438	29,250
Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	750	400	400	750	500	500	750	425	425	750	425	425	6,500
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
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	15,600
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Shipping & Delivery	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	17,100
Training & Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	150	150	150	150	150	150	150	150	150	150	150	200	1,850
Utilities	325	325	325	325	325	325	325	325	325	325	325	325	3,900
Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid on Account	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating Costs													
Capital Purchases	25,000	39,500	-	-	-	-	-	-	-	-	-	-	64,500
Estimated Income Tax Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	1,596	1,544	1,492	1,439	1,386	1,332	1,279	1,224	1,170	1,115	1,060	1,004	15,641
Loan Principal Payments	7,805	7,857	7,909	7,962	8,015	8,069	8,122	8,177	8,231	8,286	8,341	8,397	97,171
Owner's Draw	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Out	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Out	94,794	96,933	56,555	53,431	65,623	59,102	75,510	86,462	89,960	87,604	94,254	100,488	960,715
Monthly Cash Flow (cash in - cash out)	(50,244)	(65,119)	(11,361)	(15,203)	(41,417)	(4,999)	(25,744)	(13,729)	(7,670)	(14,756)	(5,286)	(24,840)	(280,368)
Beginning Cash Balance	334,199	283,955	218,836	207,474	192,272	150,855	145,856	120,112	106,383	98,713	83,957	78,671	334,199
Ending Cash Balance	283,955	218,836	207,474	192,272	150,855	145,856	120,112	106,383	98,713	83,957	78,671	53,831	53,831

**First Class Greetings LLC
Cash Flow Statement (Projected)**

200D	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Cash In													
Cash Sales	-	-	-	-	-	-	-	-	-	-	-	-	-
Collections from Accounts Receivables	100,868	104,748	148,802	125,867	79,698	178,138	163,858	239,477	270,942	239,855	292,929	249,074	2,194,256
Equity Received	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Received	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash In (receipts from other assets)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash In (interest, royalties etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash In	100,868	104,748	148,802	125,867	79,698	178,138	163,858	239,477	270,942	239,855	292,929	249,074	2,194,256
Total Cash Available	154,699	158,111	186,433	186,085	143,577	200,380	198,569	262,229	326,755	312,398	374,522	392,621	2,248,086
Cash Out													
Inventory Expenditures													
Inventory/Raw Material (Cash)	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory/Raw Material (Paid on Account)	50,000	60,000	70,000	60,000	40,000	80,000	80,000	110,000	120,000	130,000	140,000	150,000	1,090,000
Production Expenses	2,140	2,140	2,140	2,140	2,140	2,140	3,210	3,210	3,210	3,210	3,210	4,280	33,170
Operating Expenses													
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	38	38	38	38	38	38	38	38	38	38	38	38	456
Licenses & Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing & Promotion	250	400	1,000	500	6,600	1,000	6,750	1,000	6,500	400	200	500	25,100
Meals & Entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Supplies	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Outside Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Expenses													
Salaries & Wages	31,969	41,314	36,449	26,656	54,203	51,174	67,214	73,889	67,294	78,552	69,250	86,864	684,828
Payroll Taxes	2,437	2,437	2,437	2,437	4,103	4,103	4,103	4,103	4,103	4,103	4,103	4,103	42,572
Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	750	400	400	750	500	500	750	425	425	750	425	425	6,500
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
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	15,600
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Shipping & Delivery	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	17,100
Training & Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	150	150	150	150	150	150	150	150	150	150	150	200	1,850
Utilities	325	325	325	325	325	325	325	325	325	325	325	325	3,900
Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid on Account	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating Costs													
Capital Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Estimated Income Tax Payments	-	-	-	15,935	-	12,964	-	-	38,891	-	-	-	54,316
Interest Payments	948	892	835	778	720	663	604	546	487	427	367	307	7,574
Loan Principal Payments	8,453	8,509	8,566	8,623	8,680	8,738	8,798	8,855	8,914	8,974	9,033	9,094	105,237
Owner's Draw	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Out	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Out	101,335	120,480	126,215	122,206	121,334	165,669	175,817	206,416	254,213	230,804	230,976	314,327	2,169,792
Monthly Cash Flow (cash in - cash out)	(467)	(15,732)	22,587	3,660	(41,636)	12,468	(11,959)	33,061	16,729	9,051	61,953	(65,253)	24,464
Beginning Cash Balance	53,831	53,363	37,631	60,218	63,879	22,243	34,711	22,752	55,813	72,543	81,593	143,547	53,831
Ending Cash Balance	53,363	37,631	60,218	63,879	22,243	34,711	22,752	55,813	72,543	81,593	143,547	78,294	78,294

First Class Greetings LLC
Year-End
Income Statement (Projected)

	200B	200C	200D
Net Sales (less returns & allowances)	218,200	744,106	2,450,000
Cost of Goods Sold	116,955	381,726	1,171,100
Gross Income	\$ 101,245	\$ 362,380	\$ 1,278,900
Operating Expenses			
Advertising	5,000	-	-
Bad Debt Expense	2,182	7,441	24,500
Bank Charges	-	-	-
Depreciation & Amortization	12,698	27,235	28,102
Dues & Subscriptions	-	-	-
Insurance	756	456	456
Licenses & Fees	450	-	-
Marketing & Promotion	28,100	25,100	25,100
Meals & Entertainment	2,500	-	-
Miscellaneous	-	-	-
Office Expense	-	-	-
Office Supplies	7,600	9,000	9,000
Outside Services	-	-	-
Payroll Expenses			
Salaries & Wages	120,822	273,262	684,828
Payroll Taxes	25,750	29,250	42,572
Benefits	-	-	-
Professional Fees	10,000	6,500	6,500
Property Taxes	-	-	-
Rent	-	15,600	15,600
Repairs & Maintenance	-	-	-
Shipping & Delivery	-	-	-
Telephone	5,220	17,100	17,100
Training & Development	-	-	-
Travel	1,850	1,850	1,850
Utilities	-	3,900	3,900
Vehicle	-	-	-
Other	4,800	4,800	4,800
Other	-	-	-
Other	800	-	-
Total Operating Expenses	\$ 228,528	\$ 421,495	\$ 864,308
Operating Income	\$ (127,283)	\$ (59,115)	\$ 414,592
Interest Expense	14,601	15,641	7,574
Other Income (interest, royalties, etc.)	-	-	-
Income Before Taxes	\$ (141,884)	\$ (74,756)	\$ 407,018
Income Taxes (if C Corp)	-	-	-
Net Income	\$ (141,884)	\$ (74,756)	\$ 407,018

**First Class Greetings LLC
Year-End
Balance Sheet (Projected)**

	200B	200C	200D
Assets			
Current Assets			
Cash & Equivalents	334,199	53,831	78,294
Net Accounts Receivable	44,550	100,868	332,112
Inventory	53,045	82,903	124,973
Security Deposits	150	150	150
Other Current Assets	-	-	-
Total Current Assets	\$ 431,944	\$ 237,752	\$ 535,530
Fixed Assets			
Property, Plant & Equipment	43,263	107,763	107,763
Less: Accumulated Depreciation	(12,698)	(39,933)	(68,035)
Other Non-Current Assets	-	-	-
Total Non-Current Assets	\$ 30,565	\$ 67,830	\$ 39,728
Total Assets	\$ 462,509	\$ 305,582	\$ 575,258
Liabilities			
Current Liabilities			
Accounts Payable	35,000	50,000	140,000
Line of Credit	-	-	-
Other Current Liabilities	-	-	-
Total Current Liabilities	\$ 35,000	\$ 50,000	\$ 140,000
Long-term Liabilities			
Loans	239,393	142,222	36,985
Mortgages	-	-	-
Other Non-Current Liabilities	-	-	-
Total Non-Current Liabilities	\$ 239,393	\$ 142,222	\$ 36,985
Total Liabilities	\$ 274,393	\$ 192,222	\$ 176,985
Equity			
Equity Investments	330,000	330,000	330,000
Retained Earnings	(141,884)	(216,640)	190,378
Less: Owner's & Investor's Draws	-	-	(122,105)
Total Equity	\$ 188,116	\$ 113,360	\$ 398,273
Total Liabilities and Equity	\$ 462,509	\$ 305,582	\$ 575,258



First Class Greetings LLC Business Plan

Appendix