

Higgins Microbrew & Restaurant, Inc.

Instructions: List any issues you identify in this prospect's business plan.

Business Plan

Henry and Sam Higgins, father and son, plan to open a microbrew pub and restaurant in your area. They currently live out of state but are familiar with your market. Sam will move to your market to operate the business. Sam's college buddy, Will Jennings, is a seasoned restaurant manager at a brewpub in Aspen, CO. Jennings will come aboard as manager of the kitchen. The brew master is well experienced but a chef still needs to be hired. The father, Henry, is only providing the majority of the seed capital. He will neither manage the business nor live in your market but will provide a full guarantee. The ownership structure will look like this:

Henry Higgins, CEO	51%
Sam Higgins, President & COO	31%
Will Jennings, VP	18%

The opening balance sheet will look like this:

Assets		Liabilities	
Cash	\$ 70,000	Loan	\$ 920,000
Leasehold Improvements	392,000	Equity	370,000
Equipment	550,000		
Furniture & Fixtures	258,000		
Inventory	20,000		
Total Assets	\$1,290,000	Total Liab & Equity	\$1,290,000

In addition to the assets listed above, Henry Higgins has \$300,000 equity in his home available for collateral and has over \$600,000 in stocks and bank funds. The personal financial statements of Sam and Will show no major pieces of equity or excess liquidity after the initial investment. The plan is for a \$920,000 SBA 504 loan on a 10/10 basis. The firm also requests a \$150,000 working capital line of credit.

The owners settled on a split level two-story, 20,000-sq ft. facility in the fastest growing area of town. Because the location is where two previous restaurants were located, not as much leasehold improvements are needed as expected. The first floor already has a kitchen facility and restaurant layout as needed. Most of the renovation will be for the second floor pub and brewing equipment.

Three-year income projections are as follows:

		Year One	Year Two	Year Three
Sales		\$3,147,000	\$3,434,000	\$3,746,000
Cost of Sales		744,000	726,000	749,000
Gross Profit		2,403,000	2,708,000	2,997,000
Operating Expenses		1,966,000	2,138,000	2,295,000
Net Profit		\$437,000	\$570,000	\$702,000

Sales and operating expense figures are based on brewpubs the managers worked in Boston and Aspen. Balance sheet projections were not provided beyond the opening statement.

Financial Advisors: The investors have hired a professional CPA firm.

Depth of Management: At this early stage of the business, there are no formal succession plans in place and no insurance against loss of key personnel.