

# **GreenSPACE Business Plan**

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# **1 Executive Summary**

GreenSPACE

## **1.1 Company Brief**

GreenSPACE is a west Michigan startup that focuses on providing consulting for developers about how best to retain water on their property and lessen or eliminate the effect of their property on the downstream watershed.

## **1.2 Market**

GreenSPACE fills a need for green engineering firms in the west Michigan area. Green engineering firms help developers make their holdings more aesthetically appealing and more environmentally friendly.

## **1.3 Market Strategy**

GreenSPACE will sell Low Impact Development (LID) projects by telling developers how the projects will positively influence people's perception of the developer's property. This change of perception will promote increased interest and sales in the property.

## **1.4 Managerial Experience**

Our Managerial staff has 10 years of management experience among the four of them. All managers are Professional Engineers and the head of Traffic Engineering and Water Resource Engineering are well respected in their respective fields.

## **1.5 Financials**

GreenSPACE will need \$100,000 for the purpose of leasing a space and paying the starting salaries of its four employees. By the end of year five, we hope to represent 20% of the LID work being done in West Michigan.

## **2 Vision and Mission Statement**

We at GreenSPACE see this company becoming a major consultant for any Low Impact developments (LID) work that local companies will want to do in the area. This work could include retrofitting existing buildings with water retention systems as well as assisting developers with new buildings. The company would provide analysis of how much storm water could be retained on site, from soil qualities to what rain event the system would be able to hold. We will seek to service the local area of West Michigan as well as the greater Midwest. We hope to use our knowledge to help property owners understand their different options for LIDs and the best use of the space they have.

GreenSPACE is based on three main principles: stewardship, integrity, and trust. The firm seeks to promote better use of our environment and the stewardship of its resources through our business. The company seeks to gain work through recommendations and so integrity of the individuals and the work that is done will be very important. Finally, our customers should know that they can trust us and that our word is good so transparency of the company will be critical.

## **3 Industry background and overview**

Civil engineering is the second oldest engineering concentration behind military engineering and has been around since 4000 BC. Since civil engineers are relied upon for trustworthy design of buildings, roads, and water distribution networks they are in heavy demand since they are needed for every project of those types. Civil engineering consulting firms came into existence in the 1800's once governments allowed private engineers to design public works. Today, private civil firms exist in most cities across the globe. In the United States, most civil engineering practices are private entities and face no competition from government entities.

### **3.1 Major customer groups**

Major customer groups in the civil engineering field are divided into two major groups, one being the government and the other being private developers. Local governments need civil engineering firms to design and produce drawing sets for roads, bridges, water systems and sewer systems to be able to produce public works projects for communities across the country. Private developers use civil firms to perform similar tasks for individual building projects and development projects.

### **3.2 Regulatory restrictions**

In the United States, any private consulting firm that produces a product must be prepared, signed, and sealed by a licensed professional engineer. In addition to this, all professional engineers must abide by a code of ethics published by the government and if violated, could face their license being revoked.

### **3.3 Significant trends**

In a typical civil engineering firm today, the firm works with an architectural idea to make it happen. A significant trend that is slowly working its way through the industry is putting both the architects and engineers under one roof to streamline the design process so that there is nothing lost in translation between two separate firms working on the same project. This not only drops the amount of potential errors and lost time, but also cuts cost for the customer making them want to work with your business more than other firms.

### **3.4 Growth rate**

Growth rate in the industry is increasing rapidly following the recession along with an aging current infrastructure that is asking to be replaced. With all the potential upcoming projects in the United States and the continual population growth, the need for civil engineering firms will not be going away.

### **3.5 Barriers to entry and exit**

Potential barriers to entry into the civil engineering market are the sheer number of existing engineering firms out there. With competition at an all-time high, the need to keep costs down is essential.

Potential barriers to exit from the civil engineering market is the lost potential projects and less competition in the market, driving up prices for public works projects which could raise taxes for everyone in the country.



### **3.6 Key success factors in the industry**

Key success factors in the civil engineering industry today are keeping costs down and maintaining efficiency during hours worked on the project to make sure the company is making money on each billable hour and reducing non-billable hours as much as possible to keep the company as lean as possible. Another key factor to success in the industry is getting the company's name out on the market to ensure that customers know that you exist. The civil engineering market for private developers is typically a one-use or very few use market where the customer only needs civil consulting a few times in the life of the company, so ensuring that every developer knows that the company exists, the more potential revenue exists.

### **3.7 Outlook for the future**

The outlook on the future of the civil engineering field looks bright and steady, there will be no decline in the demand for civil engineering work as governments continue to mandate that professional civil engineers are required to prepare designs for civil engineering related projects. Public works will not dry up especially with a looming infrastructure crisis in the United States and the continued population growth requiring more public works projects and infrastructure capacity.

## **4 Business Strategy**

### **4.1 Desired image and position in market**

The desired image of the company is a company that provides a quality product at a low cost. The company's position in the market will be specializing in LID projects and taking advantage of markets such as infiltration basin maintenance.

## **4.2 Company goals and objectives**

### **4.2.1 Operational**

The company's operational goal is to design LID projects that use the most effective technology available to meet the desires of the customers. The designs should meet the unique requirements associated with each project, and should balance quality and cost.

### **4.2.2 Financial**

The company's financial goals are first to focus on repaying debt. Second is to streamline the design process to allow for higher profit margins for the company and/or lower costs for the customer.

## **4.3 SWOT Analysis**

### **4.3.1 Internal Strengths**

The company's internal strength is its specialization. By specializing in bioretention LID projects, the company is able to perform the design of these systems more accurately and more efficiently than the competitors. More efficient design means lower costs and therefore lower prices. More accurate, better designs mean higher customer satisfaction.

### **4.3.2 Internal Weaknesses**

The company's internal weakness is its limited scope. Specializing in LID projects decreases the variety of projects the company will take on. This decreases the number of customers available to the company, meaning the company must compete more for whatever customers there are.

### **4.3.3 External Opportunities**

An external opportunity for the company is maintenance services. There are few, if any, businesses that are skilled in the maintenance of bio-swales. Properly maintaining a bio-swale involves maintaining the

proper type of ground cover to maximize infiltration and pollutant removal. It can also involve removing excess sediment or pollutants that collect in the system. By providing bio-swale maintenance services on the side, the company could leverage this market need to increase revenue.

#### **4.3.4 External Threats**

An external threat to the company is other civil engineering firms with a wider scope lowering their prices for LID projects, forcing the company to lower prices and decreasing its profits. This threat could be avoided by decreasing costs by streamlining the company's design process, allowing the company to provide superior design at lower prices.

### **4.4 Competitive Strategy**

#### **4.4.1 Cost Leadership**

The company will be able to price competitively. Focusing solely on LID projects will allow the company to develop a more streamlined design process, lowering costs and decreasing design time.

#### **4.4.2 Differentiation**

The company will differentiate its product by providing continued maintenance services after the initial design and construction. It will also differentiate through a shorter design time achieved through a streamlined design process.

#### **4.4.3 Focus**

The focus of the company will be on areas of the city that are in need of an increase in green space, a decrease in water pollution, or a decrease in water runoff in order to meet environmental standards or improve the quality of the area.

## **5 Company Products and Services**

### **5.1 Description**

#### **5.1.1 Product Features**

The company's main products will be design and maintenance services for LID projects. Design services will include designing new systems, redesigning old systems to increase functionality, and repairing old systems to restore original functionality. Maintenance services will include maintaining proper vegetation cover, removing excess pollutants, and other operations necessary for maintaining intended functionality.

#### **5.1.2 Customer Benefits**

At GreenSPACE the customer will receive the benefit of motivated and qualified engineers who are willing to go above and beyond to ensure satisfactory results from the customer. Due to the work style of the employees, the customer will receive timely and transparency unrivaled in the west Michigan area.

#### **5.1.3 Warranties and Guarantees**

The company will not provide any warranty or guarantee for its services. The reason for this being that warranties or guaranties make the warrantor, the engineer in this case, absolutely liable for a given set of conditions. In civil engineering, these conditions may be affected by matters that are beyond the control of the engineer. Additionally, professional liability insurance policies specifically exclude coverage for any claim based on warranties or guaranties.<sup>1</sup>

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<sup>1</sup> <http://www.asce.org/Public-Policies-and-Priorities/Public-Policy-Statements/Policy-Statement-388---Waranty-and-Guarantee-Clauses-for-Professional-Engineering-Service-Contracts/>

#### **5.1.4 Uniqueness**

The company's services will be unique in that it will provide maintenance services specifically for LID projects. LID projects require careful management in order to function at capacity, and very few companies provide this service.

#### **5.2 Patent or Trademark**

#### **5.3 Description of Design Process**

The company will use a streamlined design process. The process will be achieved by developing pre-made designs that can be scaled and adjusted to fit the pertinent areas of a project, developing programs to process highly repetitive parts of the design process, and gathering information on the areas served by the company to decrease the amount of time spent in research during the design process.

### **6 Marketing Strategy**

Marketing strategy looks at the target market, market size and trends, advertising, and price. A customer's motivation to invest in the service and distribution strategy will also be explored.

#### **6.1 Target market**

The target market for the services of GreenSPACE will be new developers and homeowners looking to have their properties be more environmentally friendly through the addition of stormwater retention systems.

##### **6.1.1 Problem to be solved or benefit to be offered**

The services offered by GreenSPACE will help property owners to make their properties more environmentally friendly in a very tangible way. Landowners will benefit from the beautification aspects of the LID installments as well as an increase in positive customer opinion from a stewardship perspective.

### **6.1.2 Demographic profile**

The company's services will not be limited to a certain race, gender, or location but they will focus on affluent property owners, developers, and local municipalities. Small business owners will also benefit from these services but they will have to decide if it is in their best interests to pursue them.

### **6.1.3 Other significant customer characteristics**

These parties have the finances and the will to beautify their properties and decrease their environmental impact. These will not be cheap projects and as a result needs a certain level of discretionary income to be feasible.

## **6.2 Customers' motivation to buy**

Municipalities and land developers will benefit from a higher public opinion due to the environmentally conscience nature of GreenSPACE's services. Small business owners stand to benefit from the beautification elements that are inherent to LID projects as well as the customer's opinion of increased environmental stewardship.

## **6.3 Market size and trends**

The target market size for green engineering is quite large and forecasted to continue growing quite quickly because of current environmentally conscience trends.

### **6.3.1 How large is the market?**

ENRMountainstates magazine estimates the green home building market at about \$17 billion as of 2011.<sup>2</sup> Only a small part of this market is stormwater retention areas but that would still account for quite a large market. The magazine continues saying, the market has the possibility of amount doubling by 2016. Furthermore a press release from McGraw-Hill Construction states that, "This report confirms

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<sup>2</sup>[http://mountainstates.construction.com/mountainstates\\_construction\\_news/2012/0719-green-home-building-market-to-nearly-double-by-2016.asp](http://mountainstates.construction.com/mountainstates_construction_news/2012/0719-green-home-building-market-to-nearly-double-by-2016.asp)

that the green building movement has shifted from 'push' to 'pull'—with markets increasingly demanding no less than green buildings,"<sup>3</sup> people are now willing to spend the extra money on environmentally friendly construction. The report found in a survey that, "The key driver to going green, [...], is that now green building is a business imperative around the world. In the 2008 report, McGraw-Hill Construction found that the top driver for green building was "doing the right thing."

## **6.4 Advertising and promotion**

### **6.4.1 Message**

The message or slogan used by the company to promote will be, "GreenSPACE, sustainable water solutions for a greener tomorrow."

### **6.4.2 Media**

The services provided by GreenSPACE are not aimed at normal customer markets and as a result, TV or radio will not be useful advertising mediums. The company will instead focus advertising on technical journals focused on civil and green engineering as well as architectural magazines where affluent customers might look for ideas on what to build. GreenSPACE will also, with the permission of the owner, place signs in front of completed projects in order to advertise the quality of completed work. A website will be established and kept very current to showcase work done and to provide contact information. GreenSPACE also hopes to showcase reviews and awards for work done on the website.

### **6.4.3 Budget**

In the first few years GreenSPACE will use a budget of a couple thousand dollars to kick start interest in the company. Advertising in magazines is at least \$500 and it goes up from there. The company hopes to have a few small advertising pieces and after the company is established it would use primarily word of mouth from previous customers for advertising.

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<sup>3</sup> <http://construction.com/about-us/press/world-green-building-trends-smartmarket-report.asp>

#### **6.4.4 Plans for generating profit**

The company will do its first project for a local Grand Rapids organization called Plaster Creek Stewards. This project will be to design bioretention basins in the Alger Heights and redesign the road at the same time. This project will spearhead the Plaster Creek Steward's efforts to decrease pollution in Plaster Creek and will also provide great publicity for GreenSPACE.

### **6.5 Pricing**

#### **6.5.1 Desired image in market**

GreenSPACE seeks to promote an image of a trustworthy and easy to work with company. The company would be portrayed as a local company that cares about its community and seeks to do the right thing and help sustain the environment.

#### **6.5.2 Comparison against competitors' prices**

Since GreenSPACE will be competing with competitors on a bid-to-bid basis, it will have comparable pricing to competitors. The company will use its small size to undercut bigger companies a little bit.

#### **6.5.3 Discount policy**

Discounts are not applicable to the construction industry and as a result will not be applied at any point.

#### **6.5.4 Gross profit margin % anticipated**

GreenSPACE anticipated an industry average gross profit market margin of 10% to 12% depending on the health of the construction industry.

### **6.6 Distribution strategy - Channels of distribution**

This is not applicable.



## **7 Competitive Analysis**

### **7.1 Existing competitors**

Competition around the Grand Rapids area is pretty stiff in the civil engineering field, about 10 companies exist in the city with several more in the surrounding areas. Those companies that present the greatest competition are: FTC&H, Moore & Bruggink, Prein & Newhof, and Williams & Works.

#### **7.1.1 FTC&H**

Fishbeck, Thomson, Carr, & Huber, Inc. (FTC&H) is a civil engineering firm in Grand Rapids, MI that deals with hydraulic, environmental, and traffic engineering along with surveying and mapping. FTC&H would be a direct competitor with expertise in similar things.

#### **7.1.2 Moore & Bruggink**

Moore & Bruggink is also a civil engineering firm in Grand Rapids, MI that has expertise in hydraulic, environmental, and surveying. Moore & Bruggink would also be a direct competitor as they have services that are similar to FTC&H.

#### **7.1.3 Prein & Newhof**

Prein & Newhof, in Grand Rapids, also has services related to hydraulic, environmental, and traffic engineering as well as geotechnical and structural engineering. Prein & Newhof would represent a “one-stop shop” for all needs related to developing a site and competes directly.

#### **7.1.4 Williams & Works**

Williams & Works deals with hydraulic, traffic, structural, and environmental engineering. It is similar to the previous competitor and directly competes.

## **7.2 Potential competitors**

It is difficult to figure out companies that might enter the market, as typically it is a start-up or an architecture firm that opens up a civil engineering branch. However, with the addition of more firms, it would increase competition and projects would be harder to obtain and could hurt everybody collectively assuming they are all equal.

## **8 Description of Management Team**

The company was formed with four members on the leadership team: John-Marc Eshelman, Brenton Newswanger, Brandon Kuyers, and Dan VanKooten. Other positions at the company have yet to be filled. Descriptions and required qualifications of needed positions can be found below in the following sections.

### **8.1 Key Managers**

#### **8.1.1 President: Dan VanKooten**

Dan is a senior Civil and Environmental Engineering student at Calvin College. For last three year, he has worked at MVk engineering. At MVk, Dan learned basic surveying and how to run a small business.

#### **8.1.2 VP of Engineering: Brenton Newswanger**

Brenton is a senior engineering student in the Civil and Environmental concentration at Calvin College. He has a vast understanding of the three fields of engineering needed for Low Impact Development.

#### **8.1.3 Head of Traffic Engineering: John-Marc Eshelman**

John-Marc is from Fremont, California. He is earning a degree, from Calvin College, in Civil and Environmental. John-marc is currently working at Viable Inc. in downtown Grand Rapids. There he has learned the basics of Traffic Engineering.

#### **8.1.4 Head of Water Resources Engineering: Brandon Kuyers**

Brandon Kuyers is from South Bend Indiana. For past two summers, he has worked at Abonmarche Inc. in South Bend Indiana. There he learned basics of hydro engineering while working as engineering intern.

### **8.2 Required Positions**

#### **8.2.1 VP of Finance**

The VP of Finance position has yet to be filled. The required qualifications are that the candidate have both a CPA license and a master degree of Business.

#### **8.2.2 VP of Marketing**

The position of VP of Market is yet to be filled. A potential VP will be responsible for maintaining the public relations of GreenSPACE. This will require passed experience in marketing.

#### **8.2.3 VP of Sales**

The position of VP of Sales has not been filled yet. For a candidate to fill this position, they will need to have experience in sales of consulting engineering services. The position would oversee a sale team that has yet to be formed.

### **8.3 Board of Directors**

The board of directors will consist of the four key employees, Dan VanKooten, Brenton Newswanger, John-Marc Eshelman, and Brandon Kuyers. As the company expands, more members will be added to the board.

## 9 Plan of Operation

### 9.1 Legal Form of Ownership

The team has decided to form a limited liability company (LLC). A LLC will provide the owners with legal protection if the company fails. The assets of the owners will be independent of the company's credit. This greatly reduces the risk to the owners. Secondly, a LLC is easier to sell in the event that the owners want to leave the business. Lastly, fewer regulations are placed a LLC than other types of companies. This will provide the owners greater flexibility. The company will not have a board of directors.

### 9.2 Organization

GreenSPACE will have a single president, who will work with the vice presidents, to make the major decisions for the company. The decisions for each department will be made by the VP of that department. Since GreenSPACE is in its infancy, major decisions will be made by the four owners until the company expands.

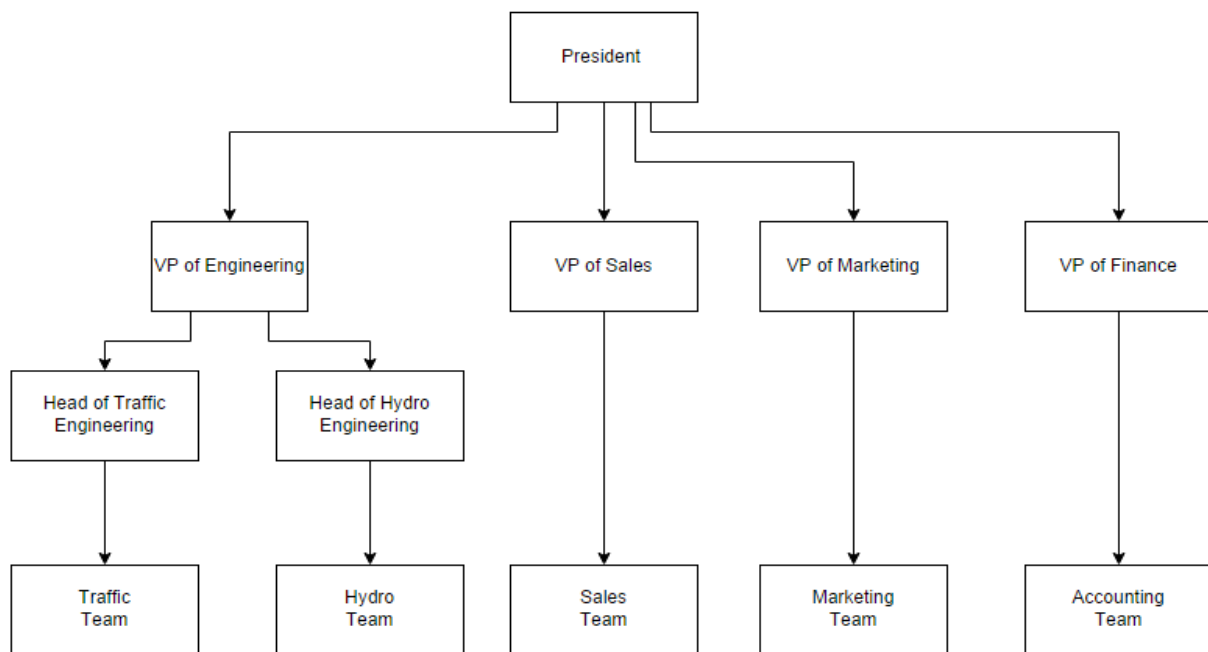


Figure 1 GreenSPACE Management Structure

### **9.3 Compensation and Benefits**

As a new company, GreenSPACE will attempt to offer equal compensation to all its employees. Since the company is new, the starting salaries will be lower than other companies. GreenSPACE will give all its employees two weeks of paid vacation not including holidays.

### **9.4 Description of production process**

This section is not applicable

### **9.5 Facilities**

#### **9.5.1 Location**

GreenSPACE will be located in downtown Grand Rapids. Grand Rapids is one of the greenest cities in Michigan. Also Grand Rapids is where GreenSPACE did its pilot project, GRswis.

#### **9.5.2 Layout**

Not Applicable

#### **9.5.3 Possible Setup constraints**

Not Applicable

### **9.6 Capacity issues**

Capacity issues that the company may face include office space constraints and limits on the amount of work the employees are able to carry out. Employee work constraints will become an issue as the demand for the company's services expands. Office space constraints will arise as the company hires more employees to meet higher demands.

## **10 Financial Forecasts**

### **10.1 Key assumptions**

The financial forecast for GreenSPACE is detailed in the Projected Financials in the appendix. This pro-forma statement of income and statement of cash flows outlines the predicted company financial plan for the first 3 years including break even analysis and ratio analysis.

Our financial forecast made several key assumptions about the way our business would function and the financial model proposed. The first assumption was that the company would undergo constant growth. For newly started small company, growth is usually very fast in the first few years and careful management of that growth can keep it from getting out of control. To enable the simplification of calculations the assumed growth rate was 20% annually, a typical growth rate for small businesses in their first few years and the assumption that sales and cost would be distributed evenly over each year. Another simplifying assumption was that all projects were started and completed within the calendar year. The next major assumption was that the members of the company would be able to procure \$50,000 capital investment and a startup loan of \$50,000.

### **10.2 Financial statements**

#### **10.2.1 Income statement (Annual, 3 years)**

The key points of the income statement are the price point, 3 year IRR, and net incomes over the first 3 years. Sales is assumed to cover both engineering fees and engineer's billable hours to the customer. The resulting net income after tax in year 1 is \$36,210. Year 2 results in net income of \$55,781 and year 3 yields \$98,672. More detailed information can be found in the projected financials in the appendix.

#### **10.2.2 Balance sheet (Annual, 3 years)**

A balance sheet is not included in the financial analysis because the company is assuming no credit sales or purchases. In this business model the company assets can simply be reduced to available cash. The company debt is simply the bank debt at a 10% interest rate. The equity is only the invested capital from day 1, that is, the original \$100,000 invested in the company.

### **10.2.3 Cash flow statement (Annually, 3 years)**

The most important points of the cash flow statement are the reinvestment plan and the plan for the excess profits. The company has decided to only reinvest what is needed for working capital and to use the excess profits to pay off company bank debt. This strategy was chosen to keep interest cost down and be able to raise the overall profit margin. More detailed information about company cash flows can be found in the projected financials in the appendix.

### **10.3 Break-even analysis**

The break-even analysis is detailed in the projected financials in the appendix.

### **10.4 Ratio analysis**

The key ratios for the financial projections of GreenSPACE show the viability and projected profitability of the company as a whole. The profit margin in year 1 is 3.62% and increases to 4.65% in year 2 and 6.85% in year 3. This trend of growth indicates the company's ability to pay off bank debt, invest in future growth, and return capital to the owners.

## **11 Loan and Investment Proposal**

### **11.1 Amount Requested**

The amount that company will require is \$100,000. The money will be supplied with each original team member supplying \$12,500 and a loan for \$50,000. This loan would be the company's starting debt.

### **11.2 Purpose of Uses of Funds**

The purpose these funds would be to obtain the required equipment and office space to start the company.

### **11.3 Repayment Schedule**

Repayment of the loan will happen as soon as possible. The company will be done paying off the loan by the third financial year.

### **11.4 Timetable for Implementing and Launching the Business**

The company plans to launch when the necessary equipment and office space have been secured. That will take at least several months.



## Appendix

	greenSPACE		
	Pro-Forma Statement of Income		
	Year 1	Year 2	Year 3
Sales revenue	1,000,000	1,200,000	1,440,000
Variable Cost of Goods Sold	425,000	510,000	612,000
Fixed Cost of Goods Sold	300,000	360,000	432,000
Depreciation	22,150	41,532	34,947
Gross Margin	252,851	288,468	361,053
Variable Operating Costs	15,000	18,000	21,600
Fixed Operating Costs	175,000	175,000	175,000
Operating Income	62,851	95,468	164,453
Interest Expense	2,500	2,500	-
Income Before Tax	60,351	92,968	164,453
Income tax (40%)	24,140	37,187	65,781
Net Income After Tax	36,210	55,781	98,672

	greenSPACE		
	Pro-Forma Statement of Cash Flows		
	Year 1	Year 2	Year 3
Beginning Cash Balance	-	3,360	25,673
Net Income After Tax	36,210	55,781	98,672
Depreciation expense	22,150	41,532	34,947
Invested Capital (Equity)	50,000	-	-
Increase (decrease) in borrowed funds	50,000	(50,000)	-
Equipment Purchases	(155,000)	(25,000)	(12,000)
Ending Cash Balance	3,360	25,673	147,291

	greenSPACE					
	Break - Even Analysis					
	Year 1		Year 2		Year 3	
Sales revenue		1,000,000		1,200,000		1,440,000
Less: Variable Costs:						
Variable Cost of Goods Sold	425,000		510,000		612,000	
Variable Operating Costs	15,000		18,000		21,600	
Total Variable Costs		440,000		528,000		633,600
Contribution Margin		560,000		672,000		806,400
Less: Fixed Costs						
Fixed Cost of Goods Sold	300,000		360,000		432,000	
Fixed Operating Costs	175,000		175,000		175,000	
Depreciation	22,150		41,532		34,947	
Interest Expense	2,500		2,500		-	
Total Fixed Costs		499,650		579,032		641,947
Income Before Tax		60,351		92,968		164,453
	Year 1	Year 2	Year 3			
Total Fixed Costs	499,650	579,032	641,947			
Contribution Margin %	56%	56%	56%			
Break Even Sales Volume	892,231	1,033,986	1,146,334			
	Equipment	Depreciation				
	Purchases	Year 1	Year 2	Year 3		
Equipment Purchases Year 1	155,000	22,150	37,960	27,110		
Equipment Purchases Year 2	25,000		3,573	6,123		
Equipment Purchases Year 3	12,000			1,715		
		22,150	41,532	34,947		