

**SAMPLE BUSINESS PLAN**

**THE SMILE CENTER**

**2001 Summer Street  
Valley City, CA 93XXX  
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**Prepared By**

**Dr. Dentalson**

**The Smile Center**  
  
**"Come in for a great smile!"**

**Submitted To:**

**Valley Bank  
2532 Main Street  
Valley City, CA 93XXX**

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## **EXECUTIVE SUMMARY**

The purpose of this business plan is to support a request for a \$75,000, five-year bank loan to purchase equipment and supplies as part of the financing for a start-up sole proprietorship, The Smile Center. The practice will be owned by Dr. Dentalson and will be located in leased space at 2001 Summer Street in the new Valley City Plaza, Valley City, CA 93XXX. The owner will provide a minimum of \$25,000 in initial equity.

The practice will provide quality dental care, preventative care education at affordable prices with convenient hours for citizens of Valley City. Based on the financial and competitive analysis presented in this plan, The Smile Center will be successful. The cash flow projection, Exhibit 4, One-Year Cash Flow Projection, indicates break-even including owner's draw of \$170,000 for the first year of operations.

It is anticipated that The Smile Center will become firmly established within two years in Valley City. The Smile Center's distinctive logo, its reputation for quality service and its friendly staff, plus its slogan, "Come in for a great smile!" will provide a distinctive competitive edge.

The owner, Dr. Dentalson, has practiced for ten years at two dental clinics. He holds a DDS degree and a Masters Degree in Orthodontics. Dr. Dentalson has also received a Diploma of Merit.

## **BUSINESS DESCRIPTION**

The Smile Center will be a start-up dental practice located in leased space, 2001 Summer Street in the Valley City Plaza, Valley City, CA 93XXX. A ninety-day option has been taken on this location. The estimated opening date is December 20XX.

The Smile Center will be a dental practice that offers quality dental care and preventive education at reasonable prices with convenient hours. The Smile Center will be successful because it is based on solid market research demonstrating that there is a demand for a dentistry practice that offers dental care at affordable prices with the latest in technological advances, It will be located in the most desirable retail space in Valley City. and the owner has ten years of experience, and formal education with a record of proven success and determination.

Dr. Dentalson, who has extensive education in the dental field, will own the practice as a sole proprietorship. Dr. Dentalson has ten years experience in general dentistry and orthodontist work. Mrs. Dentalson has experience handling dental claims along with secretarial experience.

The population in Valley City continues to grow and so does the need for dentistry. Valley City citizens over 40 combined with those under the age of 19 comprise 70% of the population and will be the focus of marketing efforts.

The Smile center will be a comfortable, relaxing dental clinic that provides a waiting room with a selection of movies to help relieve anxiety and nervousness of patients. The two examination rooms will be comfortable and decorated in a professional manner, but with a home-style touch.

## **MARKET ANALYSIS**

Market analysis is favorable toward the dentistry profession in the United States. According to the Bureau of Labor Statistics, the demand for dental care is expected to grow rapidly in the next several decades as the population grows. The United States population increases by more than two million each year, and the San Juan Valley is the fastest growing region in the U.S., its current total population is over 3.1 million. Valley County is one county that has seen this tremendous growth firsthand and is located within the San Juan Valley. Valley County will grow to about 874,100 people by the year 2000, and by the year 2010 is expected to grow to over 1.1 million people, according to The Valley Council of Government.

As the population grows so will the need for dentistry in Valley City, located in Valley County, which expects a growth rate of 3% per year. The population in Valley City is 9,227, according to The Valley Council of Government as of January 1, 20XX. Currently, there are four dentists currently practicing in Valley City and are centrally located in the downtown area.

New shopping centers have been built in Valley City next to Freeway 45, such as Valley City Plaza. Valley City Plaza has access to North and Southbound Freeway 45. The proposed location will be located in Valley City Plaza where customers are drawn by retail and fast-food franchisees nearby.

The population of Valley City that The Smile Center will target is residents 40 and over (37%) and children under 19 (33%). The potential for clientele is great with the Smile Center targeting this 70% (37% older +33% younger population) of the population in Valley City.

Dentists today are spending more time restoring teeth instead of removing them. In 1959, U.S. dentists performed 34 tooth extractions per 100 population according to the NDA and the Census Bureau. By 1990, the rate had dropped to 19 per 100. Researchers predict that the toothless trend will end with the baby-boom generation. With a mouthful of natural teeth,

boomers and their successors are less likely than today's elderly to need a false set. Americans will continue to turn to prosthodontic appliances as they age, but not before letting modern dentistry work its magic on worn-out teeth. About 150,000 dentists were employed in the U.S. in 1995 and seventy-nine percent currently practice general dentistry, according to the National Dental Association (NDA). The NDA also tracks the average number of dental visits and its data show that per-patient visits were stable between 1990 and 1994, at about 3.4 per year.

The future of the dentistry profession is the experimentation with digitized x-rays, laser techniques for painless drilling, osseo-integrated implants to replace bridges and other nonpermanent artificial teeth, and synthetic tooth enamel, according to a noted authority on modern dentistry.

On average, households spend \$965 on out-of-pocket expenses yearly for dental care according to the NDA. Frequent visits to the dentist are usually by people with higher incomes since people with incomes below \$14,000 visited the dentist an average of 1.3 times in 1989, compared with 3.1 for those with household incomes of \$50,000 or more. Visits per person increase when household income increases. Fifty percent of Valley City residents have income over \$24,900, which is well over poverty level. And almost 20% of Valley City residents have incomes over \$50,000 and the majority (60%) of residents are at least high school educated with 23% are college graduates.

This aging population that consists of the baby boomers and older citizens comprise 37% of Valley City's residents. This generation of aging adults wants and expects to keep their teeth their whole lives. Marketing efforts will focus on the older generation and young children.

The older generation of baby boomers (people in their 40s and 50s) are having trouble with their teeth and will need maintenance as they age, and that makes crowns, root canals, and dental implants a necessary and welcome alternative to prosthetics for most older Americans.

Cavities continue to plague adults also, though many believe they haven't an unfilled tooth in their heads.

School-age and younger children, for whatever reason, almost four in ten children aged 2 to 9 have decay in their primary teeth. The likelihood of baby-tooth decay increases with age, from 17 percent of children aged 2 to 4 to half of 5 to 9 year olds. The children of Valley City will also be targeted with school check-up programs to provide education on preventative care. To reach the parents of young children, pediatricians and other doctors will be sought to help inform and encourage parents to seek dental care early and to visit The Smile Center. Children under 19 are 33% of the population of Valley City. Children are important for the growth of Valley City, and as future patients (as adults with their own children) of The Smile Center.

The Smile Center will offer services in general dentistry, orthodontics, prosthodontics, pedodontics and cosmetic services with referrals for other dentistry services to affiliate professionals. Dr. Dentalson is knowledgeable in corrective dentistry, replacement of lost teeth and with, special problems of young children and their dentistry needs. With the addition of dental assistants and hygienists, Dr. Dentalson can expand his practice as it grows to help improve the customer service of patients and reduce waiting time.

Americans, as always, want to look good, which bodes well for one of the professions hottest new specialties—cosmetic dentistry. General dentists are learning the techniques to whiten and brighten teeth, classified as cosmetic dentistry.

Valley City residents will visit The Smile Center for their dentistry needs and return because of the excellent customer service provided by the staff. The Smile Center will provide information and education on preventative care. Quality dental care with a comfortable and professional environment will build community trust and word of mouth referrals for future

patients. Reasonable prices with several payment options will lend affordability to any financial situation and help to increase the patient base.

**TABLE 1**

**VALLEY CITY RESIDENTS WITH INCOME ABOVE POVERTY LEVEL**

<b>AGE</b>	<b>PERCENTAGE</b>
0 –4 YEARS	70%
5 – 17 YEARS	80%
18 – 64 YEARS	86%
65 YEARS AND OLDER	94%

**Source:** 20XX U.S. Census, distributed by the Valley City Chamber of Commerce.

In summary, the general market analysis shows that the aging population and the needs of young children for dental care is increasing and will continue to increase. The target market for these services will be middle and upper income individuals and families. The market analysis also reveals that it is highly desirable to offer cosmetic dentistry and continue to look at technological innovations for future expansion of medical services and options.

**VISION STATEMENT**

In five years, The Smile Center will be established in Valley City, and future plans for the improvement of dental procedures with the use technology for painless dental services will be developed, which will improve the effectiveness and efficiency of the practice.

## **VISION TRIGGER**

The main vision trigger will be the pleasing slogan: “Come in for a great smile!” The vision trigger will emphasize the friendly atmosphere of the dental clinic and satisfaction from the quality services provided.

## **MISSION STATEMENT**

The Smile Center’s mission statement is presented below:

We, the employees and management of The Smile Center, make this pledge to you, our valued patients:

We pledge that we will provide dental services in a timely and friendly manner.

We pledge that we will provide dental services and products with professional quality that meet the standards of the National Dental Association, California Dental Association, and the government agencies governing the dental profession.

We pledge that we will be good community citizens, respectful of the environment, and friendly neighbors to the surrounding businesses.

We pledge that we will always present a positive public image and make our establishment one that you can visit with safety and peace of mind.

We pledge that we will be responsive to your suggestions and concerns.

## **BUSINESS OBJECTIVES**

The Smile Center will have these business objectives during its first three years of operation:

1. Owner draw of \$170,000 by the end of Year 1.
2. Cash break-even by the end of Year 1.
3. Owner draw of \$180,000 by the end of Year 2.

## **BUSINESS OPERATIONS**

The operations of The Smile Center will be described using the main functions of the practice: marketing, competitive analysis, legal structure, management expertise, support personnel, and financial information.

## **MARKETING**

### **Services**

The Smile Center will provide the following services:

1. Diagnostic Examinations—evaluating existing conditions to determine the required dental treatment. Examples: initial oral examination, complete x-ray survey, and cavity-detecting bite-wing x-rays, comprehensive dental and health history, jaw and bite alignment, comprehensive periodontal exam, comprehensive tooth by tooth evaluation, and teeth cleaning.
2. Preventive Care—taking care to avoid or minimize the risk of serious abnormalities and diseases. Examples: prophylaxis (or teeth cleaning), space maintainers, and topical application of fluoride.

3. Corrective Treatment—working to ensure optimal dental health. Examples: amalgam, and composite resin fillings, porcelain, gold restoration, crowns, and jackets.
4. Oral and Maxillofacial Surgery—performing tooth extraction and other oral surgery (e.g. tissue biopsy and drainage of oral infections), including preoperative and postoperative care.
5. Periodontics—treatment of the gums.
6. Endodontics—the focus on the inside of the tooth or the nerve and blood supply.
7. Prosthodontics—constructing, replacing, or repairing of fixed bridges, removing partial dentures, complete dentures, crowns, and implant restorations.
8. Orthodontics—development and repositioning of the teeth and jaws. Examples: full and partial braces, retainers, etc.
9. Pedodontics—the care of children’s teeth using technologies such as sealants and the special problems of the younger population.
10. Cosmetic—teeth bleaching and whitening, capping, crowning, etc.

**Related Services**

In addition to the above listed services, The Smile Center will provide other related dental services: administering anesthesia, injecting therapeutic drugs, applying desensitizing medicaments, consulting, and professional visits.

The Central Valley Dental Society identified the five most sought dental services in the central California as the following:

- |    |                      |     |
|----|----------------------|-----|
| 1. | Corrective Treatment | 60% |
| 2. | Preventative Care    | 20% |

- |    |                              |    |
|----|------------------------------|----|
| 3. | Oral & Maxillofacial Surgery | 8% |
| 4. | Prosthodontics               | 5% |
| 5. | Endodontics                  | 3% |

Initially, The Smile Center will purchase all of its dental equipment and supplies from Jerry's Dental Supply, the third largest dental equipment supplier in the nation and the largest in California, because of a discount given for bulk purchases. However, The Smile Center will maintain relationships with two small suppliers, namely Sid Dental Industries (SDI) and Sharp Dental Tools (SDT). These two suppliers have very competitive prices and quality products. For example, SDI offers quality amalgam products while SDT offers quality operatory instruments at reasonable prices.

### **Price**

The Valley County Dental Society provided advice on pricing, and a survey was conducted by the prospective owner on several sole-proprietor dental practices. The majority of revenue from the practice will come from providing corrective treatment and preventative care services (see page 13). If the patient is insured, the price for these services are preset by Cali-dental or by insurance companies such as: Triangle Dental Association (TDA), Blue Aegis, and Blue Star. According to Cali-dental's schedule of payments, the allowable charge for periodic oral examinations is \$21. TDA can be charged \$30 for an oral examination; Blue Aegis, \$25; and Blue Star, \$28. Cali-dental can be charged \$75 for prophylaxis (teeth cleaning), TDA, \$100; Blue Aegis, \$90; and Blue Star, \$95.

However, it is estimated that half of the patients will pay cash for these services. The average price charged by dentists for services in Valley County are \$60 for amalgam fillings and \$37 for prophylaxis. The Smile Center will charge these prices for patients that will pay cash.

On average, patients visit a dentist twice a year for a routine cleaning and examination. But, about 20 percent of the patients will need other services: oral and maxillofacial surgery, prosthodontics, endodontics, etc. Dr. Dentalsen found by conducting a survey, that dental practices generally accept 15 different insurance companies and their respective plans in addition to Cali-dental. Dentists that were surveyed indicated that on average they collect \$120 per patient.

### **Place**

Valley City urban growth statistics published by The Valley Bee indicates the area around Freeway 45 and Highway 225 has experienced some of the strongest growth in the 20XX's. On the west side of Freeway 45, Northwest of downtown Valley City, lies Valley City Plaza, which has seen particularly rapid growth. Current anchor tenants include Value Mart, Pizza Plus and the cherished Valley City Restaurant. Three major restaurant franchisees are also new additions to Valley City Plaza. Burger Boy, Steak House, and Sandwiches-To-Go add to the attractiveness with high lunch and dinner traffic. Freeway 45, next to Valley City Plaza, has average traffic of 63,000 cars a day and provides good location identification.

Customers are attracted to Valley City Plaza because of the anchor and supporting tenants. There are three divided entrances and exits creating easy accessibility. All of these factors weigh in favor of Valley City Plaza as a potential location, despite the fact that several other dental practices are located in the downtown area of Valley City. The advantage is that

these dental practices are not located in the new Valley City Plaza. There is no other direct competition within a two-mile radius.

The dental clinic will be located on approximately 3600-sq. ft. pad that can be split. A commercial real estate broker representing Valley City Plaza said the monthly lease payments for a five-year lease including plumbing, heating and air conditioning suitable for a dentistry practice would be \$2.50 sq. ft., triple-net. Two five-year options would be included in the lease agreement. A leasehold improvement allowance of \$10/sq. ft. would be given. Consolidated area maintenance fees would be \$250/month initially. Dr. Dentalson obtained a three month option on this pad effective August 1, the submission date of this plan and deposited refundable first and last lease payment plus a \$5,000 security deposit with the leasing agent.

### **Promotion**

The Smile Center will be promoted with a variety of marketing methods:

A grand opening will be held with free samples of dental products, such as toothbrushes, floss, fake teeth, and balloons. The grand opening of The Smile Center will include renting a bounce house for kids, clowns, and a giant tooth bearing mascot bearing the clinic's logo and the phrase, "Come in for a great smile!" The same logo and phrase will be imprinted on employee shirts, and on the white lab coats worn by Dr. Dentalson.

Coupons will be published in weekly ads in The Valley City Recorder newspaper. Coupons will also be distributed during the Great Valley City Fair at a booth with free samples and demonstrations on preventative care. School children will be given coupons and toothbrushes to take home, after their free examination at school. Also, pamphlets will be made with pictures of The Smile Center, and its employees portraying the warm, friendly, and comfortable environment where the community can come for its dental needs. They will be

distributed at many social and charitable events, and given to local pediatricians and doctors for referrals to the clinic. The Smile Center will attract customers by offering a free initial exam and coupons for 20% off work done on that visit.

One and three-year sales forecasts are presented in Table 1 together with anticipated promotional costs.

**TABLE 2**  
**12 Month and 3-year Sales Forecasts and Related Promotional Costs**

Years	Sales Revenue	Promotion Costs
<b>One</b>	<b>414,720</b>	<b>9,000</b>
<b>Three</b>	<b>430,000</b>	<b>9,000</b>

### **COMPETITIVE ANALYSIS**

The prospective owner conducted a telephone survey to obtain the information presented in the following competitive analysis and in Exhibit 1, Competitive Analysis.

#### **Dr. Johnston Dentistry**

Dr. Johnston has a practice located at 1518 Dragon Street and the cross street is Smythe Street. (See Exhibit 1, Location of The Smile Center and Main Competitors). Dr. Johnston’s practice in Valley City is a well-known dental practice with prices that are high compared to others in Valley City. A month long special is offered for x-rays and an examination for seventy dollars. Dr. Johnston has been at this location for 40 years and has a reputation as a well-run quality practice.

Dr. Johnston offers an extensive array of general dentistry, cosmetic dentistry, prosthodontics, and pedodontic services with referrals for orthodontist work. Dr. Johnston’s practice is closed on Friday and weekends and is open a total of 32 hours a week. Dr. Johnston does accept Cali-dental insurance, all major insurance plans, cash payments and advertises in the yellow pages.

### **Dr. Wexler Dentistry**

Dr. Wexler has a dental practice located at 2224 Clarke St. near Lincoln and Mendota Streets approximately four miles southeast of Valley City Plaza. Dr. Wexler's practice is closed on Wednesdays and is open 32 hours a week. Currently, the practice is the low price leader, of the four current area dental practices. Offering general dentistry, cosmetic, prosthodontics, and pedodontics, and Dr. Wexler refers patients for orthodontist work to Dr. Molar. Dr. Wexler has been practicing for 21 years and has been practicing in Valley City for 16 years and practiced in Oregon for a 5 years, previously. Dr. Wexler does not accept Cali-dental insurance, but does accept all major insurance plans, cash payments and advertises in the yellow pages.

### **Dr. Molar**

Dr. Molar's dental practice is located at 1376 Smythe Street and Dragon Street. This practice is about two and a half miles from The Smile Center and is located in the downtown Valley City. Dr. Molar is currently the only orthodontist in Valley City. Dr. Molar is available in Valley City on Tuesdays and is practicing in Grand City on Mondays, Wednesdays and Fridays. Dr. Molar currently practices in Valley City for 8 hours per week. The Smile Center will be the local alternative offering flexible day and evening hours for dentistry needs. Dr. Molar does not accept Cali-dental insurance, but does accept all major insurance plans and cash payments. Dr. Molar offers a free consultation and advertises in the yellow pages, but offers no coupons.

### **Dr. Lung**

Dr. Lung's dental practice is located at 1590 East Street near Lincoln Street in the downtown area. Dr. Lung is open later than their current competitors, but are closed on Fridays. Services are moderately priced and coupons or specials are not offered. Dr. Lung offers the

same services as the other general dentists in Valley City, and refers his orthodontist work to another dentist, as well. Dr. Lung has been practicing in this location for 5 years and advertises in the yellow pages. Dr. Lung accepts Cali-dental insurance, all major insurance plans and cash payments. No incentives are offered such as coupons or specials.

Exhibit 2, Competitive Analysis, compares important competitive factors of the dentistry practices discussed above with The Smile Center.

## **LEGAL STRUCTURE**

The Smile Center will be operated, as a sole-proprietorship owned by Dr. Dentalson and his wife.

## **MANAGEMENT EXPERTISE**

The owner, Dr. Dentalson, has worked in several dental clinics as practitioner for ten years. The owner holds a DDS degree from the University of California at San Francisco, and he also holds a Master's degree in Orthodontics, also from UCSF. Dr. Dentalson has also received a Diploma of Merit from the National Dental Association.

Dr. Dentalsons' extensive activities have enabled him to enlist several reputable professionals from Valley City who will provide services to the practice. These include The Goldsmith Insurance Agency, Jerome and Associates CPAs, and the Jense, Baker, and Smythe law firm. The owner has a long term banking relationship with Valley Bank.

Dr. Dentalson is also a highly regarded consultant to communities and charities that help educate children and parents on the needs of preventative dental care. Good oral hygiene can be taught at free seminars and workshops to the general public with free merchandise from suppliers to offer their products and in-turn receive free advertising to consumers.

Mrs. Dentalson has 10-year experience with dental claims handling along with secretarial experience. She has extensive knowledge of the reimbursement procedures for Cali-dental, Triangle Dental Association, Blue Star and other major insurance companies. In addition, she is familiar with three different electronics billing systems: E-Billing for Dentists, Easy Electronic Billing, and Cali-Dental Software.

### **SUPPORT PERSONNEL**

The practice will operate using Dr. Dentalson, and Mrs. Dentalson as its principal employees to reflect a professional quality dental practice that is family oriented and offers a comfortable environment, consistent with its "Come in for a Great Smile!" vision trigger. Mrs. Dentalson has worked in the dental field for 10 years handling dental claims and general office work. Also, a dental hygienist and dental assistant will be needed as the practice grows, and will be paid slightly above the current rate advertised in The Valley Bee. Pay increases after a 3-month trial period, and a 6-month period, and then an annual increase of about 3% for good performance. A policy of promotion from within will be adopted.

**EXHIBIT 1  
COMPETITIVE ANALYSIS**

<b>Items</b>	<b>Dr. Dentalson</b>	<b>Dr. Johnston</b>	<b>Dr. Wexler</b>	<b>Dr. Molar</b>	<b>Dr. Lung</b>
<b>Hours</b>	8am-6pm M,W,F 12pm-9pm T,TH 8am-3pm Sat	8 am – 5pm	8am –5pm	8am – 5pm	8am – 6pm
<b>Days Open</b>	6 days a week Sunday by appt.	4 days a week Closed Friday	4 days a week Closed Wednesday	1 day a week Closed M,W, Th, Fr	4 days a week Closed Friday
<b>Price Level</b>	Moderate	High	Low	High	Moderate
<b>Specialty</b>	General Dentistry Orthodontics Cosmetic	General Dentistry	General Dentistry	Orthodontics	General Dentistry
<b>Reputation</b>	Unknown	Excellent	Fair	Good	Good
<b>Years In Business</b>	Start-up	Forty	Twenty-One	Ten	Five
<b>Discounts</b>	Senior/Special Promotions	Special Promotions	Senior	None	Senior
<b>National Chain</b>	No	No	No	No	No
<b>Methods of Promotion</b>	Yellow Pages Newspaper Brochures Samples	Yellow Pages	Yellow Pages	Yellow Pages	Yellow Pages

## FINANCIAL INFORMATION

### Financial Objectives

The following objectives are for the first two years of The Smile Center:

1. Owner draw of \$170,000 by the end of Year 1.
2. Cash break-even by the end of Year 1.
3. Owner draw of \$180,000 by the end of Year 2.

### Monthly Living Expenses For Dr. Dentalson

Exhibit 3, Monthly Living Expenses – Dr. Dentalson, shows the amount required by the owner to pay for living expenses and compute the draw.

### One-Year Cash Flow Projection

The items in Exhibit 4, One-Year Cash Flow Projection, have been arranged in a specific way: sources of cash (cash receipts), cash needed to purchase assets (equipment), cash needed to pay expenses (rent), cash need to pay liabilities (payroll taxes), and owner's draw.

#### Sources of Cash

1. **Person Funds.** The owner will invest \$25,000 into the business.
2. **Loan Proceeds.** The owner will borrow \$75,000 from Valley Bank as a five-year revolving line of credit at 10%. Interest will be charged only on the amount actually owed.
3. **Cash Receipts From Business.** \$414,720 in cash receipts net of sales is estimated. This projection involves serving on average 12 patients per day, 72 per week, 288 per month, 3,456 per year. This is a conservative estimate of cash receipts based on a survey of five sole-proprietor dentists. About a quarter of these patients are covered under Cali-Dental, another quarter by insurance companies, and half will pay cash.

**EXHIBIT 2**  
**Monthly Cost of Living – Dr. Dentalson**

**Regular Monthly Payments**

Rent or mortgage payments (including taxes)	1000	
Car payments (including insurance)	500	
Appliance payments	50	
Loan payments	250	
Health, life and other insurance premiums	200	
Miscellaneous	150	
<b>Total</b>		2150

**Household Expense**

Telephone	80	
Utilities	80	
Miscellaneous	250	
<b>Total</b>		410

**Personal Expense**

Clothing, cleaning, laundry, shoe repair	200	
Medical and dental	80	
Education and training	50	
Automobile expenses	100	
Spending allowance	300	
<b>Total</b>		730

**Food Expenses**

Food at home	300	
Food away	100	
<b>Total</b>		400

**Tax Expenses**

Federal & State	10596	
Personal property	100	
Other taxes (except house)	0	
<b>Total</b>		10696

**Total personal monthly cost of living expenses** 14386

**Subtract monthly income from sources other than the business** 286

**Grand total - the minimum monthly draw needed from the business** 14100

### EXHIBIT 3

#### One-Year Cash Flow Projection

##### Sources of Cash

1. Personal Funds	25,000
2. Loan Proceeds	75,000
3. Cash Receipts from Business (Net)	414,720

Total Sources

514,720

##### Uses of Cash

4. Equipment/Supplies	62,230
5. Vehicle Purchase/Lease	0
6. Real Estate	0
7. Fixtures	0
8. Security Deposits (Rent and Utility)	9,000
9. Signs	5,000
10. Leasehold Improvements	18,000
11. Cost of Goods Sold	0
12. Telephone and Utilities	4,800
13. Lease/Rent (Business place)	24,000
14. Business License Fee	14,470
15. Insurance Premiums	6,189
16. Office Supplies	0
17. Legal and Accounting	5,530
18. Advertising	9,000
19. Real Estate Taxes	0
20. Miscellaneous Expenses	0
21. Payroll Taxes	7,680
22. Payroll Wages (Excluding Withholdings)	35,760
23. Loan Payments (Principal and Interest)	19,785
24. Owner's Draw	170,000

Total Uses

391,444

Net Cash Flow for the Year ( Sources Minus  
Uses)

123,276

## Uses of Cash

4. **Equipment/Supplies.** Basic start-up equipment cost is estimated to be \$62,230. This expense includes: operatory equipment and installation, intraoral x-rays, x-ray processor, laboratory equipment and supplies, secretarial equipment and supplies, reception chairs, lounge equipment, private office equipment, etc.
5. **Vehicle Purchase/Lease.** No vehicle will be needed in this dental practice.
6. **Real Estate.** Real estate expense is included in lease expense.
7. **Fixtures.** There will be no fixture costs other what are included in equipment and supplies listed above
8. **Security Deposits.** Security and other deposits will include \$5,000 for lease-related deposits, \$2,000 for utility deposits, and \$2,000 for miscellaneous deposits for a total of \$9,000.
9. **Signs.** The Smile Center will have extensive Valley City Faire approved signage on all four sides of the building. Signage and installation will cost \$5,000 according to an estimate by Valley City Quality Sign Co.
10. **Leasehold Improvements.** Net leasehold improvements after the \$10/sq.ft. allowance by the landlord will total \$18,000. This estimate was provided by Smith Construction of Valley City and includes floor and wall coverings, window treatments, painting and decorating, window decorations, and miscellaneous minor improvements.
11. **Cost of Goods Sold.** There will be no products made or sold.
12. **Telephone and Utilities.** Valley City Gas, Electric, and Telephone Company estimate telephone and other utilities at \$400/month for an annual total of \$4,800.
13. **Lease/Rent.** Lease payments are \$2,000/month (\$1.50/sq.ft.) for an annual total of \$24,000. This information was provided by the commercial real estate agent representing Valley City.
14. **Business License Fee.** The Business license fee based on business revenue (3.35% of gross revenue) will be \$14,470 (License and Permits Office of Valley City).
15. **Insurance Premiums.** Goldsmith Insurance Agency, Valley City, estimated annual premiums at \$6,189. These premiums will cover business liability, property damage, workman's compensation, and all other types of insurance.
16. **Office Supplies.** All supplies are included in equipment and supplies listed above.

17. **Legal And Accounting.** Jerome and Associates, CPAs, and the Jense, Baker, and Smythe law firm will provide basic bookkeeping, accounting, and legal services. Jerome and Associates, CPAs has a bookkeeping subsidiary, Personal and Business Bookkeeping LTD that specializes in low cost bookkeeping. This firm will be engaged for the bookkeeping with Jerome and Associates providing tax preparation and other professional services. The total estimated annual cost is \$5,530.
18. **Advertising And Promotion.** \$9,000 will be allocated to the advertising and promotion campaigns discussed in the Marketing section above.
19. **Real Estate and Other Taxes.** There will be no Real Estate taxes.
20. **Miscellaneous Expenses.** There will be no other expenses.
21. **Payroll Taxes.** It is estimated that payroll taxes will be \$7,680, which is 20% of wages.
22. **Salaries.** Salaries plus fringe benefits total \$32,040. This total includes a full-time dental assistant working for \$10/hr. It also includes a part-time hygienist working at \$20/hr. Payroll includes fringe benefits to the full-time employees.
23. **Loan Payments (Principal and Interest).** All of the \$75,000 loan allocation will be used during the first year of operations. The loan will be paid by an installment schedule of \$19,785 (principal and interest) per year for 5 years, assuming an interest rate of 10%, which totals \$7,500.
24. **Owner's Draw.** This information was obtained from Exhibit 3 (Monthly Personal Living Expenses) where owners need \$14,100 per month or \$170,000 annually.

## **SUMMARY**

The Smile Center will be successful. The business plan has documented that the establishment of The Smile Center is feasible. All of the critical factors such as industry trends, market analysis, competitive analysis, management expertise, and financial analysis support this conclusion.

We invite you to attend our grand opening. We promise that we will make the experience enjoyable, so "Come in for a great smile!"