

Cover Letter

Greta Lloyd, D.V.M.
The Cat Clinic
453 Smitty Avenue
Moncton, NB E1C 4M6

October 15, 2005

John Smith
Bank XYZ
223 Generic Avenue, Suite 402
Toronto, ON M5J 1A7

Dear Mr. Smith,

I'm very pleased to enclose my business plan for The Cat Clinic. Inside, you'll find a wealth of information about my business, a thorough assessment of opportunities in the marketplace, and a detailed plan for seizing them. I look forward to the possibility of working with you to make The Cat Clinic a success in the coming months and years.

I am eager to hear your comments and answer any questions you may have. You can reach me at (506) 555-5675.

Thank you for your time and attention.

Sincerely,

Greta Lloyd, D.V.M.

Dr. Greta Lloyd, D.V.M.

**operating as
The Cat Clinic**

Business Plan

October 15, 2005

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Executive Summary

The Cat Clinic is a new veterinary practice in Moncton, New Brunswick. The Clinic will be distinguished from other veterinary practices by its focus on cat health issues as well as expertise in alternative treatments. It aims to be the first choice for cat owners in greater Moncton who want the best for their pet.

Veterinary care in greater Moncton is a \$3 million market, and it's growing. Positioned as an exclusive choice for Moncton pet owners, The Cat Clinic will target owners of older cats. These customers are likely to visit a veterinarian more than once a year and make veterinary care decisions based on quality rather than price. A range of promotional efforts is planned to attract these customers.

Born and raised in Moncton, I studied veterinary medicine at the Atlantic Veterinary College and the International Veterinary Acupuncture Society. I spent seven years practicing with a leading veterinary practice in Hamilton, Ontario before returning to Moncton to establish my own business.

The Cat Clinic will be profitable by the end of its first year. By the end of its third year, it will likely grow to include another veterinarian. I am currently seeking \$45,000 in start-up funding to supplement my own \$18,000 investment in the business. These additional funds will primarily be used to buy veterinary equipment.

Greta Lloyd
Greta Lloyd, D.V.M.
The Cat Clinic
453 Smitty Avenue
Moncton, NB E1C 4M6
Phone 506.555.5675
Fax 506.555.7657
catclinic@zzz.ca

Business Description

Business Overview

Legal name of business

Dr. Greta Lloyd

Trade name of business

The Cat Clinic

Business address

To be determined

Mailing address

453 Smitty Avenue
Moncton, NB E1C 4M6

Phone number

506.555.5675

Fax number

506.555.7657

E-mail address

catclinic@zzz.ca

Structure of business

Sole Proprietorship

Owner

Dr. Greta Lloyd

Title

Veterinarian

Date business established

January 1, 2006

Nature of business

Professional Practice

Bank and branch location used for business matters

Scotiabank, 780 Main Street, Moncton

Bank and branch location used for personal matters

Scotiabank, 780 Main Street, Moncton

Business Background

After working with a successful veterinary practice in Hamilton, Ontario, I decided to return to my hometown of Moncton, New Brunswick, to establish a veterinary practice to serve the region's pet owners, and cat owners especially.

Personal Goals

- Re-establish myself in my hometown of Moncton.
- Undertake the challenge of creating a profitable and respected practice.
- Achieve balance between my work and personal life – I plan to have children in the next few years.
- Earn sufficient income to pay off my personal debt within 2 years.

Business Vision

Offer high-quality conventional and non-traditional veterinary services in a way that stresses humanity, compassion, and quality-of-life for pets and their owners. Build a profitable and respected practice, as measured by the business' bottom line and the number of referrals generated by clients and other veterinarians.

Business Objectives

Short-term Objectives

- Secure office and kennel space by January 2006.
- Obtain start-up financing of \$45,000 by January 2006.
- Open for business by January 2006.
- Hire a technician and an assistant by February 1, 2006.
- Have 500-700 active patients by the end of the first year.
- Be profitable by the end of the first year.

Long-term Objectives

- Have 1,000 active patients by the end of the second year.
- Have 1,500 active patients by the end of the third year.
- Hire another veterinarian by the end of the third year.

Product Overview

Description

Preventative vaccination, diagnosis, treatment, surgery and kennel facilities for domestic pets, specializing in cats.

Competitive Advantage

By focusing on cats, The Cat Clinic will offer a level of expertise, experience, and high-quality service unmatched by other general veterinary clinics in the area. Also, no other area veterinarian has the expertise to offer animal acupuncture. Services will be offered in both English and French.

The Marketplace

Industry

Industry Factors and Trends

Demographic Factors and Trends

- Slowing growth in the dog pet population is being more than offset by higher growth in the number of cats.
- Baby Boomers are getting older and tend to have more disposable income to spend on their pets.
- According to the Greater Moncton Economic Commission, Greater Moncton has been growing faster than any other community in Atlantic Canada since 1986, and now has over 113,000 residents.

Social Factors and Trends

- Pet owners are embracing auxiliary veterinary services, like preventative dental care. Over time, such auxiliary services will probably be offered by most practices.
- Increased interest in the application of alternative methodologies to human ailments has made alternative animal treatments, like acupuncture, more popular.

Economic Factors and Trends

- The current economic slowdown has not affected the market for essential veterinary services.
- The market for "non-traditional" and auxiliary veterinary services may grow even more quickly as the economy improves.
- The greater Moncton economy continues to grow as it shifts away from manufacturing and to professional and administrative services.

Technological Factors and Trends

- New veterinary technologies are constantly emerging. For instance, using laser therapy to treat soft tissue disorders in small animals is gaining acceptance. As technologies evolve, I anticipate having to upgrade my practice's equipment and skills to keep up.
- Many veterinarians are using practice management software to help run their businesses. I intend to invest in such software.

Regulatory Factors and Trends

- Veterinarians in Canada must study for at least two years at a university, and then graduate from a 4-year program at an accredited college of veterinary medicine. To qualify for provincial licensing, veterinarians must pass the North American Veterinary Licensing Exam.
- According to the Canadian Veterinary Medical Association, Canadian veterinary colleges graduate only 400 new veterinarians each year.

Environmental Factors and Trends

- Veterinary medicine involves handling chemicals that could potentially harm humans and wildlife. Special steps must be taken in the administration, storage, and disposal of medicines, vaccinations, needles, and blood samples, resulting in additional costs.

Industry Outlook

Since the cat population, the Moncton population, and Baby Boomers' disposable income are all growing, the amount of money spent on pet care in Moncton will probably increase in the coming years. At the same time, the number of veterinarians remains restricted by the number of veterinary colleges. As a result, demand may exceed supply, and practicing veterinarians will likely enjoy a steady rise in business. Auxiliary treatments like preventative dental care and alternative treatments will become more popular and will represent significant sources of income for veterinarians.

Market Size

According to Compas Inc., 52% of Canadian households have at least one pet. Based on the most recent Canadian census data, this suggests that about 21,000 pet owners live in the greater Moncton area. In my experience, the average pet owner spends about \$150 per year on pet health care. As a result, I estimate the market for veterinary services in the greater Moncton area to be over \$3 million.

Competitors

Competitive Environment

Large competitors

Biggs Animal Hospital

Strengths: large staff (at least 6 full-time veterinarians); strong relationships with area kennels

Weaknesses: aging equipment

Moncton Pet Care

Strengths: reasonable prices; good downtown location

Weaknesses: relatively inexperienced staff; small, crowded kennel facility

Mid-size competitors

Vétérinaire de la Cité

Strengths: known among Moncton francophone community

Weaknesses: limited parking; expensive vaccines

Man's Best Friend

Strengths: excellent reputation for dog-specific care; services include preventative dental care; also sells dog food and other products

Weaknesses: no veterinarian on-call 24 hours

Small Competitors

Neighbourhood Veterinary Services

Strengths: located directly across from popular dog-walking park

Weaknesses: high prices

Competitive Opportunities & Challenges

Opportunities

- No competitor is currently offering alternative treatments.
- With the exception of Vétérinaire de la Cité, no competitor is making efforts to serve Moncton's substantial francophone community.
- While a handful of competitors are focused strongly – or exclusively – on dogs, none are focused on cats.

Challenges

- With only one veterinarian on staff, I will have difficulty offering 24-hour on-call service. To address this, I have made arrangements for a competitor to care for my patients when my clinic is closed.
- With a practice focused on cats, The Cat Clinic may not attract clients who own other types of pets.

Customers

Customer Segments

There are two primary customer segments for private veterinary practices:

- Large Animal clientele, including livestock and horses.
- Companion Animal clientele.

In turn, the Companion Animal segment can be sub-divided into:

- Cat owners.
- Dog owners.
- Owners of other household pets.

Target Customers

At The Cat Clinic, my primary target customers are cat owners, specifically owners of older cats. Owners of older cats tend to:

- Visit the veterinarian more than once a year, due to the age of their pet.
- Make veterinary care decisions based on quality of care, rather than on price.
- Encounter more pet health problems that can be treated using alternative methods, in conjunction with conventional treatment.

These customers will choose The Cat Clinic because as their cats age, my clinic can offer an unparalleled range of feline-focused expertise in treating both the common and rare ailments that afflict cats.

Sales & Marketing

Positioning

The Cat Clinic's clients will benefit from:

- The **sense of community and understanding** that comes with using a veterinarian that specializes in treating the species they love – cats.
- The **exclusivity** that comes with knowing that their pet is being cared for by the only veterinarian in the area with alternative pet care expertise.
- The **security** that comes with knowing that everything is being done to prolong and improve the quality of their pets' lives.

Pricing

In general, The Cat Clinic's prices for conventional diagnostics and treatment will be relatively high, in line with its exclusive positioning. Here are the clinic's intended prices for representative veterinary services.

Rabies vaccine

The Cat Clinic price: \$45

Competitors' prices: \$25-\$50

Annual check-up

The Cat Clinic price: \$90

Competitors' prices: \$60-\$100

Euthanasia

The Cat Clinic price: \$120

Competitors' prices: \$90-\$150

For non-traditional treatments like acupuncture, The Cat Clinic will charge \$90 per forty-minute session. Kennel services will cost \$15 per night.

Promotion

Planned promotional efforts are in keeping with the New Brunswick Veterinary Medical Association Advertising Guidelines.

- A free workshop for cat owners in "Feline Health and Happiness" to be conducted at a busy local bookstore, Between the Lines, several weeks before the opening of the practice. Attendees' names will be collected, and I will send them an announcement of the practice's opening.
- A listing in the yellow pages.
- Meetings with area veterinarians, to build relationships and channels for referrals.
- A possible article about the practice in the Lifestyles section of the Moncton Gazette, Moncton's local newspaper, where my childhood friend Lisa Hayton is editor.
- Birthday cards sent to customers' pets.

Sales

New clients will either be referred by other veterinarians and pet-centred businesses, or they will choose my practice based on promotional efforts. All services will be rendered in The Cat Clinic's offices.

- Customers will be required to pay immediately by cash, cheque, debit card, VISA or Mastercard. I estimate that 40% of my invoices will be paid by cash, cheque, or debit card, and 40% will be paid by VISA or Mastercard. For procedures exceeding \$500, The Cat Clinic will extend payment terms to 30 days. I anticipate that 20% of invoices will fall into this category. The clinic's accountant will be responsible for collecting overdue receivables.
- Many services will be covered by Pet Plan Insurance. If a customer has coverage, the insurance company will be billed.

Except in the case of checkups, cat owners will receive follow-up calls from my assistant within 48 hours after their appointment, to check on their pet's well-being. Premises permitting, kennel facilities for up to 15 cats will also be offered. Existing customers will be able to leave healthy pets in the overnight facility for a nominal fee.

Business Operations

The Team

Dr. Greta Lloyd, D.V.M.

As the Veterinarian and owner of The Cat Clinic, I am responsible for running the business and providing veterinary care to customers' pets.

- 1992: Graduated from the Atlantic Veterinary College at the University of Prince Edward Island.
- 1992-2002: Veterinarian at The Paw Clinic, a leading small animal veterinary practice in Hamilton, Ontario.
- 1999: Certified in animal acupuncture and Chinese herbal medicine from The International Veterinary Acupuncture Society in Boulder, CO.
- Fluent in English and French.

When I'm away from my practice for short periods of time (because of vacations or minor illness), Dr. Vince Cleary at the Biggs Animal Hospital has agreed to care for my patients.

Advisors

- Lauren Wilder, a chartered accountant.
- Les Snowdon, Manager, Scotiabank.
- Dr. Donald Wicket, D.V.M., owner of the The Paw Clinic, a 27-year-old veterinary practice in Hamilton, Ontario. Dr. Wicket will contribute his extensive experience in building and managing a profitable veterinary practice.
- Ella Skinton, Senior Consultant at Practicum, a local consulting firm serving human healthcare practices. Ms. Skinton has agreed to lend her expertise to The Cat Clinic's cash flow management.

Hiring Plans

Administrative Assistant

- Responsibilities: Making appointments, ordering supplies, managing files, processing bills and payment, other clerical duties.
- Required experience: At least two years' employment at another (not necessarily veterinarian) health care practice.
- Salary: \$25,000
- Start date: by February 2006

Veterinary Technician

- Responsibilities: Assisting with physical examinations and surgery, administering medications and immunizations, extracting teeth, caring for cats in the kennels.
- Required experience: A Veterinary Technician or Animal Health Technician diploma from a recognized college, plus at least three years' experience working with companion animals (preferably cats) at another veterinarian practice.
- Salary: \$25,000
- Start date: by February 2006

Through referrals, I already have leads on a number of qualified candidates for both positions. If necessary, the clinic will also:

- Place want ads in the Moncton Gazette.
- Post listings at online job sites.
- Contact employment agencies.

Staff training will be ongoing and informal.

By the end of my third year of operation, I expect to hire a second veterinarian to grow the practice and give me more flexibility to be away from the clinic when necessary. The new hire's areas of expertise will depend upon the needs of the practice at that time, but I expect to pay around \$55,000 per year.

Suppliers

- Veterinary Supplies Inc., the only area distributor of veterinary supplies, including medicine, medical equipment, surgical instruments, and diagnostic equipment. Offers a 2% discount for payment within 30 days.

Alliances

- Salon Dupet, a high-end grooming company.
- Biggs Animal Hospital, which has agreed to help me offer 24-hour on-call veterinary service. My clinic will be the only "Approved Referral" for that hospital for animal acupuncture and Chinese herbal medicine.

Planned Changes

1. Premises: I am investigating free-standing buildings – off major streets, in residential neighbourhoods – that are appropriately zoned and can be easily converted into a veterinary practice and kennel space. To maximize exposure to the underserved Francophone community, I am specifically looking in neighbourhoods in Dieppe. I have already engaged a real estate broker for this purpose.
Cost: \$1,200 - \$1,500 per month, paid for initially from the \$18,000 equity investment I've made to the business.
2. Renovation of space: I expect I will have to convert the premises to make them suitable for a veterinary practice.
Cost: Approximately \$10,000, including furniture and fixtures, also paid for with my \$18,000 equity investment.
3. Veterinary start-up package: I will order this package from Veterinary Supplies Inc.. It includes a digital walk-on scale, treatment tub, hydraulic surgery table, anaesthesia machine, centrifuge, feline spay pack, x-ray machine, film and supplies, a blood chemistry unit, used kennel cages, and other equipment.
Cost: Approximately \$45,000, financing required.
4. Computer hardware and software: To manage the practice's front office, I intend to purchase a computer from Office World and practice management software from Veterinary PDM Inc.
Cost: \$2,000, paid for with my \$18,000 equity investment.

I am seeking \$45,000 in bank loans to finance the purchase of veterinary equipment.

Contingency Plans

I already have life and disability insurance, and intend to obtain critical illness, liability, and malpractice insurance. My employees will be covered by workers' compensation insurance.

I have a will. While I don't have anybody in mind to take over my practice if I become unable to work, I have given my parents contact information for competitors who would be potential buyers if something should happen to me.

If Veterinary Supplies Inc. fails to deliver a key shipment, suddenly raises its prices, or goes out of business, I have established a relationship with Vetequipment, a back-up supplier located in Fredericton.

If I am unable to find a full-time assistant with prior medical practice experience, I will consider hiring 2-3 part-timers with administrative experience.

If I need legal advice, I will retain the services of Frank Spencer, a partner at the law firm of Spencer, Peters, and Wilson and one of the leading malpractice attorneys in Moncton.

I will arrange a small line of credit or overdraft protection to cover any unforeseen expenses and to accommodate slow payment by a client.

Financials

Financial Highlights

- Throughout the first twelve months of business, The Cat Clinic will be cash flow positive.
- In its first year of business, The Cat Clinic is projected to do \$178,125 in sales, with \$15,857 in net profit before tax.

BALANCE SHEET
As at December 31, 2005

	January 1 2006	December 31 2006 <i>(Projected)</i>	December 31 2007 <i>(Projected)</i>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 18,000	\$ 9,182	\$ 20,684
Accounts receivable	-	3,250	3,575
Inventory	-	2,000	2,200
Prepaid expenses	-	2,000	2,000
Total Current Assets	<u>18,000</u>	<u>16,432</u>	<u>28,459</u>
Fixed Assets (net of depreciation)			
Leasehold improvements	-	8,000	6,000
Equipment	-	37,600	28,200
Total Net Fixed Assets	<u>-</u>	<u>45,600</u>	<u>34,200</u>
TOTAL ASSETS	<u>\$ 18,000</u>	<u>\$ 62,032</u>	<u>\$ 62,659</u>
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Current Liabilities			
Current portion of long-term debt	-	\$ 9,000	\$ 9,000
Total Current Liabilities	<u>-</u>	<u>9,000</u>	<u>9,000</u>
Long-Term Liabilities			
Long-term debt (excluding current portion)	-	30,750	21,750
Total Long-Term Liabilities	<u>-</u>	<u>30,750</u>	<u>21,750</u>
TOTAL LIABILITIES	<u>-</u>	<u>39,750</u>	<u>30,750</u>
<u>EQUITY</u>			
Dr. Greta Lloyd, Capital	18,000	22,282	31,909
TOTAL EQUITY	<u>18,000</u>	<u>22,282</u>	<u>31,909</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 18,000</u>	<u>\$ 62,032</u>	<u>\$ 62,659</u>

INCOME STATEMENT
For the year ending December 31, 2006

	<u>2006</u>	<u>2007</u>	<u>Assumptions</u>
	<i>(Projected)</i>	<i>(Projected)</i>	
SALES	\$ 171,875	\$ 189,063	Assume 10% growth
COST OF GOODS SOLD			
Opening Inventory	-	1,000	
<i>Add: Purchases</i>	19,190	21,109	
<i>Less: Ending Inventory</i>	2,000	2,200	10% increase
Cost of Goods Sold	17,190	19,909	
GROSS PROFIT	154,685	169,154	
EXPENSES			
Owner's salaries	45,837	50,000	Salary starting February 1, 2003
Employee wages	45,837	50,000	Salaries starting February 1, 2003
Employee benefits	4,584	5,000	Benefits start February 1, 2003
Selling expenses/commissions	1,375	1,513	10% increase - tied to sales level
Accounting and legal	750	788	5% increase
Advertising and promotion	1,100	1,155	5% increase
Bad debts	500	550	10% increase - tied to sales level
Business taxes, fees, licenses	1,200	1,260	5% increase
Rent	24,000	24,000	fixed cost - 5 year lease
Insurance	3,600	3,780	5% increase
Interest	3,460	3,000	Decrease since loan being repaid
Bank charges	360	360	No increase
Maintenance and repairs	1,200	1,260	5% increase
Internet access / email	600	630	5% increase
Telephone	650	683	5% increase
Utilities	1,550	1,628	5% increase
Other office expenses	2,400	2,520	5% increase
Depreciation and amortization	11,400	11,400	5 years straight line
Total Expenses	150,403	159,527	
NET PROFIT BEFORE INCOME TAXES	\$ 4,282	\$ 9,627	

BUSINESS FINANCES MONTHLY CASH FLOW
For the year ending December 31, 2006

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Assumptions
CASH RECEIPTS													
Cash sales		10,000	10,500	11,000	11,500	12,000	12,500	13,000	13,500	14,000	14,500	15,000	Business opens in Jan; picks up gradually 25% of prior month's cash sales (ie 20% of sales) Loan approved in Dec, proceeds received in Jan
Collection of accounts receivable		-	2,500	2,625	2,750	2,875	3,000	3,125	3,250	3,375	3,500	3,625	
Loan proceeds	45,000												
TOTAL CASH RECEIPTS -A	45,000	10,000	13,000	13,625	14,250	14,875	15,500	16,125	16,750	17,375	18,000	18,625	
CASH DISBURSEMENTS													
Cash purchase of materials	2,000	1,250	1,313	1,375	1,438	1,500	1,563	1,625	1,688	1,750	1,813	1,875	Medicine 10% of sales + 2K initial buildup 10K renovations + 2K computer + 45K package
Purchase of fixed assets	57,000												
Owner's salaries		4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	
Employee wages		4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50K/yr assistants effective Feb 1
Employee benefits		417	417	417	417	417	417	417	417	417	417	417	5% of total salaries - CPP & EI
Selling expenses/commissions	-	100	105	110	115	120	125	130	135	140	145	150	credit card comissions: 2% on 40% of sales
Accounting and legal	750												legal setup costs 500 yellow pages + 50/month birthday cards
Advertising and promotion	550	50	50	50	50	50	50	50	50	50	50	50	Annual permit cost
Business taxes, fees, licenses	1,200												2,000 per month + last month upfront; 5 year lease
Rent	4,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	constant
Insurance	300	300	300	300	300	300	300	300	300	300	300	300	8% per annum paid monthly on loan balance
Interest	300	300	300	300	300	295	290	285	280	275	270	265	5 year repayment starting June - principal only
Payments on loans/mortgages						750	750	750	750	750	750	750	constant
Bank charges	30	30	30	30	30	30	30	30	30	30	30	30	constant
Maintenance and repairs	100	100	100	100	100	100	100	100	100	100	100	100	constant
Internet access / email	50	50	50	50	50	50	50	50	50	50	50	50	constant
Telephone	100	50	50	50	50	50	50	50	50	50	50	50	connection fee + constant
Utilities	150	150	100	100	100	100	100	150	150	150	150	150	higher in winter (more heat)
Other office expenses	200	200	200	200	200	200	200	200	200	200	200	200	Stationery, paper, pens etc.
TOTAL CASH PAID OUT -B	66,730	13,331	13,349	13,416	13,484	14,296	14,359	14,471	14,534	14,596	14,659	14,721	
INCREASE IN CASH (A-B)	(21,730)	(3,331)	(349)	209	766	579	1,141	1,654	2,216	2,779	3,341	3,904	
OPENING CASH BALANCE	18,000	(3,730)	(7,061)	(7,409)	(7,200)	(6,434)	(5,855)	(4,713)	(3,059)	(843)	1,937	5,278	
CLOSING CASH BALANCE	(3,730)	(7,061)	(7,409)	(7,200)	(6,434)	(5,855)	(4,713)	(3,059)	(843)	1,937	5,278	9,182	

PERSONAL STATEMENT OF NET WORTH
As at October 15, 2005

ASSETS

Cash	\$ 2,311
Residence	90,000
Vehicles	9,100
RRSPs	15,000
Other: Investment in clinic	18,000

TOTAL ASSETS (A)

\$ 134,411

LIABILITIES

Amount outstanding on your credit cards	\$ 612
Amount owed on vehicle loans	8,250
Amount of student loan	11,165
Mortgage outstanding on residence	72,000

TOTAL LIABILITIES (L)

\$ 92,027

NET WORTH (A-L)	\$ 42,384
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Real Estate Owned

Description	Purchase Price	% Owned	Year Purchased
453 Smitty Avenue, Moncton NB	\$ 90,000	100%	2005