



*Entrepreneur & Small Business
Academy*



**Essential Finance Secrets For
Entrepreneurs**

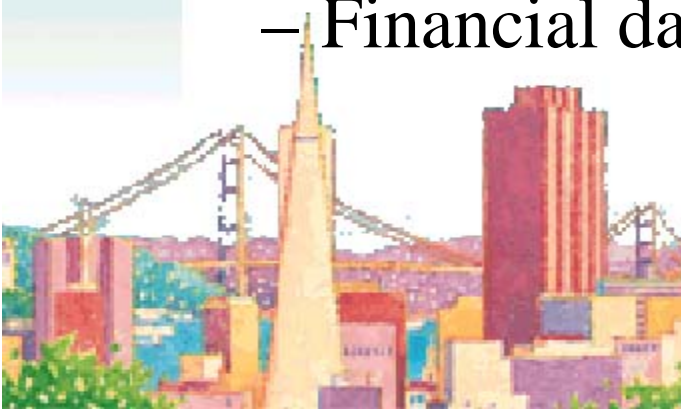
November 4, 2009



Quick Bio

Steve Peterson

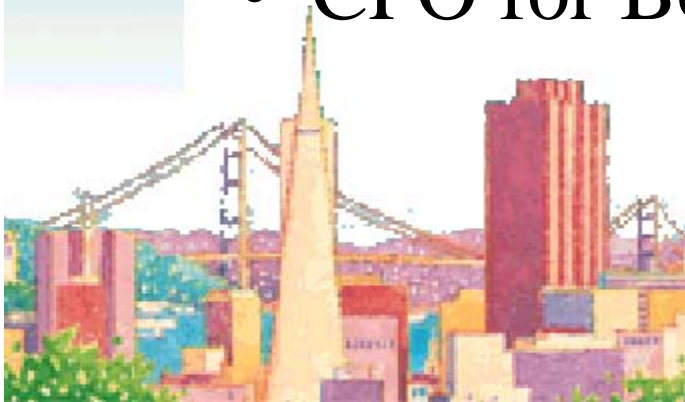
- 1995 Co-founder Whole Earth Networks **WeNET**
 - Bay Area Internet Service Provider
- 2002 Co-founder SentryTrack 
 - ASP provider for water and waste water industry
- 2007 Co-founder webKPI 
 - Financial dashboard reporting



*Raised \$30 million in Equity
and \$10 million in Debt for*

- Whole Earth Networks **WeNET**
- Vitallink Business Systems **VITAL LINK**
- Trymedia **TRYMEDIA**
- Access Information **AccessCIG**

- CFO for Borelli Investment Company





Best Entrepreneurs Know the Following

- No secret formula for success
- Luck can have an effect in being at the right place at the right time
- Learn from making mistakes, falling down, picking ourselves up and figuring out how to do it right next time





Rules To Follow

- 1. Numbers Run a Business – If you don't know them, you are flying blind**





Profit and Loss

Demo Prof Svs

Prepared on: Oct 26, 2007 08:58

FY: 2007	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue	32,459	28,489	15,772	25,823	31,805	30,355	50,184	35,960	31,587	40,903	20,004	
CGS	8,031	8,774								7,794	7,804	
Gross Profit	24,428	19,715								33,109	12,200	
Operating Expenses	7,836	8,000								6,649	6,120	
Operating Profit	16,592	11,715								26,461	6,080	
Other Income	0									0	0	
Other Expense	-100	-100								-197	-154	
Net Income	16,492	11,415								26,264	5,926	

January 2007		Debit	Credit		
Account					
Class Revenue		\$.00	\$.00		
Markup on Reimbursable Expenses		\$.00	\$ 24.40		
Reimbursed Exp. (Income)		\$.00	\$ 244.00		
Book Sales		\$.00	\$ 790.50		
Consulting Revenue		\$.00	\$ 31,400.00		
Total:		\$ 0.00	\$ 32,458.90		

Balance Sheet

Graphic D

Last Upload: Oct 30
Prepared on: Nov 0

FY: 2009	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009
Assets									
Checking/Savings	103,128	78,470	68,470	71,066	71,066	71,066	71,066	45,918	107,800
Accounts Receivable	41,787	56,787	61,883	86,883	111,979	138,069	168,261	154,546	104,759
Other Current Assets	487	487	487	487	487	487	487	487	487
Current Assets	145,402	135,744	130,840	158,435	183,531	209,622	239,813	200,951	213,047
Net Fixed Assets	577	577	577	577	577	577	577	577	577
Other Assets	0	0	0	0	0	0	0	0	0
Total Assets	145,979	136,321	131,417	159,012	184,108	210,199	240,390	201,528	213,624
Liabilities									
Accounts Payable	37,668	10,510	16,853	17,108	19,863	25,313	26,968	4,695	12,064
Credit Card	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,859
Other Current Liabilities	34,689	34,689	24,689	24,689	24,689	24,689	24,689	24,689	24,689
Current Liabilities	74,216	47,058	43,401	43,656	46,411	51,861	53,516	31,243	38,612
Long Term Liabilities	0	0	0	0	0	0	0	0	0
Total Liabilities	74,216	47,058	43,401	43,656	46,411	51,861	53,516	31,243	38,612
Equity									
Equity/Retained Earnings	49,423	49,423	49,423	49,423	49,423	49,423	49,423	29,423	29,423
Net Profit from Income Statement	22,341	39,841	38,593	65,934	88,275	108,916	137,452	140,863	145,589
Total Equity	71,763	89,263	88,016	115,357	137,698	158,338	186,875	170,285	175,012



Rules To Follow

1. Numbers Run a Business – If you don't know them, you are flying blind
2. **A Sale is Not a Sale until you Collect**



Completion of a promise is payment

Method 2 Collection Period Reduction

Assumed

5.6
days

results in
Collection Period
of

50.6
days

and
NBP of

(\$128,726)

Collection Period		Bottom ← → Top				
						TARGET
Company current:	56.2	NEW				
Target (for NBP = 0):	9.7	10%	25%	Median	25%	10%
Industry Indicator:		48.9	48.9	36.7	24.7	4.5
Reduction needed:		7.3	7.3	19.4	31.4	51.7
Resulting NBP:		(\$123,281)	(\$123,281)	(\$85,095)	(\$47,286)	\$16,395

Your Accounts Receivable Collection Period is longer than the levels shown by the least collection efficient companies in your industry and it may be consuming excess cash. Refer to the display above to help you estimate the cash liquidity position improvement that could be attained were you to reduce your Collection Period to that of more collection efficient companies in your industry.



Rules To Follow

1. Numbers Run a Business – If you don't know them, you are flying blind
2. A Sale is Not a Sale until you Collect
3. **When Short Term Liabilities Exceed your Short Term Assets, you are Bankrupt**



Current Ratio

Looks at your ability to meet obligations maturing in the next 12 months

Balance Sheet

Graphic D

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Rules To Follow

4. Forget Shortcuts. Run a business as if it's forever





Run a business as it is forever

- Company needs time to develop
- Diversified base of loyal customers
- Experienced managers
- Vibrant culture
- Efficient systems
- Sales force

Shortcuts only prolong the process of building a great company





Rules To Follow

4. Forget Shortcuts. Run a business as if it's forever
- 5. Cash is hard to get and easy to spend. Make it before you spend it**





Rules To Follow

4. Forget Shortcuts. Run a business as if it's forever
5. Cash is hard to get and easy to spend. Make it before you spend it
6. **You have no friends in business, only associates**



Friends

- Don't do business with friends
- Friends expect special treatment or exceptions

You could lose a supplier and a friend if relationship goes south





Rules To Follow

- 7. Don't focus on the top line. Gross Margin is the most important number**





Gross Margin

- Everybody obsesses on sales initially
- Yet you have to pay your expenses out of gross profit
- If your gross margin is 10%, you need \$10 in sales for every \$1 of overhead just to break-even. If gross margin is 40%, you need only \$2.50 in sales.



Rules To Follow

7. Don't focus on the top line. Gross Margin is the most important number
8. **Know your competitors**



Competitors

Private Company Data

	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>All Companies</u>
Company Count in Analysis	291	582	291	1164
Data for Industry Code	323110	323110	323110	323110
Income Statement				
Net Sales	\$759,218	\$2,666,735	\$10,083,958	\$2,666,735
Gross Profit	\$376,722	\$1,116,617	\$2,628,049	\$1,036,993
Operating Income	\$18,123	\$66,531	\$278,944	\$67,179
Net Profit After Tax	\$9,379	\$28,495	\$94,560	\$28,042
Balance Sheet				
Cash	\$16,696	\$72,202	\$253,508	\$68,658
Accounts Receivable	\$37,926	\$281,258	\$1,409,120	\$272,864
Inventory	\$7,520	\$47,324	\$359,497	\$52,118
Other Current Assets	\$2,214	\$16,909	\$147,181	\$18,885
Total Current Assets	\$64,356	\$417,693	\$2,169,305	\$412,525
Total Fixed Assets	\$81,260	\$533,829	\$2,756,102	\$511,078

Competitors

	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>All Companies</u>
Company Count in Analysis	291	582	291	1164
Data for Industry Code	323110	323110	323110	323110
Financial Ratios				
Quick Ratio	1.2	1.2	1.1	1.2
Current Ratio	1.7	1.7	1.5	1.7
Current Liabilities to Net Worth	62 %	80 %	95 %	80 %
Current Liabilities to Inventory	450 %	477 %	450 %	461 %
Total Liabilities to Net Worth	166 %	174 %	199 %	178 %
Fixed Assets to Net Worth	7,376 %	10,188 %	13,494 %	9,957 %
Collection Period	26.7	36.5	42.6	36.7
Inventory Turnover	49.2	47.6	30.3	37.1
Assets to Sales	0.35	0.42	0.49	0.43
Sales to Working Capital Ratio	7.3	7.9	7.8	7.0
Accounts Payable to Sales	3.0 %	4.0 %	5.0 %	4.0 %
Interest Coverage	6.00	4.00	4.00	4.00
Return on Assets	3.0 %	2.0 %	2.0 %	1.0 %
Return on Investment	12.0 %	6.0 %	5.0 %	7.0 %
Sales per Employee	\$75,059	\$109,227	\$138,674	\$110,482
Profit per Employee	\$792	\$1,118	\$1,365	\$1,109



Rules To Follow

7. Don't Focus on the Top Line. Gross Margin is the Most Important number
8. Know your competitors
- 9. Culture drives a company**





Rules To Follow

7. Don't Focus on the Top Line. Gross Margin is the Most Important number
8. Know your competitors
9. Culture drives a company
- 10. Life plans come before business plans**





Business Blunders

1. Not Controlling Cash

1. Poor record keeping
2. Not reviewing Financial Statement trends
3. Not controlling receivables
4. Loading up on inventory
5. Short or inadequate financing

2. Poor Marketing

1. Not focusing on customer feedback
2. Not talking about your product every chance you get





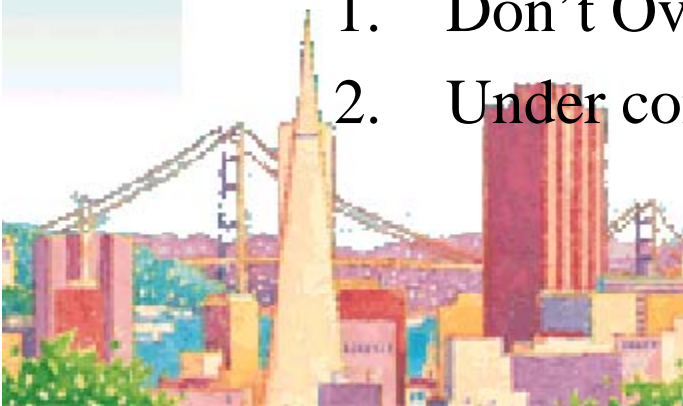
Business Blunders

3. Respecting your value

1. Don't compete on price
2. Charge a nominal fee vs. Free. – If free, show the value on the invoice provided and limit time available
3. Ask customers for referrals

4. Fail to fulfill promises

1. Don't Oversell
2. Under commit and over deliver





Business Blunders

5. Unrealistic expectations

1. Inadequate planning
2. Trying to do all yourself





Types of Business Plans

- One Page Business Plan
- 3-5 Page Executive Summary
- 20 Page Business Plan



One Page Business Plan

<http://www.onepagebusinessplan.com/>

Company Name

Planning Unit: Name

Fiscal Year: 2009

ONE
PAGE
PLAN

Your Name, Title

Last Updated: 4/8/2008



vision



mission



objectives



Executive Summary

Opportunity

Competition between online retailers for customers is at an all time high. However, most retailers mirror traditional brick-and-mortar business models: open a store, drive traffic to it, and hope for sales, while failing to take advantage of the Web's ability to create networks of consumers through online communities, content, and partnerships.

The Concept

Pipedream.com has created a new weapon in the retailer's arsenal of strategic partnerships turning single consumers into networks of consumers. Recognizing this market need, Pipedream.com has developed a service that will greatly improve how Internet retailers entertain and service its customers. Integrating services and content will enable retailers to tap into new networks of consumers and save on web site development and maintenance. Our unique approach of providing applications and content will transform online marketing in our effort to build a synergistic global community of business partners and consumers. Pipedream.com revenues will be generated directly from our retailer partners in the following areas: (1) setup fees (2) maintenance fees (3) sale of data (4) and advertising.

Milestones

The Company has raised \$_____ seed capital as of January 2000 to fund company operations. Pipedream.com (Version 1) was launched successfully in October of 1999, achieving its objective of _____ users and _____ retailers, averaging _____ pages views per month and at a _____ conversion rate of visitors to new accounts through March of 2000.

Strategic Advantages

- **Brand Identity** - This URL and brand awareness has generated over 5,000,000 page views on our site since our launch.
- **Proprietary Technology** - The Pipedream.com Engine and Database, written in Cold Fusion™. (Patents Pending)
- **Service marks and Domain Names** - The Company has obtained the rights to "My Pipe List" with the preemptive rights to "Pipe List." The Company owns Pipedream.com, Pipedreams.com, myPipedream.com, and a number of other related domain names.
- **Strategic Partnerships** - Our strategic relationships will take the form of content syndication, data sharing and sponsorships to build barriers of entry for our competition.
- **High Switching Costs** - Once retailers become comfortable using Pipedream.com's services, it is unlikely that they will move to a competitive service because their consumer data and business practices will be linked into Pipedream.com, making it difficult to switch.

Competition

Presently, there are numerous "second rate" stand alone gift registry services in the Internet marketplace and three formidable competitors, such as: BigPipes.com, RustyPipe.com, CoolPipe.com. The Company believes the competition's penetration into the Internet marketplace will be limited due to: (1) their lack of depth and breadth of service offerings to retailers; and (2) primary focus of operating a destination site for consumers versus providing application services directly for retailers. Pipedream.com believes that it can continue to build strategic relationships in the online retail space and capture a large market share in industry before other companies can achieve a similar presence.

Sources of Revenue

- **Setup Fees** - Pipedream.com will charge a one time setup fee to our retail partners for the use of our application services.
- **Commissions (Option 1)** - Pipedream.com will receive commissions after consumers purchase products from our retail partners. Pipedream.com will track all consumer purchases and will receive a pre-determined percentage of the final sale from the retail partner.



Secret is Simple

- It's not hard work and long hours, it's acting like a CEO
- CEOs expect a payoff
- Millionaire entrepreneurs focus on business practices that create the biggest results
- Once you make the investment in time, money and resources, make it profitable or ditch it.



Growing a business requires learning every day from available resources

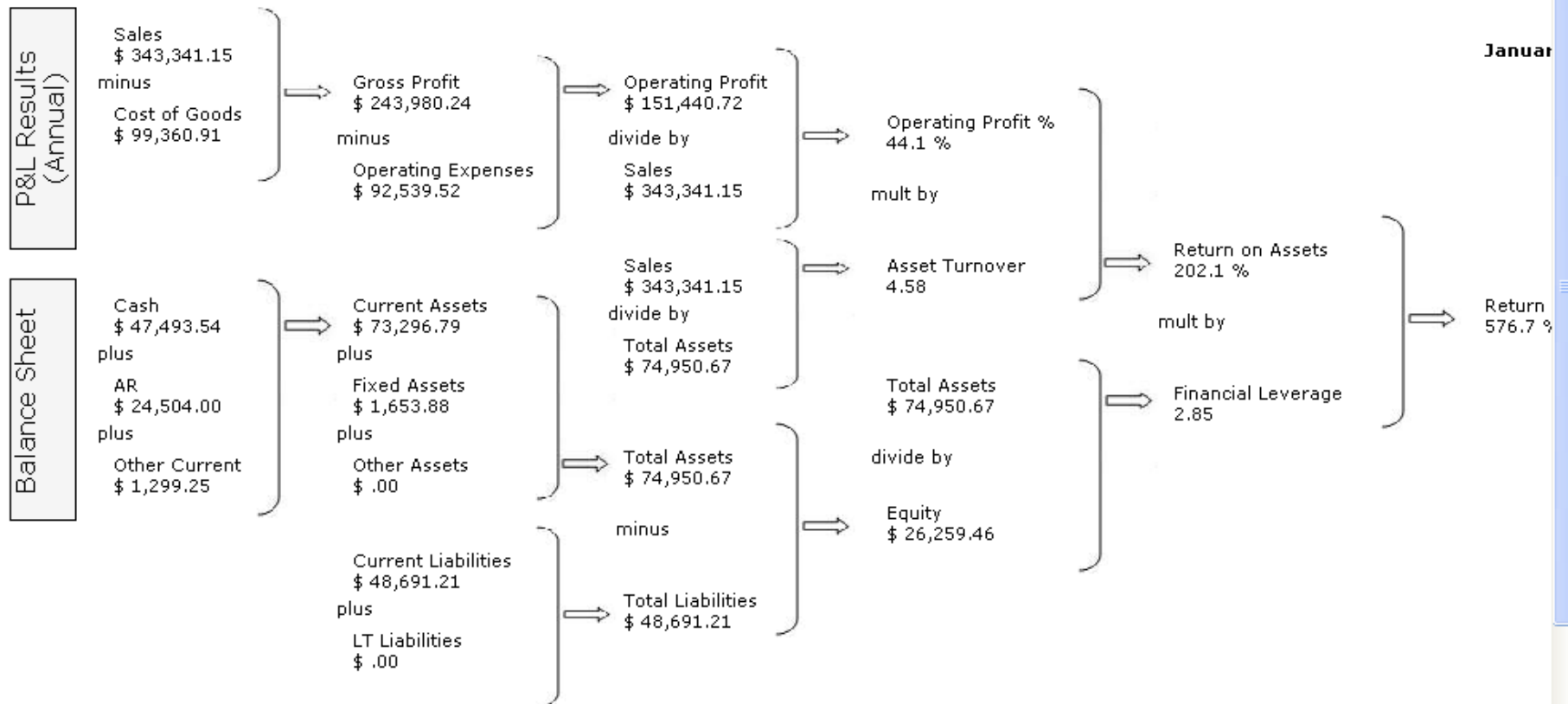
Return on Equity Model

Demo Prof Svs

Prepared on: Oct 26, 2007 08:59

The ROE is perhaps the most important ratio of all. It is the percentage of return on funds invested in the business by its owners. In short, this ratio tells the owner whether the effort put into the business has been worthwhile. If the ROE is less than the rate of return on an alternative, risk-free investment such as a bank savings account, the owner would be wiser to sell the company, put the money in such a savings instrument, and avoid the daily struggles of small business management. The ROE is calculated as follows:

January



Club Auto Sport Fast Lane to Clean Technology Incubator

Nov 18th 5:30pm

http://clubautosport.net/eblast/11.09_CAS_Fast_Lane_U/CAS_Fast_Lane_U.html



Team Club Auto Sport



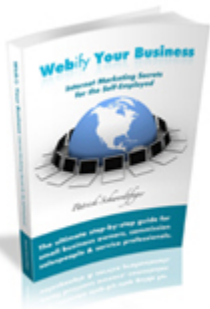
QuickBooks and Business Coaches



Guest Speaker



- Author of two books
- Organizer of the Entrepreneur & Small Business Academy with 1,500 members
- Founder of Tactical Execution; an internet marketing company that leverages cutting-edge strategies to build credibility and exposure for its clients.
- Patrick is an inspiring speaker who has given keynotes and workshops in the United States, Canada and Europe. At latest count, his podcasts have been downloaded over 50,000 times in 27 countries and his articles have been published on thousands of different websites.



Webify Your Business

Internet Marketing Secrets for the Self-Employed

The ultimate step-by-step guide for small business owners, commission salespeople and service professionals.

Available on: **amazon.com.**

PRESS ROOM

CONTACT ME



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