

EXHIBIT II
SOURCES AND USES STATEMENT (example)

SOURCES OF FUNDS

The total project will take \$60,000 to complete.

Sources:

\$17,500	My Company
<u>\$42,500</u>	Lender
\$60,000	

USE OF FUNDS

The \$17,500 contributed by (My Company) will be used as follows:

\$2,000	Legal Fees
\$1,500	Licenses and Permits
\$1,500	Leasing Costs
<u>\$12,500</u>	Inventory
\$17,500	

The requested \$42,500 will meet the following needs:

\$12,000	To incorporate the adjoining 2,400 square foot store front into the presently occupied space (a breakdown with estimated costs is included as Appendix B). This will approximately double our sales area and allow expansion of office and storage space.
\$4,000	For additional display fixtures (Appendix B).
\$4,000	To equip and install a demonstration area (Appendix B).
\$7,500	For increased inventory.
<u>\$15,000</u>	For working capital to carry accounts receivable.
\$42,500	Total.

With expansion, there will be sufficient space for customers to examine the merchandise and talk without being jostled by others trying to get through narrow aisles. There will be some new merchandise to display, but for the most part, we will merely spread out what is already in the store.

We have been aware of the need for a demonstration area for some time, but could not possibly work it in without sacrificing some of the already restricted open areas. There will be scheduled demonstrations by staff members two to four times a day depending on the day of the week. Any time there is no demonstration in progress, customers will be allowed to use the facility to try the products themselves.

USE OF FUNDS (Cont'd)

The amount requested for additional inventory will enable us to add to our line of accessories and provide for a modest increase in lines already handled. Although we normally receive our merchandise within a week to ten days after order, there have been delays in delivery from time to time and customers have had to wait for their purchases. The additional inventory will reduce that possibility in the future.

A complete set of our product represents a major purchase for many of our customers. Therefore, we offer limited credit terms to those who have a good credit rating. The standard agreement is for 1/3 down, 1/3 in 30 days and the balance in 60 days. Our experience has been excellent with bad debts amounting to three tenths of one percent. Sales are increasing rapidly now but the rate of growth is projected to slow after about a year. The \$15,000 requested to carry receivables together with retained earnings should be sufficient to handle the increased credit business.

Immediately upon completion of the expansion, one person will be added to the sales staff and within a year two more sales people will be hired as well as a half-time person for office work. Therefore, this loan will benefit the community, as well as the business, by creating 3.5 new jobs.

BALANCE SHEET

The Abra Company
Sub City, Washington

Assets	<u>02/28/1988</u>	<u>02/28/1989</u>	<u>05/31/1989</u>
Current Assets:			
Cash	\$ 6,314	\$ 5,622	\$ 8,261
Accounts Receivable	\$ 2,127	\$ 4,651	\$ 7,133
Inventory	\$ 5,118	\$ 6,404	\$ 13,476
Prepaid Expenses	\$ 433	\$ 624	\$ 519
Total Current Assets:	\$ 13,992	\$ 17,301	\$ 29,389
Non-current Assets:			
Leasehold Improvements	\$ 12,439	\$ 14,718	\$ 14,718
Furniture and Fixtures	\$ 8,790	\$ 9,355	\$ 9,355
Equipment	\$ 4,612	\$ 4,818	\$ 5,306
	\$ 25,841	\$ 28,891	\$ 29,379
Less Accumulated Depreciation	\$ 5,113	\$ 7,428	\$ 8,148
Total Non-Current Assets	\$ 20,728	\$ 21,463	\$ 21,231
Total Assets	\$ 34,720	\$ 38,764	\$ 50,620
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 4,879	\$ 5,312	\$ 6,097
Notes Payable—Bank	\$ 1,000	\$ 3,500	\$ 2,000
Notes Payable—Other	\$ 5,500		
Accrued Taxes	\$ 1,612	\$ 1,749	\$ 581
Total Current Liabilities	\$ 12,991	\$ 10,561	\$ 8,678
Net Worth:			
Owner's Investment	\$ 12,500	\$ 12,500	\$ 25,000
Retained Earnings	\$ 9,229	\$ 15,703	\$ 16,942
Total Net Worth	\$ 21,729	\$ 28,203	\$ 41,942
Total Liabilities & Net Worth	\$ 34,720	\$ 38,764	\$ 50,620

