

SCHOOL LAUNCH · BUSINESS & FINANCE

SEVEN SMALL BUSINESSES

A 10-lesson unit for Entrepreneurship & Sales (Grades 9–12), usable on its own: seven real businesses that families start and own, each on a cited one-page deal sheet.

First edition

For which of you, intending to build a tower, sitteth not down first, and counteth the cost, whether he have sufficient to finish it?
Luke 14:28 (KJV)

COURSE GUIDE

For each business the student fills in the same deal sheet: startup cost, monthly costs, pricing, margin and payback, and a “What really makes it work” box. Franchise figures come from each franchisor’s Franchise Disclosure Document; laundromat, vending and storage figures from trade associations and industry reports; permits from government pages.

Paybacks are simple arithmetic on cited averages, always labeled “before debt, taxes and owner pay.” They are not projections. Where only weak trade estimates exist, the lesson says so.

WHO IT IS FOR

Students in grades 9–12 comfortable with percents. A parent joins for calls and visits.

HOW TO USE THIS COURSE

1. **Rhythm.** One lesson a week in three 50-minute sessions: teaching and picture study; worked examples and practice; the deal-sheet project.
2. **Core path.** Short on time? The five ★ lessons make a short version.
3. **Safety.** All calls and visits with a parent.

SCOPE AND SEQUENCE

Unit 1: Seven Small Businesses (1–10)

Seven real businesses that ordinary families start and own: a vending route, a laundromat, a self-storage facility, a hot dog stand, a Jersey Mike’s, a Great Clips and a small-town newspaper. For each, the student builds the same one-page deal sheet and a “What really makes it work” box: the permits, zoning, tax rules, location, competition and owner labor that brochures leave out.

MATERIALS

- **Ledger notebook**For deal sheets and call logs.
- **Calculator or spreadsheet**
- **Phone with a parent**For quotes and the permit call.

GRADING

Deal sheets are graded for correct arithmetic and a citation for every number.

- Deal sheets (Lessons 1.2–1.8): 35%
- Comparison memo (1.9): 10%
- Unit test: 25%
- Capstone portfolio: 30%

A 90-100, B 80-89, C 70-79.

- A guessed number with no label costs more than an arithmetic slip.

A NOTE TO PARENTS

This unit teaches arithmetic and judgment about real businesses, not investment, legal or tax advice. Figures are current to the sources dated in each lesson and will change; before any real decision, read the current FDD and consult professionals.

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- 1.9 Comparing the Seven
- 1.10 Capstone: My Deal Sheet

★ core path (5 lessons). Every figure is cited; where no reliable figure exists, the student gathers local quotes.

SEVEN SMALL BUSINESSES

Seven real businesses that ordinary families start and own: a vending route, a laundromat, a self-storage facility, a hot dog stand, a Jersey Mike's, a Great Clips and a small-town newspaper. For each, the student builds the same one-page deal sheet and a "What really makes it work" box: the permits, zoning, tax rules, location, competition and owner labor that brochures leave out.

Every number comes from a cited source (franchise disclosure documents, trade associations, government pages). Where no reliable public number exists, the lesson says so and the student gathers local quotes instead.

BEFORE YOU BEGIN

- Percent, decimals and division.
- Reading a table.
- Entrepreneurship & Sales Unit 1 is helpful but not required.

MASTERY CHECKLIST

- ☐ I can fill in a deal sheet and cite every number.
- ☐ I can compute gross margin, operating profit, break-even and payback.
- ☐ I can read FDD Items 5, 6, 7, 19 and 20.
- ☐ I can name what a profit figure is "before."
- ☐ I can tell a strong source from a weak one.
- ☐ I can name the permits and zoning rules for a business in my town.

OPTIONAL BOOKS AND GAMES

- **A Franchise Disclosure Document** (<https://www.ftc.gov/business-guidance/resources/franchise-rule-compliance-guide>): Many state regulators post FDDs online; the FTC compliance guide explains each Item.
- **The board game Monopoly**: For a family discussion of rent, location and cash flow.

1.1 COUNTING THE COST: THE DEAL SHEET AND THE FDD

OBJECTIVES

- Define startup cost, fixed cost, variable cost, gross margin, operating profit, owner's pay and payback period, and explain why revenue is not income.
- Name what Items 5, 6, 7, 19 and 20 of a Franchise Disclosure Document tell a buyer.
- Fill in a one-page deal sheet from cited figures and compute a payback period "before debt, taxes and owner pay."

Warm-up. A neighbor says, "My cousin's car wash takes in \$400,000 a year, so he must be rich." Write two questions you would ask before you believed that.

Video slot. Video coming. Topic: how to read a Franchise Disclosure Document (Items 5, 6, 7, 19, 20). Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

revenue (sales)

All the money customers pay the business before any costs are taken out. Also called the "top line."

fixed cost

A cost that stays about the same each month whether sales are high or low: rent, insurance, loan payments, software fees.

variable cost

A cost that rises with each sale: the hot dog and bun, the snack in the machine, the card fee on each swipe.

gross margin

The share of each sales dollar left after paying for the goods sold.

operating profit

What is left after all the costs of running the business, usually before loan payments, income taxes and the owner's own pay. Trade surveys often call it "operating net" or "operating cash flow."

payback period

How many years of profit it takes to earn back the money put in at the start.

Franchise Disclosure Document (FDD)

The document a franchisor must give a buyer under the Federal Trade Commission's Franchise Rule. It has 23 numbered Items.

KEY FORMULAS

Gross margin = (Sales – Cost of goods sold) ÷ Sales

Operating profit = Sales – all operating costs

Payback (years) = Startup cost ÷ Yearly profit

Break-even sales (units) = Fixed costs ÷ (Price – Variable cost per unit)

CORE IDEAS

The question Jesus asked. “Which of you, intending to build a tower, sitteth not down first, and counteth the cost?” The builder in Luke 14 is not mocked for building; he is mocked for starting what he could not finish. Every business in this unit begins the same way: sit down, write the numbers, and find out whether you have enough to finish.

The deal sheet. For each of the seven businesses you will fill in the same one page: startup cost, monthly fixed costs, variable cost and price, gross margin, operating profit, owner hours, payback, and a box called *What really makes it work*. Every number gets a source. If no trustworthy number exists, you write “no reliable public figure” and go get a local quote. You never fill a blank with a guess.

Revenue is not income. A laundromat with \$335,000 of sales is not paying its owner \$335,000. Out come rent, water, gas, repairs, insurance and the loan. Many industry surveys report profit *before* three large items: loan payments (debt service), income taxes, and pay for the owner’s own hours. When you read a profit figure, always ask: before what?

The Franchise Disclosure Document. Under the FTC Franchise Rule, a franchisor must hand a buyer its FDD at least 14 calendar days before the buyer signs or pays. Five Items matter most here. *Item 5* lists the initial franchise fee. *Item 6* lists other fees such as royalties and advertising-fund payments. *Item 7* estimates the total initial investment, low to high. *Item 19* is the optional financial performance representation: if a franchisor tells you anything about sales or profit, it must be here, and many franchisors say nothing at all. *Item 20* lists outlets opened, closed and transferred, and gives contact information for current and some former franchisees, the people you should call.

Payback, honestly labeled. Payback is startup cost divided by yearly profit. It is a quick test, not a forecast. In this unit every payback is labeled “before debt, taxes and owner pay,” because that is how the source figures are reported. A real buyer must also subtract the loan payment, set aside taxes and pay himself or a manager.

What really makes it work. Brochures show the sales. The deal sheet shows the costs, and the box at the bottom shows the things no spreadsheet captures: whether the town will issue the permit, whether the zoning allows the business on that lot, whether a competitor is a block away, whether a tax rule helps or hurts, and how many hours the owner must stand behind the counter himself.

PICTURE STUDY



The Moneylender and His Wife, Quentin Matsys, 1514 · Oil on panel · Musée du Louvre, Paris
Wikimedia Commons · Public domain

Quentin Matsys painted this in Antwerp, then one of the busiest trading cities in Europe. A money-changer weighs coins because coins were often clipped or worn, so a coin was worth only what it weighed.

Look closely

- The balance in the man's hand and the pile of coins and pearls.
- The book the wife holds open: a book of devotions with a picture of the Virgin and Child.
- The small convex mirror showing the street outside.

Talk about it

1. Why would a money-changer weigh each coin instead of counting it?
2. The wife's eyes are on the coins, not her book. What do you think the painter wanted us to notice?
3. How is weighing coins like checking the figures on a deal sheet?

PROJECT: MY FIRST DEAL SHEET

You will build the blank deal sheet you will use all unit, then fill one in using the Great Clips figures in the worked example.

You will need

- Ledger notebook or a spreadsheet

- Calculator
- This lesson's Sources list

Steps

1. Copy the eight deal-sheet rows into your notebook: Startup cost (low and high, with source); Monthly fixed costs (rent, insurance, fees); Variable cost per sale and price per sale; Gross margin and operating profit (with source); Owner hours per week; Payback before debt, taxes and owner pay; What really makes it work (permits, zoning, location, competition, labor); Source list: every number with where it came from, or "local quote" with the name and date.
2. Fill in the Great Clips row values from Worked Example 1, citing the FDD Exchange summary for each.
3. Compute payback at the low and high investment.
4. Write two sentences on what the payback leaves out.
5. Leave the "What really makes it work" box for Lesson 1.7.

Check your work

- Every number has a source written next to it.
- Payback is labeled "before debt, taxes and owner pay."
- No blank is filled with a guess.

LEDGER NOTEBOOK

1. Draw the deal sheet with its eight rows. Keep it at the front of the notebook.
2. Write the four formulas and one sentence in your own words for each.
3. List Items 5, 6, 7, 19 and 20 of an FDD with one line on what each tells you.

From history. The FTC adopted its Franchise Rule in December 1978; it took effect in October 1979. The FTC revised it in 2007 into today's 23-Item Franchise Disclosure Document, required for all franchise sales from July 1, 2008. Before it, buyers often learned the true fees only after signing.

Sources for this lesson. Great Clips figures: [FDD Exchange summary of the Great Clips 2025 FDD](#). Disclosure timing and the 23 Items: [FTC Franchise Rule, 16 CFR Part 436](#). The break-even example uses made-up classroom numbers and is labeled so.

For families. This unit teaches arithmetic and judgment, not investment advice. Every figure is cited, and where trade sources are weak the lesson says so. Profit figures are averages that include strong and weak stores; a new owner's results can be far lower.

WORKED EXAMPLES

Example 1. Great Clips' 2025 FDD reports, for a subset of 2,175 salons, average sales of \$413,389, expenses of \$330,752 and operating cash flow of \$82,637. Its Item 7 initial investment is \$187,800 to \$419,900. Find the operating cash flow margin and the payback at the low and high investment.

1. Margin = $\$82,637 \div \$413,389 \approx 0.1999$, about 20.0%.
2. Low payback = $\$187,800 \div \$82,637 \approx 2.27$ years.
3. High payback = $\$419,900 \div \$82,637 \approx 5.08$ years.

Answer: About 20% of sales; payback roughly 2.3 to 5.1 years before debt service, taxes and the owner's own pay.

Example 2. A classroom example (made-up numbers for practice only): a stand pays \$600 a month in fixed costs, sells an item for \$4.00 and spends \$1.50 on each one. How many must it sell each month to break even?

1. Contribution per item = $\$4.00 - \$1.50 = \$2.50$.
2. Break-even = $\$600 \div \$2.50 = 240$ items.

Answer: 240 items a month. Above that the stand makes an operating profit; below it, a loss.

PRACTICE

1. **EASY** Which FDD Item gives the estimated initial investment?
2. **EASY** Is Item 19 required to contain sales or profit figures?
3. **EASY** Name three costs that "operating profit" in a trade survey often does not subtract.
4. **MEDIUM** A business has sales of \$200,000 and a cost of goods of \$130,000. What is its gross margin?
5. **MEDIUM** Startup cost is \$150,000 and yearly profit before debt, taxes and owner pay is \$30,000. Payback?
6. **MEDIUM** Fixed costs are \$900 a month, price \$3.00, variable cost \$1.20. Break-even units per month?
7. **HARD** Great Clips' subset salons spent \$330,752 of \$413,389 in sales. What percent went to expenses, and how does that check against the 19.99% operating cash flow?
8. **HARD** Why should a buyer call franchisees listed in Item 20 rather than trust Item 19 alone?

COMMON MISTAKES

- Calling sales "income." Income is what is left after costs.

- Comparing a profit “before owner pay” with a salary. If the owner works 50 hours a week, part of that profit is really his wage.
- Filling a blank with a guess. Write “no reliable figure” and get a local quote.

Make it a game • Before What?. A parent reads a profit claim (“This store makes \$90,000”). The student has 20 seconds to name what it is before: loan payments, taxes, owner pay, repairs, rent. One point for each correct item; lose a point for any item the claim already includes.

Scripture. “For which of you, intending to build a tower, sitteth not down first, and counteth the cost, whether he have sufficient to finish it?” (Luke 14:28, KJV)

Counting the cost is not fear; it is wisdom. The builder sits down first.

Practice: answers

1. Item 7.
2. No. Item 19 is optional; if a franchisor makes any performance claim, it must be in Item 19.
3. Loan payments (debt service), income taxes, and pay for the owner’s own labor.
4. $(\$200,000 - \$130,000) \div \$200,000 = 35\%$.
5. 5 years, before debt, taxes and owner pay.
6. $\$900 \div \$1.80 = 500$ units.
7. $\$330,752 \div \$413,389 \approx 80.01\%$; $100\% - 80.01\% = 19.99\%$, which matches.
8. Item 19 gives averages chosen and defined by the franchisor; owners can tell you real costs, their own hours, their rent and their actual take-home pay.

1.2 THE VENDING ROUTE

OBJECTIVES

- Explain how a vending route earns money from machines placed in other people's buildings: location contracts, commissions, restocking and card readers.
- Use the NAMA figure of \$6,284 average yearly sales per machine and explain why a beginner may earn far less.
- Gather local quotes for a machine, a card reader and wholesale snack prices instead of trusting a trade guide.

Warm-up. Think of three vending machines you have seen. For each, write who you think owns it: the building, a company, or one person with a van.

Video slot. Video coming. Topic: how a vending route operator restocks and services machines. Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

location contract

An agreement with a building owner that lets the operator place a machine there, often for a share of sales.

commission

The share of sales the host location receives.

route

The list of machines an operator visits to restock, collect and repair.

card reader

A device that lets a machine take cards and phones; it usually carries a monthly fee and a per-sale fee.

sales-tax registration

Signing up with the state to collect and pay sales tax on taxable sales, required in states with a sales tax.

KEY FORMULAS

Monthly sales per machine = Yearly sales ÷ 12

Gross profit per item = Vend price – Wholesale cost – Card fee

Machine payback (months) = Machine cost ÷ Monthly profit per machine

CORE IDEAS

A business in other people's buildings. The vending operator owns the machines but not the floor. He finds a break room, a hotel hallway or a shop and signs a location contract. The host may ask for a commission. The operator buys snacks and drinks at wholesale, fills the machines, collects the cash and card sales, fixes jams and replaces broken glass.

What the trade association reports. NAMA, the National Automatic Merchandising Association, reports in its census that average sales per machine were **\$6,284** a year (2023 column), about \$524 a month. The typical operator in its census runs **277 machines**. NAMA estimates the U.S. convenience-services industry at **\$31.1 billion** in 2025.

Why averages mislead a beginner. The average is pulled up by large operators with the best locations: factories running three shifts, hospitals, busy schools. A beginner's first machines are often in small offices where twenty people pass by. Your first machine may sell far less than \$524 a month.

What we could not find. No reliable public benchmark was found for a beginner's startup cost, monthly costs or product margin. So your deal sheet will use local quotes: the price of one new and one used machine from two dealers, a card reader and its monthly fee, and a wholesale club's price for the items you would sell.

What really makes it work. Location is almost everything: a busy break room in a 24-hour plant beats a quiet office. The host's commission comes off the top. You need sales-tax registration, and some cities or states require a vendor's license. Count the owner's own driving and restocking hours. Theft and vandalism are real costs. A good location contract is the asset; the machine is just a box.

PICTURE STUDY



The Automat Dining Room, 818-820 Chestnut Street, Philadelphia, Horn & Hardart postcard, about 1906 · Color postcard · Library Company of Philadelphia · Wikimedia Commons · No restrictions

Automats were restaurants made of vending machines. Horn & Hardart opened the first American automat on Chestnut Street in Philadelphia in June 1902 and later ran many in Philadelphia and New York. Workers behind the wall refilled each little window as customers emptied it.

Look closely

- The wall of small glass doors along the back, each holding one dish.
- The decoration: the owners wanted a machine to feel like a fine restaurant.
- What you cannot see: the workers behind the wall restocking.

Talk about it

1. Who did the labor in an automat, and where were they?
2. Why might customers trust a machine that let them see the food first?
3. What modern business works the same way?

Safety first. Talk to dealers and building managers only with a parent present or on the phone with a parent listening. Never collect money from a stranger's machine.

PROJECT: VENDING DEAL SHEET WITH LOCAL QUOTES

Fill in a deal sheet for one machine at one real location near you, using NAMA's average only as a ceiling, not a promise.

You will need

- Deal sheet
- Phone or computer (with a parent)
- Wholesale club receipt or website prices

Steps

1. Get prices for one new and one used snack machine from two dealers.
2. Find a card reader's price, its monthly fee and its per-sale fee.
3. Price five snacks at a wholesale club and set a vend price for each by checking a nearby machine.
4. Compute gross profit per item and the number of sales needed per month to pay back the machine in two years.
5. Compare that number with NAMA's average of about \$524 a month and write whether your location could reach it.

Check your work

- Every quote is dated and names the seller.
- NAMA figures are cited and labeled as industry averages.
- The "What really makes it work" box lists the location, commission, permits and your hours.

LEDGER NOTEBOOK

1. Sketch a route map: home, wholesale club, three possible locations, with miles between.
2. List the costs of one restocking trip: fuel, time, product.
3. Copy NAMA's two numbers (\$6,284 and 277 machines) with the source.

From history. About the first century A.D., Hero of Alexandria described in his *Pneumatics* a temple vessel that let out water only when a five-drachma coin was dropped in: the weight of the coin tipped a lever and opened a valve. The automat era in American cities began on June 9, 1902, when Horn & Hardart opened its first automat at 818 Chestnut Street in Philadelphia.

Sources for this lesson. Sales per machine and operator size: [NAMA, Convenience Services Census \(PDF\)](#). Industry size: [NAMA news release on the 2024-25 census](#). No reliable public benchmark was found for a beginner's startup cost or product margin, so students gather local quotes.

For families. Students should make calls and visits only with a parent. NAMA's average comes from its industry census and is not a promise for any one machine.

WORKED EXAMPLES

Example 1. NAMA reports \$6,284 average yearly sales per machine. What is that per month and per week (52 weeks)?

1. Per month: $\$6,284 \div 12 \approx \523.67 .
2. Per week: $\$6,284 \div 52 \approx \120.85 .

Answer: About \$524 a month or \$121 a week, in sales, not profit.

Example 2. The typical operator in NAMA's census runs 277 machines. If each sold the average, what would yearly sales be?

1. $277 \times \$6,284 = \$1,740,668$.

Answer: About \$1.74 million in sales, from a business that needs warehouses, vans and employees. A one-person route is a different business.

PRACTICE

1. **EASY** Who usually owns the building where a vending machine stands?
2. **EASY** What is a commission?
3. **EASY** What is NAMA's average yearly sales per machine (2023)?
4. **MEDIUM** A machine sells half the NAMA average. What are its monthly sales?
5. **MEDIUM** A host takes a 10% commission on \$500 of monthly sales. How much does the host receive?
6. **MEDIUM** Why does an average pulled up by the best locations mislead a beginner?
7. **HARD** A machine costs \$2,000 (a quote you gathered). Monthly profit after product, card fees and commission is \$100. Payback in months?
8. **HARD** List four costs a vending route has that a single number like "\$6,284 per machine" does not show.

COMMON MISTAKES

- Treating sales per machine as profit per machine.
- Forgetting the host's commission and the card fee.
- Forgetting that time spent driving and restocking is labor someone must be paid for.

Make it a game • Best Spot. A parent names two places (a hospital waiting room or a dentist's office; a 24-hour factory or a small church office). The student picks the better vending spot in 10 seconds and gives one reason: traffic, hours, hunger, or competition nearby.

Scripture. “Be thou diligent to know the state of thy flocks, and look well to thy herds.”
(Proverbs 27:23, KJV)

A vending route is a flock scattered across town. The diligent owner knows which machines sell and which only sit.

Practice: answers

1. The host location, not the operator.
2. The share of sales paid to the host location.
3. \$6,284.
4. $\$6,284 \div 2 \div 12 \approx \261.83 .
5. \$50.
6. A beginner rarely starts with the busiest locations, so his machines may sell well below average.
7. 20 months, before your time, fuel and taxes.
8. Product cost, commission, card fees, fuel and vehicle, repairs, theft, sales tax, insurance, owner hours (any four).

1.3 THE LAUNDROMAT

OBJECTIVES

- Read a trade survey's median revenue and operating profit and say exactly what the profit is "before."
- Show how rent as a share of revenue separates profitable stores from weak ones.
- Compute an illustrative payback range from cited figures.

Warm-up. Who in your town uses a laundromat, and why? Write three kinds of customers.

Video slot. Video coming. Topic: how a self-service laundromat works behind the scenes (machines, water, utilities, maintenance). Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

median

The middle value when all values are lined up; half are above and half below. Less pulled by a few giant stores than an average.

debt service

Loan payments of principal and interest.

lease

A contract to rent a building for a set time and price.

impact fee

A one-time charge some towns place on new buildings or new water and sewer connections.

depreciation

Spreading the cost of equipment over its useful life for tax purposes.

KEY FORMULAS

Operating profit = Revenue $\times$ Operating profit margin

Rent share = Rent $\div$ Revenue

Payback (years) = Purchase price $\div$ Yearly operating profit

CORE IDEAS

A cash-flow business. A laundromat sells the use of machines by the load. There is little inventory; the costs are rent, water and sewer, gas and electricity, repairs, insurance, cleaning and the loan on the machines.

What the survey says. The Coin Laundry Association's (CLA) 2024 industry survey, as summarized by Wash Weekly, reports a **median gross revenue of \$335,000** and a **median operating net profit of 27%**, about \$90,000, *before* taxes, debt service and owner compensation.

The 2026 survey. CLA's August 2026 report found average revenue growth of 7.7% in 2025, an average operating net profit of 24.0% (22.9% the year before), and 93% of stores profitable. The least profitable stores spent about **32% of revenue on rent**; the most profitable spent about **18%**. The top stores earned about **\$160 of revenue per square foot**, compared with about \$100.

What it costs to get in. A laundry-software company, Cents, estimated in June 2026 that buying an existing store costs about **\$200,000 to \$600,000 or more**, and building new about **\$400,000 to \$1,200,000 or more**. This is a vendor's estimate, not audited data; check with local brokers.

Illustrative payback. \$90,450 of operating profit (27% of \$335,000) on a \$200,000–\$600,000 purchase pays back in about 2.2 to 6.6 years, before loan payments, taxes and the owner's pay. This mixes figures from different sources and is arithmetic, not a forecast.

What really makes it work. The lease is the business: a short lease or a rising rent can erase the profit, and owning the building is a large advantage. Water and sewer rates and impact fees vary from town to town. Old machines break and use more water. Nearby apartments without hookups bring customers; a newer, cleaner store a mile away takes them. The owner cleans, repairs and collects unless he pays someone. Equipment can usually be depreciated, which lowers income tax in early years, but current rules must be confirmed with a tax professional.

PICTURE STUDY



The Laundress, Honoré Daumier, about 1863 · Oil on panel · The Metropolitan Museum of Art, New York
Wikimedia Commons · Public domain

Before machines, washing clothes was some of the hardest paid work in a city. Daumier watched Paris laundresses climb from the boats on the Seine where they washed.

Look closely

- The weight of the bundle and the bend of her back.
- The child climbing beside her.
- The bright city behind, in shadow-free light, while she is in shade.

Talk about it

1. What labor did the washing machine replace?
2. A laundromat sells time saved. Whose time?
3. What does the child tell you about the woman's day?

Safety first. Visit a laundromat only with a parent. Do not touch machines in use or behind the counter.

PROJECT: LAUNDROMAT DEAL SHEET

Build a deal sheet from the CLA figures, then test it against one real store near you.

You will need

- Deal sheet

- Calculator
- A visit to one local laundromat with a parent

Steps

1. Enter median revenue, profit margin and the purchase-price range with sources.
2. Compute rent at 18% and 32% of \$335,000, and the difference.
3. Visit a store: count washers and dryers, read the prices per load, note the store hours and its condition.
4. Find how many other laundromats are within two miles.
5. Write the “What really makes it work” box for that store.

Check your work

- CLA figures cited; Cents labeled as a vendor estimate.
- Payback labeled “before debt, taxes and owner pay.”
- Local observations dated.

LEDGER NOTEBOOK

1. Draw a floor plan of the store you visited with washers, dryers and folding tables.
2. Copy the rent-share comparison (18% vs 32%) and its dollar difference.
3. List five questions to ask a seller before buying a store.

From history. The first American self-service laundry is usually dated to April 18, 1934, when a “Washateria” in Fort Worth, Texas, rented four electric washing machines to the public by the hour. Customers brought their own soap.

Sources for this lesson. 2024 survey: [CLA Industry Survey 2024 \(PDF\)](#) and [Wash Weekly summary of the CLA survey](#). 2026 report: [CLA, “Playing the Long Game,” August 2026](#). Purchase and build cost: [Cents laundromat cost analysis, June 2026 \(software vendor estimate\)](#).

For families. The tax note is general. This course does not give tax advice; current depreciation rules must be confirmed with a tax professional.

WORKED EXAMPLES

Example 1. Using CLA's 2024 median revenue of \$335,000, find rent at 18% and at 32%, and the difference.

1. $18\% \times \$335,000 = \$60,300$.
2. $32\% \times \$335,000 = \$107,200$.
3. Difference = \$46,900.

Answer: The high-rent store pays about \$46,900 more a year, more than half of a \$90,000 profit.

Example 2. Find operating profit at 27% of \$335,000 and the payback on a \$200,000 and a \$600,000 purchase.

1. $27\% \times \$335,000 = \$90,450$.
2. $\$200,000 \div \$90,450 \approx 2.2$ years.
3. $\$600,000 \div \$90,450 \approx 6.6$ years.

Answer: About 2.2 to 6.6 years, before debt service, taxes and owner pay.

PRACTICE

1. **EASY** What was CLA's 2024 median gross revenue?
2. **EASY** What three things is the 27% profit figure before?
3. **EASY** What share of stores were profitable in CLA's 2026 report?
4. **MEDIUM** A store has 2,000 square feet. What revenue is \$160 per square foot? \$100?
5. **MEDIUM** Why is a median better than an average for comparing typical stores?
6. **MEDIUM** Profit is 24% of \$335,000. How much is that?
7. **HARD** A store earns \$90,450 before debt and owner pay. The loan payment is \$40,000 a year (a quote). What is left before taxes and owner pay?
8. **HARD** Why does owning the building reduce risk for a laundromat owner?

COMMON MISTAKES

- Comparing a median from one survey with a percentage from another as if they described the same stores. Label mixed figures "illustration."
- Forgetting machine replacement: washers and dryers wear out.
- Treating depreciation as cash saved without checking current tax rules.

Make it a game · Two-Mile Circle. On a map, draw a two-mile circle around a laundromat. Count apartments, other laundromats and parking. One point for each fact that helps the store, minus one for each that hurts it.

Scripture. “The thoughts of the diligent tend only to plenteousness; but of every one that is hasty only to want.” (Proverbs 21:5, KJV)

The diligent owner reads the lease twice before he signs.

Practice: answers

1. \$335,000.
2. Taxes, debt service and owner compensation.
3. 93%.
4. \$320,000; \$200,000.
5. A few very large stores pull an average up; the median is the middle store.
6. \$80,400.
7. \$50,450.
8. Rent cannot be raised on him and the lease cannot end; rent was the largest difference between weak and strong stores.

1.4 THE SELF-STORAGE FACILITY

OBJECTIVES

- Explain why self-storage is mainly a real-estate business: land, concrete and patience.
- Compute net operating income per square foot from cited income and expense figures.
- Explain zoning moratoriums and why a grandfathered site can be valuable.

Warm-up. Why do people rent storage units? List four reasons. Which happen in good times and which in hard times?

Video slot. Video coming. Topic: how a self-storage facility is built and leased up. Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

net operating income (NOI)

Income left after operating expenses, before loan payments and income taxes.

effective gross income

Rent actually collected after vacancies and discounts.

occupancy

The share of units (or square feet) that is rented.

lease-up

The time it takes a new facility to fill to a steady occupancy.

zoning

Local rules that say what may be built where.

moratorium

A temporary stop on new permits while a town studies its rules.

grandfathered

Allowed to continue under old rules after the rules change.

KEY FORMULAS

$\text{NOI per sq ft} = \text{Effective gross income per sq ft} - \text{Operating expenses per sq ft}$

$\text{Expense ratio} = \text{Operating expenses} \div \text{Effective gross income}$

$\text{Payback on construction (years)} = \text{Construction cost per sq ft} \div \text{NOI per sq ft}$

CORE IDEAS

Land, concrete and patience. A storage owner buys land, builds rows of steel doors and rents the space by the month. There are few employees. Most of the risk is in the land, the building cost and how long it takes to fill.

What it costs to build. A builder, MakoRabco, estimates single-story construction at about **\$50-\$65 per square foot** and multi-story at about **\$90-\$130**, *not including land or site work*.

Rent and occupancy. SpareFoot reports an average 10×10 non-climate unit at about **\$119 a month** and national stabilized occupancy of **77.0%** in the fourth quarter of 2025.

Income and expenses. Mele Storage Group's Q4 2025 report on the top 50 metro areas shows effective gross income of about **\$14.44 per square foot per year**, operating expenses of about **\$4.91**, and an **expense ratio of 34.0%**. Net operating income is about \$9.53 per square foot.

Lease-up. A new facility does not open full. The Storage Brief, a trade source, describes 18–36 months to fill in healthy markets and 48 months or more in slower ones; a Colliers broker said in August 2026 that recent projects have taken “four or five years.” Both are trade estimates. During lease-up the owner pays the loan and the taxes with half-empty buildings.

What really makes it work. Zoning decides everything. Some towns now limit new storage: Coos Bay, Oregon, paused new facilities in August 2025, saying its thirteen facilities provided “more than twice the amount of storage space typically required for a community of this size,” and Delta Township, Michigan, limited new storage to industrial zones in January 2025, letting existing sites continue. That makes a grandfathered existing site more valuable, and a new site harder to permit. Visibility from a busy road, new supply nearby, property taxes and the owner's patience during lease-up matter as much as the rent.

PICTURE STUDY



At the Linen Closet, Pieter de Hooch, 1663 · Oil on canvas · Rijksmuseum, Amsterdam
Wikimedia Commons · Public domain

In a seventeenth-century Dutch home, linen was valuable and was counted, folded and stored with care. De Hooch painted the order of a well-kept house.

Look closely

- The tall carved cupboard and the neat stack of linen.
- The doorway opening to the bright street.
- The black-and-white floor that pulls your eye back into the house.

Talk about it

1. Why did families keep their goods so carefully?
2. What do people today store, and why do they pay to keep it?
3. How is a storage unit like this cupboard, and how is it different?

PROJECT: STORAGE DEAL SHEET AND ZONING CHECK

Build a deal sheet for a small facility and check your own town's zoning code for self-storage.

You will need

- Deal sheet
- Your town or county zoning code (online)
- Calculator

Steps

1. Enter construction cost, income, expenses and occupancy with sources.
2. Compute NOI and payback on construction alone.
3. Search your zoning code for “self-storage,” “mini-warehouse” or “personal storage.” Write which zones allow it.
4. Find out whether your town has passed any moratorium.
5. Count storage facilities within five miles.

Check your work

- Construction cost labeled “excluding land and site work.”
- Zoning findings quote the code section number.
- Lease-up risk appears in the “What really makes it work” box.

LEDGER NOTEBOOK

1. Draw a site plan for a one-acre storage lot with drive aisles and buildings.
2. Copy the NOI calculation with each source.
3. Write a paragraph on what a grandfathered site is worth.

From history. Modern self-storage is usually traced to Odessa, Texas, in 1964, when Russ Williams and his stepson Bob Munn opened a row of rentable locked units, at first for oil-field workers’ equipment.

Sources for this lesson. Construction: [MakoRabco, cost to build self-storage \(builder’s blog\)](#). Rents and occupancy: [SpareFoot self-storage industry statistics](#). Income and expenses: [Mele Storage Group, Q4 2025 Top-50 MSA report \(PDF\)](#). Lease-up: The Storage Brief and a Colliers broker quoted by citybuzz (August 18, 2026); trade sources. Zoning: [City of Coos Bay, Oregon, moratorium notice, August 2025](#); [Lansing State Journal on Delta Township, February 2025](#).

For families. The lease-up periods are trade estimates and vary widely. A storage project is usually financed with large loans; the lesson’s payback ignores them on purpose so students can see how much they matter.

WORKED EXAMPLES

Example 1. Find NOI per square foot and payback on single-story construction at \$50 and \$65 per square foot.

1. $\text{NOI} = \$14.44 - \$4.91 = \$9.53$.
2. $\$50 \div \$9.53 \approx 5.2$ years.
3. $\$65 \div \$9.53 \approx 6.8$ years.

Answer: About 5.2 to 6.8 years, before land, site work, financing, taxes and lease-up.

Example 2. A 10×10 unit is 100 square feet and rents for \$119 a month. What is the rent per square foot per year at full rent and at 77% occupancy?

1. $\$119 \times 12 = \$1,428$ a year; $\div 100 = \$14.28$ per sq ft.
2. At 77%: $\$14.28 \times 0.77 \approx \11.00 .

Answer: About \$14.28 at full rent and \$11.00 at 77% occupancy. This differs from Mele’s \$14.44 because the sources measure different markets and unit mixes.

PRACTICE

1. **EASY** What does “excluding land and site work” mean for the \$50–\$65 figure?
2. **EASY** What was national stabilized occupancy in Q4 2025 per SpareFoot?
3. **EASY** What is lease-up?
4. **MEDIUM** Check Mele’s expense ratio: $\$4.91 \div \14.44 .
5. **MEDIUM** A facility has 40,000 rentable square feet. What is its NOI at \$9.53 per square foot?
6. **MEDIUM** Multi-story construction costs \$90–\$130 per square foot. Payback at \$9.53 NOI?
7. **HARD** Why might an older facility be worth more after its town passes a moratorium?
8. **HARD** A facility takes four years to fill instead of two. Name two costs the owner pays during the extra two years.

COMMON MISTAKES

- Leaving out land and site work.
- Assuming a new facility starts full.
- Comparing per-square-foot figures from sources that measure different things without saying so.

Make it a game • Zone It. A parent names a lot: a highway frontage, a residential street, an industrial park, a downtown storefront. The student says whether storage is likely allowed there and why, then checks one against the real code.

Scripture. “Prepare thy work without, and make it fit for thyself in the field; and afterwards build thine house.” (Proverbs 24:27, KJV)

Prepare the field first: land, zoning and patience come before the building.

Practice: answers

1. The land, grading, paving and utilities cost extra.
2. 77.0%.
3. The time a new facility takes to fill to steady occupancy.
4. About 0.340, or 34.0%.

5. \$381,200 a year.
6. About 9.4 to 13.6 years, before land and lease-up.
7. No new competitors can be built for a time, and an existing grandfathered site can keep operating.
8. Loan payments and property taxes (also insurance and marketing) while units sit empty.

1.5 THE HOT DOG STAND

OBJECTIVES

- Explain why the cheapest start on the list is the one most governed by the health department.
- Find the permits, commissary rules and fees for a mobile food cart from a government source.
- Cost one hot dog from local wholesale prices and compare with three local vendors.

Warm-up. Where have you bought food from a cart or stand? Write where it was and why the vendor chose that spot.

Video slot. Video coming. Topic: what a hot dog cart owner needs before the first sale (health permit, commissary, cart). Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

commissary

An approved kitchen where a mobile vendor stores food, fills water, cleans the cart and disposes of waste.

plan review

The health department's check of a cart's design and menu before it is permitted.

food cost

The cost of the ingredients and supplies in one item sold.

vending permit

Permission from a city or county to sell in a public place; in some cities the number is capped.

restricted-area permit

In New York City, a permit to vend on private property or Parks property under an agreement with the owner.

KEY FORMULAS

Food cost per item = Sum of ingredient and supply costs per item

Gross margin = $(\text{Price} - \text{Food cost}) \div \text{Price}$

Daily break-even items = $\text{Daily fixed costs} \div (\text{Price} - \text{Food cost})$

CORE IDEAS

The cheapest start. A lean hot dog cart launch, including cart, permits, first inventory, insurance and point-of-sale, is commonly estimated at about **\$4,000-\$12,000**. That figure comes from a planning guide that says its numbers are planning models, not quotes. Treat it as a starting point and get local quotes.

The commissary. Many health departments require a cart to work from a commissary. Florida's guide requires hot dog carts to use a commissary every day of operation. A trade blog, VendorLoop, estimates commissary rent at about **\$250-\$700 a month** where required.

Government fees. Virginia's Department of Health lists a mobile food plan review fee of **\$40** and a permit application of **\$40**, and asks for a signed commissary agreement. Your county may differ; call it.

Permits can be scarce. In New York City, "the number of street food vendor permits the City can issue is limited by law." New laws offer 2,200 supervisory license applications a year for five years starting July 1, 2026. A permit to stand in a public place can be worth more than the cart, like a taxi medallion.

What we could not find. No reliable published benchmark for hot dog pricing or margin was found. You will cost one hot dog yourself.

What really makes it work. The spot and permission to stand there: a hardware store lot, a ball field, a courthouse square. City vending rules often set distances from restaurants and schools. The health permit and commissary are required before the first sale. Cash-only or card? Rain closes the business. And the owner stands at the cart every hour it is open; if he is sick, sales are zero.

PICTURE STUDY



Market Woman with Fruit, Vegetables and Poultry, Joachim Beuckelaer, 1564 · Oil on panel · Image from the Web Gallery of Art via Wikimedia Commons
Wikimedia Commons · Public domain

Antwerp painters such as Beuckelaer painted markets crowded with food. The seller sits at her stall, her goods spread out where buyers pass.

Look closely

- The variety of goods: what would spoil first?
- Where the stall is placed, near the traffic of the street.
- The woman's look straight out at us, as if we were customers.

Talk about it

1. What would this seller lose if it rained for a week?
2. Why does a stall need a good spot more than a fine building?
3. What rules might a city have made about markets like this one?

Safety first. Do not run a cart or sell food without the permits your county requires. Handle propane and hot equipment only with an adult.

PROJECT: COST ONE HOT DOG

Find the real food cost of one hot dog and build a hot dog stand deal sheet with your county's actual rules.

You will need

- Wholesale club prices
- Your county health department's mobile food page
- Deal sheet

Steps

1. Price hot dogs, buns, condiments, napkins, foil and propane per unit.
2. Add them for one hot dog's food cost.
3. Write down the prices of three local vendors.
4. Find your county's plan review, permit and commissary rules and fees. Write the page address and date.
5. Compute gross margin and daily break-even with a commissary quote.

Check your work

- Every ingredient price is dated.
- Fees come from a government page.
- The trade-guide range is labeled "planning estimate."

LEDGER NOTEBOOK

1. Sketch your cart with sink, cooler, steamer and umbrella.
2. List every permit you found, its fee and the office.
3. Write a weather plan.

From history. Nathan Handwerker, a Polish immigrant, sliced rolls at Feltman's on Coney Island, where hot dogs cost ten cents. In 1916 he and his wife, Ida, used \$300 to open their own stand at Surf and Stillwell Avenues and sold hot dogs for a nickel.

Sources for this lesson. Startup range (weak planning model): [Mobile Food Math hot dog cart guide](#). Commissary rent (trade blog): [VendorLoop hot dog cart guide](#). Government rules: [Virginia Department of Health mobile food plan review application \(PDF\)](#); [Florida DBPR hot dog cart guide](#); [NYC Health, mobile food vendors](#).

For families. Food safety rules exist to keep customers from getting sick; the lesson treats them as part of the cost, not an obstacle. Students should only contact offices with a parent.

WORKED EXAMPLES

Example 1. Virginia lists a \$40 plan review fee and a \$40 permit application. A commissary costs \$250–\$700 a month (trade estimate). What are first-year permit fees plus a year of commissary rent at the low and high end?

1. Fees: $\$40 + \$40 = \$80$.
2. Commissary: $\$250 \times 12 = \$3,000$; $\$700 \times 12 = \$8,400$.
3. Total: \$3,080 to \$8,480.

Answer: About \$3,080 to \$8,480 in the first year, before the cart, food, insurance or any local business license.

Example 2. A classroom example (made-up numbers): food cost per hot dog \$1.10, price \$4.00, daily fixed costs \$40. Break-even?

1. Margin per hot dog = \$2.90.
2. $\$40 \div \$2.90 \approx 13.8$, so 14 hot dogs.

Answer: About 14 hot dogs a day before the owner earns anything for his hours.

PRACTICE

1. **EASY** What is a commissary?
2. **EASY** How often does Florida's guide require a hot dog cart to use its commissary?
3. **EASY** Is the \$4,000–\$12,000 startup range a government figure?
4. **MEDIUM** Food cost \$1.25, price \$3.50. Gross margin?
5. **MEDIUM** Why can a vending permit be worth more than the cart in some cities?
6. **MEDIUM** Commissary at \$250 a month over 25 selling days. Per day?
7. **HARD** Name four costs not in a hot dog's food cost.
8. **HARD** A vendor sells 60 hot dogs on sunny days and 0 on rainy days. If 1 day in 4 rains, what is the average per day?

COMMON MISTAKES

- Buying the cart before calling the health department.
- Forgetting the commissary.
- Counting a sunny Saturday as a normal day.

Make it a game • Permit Path. Write the steps to open a cart on cards: cart, plan review, commissary agreement, permit, insurance, first sale. Shuffle; put them in order against a timer.

Scripture. “Seest thou a man diligent in his business? he shall stand before kings; he shall not stand before mean men.” (Proverbs 22:29, KJV)

A man diligent in his business: the small cart, run well every day, earns trust.

Practice: answers

1. An approved kitchen where a mobile vendor stores food, fills water, cleans and disposes of waste.
2. Every day of operation.
3. No. It is a trade guide’s planning model; verify with local quotes.
4. $(\$3.50 - \$1.25) \div \$3.50 \approx 64\%$.
5. Where permits are capped by law, they are scarce, and the right to sell in a good public spot is the valuable part.
6. \$10 a day.
7. Commissary, permits, insurance, propane tank and cart repair, card fees, the owner’s labor (any four).
8. $60 \times 3/4 = 45$.

1.6 THE FOOD FRANCHISE: JERSEY MIKE'S

OBJECTIVES

- Read Item 7 and Item 19 of a food franchise and say what each does and does not tell you.
- Compute royalty and advertising-fund payments from average sales.
- Explain why payback cannot be computed from a sales-only Item 19.

Warm-up. Name a sandwich shop near you. Guess how many sandwiches it sells on a busy day, then list everything it must pay for besides bread and meat.

Video slot. Video coming. Topic: how restaurant franchising works (fees, royalties, buildout). Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

franchise

A license to run a business under another company's name and system, for fees.

royalty

A continuing fee, usually a percent of sales, paid to the franchisor.

average unit volume (AUV)

Average yearly sales per restaurant.

leasehold improvements

Building out rented space: walls, plumbing, counters, electrical.

territory

The area, if any, where the franchisor promises not to place another unit (Item 12).

KEY FORMULAS

$\text{Royalty} = \text{Sales} \times \text{Royalty rate}$

$\text{Fees as share of sales} = \text{Royalty rate} + \text{Advertising rate}$

Payback needs profit, not sales: $\text{Payback} = \text{Investment} \div \text{Yearly profit}$

CORE IDEAS

Big sales, big buildout. Jersey Mike's 2025 FDD estimates the initial investment (Item 7) at **\$181,903 to \$1,413,592**, including an **\$18,500** initial franchise fee. Leasehold

improvements alone run **\$75,172 to \$722,422**. The royalty is **6.5%** of sales and the advertising fund **1%**, with more possible for local advertising.

What Item 19 shows. For **2,255** traditional franchised restaurants open more than 360 days in 2024, average unit volume was **\$1,338,874** and the median **\$1,285,259**. The lowest was **\$472,525** and the highest **\$4,131,736**. Of the 2,255, **1,013 (45%)** met or exceeded the average.

Read it carefully. The average is higher than the median, and fewer than half reach the average: a few very busy restaurants pull the average up. And this Item 19 shows **sales, not profit**. You cannot compute payback from it. To learn food cost, labor, rent and what owners actually take home, you call the franchisees listed in Item 20.

The fees come first. Royalty and ad fund come off sales whether the restaurant makes a profit or not.

What really makes it work. The franchisor approves the site and the lease; a weak site with a strong brand is still a weak site. The owner's management time, the labor market for crew, the rent, and the territory rules in Item 12 decide the outcome. Talk to several current and former owners from Item 20 before believing any figure.

PICTURE STUDY



The Butcher's Shop, Annibale Carracci, early 1580s · Oil on canvas · Kimbell Art Museum, Fort Worth, Texas
Wikimedia Commons · Public domain

Annibale Carracci of Bologna painted ordinary working men at their trade, an unusual subject for an Italian painter of his day. He made a larger version of this scene too, now in Oxford.

Look closely

- The meat hanging from every beam: this is the shop's whole inventory, and it spoils.
- Each man's job: one trims, one hangs.
- The block, knives and aprons: the tools of the trade.

Talk about it

1. How much of this shop's money is hanging on the hooks? What happens if it does not sell in time?
2. Why does a food business need so much labor?
3. What would a franchisor want every shop like this to do the same way?

PROJECT: READING ITEM 19

Build a Jersey Mike's deal sheet and a list of questions for franchisees.

You will need

- Deal sheet
- Calculator
- The Sources list

Steps

1. Enter Item 7, the fee, royalty and ad fund with sources.
2. Compute royalty and ad fund on the average and the median.
3. Mark the profit and payback rows "not disclosed."
4. Write ten questions for an Item 20 franchisee: food cost, labor, rent, hours, what they paid themselves.
5. Write a paragraph: why a sales-only Item 19 cannot tell you whether to buy.

Check your work

- Profit is not invented.
- Mean and median are both used and explained.
- Questions are specific and polite.

LEDGER NOTEBOOK

1. Draw a bar chart: low, median, average, high sales.
2. Copy the fee calculations.
3. List what Item 12 territory might mean for a new owner.

From history. Jersey Mike's began in 1956 as Mike's Subs in Point Pleasant, New Jersey. Peter Cancro started working there at 14. In 1975, at 17 and still a high-school senior, he bought it with a \$125,000 loan arranged with the help of his youth football coach, a local banker. He began franchising in 1987.

Sources for this lesson. Item 7, Item 19 and fees: [FDD Exchange summary of the Jersey Mike's 2025 FDD](#); [Franchise Chatter review, July 2025](#). The full FDD PDF link we found did not download, so figures were checked against these two summaries, which agree. Disclosure rules: [FTC Franchise Rule, 16 CFR Part 436](#).

For families. Franchise figures change every year with each new FDD. Before any real decision, read the current FDD itself and consult an attorney who reviews franchise agreements.

WORKED EXAMPLES

Example 1. Compute royalty (6.5%) and ad fund (1%) on the Jersey Mike's average unit volume of \$1,338,874.

1. Royalty = $0.065 \times \$1,338,874 = \$87,026.81$.
2. Ad fund = $0.01 \times \$1,338,874 = \$13,388.74$.
3. Total = \$100,415.55.

Answer: About \$100,416 a year in fees, before food, labor or rent.

Example 2. What share of the 2,255 restaurants were below the average? Why?

1. Below = $2,255 - 1,013 = 1,242$.
2. $1,242 \div 2,255 \approx 55\%$.

Answer: About 55%. A few very high-sales restaurants pull the average above the typical store.

PRACTICE

1. **EASY** What is the Jersey Mike's initial franchise fee in the 2025 FDD?
2. **EASY** What does this Item 19 report: sales or profit?
3. **EASY** Which Item lists current franchisees you can call?
4. **MEDIUM** Royalty and ad fund on the median of \$1,285,259 at 7.5% total?
5. **MEDIUM** Why is the median below the average here?
6. **MEDIUM** What share of the low Item 7 estimate is the initial fee?
7. **HARD** Why can't you compute payback from this Item 19?
8. **HARD** Name four costs you would ask franchisees about.

COMMON MISTAKES

- Treating AUV as profit.
- Using the average when most stores are below it.

- Forgetting that royalties are paid even in a losing year.

Make it a game · Mean or Median?. A parent reads five store sales figures, one very large. The student finds the median and the mean and says which better describes a typical store.

Scripture. “Where no counsel is, the people fall: but in the multitude of counsellors there is safety.” (Proverbs 11:14, KJV)

In the multitude of counsellors there is safety: call the owners in Item 20.

Practice: answers

1. \$18,500.
2. Sales only.
3. Item 20.
4. About \$96,394.
5. A few very high-sales restaurants pull the average up.
6. $\$18,500 \div \$181,903 \approx 10.2\%$.
7. Payback needs profit; this Item 19 gives only sales.
8. Food and paper, labor, rent and occupancy, insurance, repairs, local advertising, owner salary (any four).

1.7 THE NON-FOOD FRANCHISE: GREAT CLIPS

OBJECTIVES

- Read an Item 19 that reports expenses and operating cash flow, and compute payback from it.
- Read a table of cash flow by sales level and explain why low-sales salons lose money.
- Explain why licensed stylists are the bottleneck of a salon franchise.

Warm-up. Who cuts your hair? Write three things that would make you go back to the same place.

Video slot. Video coming. Topic: how a hair salon franchise runs (stylists, scheduling, managers). Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

operating cash flow

In Great Clips' Item 19, sales minus the expenses it lists. Read Item 19's own definition to see what is excluded.

reporting subset

The group of units whose expense data the franchisor reports, smaller than all units.

sales band

A range of yearly sales used to group units in a table.

cosmetology license

A state license required to cut hair for pay.

multi-unit owner

A franchisee who owns several units, often with a manager in each.

KEY FORMULAS

Operating cash flow margin = Operating cash flow ÷ Sales

Payback (years) = Initial investment ÷ Operating cash flow

Fees = Sales × (Royalty rate + Advertising rate)

CORE IDEAS

The investment. Great Clips' 2025 FDD estimates the initial investment (Item 7) at **\$187,800 to \$419,900**, including a **\$20,000** initial fee (\$35,000 plus a \$5,000 fee under

the Three Star program). Royalty is **6%** of sales and advertising **5%**.

Item 19 with expenses. In the 2025 FDD, 4,147 salons averaged **\$399,179** in sales (median \$382,316). A subset of **2,175** salons averaged **\$413,389** in sales, **\$330,752** in expenses (80.01%) and **\$82,637** in operating cash flow (19.99%).

The 2026 FDD. For 2025, 4,158 salons averaged **\$410,783** (median \$390,685; low \$28,036; high \$1,082,803). A reporting group of 2,376 salons averaged \$422,283 in sales and **\$83,504** in operating cash flow (median \$75,896).

Cash flow by sales level (2026 FDD).

Yearly sales	Average operating cash flow
Under \$250,000 (188 salons)	–\$5,248
\$250,000–\$300,000	\$23,321
\$300,000–\$350,000	\$46,711
\$350,000–\$400,000	\$68,492
\$400,000–\$450,000	\$82,502
\$450,000–\$500,000	\$106,798
\$500,000–\$600,000	\$133,950
Over \$600,000	\$188,148

Fixed costs (rent, a manager, software) stay; when sales fall, cash flow falls faster. The weakest band loses money on average.

What really makes it work. Stylists, licensed by each state’s cosmetology board, are the bottleneck: no stylist, no haircut. The owner’s real job is hiring and keeping them. Many owners run several salons with a manager. The site is approved by the franchisor; a strip-center lease near a grocery store is typical. Before using any cash flow figure, read Item 19’s definition: whether it subtracts debt service, depreciation and owner pay.

PICTURE STUDY



The Syndics of the Drapers' Guild, Rembrandt van Rijn, 1662 · Oil on canvas · Rijksmuseum, Amsterdam
Wikimedia Commons · Public domain

The syndics (staalmeesters) inspected cloth for the Amsterdam drapers' guild to make sure every bolt met the standard. A guild, like a franchisor, set rules every member had to follow.

Look closely

- The open book of samples and records on the table.
- The man rising from his chair, as if we have interrupted.
- The single servant in the back without a hat.

Talk about it

1. Why would a guild inspect every bolt of cloth?
2. How is a franchisor's rulebook like a guild's standard?
3. Who in the painting seems to be asking you a question?

PROJECT: GREAT CLIPS DEAL SHEET

Build a full deal sheet, including payback, and compare it with Jersey Mike's.

You will need

- Deal sheet
- Calculator

Steps

1. Enter Item 7, fees and Item 19 figures with sources.
2. Compute operating cash flow margin and payback at low and high investment.
3. Using the 2026 sales-band table, find the cash flow of a salon at \$300,000–\$350,000 and its payback at the low investment.
4. Write the “What really makes it work” box.
5. Write a paragraph comparing with Jersey Mike’s: which Item 19 lets you compute payback and why?

Check your work

- Both FDD years are labeled.
- Payback labeled “before debt service, taxes and owner pay (check Item 19’s definition).”
- The losing band is mentioned.

LEDGER NOTEBOOK

1. Graph operating cash flow by sales band.
2. List hiring questions for a salon manager.
3. Copy the payback calculations.

From history. David Rubenzer and Steve Lemmon founded Great Clips in Minneapolis in 1982, opening the first salon near the University of Minnesota. Ray Barton joined as an owner in 1983 to lead franchising, and the first franchised salon opened that year.

Sources for this lesson. 2025 FDD: [FDD Exchange summary of the Great Clips 2025 FDD](#). 2026 FDD: [FranchiseDepth summary of the Great Clips 2026 FDD](#). An outline figure for labor and occupancy shares could not be found in any source we could read, so it was left out.

For families. The 2026 figures come from a third-party summary of the FDD; a buyer must read the FDD itself. Cash flow figures are averages and are not a promise.

WORKED EXAMPLES

Example 1. Royalty (6%) and advertising (5%) on the subset’s average sales of \$413,389.

1. Royalty = \$24,803.34.
2. Advertising = \$20,669.45.
3. Total = \$45,472.79, about 11% of sales.

Answer: About \$45,473 a year. Whether these are already inside the \$330,752 of expenses must be checked in Item 19’s notes.

Example 2. Payback at the low investment for a salon in the \$300,000–\$350,000 band.

1. $\$187,800 \div \$46,711 \approx 4.0$ years.

Answer: About 4 years, nearly double the 2.3 years for an average salon.

PRACTICE

1. **EASY** Great Clips' initial fee in the 2025 FDD?
2. **EASY** What license must stylists hold?
3. **EASY** What was average operating cash flow in the 2025 subset?
4. **MEDIUM** Payback at \$419,900 with \$83,504 cash flow (2026 FDD)?
5. **MEDIUM** How many of the salons in the 2026 table had sales under \$250,000, and what was their average cash flow?
6. **MEDIUM** Operating cash flow $\div$ sales for the 2026 reporting group?
7. **HARD** Why does cash flow fall faster than sales?
8. **HARD** Why is Great Clips' Item 19 more useful for a deal sheet than Jersey Mike's?

COMMON MISTAKES

- Using the all-salon average sales with the subset's cash flow.
- Ignoring the losing sales band.
- Not reading Item 19's definitions.

Make it a game • Band Match. Read a salon's sales figure aloud; the student names its band and the average cash flow in 10 seconds.

Scripture. "And whatsoever ye do, do it heartily, as to the Lord, and not unto men;" (Colossians 3:23, KJV)

Every haircut, every customer: whatsoever ye do, do it heartily.

Practice: answers

1. \$20,000 (\$35,000 under Three Star).
2. A state cosmetology (or barber) license.
3. \$82,637.
4. About 5.0 years.
5. 188 salons; $-\$5,248$.
6. $\$83,504 \div \$422,283 \approx 19.8\%$.
7. Fixed costs such as rent and management do not fall with sales, so each lost dollar of sales comes mostly out of cash flow.
8. It reports expenses and operating cash flow, so payback can be estimated; Jersey Mike's shows only sales.

1.8 THE SMALL-TOWN NEWSPAPER

OBJECTIVES

- Describe the market for local newspapers using Medill's 2025 figures.
- Explain where a small weekly's money comes from, including public notices.
- Gather printing, postage and advertising quotes because no reliable public benchmark exists.

Warm-up. Does your county have a newspaper? Find its name and who owns it.

Video slot. Video coming. Topic: how a small weekly newspaper is made and paid for. Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

public notice (legal notice)

A notice a government or court must publish, often in a qualified local newspaper, under state law.

newspaper of record

The paper a county or town chooses for its official notices.

periodicals mail

A U.S. Postal Service mail class for newspapers and magazines.

display ad

A paid advertisement with art and type, sold by size.

news desert

A county with no local news source, or very limited access.

KEY FORMULAS

$$\text{Revenue} = \text{Subscriptions} + \text{Advertising} + \text{Public notices} + \text{Other}$$

$$\text{Cost per copy} = (\text{Printing} + \text{Postage} + \text{Delivery}) \div \text{Copies}$$

CORE IDEAS

A hard market. Northwestern University's Medill *State of Local News 2025* counts **136** local newspaper closures in the year before the report and **more than 5,400** remaining newspapers. About **50 million** Americans have limited access to local news, and roughly 40% of newspapers have vanished in two decades.

Public notices. Many states require certain government and court notices to appear in a qualified newspaper. For a small weekly this can be its steadiest income. Medill reports that the Aurelia Star in Iowa shut down after “the county board of supervisors voted not to carry public notices in the paper.”

What we could not find. There is no reliable public benchmark for a small weekly’s startup cost or margins. You will gather quotes: printing 1,000 copies of a 12-page tabloid, periodicals postage from USPS, and local display-ad rates; and, with a parent, interview a local publisher.

Why some survive. The survivors are often owned by people who write, sell ads and deliver papers themselves; they have loyal subscribers and little competition; and many add digital subscriptions.

What really makes it work. Being the county’s legal newspaper of record; the owner-reporter’s own long hours; a loyal, often older, subscriber base; no competitor; and steady local advertisers such as the hardware store, the bank and the funeral home. Losing one county contract can close a paper.

PICTURE STUDY



War News from Mexico, Richard Caton Woodville, 1848 · Oil on canvas · Crystal Bridges Museum of American Art, Bentonville, Arkansas
Wikimedia Commons · Public domain

In 1848 the newspaper was how a town learned of the war with Mexico. Woodville painted a porch where the whole town gathers to hear the news read aloud.

Look closely

- The sign “American Hotel” and the post office.

- Each listener's face: worried, eager, doubtful.
- Who stands at the edge and who is in the center.

Talk about it

1. Why did the post office and the newspaper belong together?
2. Who paid for news in 1848, and who pays now?
3. What happens to a town when no one reports its news?

PROJECT: A WEEKLY PAPER DEAL SHEET

Build a deal sheet for a 1,000-copy weekly from local quotes.

You will need

- Deal sheet
- A printer's quote
- USPS periodicals rates
- A local paper's ad rate card

Steps

1. Get a printing quote for 1,000 copies of a 12-page tabloid.
2. Look up periodicals rates on USPS Postal Explorer.
3. Get ad rates from your local paper.
4. Ask your county clerk which paper carries public notices.
5. Compute cost per copy and the ad pages needed to cover printing and postage.

Check your work

- Every quote is dated and named.
- Medill figures cited.
- Public notices appear in the "What really makes it work" box.

LEDGER NOTEBOOK

1. Lay out the front page of a 12-page tabloid.
2. List ten local advertisers.
3. Write one news story about your street.

From history. Benjamin Franklin printed the *Pennsylvania Gazette* and set up partner printers in other colonies, sharing the cost of presses and the profits, a kind of early franchise.

Sources for this lesson. Market figures and the Aurelia Star: [Medill, State of Local News 2025 report](#); [Medill news release, 2025](#). Postage: [USPS Postal Explorer \(periodicals rates\)](#). Local figures are gathered by the student.

For families. News content and opinion are not taught here; the lesson is about how a local paper is paid for. Interviews only with a parent.

WORKED EXAMPLES

Example 1. Medill counts 136 closures and more than 5,400 remaining papers. Roughly what percent closed in that year?

1. $136 \div (5,400 + 136) \approx 136 \div 5,536 \approx 2.5\%$.

Answer: About 2.5% (an estimate, since “more than 5,400” is rounded).

Example 2. A classroom example (made-up numbers): printing \$600 and postage \$250 for 1,000 copies. Cost per copy?

1. $\$850 \div 1,000 = \0.85 .

Answer: 85 cents a copy, before writing, ad selling or the owner’s time.

PRACTICE

1. **EASY** How many local newspaper closures did Medill’s 2025 report count?
2. **EASY** About how many Americans have limited access to local news?
3. **EASY** What is a public notice?
4. **MEDIUM** Why did the Aurelia Star close?
5. **MEDIUM** Name three revenue sources of a weekly.
6. **MEDIUM** Why is there no deal-sheet benchmark for a weekly in this lesson?
7. **HARD** Explain how one county decision can close a paper.
8. **HARD** What does the owner-reporter’s labor do to the paper’s costs?

COMMON MISTAKES

- Assuming subscriptions pay for a paper.
- Forgetting the owner’s unpaid hours.
- Using “5,419” or other exact figures not in the source.

Make it a game · Headline Hunt. Five minutes to write three true headlines about your town from what you know; a parent judges which a reader would pay for.

Scripture. “As cold waters to a thirsty soul, so is good news from a far country.” (Proverbs 25:25, KJV)

As cold waters to a thirsty soul, so is good news: the reason towns have always paid for news.

Practice: answers

1. 136.
2. About 50 million.
3. A government or court notice required by law to be published, often in a qualified local paper.
4. The county board voted not to carry public notices in the paper.
5. Subscriptions, advertising, public notices (also single-copy sales, printing jobs).
6. No reliable public figure was found; local quotes are needed.
7. If notices are its steadiest income, losing the county contract removes the revenue that covers fixed costs.
8. It replaces paid staff; the profit includes the owner's wage, so it may overstate the return on money invested.

1.9 COMPARING THE SEVEN

OBJECTIVES

- Put seven businesses on one table: dollars at risk, what profit evidence exists, payback, owner hours, and what can go wrong.
- Say which business fits which kind of owner, and why.
- Write a short comparison with every number cited.

Warm-up. If you had to work in one of the seven businesses for a summer, which would you choose and why?

Video slot. Video coming. Topic: comparing small businesses by risk, hours and return. Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

dollars at risk

The money that could be lost if the business fails.

evidence quality

How trustworthy the source of a number is: audited or government, franchisor disclosure, trade survey, or vendor estimate.

diversify

To spread money or effort across several things so one failure does not ruin you.

KEY FORMULAS

$\text{Payback} = \text{Investment} \div \text{Yearly profit (only where profit is published)}$

CORE IDEAS

One table.

Business	Startup (cited)	Profit evidence	Illustrative payback*	Key permit or rule
Vending route	No reliable figure; local quotes	Sales only: \$6,284 per machine per year (NAMA)	Not computable from public data	Sales tax; vendor license where required; location contract
Laundromat	\$200,000–\$600,000+ to buy (vendor estimate)	27% median operating net on	About 2.2–6.6 years	Lease; water and sewer; impact fees

		\$335,000 (CLA 2024)		
Self-storage	\$50–\$65 per sq ft single-story, excluding land (builder)	NOI about \$9.53 per sq ft (Mele Q4 2025)	About 5.2–6.8 years on building alone, plus lease-up	Zoning; moratoriums
Hot dog stand	\$4,000–\$12,000 (planning model, weak)	No reliable figure; cost one hot dog	Not computable	Health permit; commissary; vending permit
Jersey Mike's	\$181,903–\$1,413,592 (Item 7)	Sales only: AUV \$1,338,874	Not computable	Franchisor site approval; territory
Great Clips	\$187,800–\$419,900 (Item 7)	Operating cash flow \$82,637 (2025 FDD subset)	About 2.3–5.1 years	Licensed stylists
Weekly newspaper	No reliable figure; local quotes	None public	Not computable	Public-notice status under state law

*Before debt service, taxes and owner pay. Simple arithmetic on cited averages, not projections.

Hours. The cart and the newspaper need the owner nearly every hour they run. A vending route needs driving and restocking. A laundromat needs cleaning and repairs. A storage facility needs few hours but great patience. A franchise needs a manager's hours, the owner's or someone he pays.

Different owners, different businesses. A young man with little money and lots of time can start a cart or a route. A family with savings and a building might choose a laundromat. Storage suits someone with land, capital and patience. Franchises suit owners who want a proven system and accept fees and rules.

What really makes it work. In every case the same handful of things decides the outcome: the location and permission to operate there, the lease or ownership of the property, the local rules, the competition nearby, and the owner's willingness to work. The averages describe many stores; your store will be one of them.

PICTURE STUDY



The Floor Scrapers, Gustave Caillebotte, 1875 · Oil on canvas · Musée d'Orsay, Paris
Wikimedia Commons · Public domain

Caillebotte painted men at hard, ordinary work. The painting was turned away from the official Salon of 1875, partly because some critics thought such labor too common a subject.

Look closely

- The long strokes on the floor and the curls of shavings.
- The tools, the wine bottle, the light from the window.
- The men working together, talking quietly.

Talk about it

1. Which of the seven businesses needs the most hours of the owner's own labor?
2. Why is owner labor a real cost even when no one is paid for it?
3. What does this painting say about work done well?

PROJECT: THE COMPARISON CHART AND MEMO

Complete the table with your own local quotes and write a one-page memo.

You will need

- All your deal sheets
- Graph paper or a spreadsheet

Steps

1. Add your local quotes to the blank cells (vending, hot dog, newspaper).
2. Make a bar chart of dollars at risk (low and high).
3. Rank the seven by owner hours.
4. Write a memo: which business, for which kind of owner, and why; cite every number.
5. List the top two things that could go wrong for your choice.

Check your work

- No blank filled with a guess.
- Every payback carries its label.
- The memo names an owner type and a reason.

LEDGER NOTEBOOK

1. Draw a chart: dollars at risk on one axis, owner hours on the other; place the seven.
2. Write three sentences on evidence quality.
3. Copy Ecclesiastes 11:2.

From history. Caillebotte's painting, refused by the Salon, was shown in 1876 with the Impressionists and now hangs in the Musée d'Orsay.

Sources for this lesson. All figures repeat Lessons 1.2-1.8 and their sources.

For families. The table compares sources of different quality on purpose; part of the lesson is learning to say how much a number can be trusted.

WORKED EXAMPLES

Example 1. Compare the dollars at risk at the low end for Jersey Mike's and a hot dog cart.

1. $\$181,903 \div \$12,000 \approx 15.2$; $\$181,903 \div \$4,000 \approx 45.5$.

Answer: The cheapest Jersey Mike's costs about 15 to 45 times the cart's planning range.

Example 2. Which two businesses allow a payback estimate from published profit figures, and what are they?

1. Laundromat: about 2.2-6.6 years.
2. Great Clips: about 2.3-5.1 years.
3. (Storage gives about 5.2-6.8 years on the building alone.)

Answer: Laundromat and Great Clips, both before debt, taxes and owner pay.

PRACTICE

1. **EASY** Which business has the lowest cited startup range?
2. **EASY** Which two franchises are in the unit?
3. **EASY** Which business depends most on zoning?
4. **MEDIUM** Rank laundromat, Great Clips and storage by the low end of payback.
5. **MEDIUM** Why is the vending payback “not computable”?
6. **MEDIUM** Which sources in the table are weakest?
7. **HARD** Explain “give a portion to seven, and also to eight” for a small business owner.
8. **HARD** Pick one business for a 17-year-old with \$5,000 and summers free. Defend it.

COMMON MISTAKES

- Comparing a sales figure with a profit figure.
- Treating weak sources as equal to FDDs.
- Ignoring the owner’s hours.

Make it a game · Which Business Am I? A parent reads clues (“I need a commissary,” “My lease-up takes years,” “My stylists are licensed”). First correct answer wins.

Scripture. “Give a portion to seven, and also to eight; for thou knowest not what evil shall be upon the earth.” (Ecclesiastes 11:2, KJV)

Wise owners spread their risk because they cannot see the future.

Practice: answers

1. The hot dog stand (\$4,000–\$12,000, planning model).
2. Jersey Mike’s and Great Clips.
3. Self-storage.
4. Laundromat (2.2), Great Clips (2.3), storage (5.2, building only).
5. Only sales are published, not costs or profit.
6. The hot dog planning model and vendor estimates.
7. Do not stake everything on one venture; spread risk because you do not know what trouble will come.
8. A hot dog cart or a small vending route: low dollars at risk, many hours available; must get permits and parental help.

1.10 CAPSTONE: MY DEAL SHEET

OBJECTIVES

- Build a real deal sheet for one business in your own town from local quotes.
- Check zoning and call the county permit office (with a parent).
- Write an honest list of what could go wrong.

Warm-up. Pick the business from the unit that you would most like to study in your town. Write one reason.

Video slot. Video coming. Topic: how to call a county permit or zoning office and what to ask. Search approved business-education channels (e.g., the Federal Trade Commission, Khan Academy, a trade association or a county small-business center); preview first.

KEY TERMS

quote

A written or recorded price from a named seller on a date.

assumption

A number you choose for planning when you cannot know it; it must be labeled.

sensitivity

How much the result changes when one assumption changes.

KEY FORMULAS

$\text{Payback} = \text{Investment} \div \text{Yearly profit}$

$\text{Break-even} = \text{Fixed costs} \div (\text{Price} - \text{Variable cost})$

CORE IDEAS

Your own town. The averages in this unit describe thousands of stores. Your deal sheet describes one, on one lot, in one town. Choose one of the seven, or a business like them.

Get quotes. Every number must be a cited figure, a local quote (seller, date), or a labeled assumption. No unlabeled guesses.

The zoning check. Find the zoning of a real site and whether the business is allowed there.

The permit call. With a parent, call the county or city office that issues the license or permit. Ask what is required, what it costs and how long it takes.

What could go wrong. List at least five risks and what you would do about each.

What really makes it work. The capstone puts the whole unit together: counted costs, cited numbers, the permit, the zoning, the competition, the location and your own hours.

PICTURE STUDY



Woman Holding a Balance, Johannes Vermeer, about 1664 · Oil on canvas · National Gallery of Art, Washington
Wikimedia Commons · CC0

Vermeer's woman holds a balance with empty pans, waiting for it to settle. Behind her hangs a painting of the Last Judgment.

Look closely

- The empty pans, perfectly level.
- The light from the window on her hand.
- The Last Judgment painting behind her.

Talk about it

1. Why might Vermeer show a balance with nothing in it?
2. What does the painting behind her suggest about weighing choices?
3. How does a deal sheet help you weigh a decision?

Safety first. All calls and visits with a parent. Do not give personal information beyond what the parent approves.

PROJECT: MY DEAL SHEET (UNIT PORTFOLIO)

Build a complete deal sheet for one real business in your town.

You will need

- Deal sheet
- Phone with a parent
- Zoning map
- Calculator

Steps

1. Pick a business and a real site.
2. Gather at least five local quotes.
3. Check zoning and record the code section.
4. Call the permit office and record what you learn.
5. Compute payback and break-even; change your largest assumption by 20% and recompute.
6. Write five risks and responses.
7. Write one page: would you start it, and why or why not?

Check your work

- Every number cited, quoted or labeled.
- Zoning and permit findings recorded.
- Sensitivity shown.
- Honest risks.

LEDGER NOTEBOOK

1. Record each call: office, person's title, date, answers.
2. Draw the site.
3. Write your decision.

From history. Vermeer painted only about three dozen surviving pictures; this one has been at the National Gallery of Art since 1942.

Sources for this lesson. Students' own quotes; figures from Lessons 1.1-1.9.

For families. Calls and visits should be made with a parent. Students should not sign anything or pay any fee.

WORKED EXAMPLES

Example 1. A classroom example (made-up numbers): investment \$10,000, profit \$4,000 a year. If profit is 20% lower, what is payback?

1. Base payback: 2.5 years.
2. 20% lower profit: \$3,200; $\$10,000 \div \$3,200 \approx 3.1$ years.

Answer: Payback rises from 2.5 to about 3.1 years.

Example 2. How should you write a number you assumed?

1. Mark it “assumption,” say why you chose it, and test it with sensitivity.

Answer: Label it clearly and show how the answer changes.

PRACTICE

1. **EASY** What three kinds of numbers may appear on a capstone deal sheet?
2. **EASY** What should you record from a permit call?
3. **EASY** What is sensitivity?
4. **MEDIUM** Fixed costs \$1,200 a month, price \$5, variable \$2. Break-even?
5. **MEDIUM** Why change the largest assumption, not the smallest?
6. **MEDIUM** Name two ways to check a zoning answer.
7. **HARD** Your break-even is 400 units but a nearby vendor sells 150. What do you conclude?
8. **HARD** Why may a good answer be “do not start”?

COMMON MISTAKES

- Unlabeled guesses.
- Skipping the permit call.
- Listing only easy risks.

Make it a game • Shark Tank at Supper. Present your deal sheet in three minutes. Family members each ask one hard question.

Scripture. “Render therefore to all their dues: tribute to whom tribute is due; custom to whom custom; fear to whom fear; honour to whom honour.” (Romans 13:7, KJV)

Render dues: taxes, fees and honest pay are part of the cost.

Practice: answers

1. Cited figures, local quotes and labeled assumptions.
2. Office, title of person, date, requirements, cost, time.
3. How much the result changes when one assumption changes.
4. 400 units a month.
5. It moves the result most.
6. Read the code section; ask the zoning office.
7. Unless your spot or product is far better, the plan likely loses money; rethink price, costs or location.
8. Counting the cost exists to prevent starting what cannot be finished.

UNIT 1 TEST

Calculators are allowed. Show your work for every calculation: write the formula, put in the numbers and give the answer with its units. Answer the concept questions in complete sentences. The test is worth 100 points.

1. (5 pts) Define gross margin and operating profit.
2. (5 pts) What does FDD Item 7 tell a buyer?
3. (5 pts) What does Item 19 contain, and is it required?
4. (5 pts) Which Item lists franchisees you can call?
5. (5 pts) A business has sales of \$250,000 and cost of goods of \$100,000. Gross margin?
6. (5 pts) Startup \$120,000; yearly profit before debt, taxes and owner pay \$30,000. Payback?
7. (5 pts) Fixed costs \$800 a month, price \$4, variable cost \$2. Break-even units?
8. (5 pts) NAMA reports \$6,284 yearly sales per machine. Monthly?
9. (5 pts) CLA's 2024 median laundromat revenue was \$335,000 with 27% operating net. Profit?
10. (5 pts) Rent at 32% vs 18% of \$335,000: difference?
11. (5 pts) Self-storage EGI \$14.44 and expenses \$4.91 per sq ft. NOI and expense ratio?
12. (5 pts) Why can a moratorium make an existing storage site more valuable?
13. (5 pts) Name two government requirements for a hot dog cart in Virginia or Florida.
14. (5 pts) Jersey Mike's AUV \$1,338,874; royalty 6.5% plus ad fund 1%. Fees?
15. (5 pts) Why can't payback be computed from Jersey Mike's Item 19?
16. (5 pts) Great Clips investment \$187,800-\$419,900, cash flow \$82,637. Payback range?
17. (5 pts) Why do salons under \$250,000 in sales lose money on average?
18. (5 pts) What made the Aurelia Star close, per Medill?
19. (5 pts) A source is "a software vendor's estimate." How should it appear on a deal sheet?
20. (5 pts) Explain Luke 14:28 in terms of a deal sheet.

UNIT PORTFOLIO: MY DEAL SHEET: ONE REAL BUSINESS IN MY TOWN

The capstone deal sheet from Lesson 1.10, the comparison memo from Lesson 1.9, and the deal sheets from Lessons 1.2-1.8, in one folder.

- **Local data:** At least five dated local quotes, a zoning finding with the code section, and a permit-office call log.
- **Correct math:** Margin, break-even and payback correct and labeled.
- **Citations:** Every number cited, quoted or labeled as an assumption.
- **Realistic assumptions:** Assumptions explained and tested with sensitivity.
- **Honest risks:** At least five risks, including owner labor, location and rules, with responses.

1. Gross margin: share of sales left after the cost of goods. Operating profit: what is left after all operating costs, usually before debt, taxes and owner pay.
2. The estimated initial investment, low to high.
3. Any financial performance representation; it is optional.
4. Item 20.
5. 60%.
6. 4 years, before debt, taxes and owner pay.
7. 400 a month.
8. About \$524.
9. \$90,450, before taxes, debt service and owner pay.
10. \$46,900.
11. \$9.53; 34.0%.
12. It blocks new competitors for a time; the existing site is grandfathered.
13. Plan review and permit (Virginia, \$40 each); a commissary agreement / daily commissary use (Florida).
14. About \$100,416.
15. It reports sales only, not profit.
16. About 2.3 to 5.1 years.
17. Fixed costs remain while sales are low.
18. The county stopped carrying public notices in the paper.
19. Cited and labeled as a vendor estimate, checked with local quotes.
20. Before starting, count all costs to see whether you can finish; a deal sheet is that counting.