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Safe Kids Child Care

1.0 Executive Summary

Safe Kids Child Care is a start-up organization that provides day care services to Lynn, MA, a suburb of Boston. This mid-sized child care facility serves children from three months to six years of age. Their services are safe and secure, providing the parents with an excellent place where their children can be taken care of.

The Market

The child care market is quite competitive in the Boston area. There are over 300 different facilities. There are two general types of facilities. The larger style is commercially run, typically a corporate franchise center. These facilities are both regional and national. Currently, the four largest child care facilities in the USA account for 29% of the market. There are also many different smaller locally run and owned facilities. While the largest facilities can host between 20-100 children, the locally run centers typically have a maximum capacity of 20 children.

As mentioned earlier, the market is quite competitive. Safe Kids will employ two strategies to differentiate themselves. The first is a pricing structure where Safe Kids' services will be priced at 5%-10% less than the larger commercial run facilities. The second differentiating effort will be benchmarked customer service. A customer-centric philosophy will be infused within the entire organization. Safe Kids will spend extra money to attract and train the best employees. This is especially important because it is the employees that interact with both the children and parents and will have the best chance to impress them enough to turn them into a loyal customer as well as to be vocal in telling their friends about their positive child care experience.

The Customers

Safe Kids will be concentrating on two different target customer segments. The first is full-time working couples. This group is forecasted to account for 80% of Safe Kids' business. This group is growing at a rate of 25% and there are over 100 potential customers in a 10 mile radius. The second group of customers are drop in, customers who use Safe Kids sporadically, when ever the need arises. This group is growing at 20% and there are 50 potential families.

The Management Team

Safe Kids will be lead by two child care industry veterans, Andrea Child and Danielle Frelander. Andrea has a sales, marketing, and management background within the industry, having spent seven years at The Toddler Warehouse. During her tenure at Toddler Warehouse, Andrea helped grow the business from \$98,000 in yearly revenue to over \$4.6 million. Andrea's partner is Danielle Frelander who has a finance and administration background. Previous to Safe Kids, Danielle worked for The Rug Rat Vault, the seventh largest child care corporation in the USA. While Danielle was at The Rug Rat Vault as CFO, she was able to increase operating profits by 12%, an increase that is generally unheard of in this industry.

Safe Kids is an exciting opportunity that provides safe and secure child care to the Lynn, MA neighborhood. Safe Kids will reach sustainable profitability by month seven and generate \$89,000 in profits by year three. This will be a 13.21% margin off of \$674,000 in sales. Through a combination of well-priced services, outstanding customer service, and a well seasoned management team, Safe Kids will quickly gain market share and a reputation as a premier child care provider.

Safe Kids Child Care

1.1 Mission

Safe Kids Child Care aims to offer safe and secure child care at all times. Close personal attention to each child is essential to providing a quality experience for all children; therefore, adequate personnel will be hired to ensure each child has the proper supervision will in our care.

1.2 Keys to Success

Keys to success for the company will include:

1. Maintaining a reputable and untarnished reputation in the community.
2. Quality care.
3. Competitive pricing.
4. Flexible hours.

2.0 Company Summary

Safe Kids Child Care is a start-up managed by two partners. Both have extensive experience in the child care industry, and have maintained excellent reputations in this same industry. In addition, these two partners are capable of handling the sales/management and finance/administration areas, respectively.

2.1 Company Ownership

This business will start out as a simple proprietorship, owned by its founders. As the operation grows, the owners will consider re-registering as a limited liability company or as a corporation, whichever will better suit the future business needs.

2.2 Start-up Summary

The company founders, Ms. Child and Ms. Freelander, will handle day-to-day operations of the business and will work collaboratively to ensure that this business venture is a success.

It is estimated that the start-up costs will be \$3,000 (including legal costs, advertising, and related expenses). An additional amount of \$67,000 will be required as start-up assets. The start-up costs are to be financed in equal portions by the owners' personal funds and by a \$30,000 5-year loan.

Safe Kids Child Care

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	\$1,000
Brochures	\$350
Stationery etc.	\$100
Activity Supplies	\$250
Food Preparation Supplies	\$300
First Aid Supplies	\$200
Cleaning Supplies	\$150
Nap Time Bedding	\$250
Other	\$400
Total Start-up Expenses	\$3,000
Start-up Assets	
Cash Required	\$67,000
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$67,000
Total Requirements	\$70,000

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	\$3,000
Start-up Assets to Fund	\$67,000
Total Funding Required	\$70,000
Assets	
Non-cash Assets from Start-up	\$0
Cash Requirements from Start-up	\$67,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$67,000
Total Assets	\$67,000
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$30,000
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$30,000
Capital	
Planned Investment	
Owner - Child	\$20,000
Owner - Freelander	\$20,000
Other	\$0
Additional Investment Requirement	\$0
Total Planned Investment	\$40,000
Loss at Start-up (Start-up Expenses)	(\$3,000)
Total Capital	\$37,000
Total Capital and Liabilities	\$67,000
Total Funding	\$70,000

Safe Kids Child Care

3.0 Services

Safe Kids Child Care offers child care services for ages from 3-month infants to 6 years old. Hours of operation are from 6:30 A.M. to 7:30 P.M., Monday through Friday.

4.0 Market Analysis Summary

Safe Kids Child Care is a business that has become necessary in today's fast-paced world. There are an increasing amount of families who have become dependent on two incomes, which has created the necessity of the child care industry. Indeed, it has. There are over 300 facilities in the area that provide similar services to Safe Kids Child Care, each of these has a large client base, and a lucrative business. There is no doubt that there is room in the market for a high-quality child care facility.

4.1 Market Segmentation

Safe Kids Child Care has a focus on meeting the local need for child care services within the 10-mile radius of Lynn. Children are taken in flexibly on either a full-time or part-time basis.

Full-Time Working Couples

The company wants to establish a significantly large full-time regular client base in order to establish a healthy, consistent revenue base to ensure stability of the business. Customer relations are extremely important, as it is imperative to keep the parents pleased in order to keep their children in the daycare center.

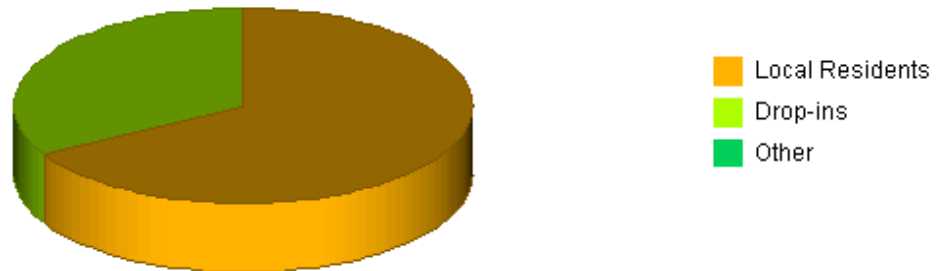
Part-Time Workers / Drop-Ins

Part-time workers and drop-ins comprise approximately 20% of revenues. While this market is not the primary focus, sufficient flexibility to handle this secondary market is important to producing supplemental revenues.

Table: Market Analysis

Market Analysis		2001	2002	2003	2004	2005	
Potential Customers	Growth						CAGR
Local Residents	25%	100	125	156	195	244	24.98%
Drop-ins	20%	50	60	72	86	103	19.80%
Other	0%	0	0	0	0	0	0.00%
Total	23.33%	150	185	228	281	347	23.33%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

The target market for Safe Kids Child Care is full-time working couples. Referral marketing is the key type of marketing strategy utilized. Maintaining and further enhancing its reputation in the community is crucial to gaining additional market share of this target market.

4.3 Service Business Analysis

The child care business is lucrative, as mentioned before. As a result, there are many centers that provide quality care for children in the same area as Safe Kids. The child care industry is split between large, commercially-run centers and smaller, locally-owned centers. Safe Kids will compete with the small care centers, this is where the main competition lies. The company is confident that this will be a successful venture because of the quality of its managers and the capability of its Care Staff, which is mentioned in more detail in the Personnel section.

4.4 Competition and Buying Patterns

There are over 300 child care providers in the local area. The larger commercial chain child care centers, such as KinderCare, have a majority of the market share. These larger chains compete well because of a good reputation among the consumer market. Safe Kids Child Care offers a lower staff to child ratio, which is appealing to most parents. Additionally, the company maintains child care fee levels that are 5-10% below the average of that of the large commercial chain child care fees.

5.0 Strategy and Implementation Summary

Safe Kids Child Care will succeed by offering its clients' children a safe and secure care environment, and close personal attention. The goals of the center are dual-sided: to help parents feel good about the care of their children, and to make it a safe, educational, and fun experience for the child.

5.1 Competitive Edge

Child care competitive edge is the facility's efforts in obtaining all appropriate licensing and certifications. Additionally, thorough pre-hire background screenings are performed on all individuals before hired for employment.

5.2 Sales Strategy

Safe Kids Child Care will make a significant profit through the excellent care of children. Even though Safe Kids charges less, the company will see profit within the first year due to beneficial word-of-mouth advertising. The company expects to double its' clientele every six months, for the first 18 months.

5.2.1 Sales Forecast

As the following table shows, the company plans to deliver sales of approximately \$262,000 in the first year, \$515,000 in the second year, and \$674,000 in the third year plan implementation.

Safe Kids Child Care

Table: Sales Forecast

Sales Forecast			
	2001	2002	2003
Unit Sales			
Full-Time Child - Month	640	1,200	1,500
Drop-In Child - Hour	1,875	3,500	4,000
Other	0	0	0
Total Unit Sales	2,515	4,700	5,500
Unit Prices			
	2001	2002	2003
Full-Time Child - Month	\$400.00	\$420.00	\$441.00
Drop-In Child - Hour	\$3.00	\$3.15	\$3.31
Other	\$0.00	\$0.00	\$0.00
Sales			
Full-Time Child - Month	\$256,000	\$504,000	\$661,500
Drop-In Child - Hour	\$5,625	\$11,025	\$13,240
Other	\$0	\$0	\$0
Total Sales	\$261,625	\$515,025	\$674,740
Direct Unit Costs			
	2001	2002	2003
Full-Time Child - Month	\$10.00	\$11.00	\$12.00
Drop-In Child - Hour	\$0.75	\$0.80	\$0.90
Other	\$0.00	\$0.00	\$0.00
Direct Cost of Sales			
Full-Time Child - Month	\$6,400	\$13,200	\$18,000
Drop-In Child - Hour	\$1,406	\$2,800	\$3,600
Other	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$7,806	\$16,000	\$21,600

Safe Kids Child Care

6.0 Management Summary

The two principals, Ms. Child and Ms. Freelander, have impeccable credentials in this industry. This will benefit Safe Kids Child Care in two ways:

1. Clients will be brought from previous employers, and
2. The experience each has will attract new clients.

Andrea B. Child has extensive experience in sales, marketing, and management within the child care industry. Danielle E. Freelander has extensive experience in the area of finance and administration, also in the child care sector.

6.1 Personnel Plan

As the Personnel Plan shows, the company expects to make gradual investments in care personnel over the next three years, always keeping in mind the number of children in need of care at the center.

Table: Personnel

Personnel Plan	2001	2002	2003
Managers (2)	\$72,000	\$80,000	\$84,000
Care Staff	\$138,000	\$252,000	\$291,000
Other	\$0	\$0	\$0
Total People	10	12	13
Total Payroll	\$210,000	\$332,000	\$375,000

Safe Kids Child Care

7.0 Financial Plan

Safe Kids Child Care expects to raise \$40,000 as its own capital, and to borrow \$30,000 guaranteed from the SBA as a 5-year loan. This provides the bulk of the current financing required.

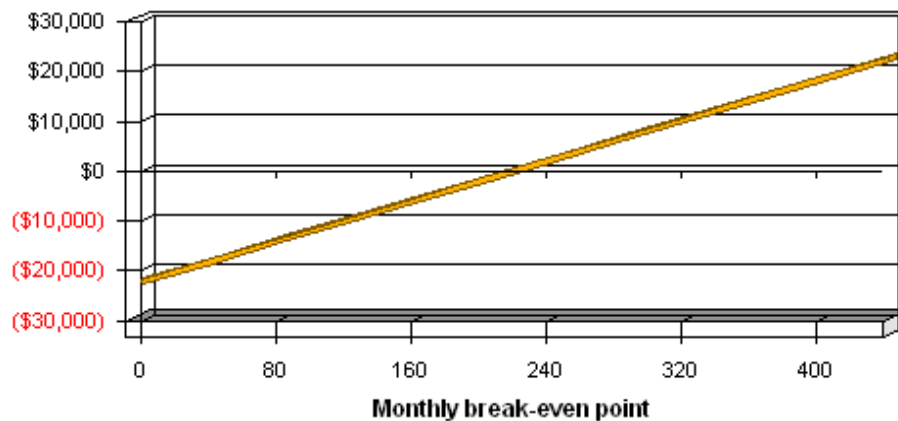
7.1 Break-even Analysis

The Break-even Analysis is based on the average of the first-year figures for total sales by units, and by operating expenses. These are presented as per-unit revenue, per-unit cost, and fixed costs. These conservative assumptions make for a more accurate estimate of real risk.

Table: Break-even Analysis

Break-even Analysis	
Monthly Units Break-even	222
Monthly Revenue Break-even	\$23,063
Assumptions:	
Average Per-Unit Revenue	\$104.03
Average Per-Unit Variable Cost	\$3.10
Estimated Monthly Fixed Cost	\$22,375

Break-even Analysis



Break-even point = where line intersects with 0

Safe Kids Child Care

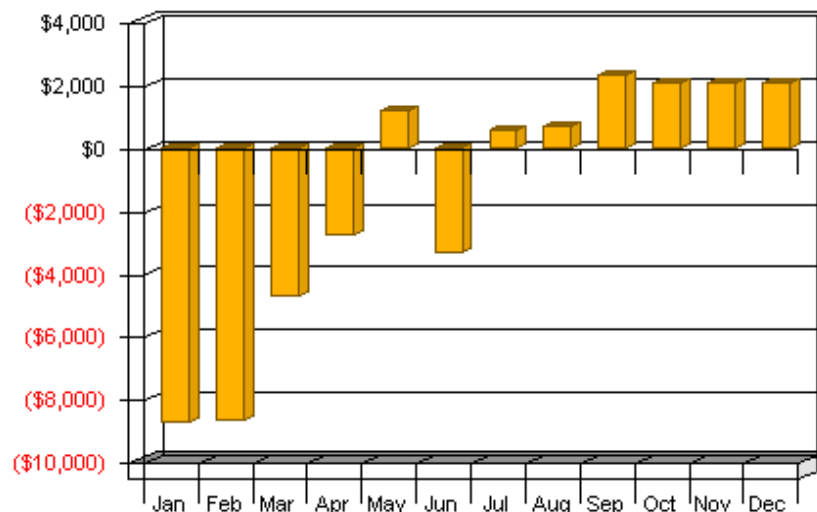
7.2 Projected Profit and Loss

As the Profit and Loss table shows, the company expects to continue its steady growth in profitability over the next three years of operations.

Table: Profit and Loss

Pro Forma Profit and Loss			
	2001	2002	2003
Sales	\$261,625	\$515,025	\$674,740
Direct Cost of Sales	\$7,806	\$16,000	\$21,600
Other Production Expenses	\$0	\$0	\$0
Total Cost of Sales	\$7,806	\$16,000	\$21,600
Gross Margin	\$253,819	\$499,025	\$653,140
Gross Margin %	97.02%	96.89%	96.80%
Expenses			
Payroll	\$210,000	\$332,000	\$375,000
Sales and Marketing and Other Expenses	\$0	\$0	\$0
Depreciation	\$0	\$0	\$0
Leased Equipment	\$1,800	\$2,000	\$2,200
Certifications & Inspections	\$2,400	\$2,500	\$2,600
Utilities	\$1,800	\$2,000	\$22,000
Insurance	\$3,000	\$3,600	\$42,000
Rent	\$18,000	\$20,000	\$25,000
Payroll Taxes	\$31,500	\$49,800	\$56,250
Other	\$0	\$0	\$0
Total Operating Expenses	\$268,500	\$411,900	\$525,050
Profit Before Interest and Taxes	(\$14,681)	\$87,125	\$128,090
EBITDA	(\$14,681)	\$87,125	\$128,090
Interest Expense	\$2,610	\$1,780	\$780
Taxes Incurred	\$0	\$25,604	\$38,193
Net Profit	(\$17,291)	\$59,742	\$89,117
Net Profit/Sales	-6.61%	11.60%	13.21%

Profit Monthly



Safe Kids Child Care

7.3 Projected Cash Flow

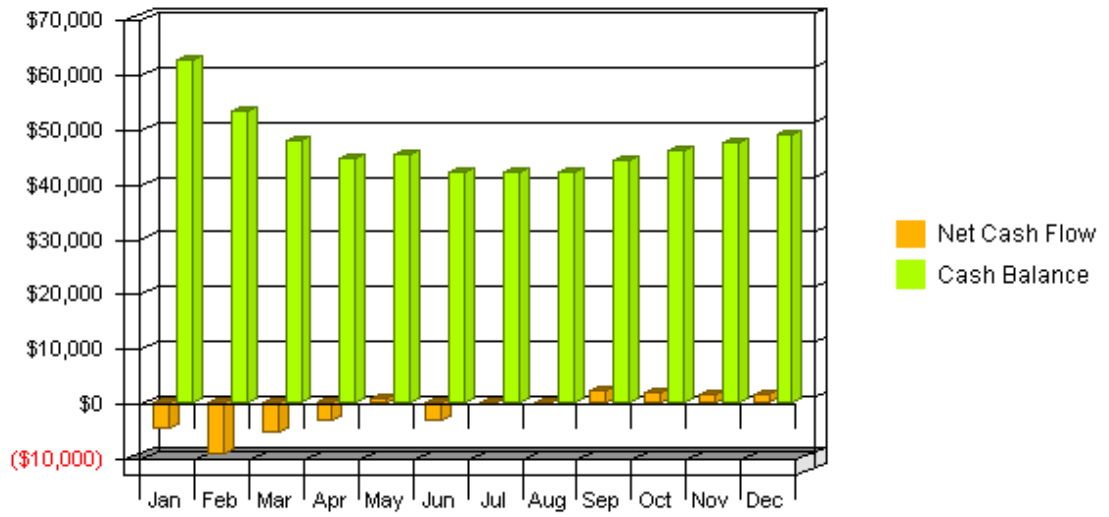
The cash flow projection shows that provisions for ongoing expenses are adequate to meet the needs of the company as the business generates sufficient cash flow to support operations.

Table: Cash Flow

Pro Forma Cash Flow	2001	2002	2003
Cash Received			
Cash from Operations			
Cash Sales	\$261,625	\$515,025	\$674,740
Subtotal Cash from Operations	\$261,625	\$515,025	\$674,740
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$261,625	\$515,025	\$674,740
Expenditures			
Expenditures from Operations			
Cash Spending	\$210,000	\$332,000	\$375,000
Bill Payments	\$62,461	\$119,606	\$203,444
Subtotal Spent on Operations	\$272,461	\$451,606	\$578,444
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$7,200	\$10,000	\$10,000
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$279,661	\$461,606	\$588,444
Net Cash Flow	(\$18,036)	\$53,419	\$86,296
Cash Balance	\$48,964	\$102,383	\$188,679

Safe Kids Child Care

Cash



Safe Kids Child Care

7.4 Projected Balance Sheet

The following table presents the Balance Sheet for Safe Kids Child Care.
Table: Balance Sheet

Pro Forma Balance Sheet			
	2001	2002	2003
Assets			
Current Assets			
Cash	\$48,964	\$102,383	\$188,679
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$48,964	\$102,383	\$188,679
Long-term Assets			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0
Total Assets	\$48,964	\$102,383	\$188,679
Liabilities and Capital			
Current Liabilities			
Accounts Payable	\$6,455	\$10,133	\$17,311
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$6,455	\$10,133	\$17,311
Long-term Liabilities	\$22,800	\$12,800	\$2,800
Total Liabilities	\$29,255	\$22,933	\$20,111
Paid-in Capital	\$40,000	\$40,000	\$40,000
Retained Earnings	(\$3,000)	(\$20,291)	\$39,450
Earnings	(\$17,291)	\$59,742	\$89,117
Total Capital	\$19,709	\$79,450	\$168,567
Total Liabilities and Capital	\$48,964	\$102,383	\$188,679
Net Worth	\$19,709	\$79,450	\$168,567

7.5 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 8351, Child Day Care Services, are shown for comparison.

Safe Kids Child Care

Table: Ratios

Ratio Analysis	2001	2002	2003	Industry Profile
Sales Growth	0.00%	96.86%	31.01%	9.50%
Percent of Total Assets				
Other Current Assets	0.00%	0.00%	0.00%	26.80%
Total Current Assets	100.00%	100.00%	100.00%	44.70%
Long-term Assets	0.00%	0.00%	0.00%	55.30%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	13.18%	9.90%	9.18%	31.80%
Long-term Liabilities	46.57%	12.50%	1.48%	31.00%
Total Liabilities	59.75%	22.40%	10.66%	62.80%
Net Worth	40.25%	77.60%	89.34%	37.20%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	97.02%	96.89%	96.80%	0.00%
Selling, General & Administrative Expenses	103.63%	85.29%	83.59%	75.60%
Advertising Expenses	0.00%	0.00%	0.00%	0.70%
Profit Before Interest and Taxes	-5.61%	16.92%	18.98%	2.60%
Main Ratios				
Current	7.59	10.10	10.90	1.27
Quick	7.59	10.10	10.90	1.14
Total Debt to Total Assets	59.75%	22.40%	10.66%	62.80%
Pre-tax Return on Net Worth	-87.73%	107.42%	75.52%	5.40%
Pre-tax Return on Assets	-35.31%	83.36%	67.47%	14.60%
Additional Ratios				
	2001	2002	2003	
Net Profit Margin	-6.61%	11.60%	13.21%	n.a
Return on Equity	-87.73%	75.19%	52.87%	n.a
Activity Ratios				
Accounts Payable Turnover	10.68	12.17	12.17	n.a
Payment Days	27	25	24	n.a
Total Asset Turnover	5.34	5.03	3.58	n.a
Debt Ratios				
Debt to Net Worth	1.48	0.29	0.12	n.a
Current Liab. to Liab.	0.22	0.44	0.86	n.a
Liquidity Ratios				
Net Working Capital	\$42,509	\$92,250	\$171,367	n.a
Interest Coverage	-5.63	48.95	164.22	n.a
Additional Ratios				
Assets to Sales	0.19	0.20	0.28	n.a
Current Debt/Total Assets	13%	10%	9%	n.a
Acid Test	7.59	10.10	10.90	n.a
Sales/Net Worth	13.27	6.48	4.00	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Table: Sales Forecast

Sales Forecast													
		Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Unit Sales													
Full-Time Child - Month	0%	25	25	35	40	50	50	60	60	70	75	75	75
Drop-In Child - Hour	0%	50	75	100	100	100	150	150	200	200	250	250	250
Other	0%	0	0	0	0	0	0	0	0	0	0	0	0
Total Unit Sales		75	100	135	140	150	200	210	260	270	325	325	325
Unit Prices													
Full-Time Child - Month		\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00
Drop-In Child - Hour		\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Other		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales													
Full-Time Child - Month		\$10,000	\$10,000	\$14,000	\$16,000	\$20,000	\$20,000	\$24,000	\$24,000	\$28,000	\$30,000	\$30,000	\$30,000
Drop-In Child - Hour		\$150	\$225	\$300	\$300	\$300	\$450	\$450	\$600	\$600	\$750	\$750	\$750
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales		\$10,150	\$10,225	\$14,300	\$16,300	\$20,300	\$20,450	\$24,450	\$24,600	\$28,600	\$30,750	\$30,750	\$30,750
Direct Unit Costs													
Full-Time Child - Month	0.00%	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Drop-In Child - Hour	0.00%	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
Other	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Cost of Sales													
Full-Time Child - Month		\$250	\$250	\$350	\$400	\$500	\$500	\$600	\$600	\$700	\$750	\$750	\$750
Drop-In Child - Hour		\$38	\$56	\$75	\$75	\$75	\$113	\$113	\$150	\$150	\$188	\$188	\$188
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales		\$288	\$306	\$425	\$475	\$575	\$613	\$713	\$750	\$850	\$938	\$938	\$938

Appendix

Table: Personnel

Personnel Plan		Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Managers (2)	0%	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Care Staff	0%	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$12,000	\$12,000	\$12,000	\$14,000	\$16,000	\$16,000	\$16,000
Other	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total People		4	4	4	6	6	8	8	8	9	10	10	10
Total Payroll		\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$18,000	\$18,000	\$18,000	\$20,000	\$22,000	\$22,000	\$22,000

Appendix

Table: General Assumptions

General Assumptions	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Appendix

Table: Profit and Loss

Pro Forma Profit and Loss												
	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Sales	\$10,150	\$10,225	\$14,300	\$16,300	\$20,300	\$20,450	\$24,450	\$24,600	\$28,600	\$30,750	\$30,750	\$30,750
Direct Cost of Sales	\$288	\$306	\$425	\$475	\$575	\$613	\$713	\$750	\$850	\$938	\$938	\$938
Other Production Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$288	\$306	\$425	\$475	\$575	\$613	\$713	\$750	\$850	\$938	\$938	\$938
Gross Margin	\$9,863	\$9,919	\$13,875	\$15,825	\$19,725	\$19,838	\$23,738	\$23,850	\$27,750	\$29,813	\$29,813	\$29,813
Gross Margin %	97.17%	97.00%	97.03%	97.09%	97.17%	97.00%	97.09%	96.95%	97.03%	96.95%	96.95%	96.95%
Expenses												
Payroll	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$18,000	\$18,000	\$18,000	\$20,000	\$22,000	\$22,000	\$22,000
Sales and Marketing and Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leased Equipment	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Certifications & Inspections	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Utilities	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Insurance	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Rent	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Payroll Taxes	15% \$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,700	\$2,700	\$2,700	\$3,000	\$3,300	\$3,300	\$3,300
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$18,350	\$18,350	\$18,350	\$18,350	\$18,350	\$22,950	\$22,950	\$22,950	\$25,250	\$27,550	\$27,550	\$27,550
Profit Before Interest and Taxes	(\$8,488)	(\$8,431)	(\$4,475)	(\$2,525)	\$1,375	(\$3,113)	\$788	\$900	\$2,500	\$2,263	\$2,263	\$2,263
EBITDA	(\$8,488)	(\$8,431)	(\$4,475)	(\$2,525)	\$1,375	(\$3,113)	\$788	\$900	\$2,500	\$2,263	\$2,263	\$2,263
Interest Expense	\$245	\$240	\$235	\$230	\$225	\$220	\$215	\$210	\$205	\$200	\$195	\$190
Taxes Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$8,733)	(\$8,671)	(\$4,710)	(\$2,755)	\$1,150	(\$3,333)	\$573	\$690	\$2,295	\$2,063	\$2,068	\$2,073
Net Profit/Sales	-86.03%	-84.80%	-32.94%	-16.90%	5.67%	-16.30%	2.34%	2.80%	8.02%	6.71%	6.72%	6.74%

Appendix

Table: Cash Flow

Pro Forma Cash Flow	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Cash Received												
Cash from Operations												
Cash Sales	\$10,150	\$10,225	\$14,300	\$16,300	\$20,300	\$20,450	\$24,450	\$24,600	\$28,600	\$30,750	\$30,750	\$30,750
Subtotal Cash from Operations	\$10,150	\$10,225	\$14,300	\$16,300	\$20,300	\$20,450	\$24,450	\$24,600	\$28,600	\$30,750	\$30,750	\$30,750
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$10,150	\$10,225	\$14,300	\$16,300	\$20,300	\$20,450	\$24,450	\$24,600	\$28,600	\$30,750	\$30,750	\$30,750
Expenditures												
Expenditures from Operations												
Cash Spending	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$18,000	\$18,000	\$18,000	\$20,000	\$22,000	\$22,000	\$22,000
Bill Payments	\$163	\$4,883	\$4,900	\$5,012	\$5,058	\$5,171	\$5,786	\$5,879	\$5,923	\$6,318	\$6,687	\$6,682
Subtotal Spent on Operations	\$14,163	\$18,883	\$18,900	\$19,012	\$19,058	\$23,171	\$23,786	\$23,879	\$25,923	\$28,318	\$28,687	\$28,682
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$14,763	\$19,483	\$19,500	\$19,612	\$19,658	\$23,771	\$24,386	\$24,479	\$26,523	\$28,918	\$29,287	\$29,282
Net Cash Flow	(\$4,613)	(\$9,258)	(\$5,200)	(\$3,312)	\$642	(\$3,321)	\$64	\$121	\$2,077	\$1,832	\$1,463	\$1,468
Cash Balance	\$62,387	\$53,129	\$47,929	\$44,618	\$45,260	\$41,939	\$42,003	\$42,124	\$44,201	\$46,033	\$47,496	\$48,964

Appendix

Table: Balance Sheet

Pro Forma Balance Sheet													
	Starting Balances	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Assets													
Current Assets													
Cash	\$67,000	\$62,387	\$53,129	\$47,929	\$44,618	\$45,260	\$41,939	\$42,003	\$42,124	\$44,201	\$46,033	\$47,496	\$48,964
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$67,000	\$62,387	\$53,129	\$47,929	\$44,618	\$45,260	\$41,939	\$42,003	\$42,124	\$44,201	\$46,033	\$47,496	\$48,964
Long-term Assets													
Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$67,000	\$62,387	\$53,129	\$47,929	\$44,618	\$45,260	\$41,939	\$42,003	\$42,124	\$44,201	\$46,033	\$47,496	\$48,964
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$4,720	\$4,733	\$4,843	\$4,887	\$4,978	\$5,590	\$5,682	\$5,713	\$6,095	\$6,465	\$6,460	\$6,455
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$4,720	\$4,733	\$4,843	\$4,887	\$4,978	\$5,590	\$5,682	\$5,713	\$6,095	\$6,465	\$6,460	\$6,455
Long-term Liabilities	\$30,000	\$29,400	\$28,800	\$28,200	\$27,600	\$27,000	\$26,400	\$25,800	\$25,200	\$24,600	\$24,000	\$23,400	\$22,800
Total Liabilities	\$30,000	\$34,120	\$33,533	\$33,043	\$32,487	\$31,978	\$31,990	\$31,482	\$30,913	\$30,695	\$30,465	\$29,860	\$29,255
Paid-in Capital	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Retained Earnings	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)
Earnings	\$0	(\$8,733)	(\$17,404)	(\$22,114)	(\$24,869)	(\$23,719)	(\$27,051)	(\$26,479)	(\$25,789)	(\$23,494)	(\$21,431)	(\$19,364)	(\$17,291)
Total Capital	\$37,000	\$28,268	\$19,596	\$14,886	\$12,131	\$13,281	\$9,949	\$10,521	\$11,211	\$13,506	\$15,569	\$17,636	\$19,709
Total Liabilities and Capital	\$67,000	\$62,387	\$53,129	\$47,929	\$44,618	\$45,260	\$41,939	\$42,003	\$42,124	\$44,201	\$46,033	\$47,496	\$48,964
Net Worth	\$37,000	\$28,268	\$19,596	\$14,886	\$12,131	\$13,281	\$9,949	\$10,521	\$11,211	\$13,506	\$15,569	\$17,636	\$19,709