



BUSINESS EXPANSION PLAN

Table of Contents

1.	Executive Summary	1
1.1.	Objectives.....	2
1.2.	Mission.....	2
1.3.	Keys to Success.....	2
2.	Company Summary	2
3.	Products and Services	3
4.	Market Analysis Summary	4
4.1.	Competitive Edge.....	5
4.2.	Marketing Strategy.....	5
5.	Management Summary	5
5.1.	Personnel.....	5
5.2.	Advisors and Consultants.....	6
6.	Financial Plan.....	6
6.1.	Expansion Investment	6
6.2.	Revenue Streams.....	7
6.2.1.	Average Ticket Prices.....	7
6.2.2.	Direct Sales	8
6.2.3.	Online Sales	10
6.2.3.1.	Generating Online Traffic	10
6.2.3.2.	Conversion Rates and Sales.....	14
6.3.	Expense Assumptions	15
6.3.1.	Cost Of Goods Sold	15
6.3.2.	General & Administrative.....	16
6.3.3.	Personnel.....	16
6.3.4.	Marketing.....	17
6.4.	Projected Profit and Loss	17
6.5.	Projected Cash Flow.....	18
6.6.	Projected Balance Sheet	19
7.	Year 1 Monthly Pro Formas	21
8.	Five-Year Financial Snapshot.....	24

1. Executive Summary

██████████'s founder has spent 11 years developing a reputation among local martial arts academies as the go-to source for top-line *meijin*-crafted Japanese uniforms and belts – known among aficionados as the couture (highest quality) line of martial arts apparel.

Today, with access to capital not previously available, a strong team of consultants and prospective salespeople, founder ██████████ ██████████ is expanding ██████████ from a cottage industry to a national operation by:

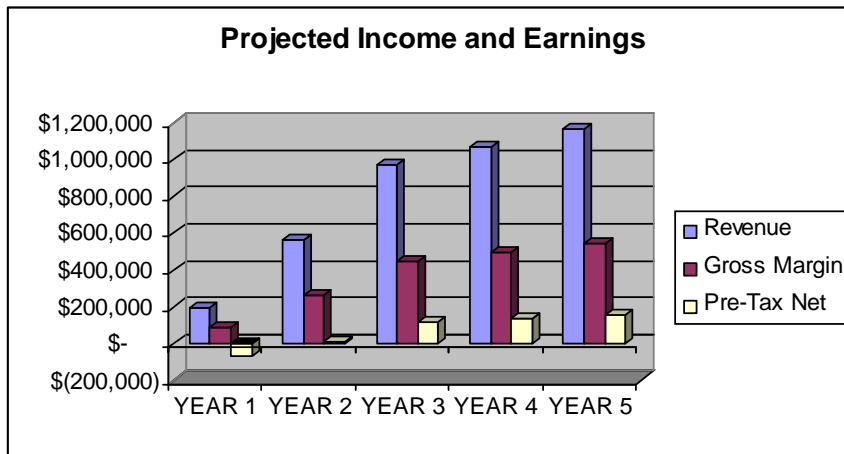
- *Leveraging* her reputation as *the* source for couture martial arts clothing
- *Expanding* her product line and range of price points to increase the Company's universe of prospects
- *Utilizing* \$100,000 in credit and savings for growth and expansion
- *Hiring* a dedicated sales team to generate direct sales to local martial arts academies
- *Generating* Internet sales through a new online store that will be affordably marketed through today's viral/Web 2.0 opportunities

Historical data shows that the *meijin* line can generate \$5,000 in top line sales annually from any given martial arts academy.

With more than 30,000 academies in the U.S. – and more than 1,300 of them in the metropolitan New York City region – this indicates a multi-million dollar market.

In addition, the high gross margin produced by the Company's couture apparel sales will allow ██████████ ██████████ to competitively price the lower-tier uniforms and equipment that the country's 5.7 million active martial arts students require.

Because of today's cost-effective online marketing opportunities, ██████████ ██████████ can target and penetrate this vast market in a way that was cost prohibitive when the company began. A thorough financial forecast calls for a \$100,000 investment from founder ██████████ ██████████ and projects steady growth that results in topline sales in excess of \$1 million by Year 4.



1.1. Objectives

The company's objectives are clear and measurable:

- Use a \$100,000 capital investment from founder [REDACTED] [REDACTED] to:
 - Expand the Company's current range of product offerings to create a greater universe of prospective customers
 - Hire a sales and administrative staff
 - Create an online store to capture sales through the Internet
- Reach a self-sustaining cash flow by the end of Year 1
- Reach more than \$1 million in topline sales by Year 4

1.2. Mission

The Company's mission is to bring the world's highest quality martial arts uniforms to U.S. masters and instructors while providing training academies with a range of uniforms and equipment at affordable price points.

1.3. Keys to Success

Keys to success include:

- A cash infusion of \$100,000 to enact the expansion strategy outlined in this plan (see section 6.1)
- New employees, including an online sales director, a traditional salesperson for local establishments and administrative support (see section 6.3.3)
- An established track record for high-end products, developed by owner [REDACTED] [REDACTED] (see section 5)
- Expanded product offerings that increase the universe of prospects (see section 3)
- An ample marketing budget (see section 6.2.3)
- A reputable team of business consultants (see section 5.2)

2. Company Summary

[REDACTED] [REDACTED] has been the sole proprietor of [REDACTED] since its inception in 1997. In that capacity she has handled all administration, orders, marketing, shipping and management.

As part of her expansion plan, the company will be incorporated in the state of New York and elect subchapter S status.

3. Products and Services

Founder [REDACTED] [REDACTED] has worked diligently to develop a reputation as the go-to source for official *meijin*-produced, high-ticket martial arts uniforms. Manufactured by craftsmen in Japan, these uniforms are of the highest quality and they are generally purchased by martial arts teachers and masters. These uniforms can be considered the “couture” of martial arts.

Today, [REDACTED] is leveraging its reputation in couture and expanding sales by offering a greater range of products at various price points – to both existing and future customers.

The Company will continue to purchase its couture line from its original source, and it is in the process of developing relationships with U.S. and overseas manufactures to support additional product lines.

Product offerings include:

UNIFORMS



A range of uniforms for all martial art disciplines at three price points: couture, standard and student. These can be purchased as full sets or as separates.

BELTS



All colors, available in four price points as well as discounted sets.

TRAINING GEAR



Training gear ranges from punch bags and focus targets to body shields and portable mats.

SPARRING GEAR



Sparring gear ranges from headgear and chestgear to gloves and shoes.

4. Market Analysis Summary

Martial arts is a growing sport in the US. It has moved from being an esoteric niche market into something approaching the mainstream, due to the Olympics, movies, video games, and televised matches. The widespread appeal of yoga, which has over 17 million American participants in local gyms around the country, has also helped make martial arts far more commonplace.

Mixed martial arts (MMA), which is also known as ultimate fighting, has enjoyed a surge in popularity, as measured by the audiences for pay-per-view matches and cable reality shows. Mixed martial arts started in the U.S. in the early 1990s and a surprising 35% of Americans call themselves fans, according to an ESPN Sports Poll. Although young white males are its core audience, 22% of women say they follow them as well. The sport's superstars earn hundreds of thousands of dollars for a night's work and watching a Las Vegas match can cost \$400 a ticket.

One gauge of martial arts' penetration into mainstream American life is the growth of martial-arts-based clothing brands, which has created a new lifestyle apparel niche. In a San Diego trade show, there were some 40 brands of martial arts clothing. One is Tapout, which makes T-shirts, shorts and other items using its logo style of heavy metal that it claims are distributed in 20,000 retail outlets, including Champs and Dillard's. *Tapping out* is a gesture of submission used by a fighter locked in a hold.

Some overall background on the market:

- 30,000 schools in the United States
- 21.7 million adults have participated in a martial arts program
- 17 million have participated in Yoga
- 100+ colleges have martial arts programs
- Over 600 tournaments a year in America
- 85% of martial arts students are under 13 years of age
- Videogames is a \$23 billion dollar business with martial arts playing a large role in content
- 93 million people attended martial arts movies in 2002-2003
- Over 1,500 martial arts businesses including supply stores, photography, teacher's associations, books, etc.

4.1. Competitive Edge

While various martial arts supply stores exist, only [REDACTED] can boast a reputation in the local market as the go-to source for authentic, hand-crafted meijin uniforms – known as the couture line of uniforms.

This couture line is the engine that drives the [REDACTED] train, and because of the high ticket price and subsequently high gross margin, the Company can afford to undercut the competition on lower-tier, higher-volume uniforms.

4.2. Marketing Strategy

Marketing efforts are comprised of:

- A newly hired sales force – armed with sophisticated collateral and sample goods – that will call on the 1,300 martial arts academies within a 50-mile radius of Manhattan zip code 10001
- Trade show and seminar attendance
- Ongoing Internet marketing that includes, but is not limited to:
 - Keyword purchases and pay-per-click banner ads
 - Search engine optimization to gain higher organic rankings on the likes of Yahoo! and Google
 - Affordable viral /Web 2.0 marketing that utilizes social networking and book marking sites

Because financial forecasts are tied into marketing initiatives, the marketing strategy is further discussed in the financial section of this business plan.

5. Management Summary

[REDACTED]

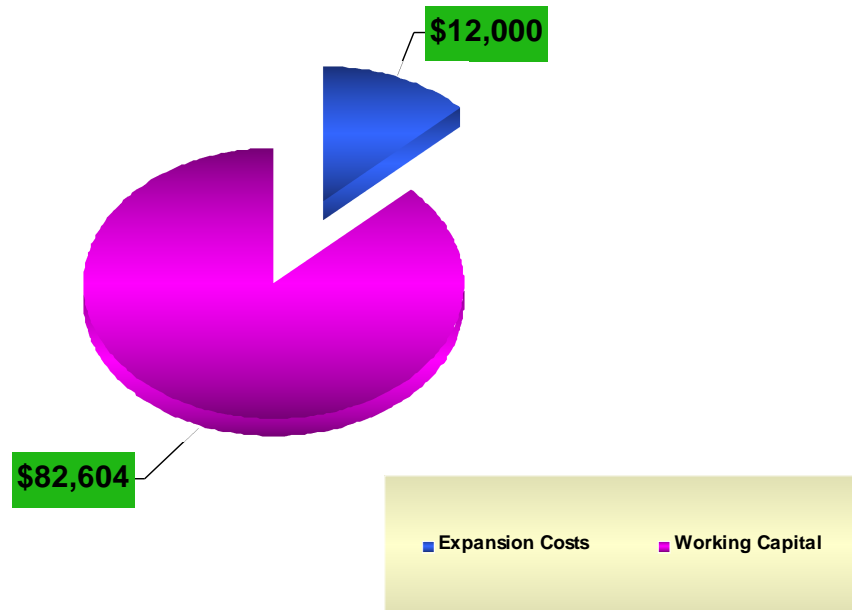
[REDACTED]

5.1. Personnel

[REDACTED] has, to date, operated with [REDACTED] [REDACTED] as sole proprietor. The company's expansion plan calls not only for incorporation but for three full-time employees responsible for additional sales and administration. Funded by owner investment and retained earnings, these positions are further described in the financial section of this plan.

- \$5,000 for a revamped website/online store
- An initial inventory of lower-end merchandise in the amount of \$3,000
- New marketing materials in the amount of \$2,000
- working capital (as indicated by the projected statement of cash flow)

Capital Investment and Requirements



The balance of the \$100,000 investment will be held by the company for contingencies.

6.2. Revenue Streams

For the purposes of this business plan, revenue is categorized as *direct sales* (sales made to local martial arts academies through sales people) and *online sales* (sales made through an Internet e-commerce site).

Sales in each category are based on average ticket prices and marketing strategies.

6.2.1. Average Ticket Prices

Currently, the Company exclusively markets high-end, high-ticket uniforms and belts that are hand-made by expert *meijin* in Japan.

In the coming months, this product will be expanded in an effort to become a premier provider to martial arts academies, instructors and students.

The updated product line will include:

Uniforms

	Fee	Preference
Top Tier	\$ 350	50%
Standard	\$ 70	10%
Student	\$ 25	40%
Other	\$ -	0%
Other	\$ -	0%
Weighted Average	\$ 192	

Separates

	Fee	Preference
Tier 1 Top	\$ 250.00	10%
Tier 1 Bottom	\$ 100.00	10%
Standard Top	\$ 15.00	40%
Standard Bottom	\$ 15.00	40%
Other	\$ -	0%
Weighted Average	\$ 47	

Belts

	Fee	Preference
Top Tier	\$ 350.00	5%
Second Tier	\$ 250.00	5%
Standard	\$ 199.00	5%
Student	\$ 9.95	80%
Set	\$ 112.00	5%
Weighted Average	\$ 54	

Sparring Gear

	Fee	Preference
Headgear	\$ 34.95	20%
Gloves	\$ 39.95	20%
Chestgear	\$ 34.95	20%
Shoes	\$ 27.95	20%
Sets	\$ 119.00	20%
Weighted Average	\$ 51	

Training Gear

	Fee	Preference
Punch Bag and Stand	\$ 129.95	20%
Focus Targets	\$ 12.95	20%
Body Shields	\$ 69.96	20%
Portable Mats	\$ 129.95	20%
First Aid Kits	\$ 19.99	20%
Weighted Average	\$ 73	

It should be noted that the retail prices above are competitive within the industry, based on research into the competition.

The *preference* column in each category reflects the anticipated proportion of sales in each category. For example, the *uniforms* category shows that the Company anticipates its highest volume to fall in the *top tier* and *student* categories. This reflects the company's reputation for high-quality as well as its ambition to enter the lucrative mass market.

By applying the preference column, the underlying financial model is able to use a weighted average to predict the ticket price for any given sale.

6.2.2. Direct Sales

More than a thousand martial arts academies operate within 50 miles of Manhattan's 10001 zip code.

To date, the Company's founder has worked closely with a small group of these academies to build a high-end, exclusive reputation. Going forward, the Company will employ additional sales people to develop relationships with all the academies within the stated radius.

To project sales, the financial model first analyzes the headcount of potential customers:

Radius	No. Of Academies
10 miles	358
20 miles	352
30 miles	254
40 miles	195
50 miles	166
Total	1325

Second, the financial model employs the rate card to produce a specific average ticket price for clients in this category:

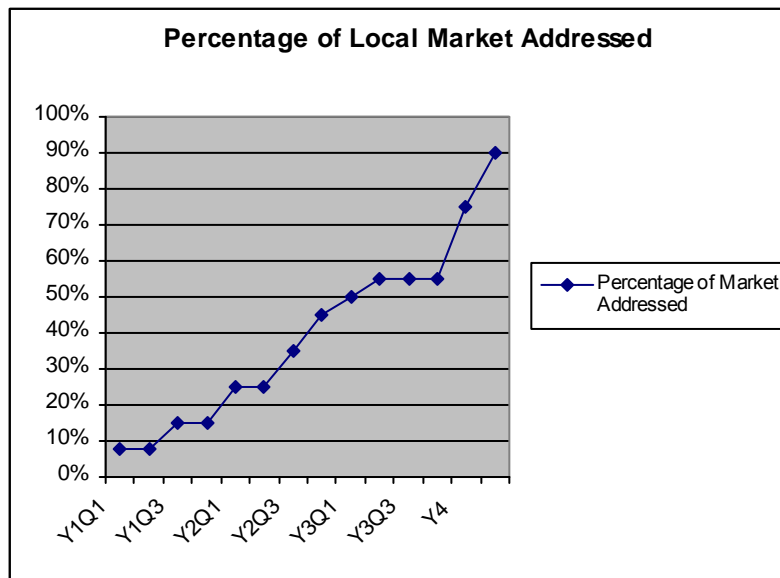
Direct Order Multiplier:	3.00			
Ticket Prices	1	Year 1	Year 2	Year 3
Uniforms	\$576	90%	90%	90%
Separates	\$141	5%	5%	5%
Belts	\$161	50%	50%	50%
Sparring Gear	\$154	0%	10%	10%
Training Gear	\$218	0%	10%	10%
	\$	606	\$ 643	\$ 643

Important assumptions include:

- Product lines will be gradually added over time, reflected in the table above by showing 0% for certain lines until year 2
- It is assumed that the Company's *couture* line will be the driver of sales, and that the lowest barrier to entry with regard to new clients will be in the uniform and belt product categories

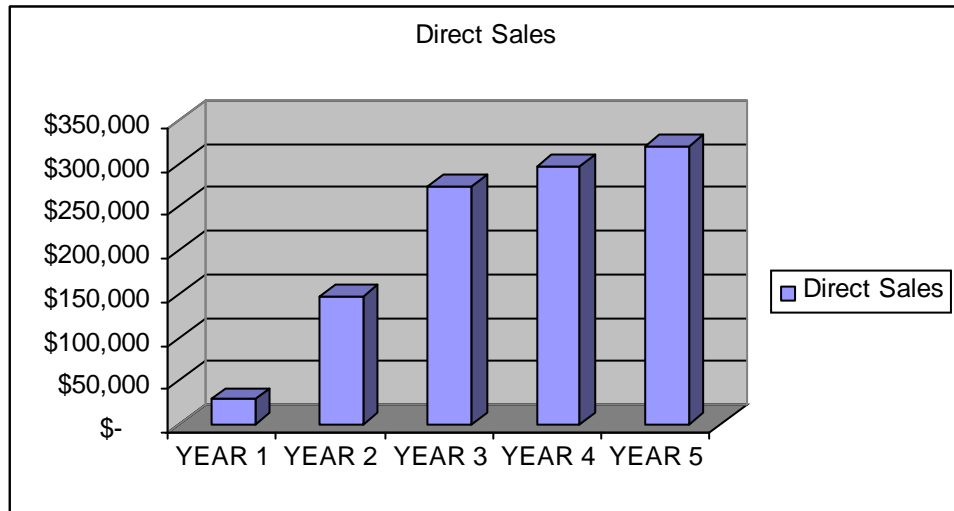
It should be noted that the 1,325 academies in the selected geographic range make up the universe of direct sales prospects. However, the addressable market within that universe grows gradually over time, reflecting how the salespeople will work outward from the center of the radius.

The following shows this penetration in terms of percentage:



The addressable market, in turn, is conservatively penetrated within the financial model: only a small percentage of this addressable market is assumed to translate into purchases.

The direct sales revenue summary appears below:



6.2.3. Online Sales

Online marketing, and resulting sales, make it possible for the company to extend its reach beyond geographic boundaries.

To project online sales, the financial model:

- applies marketing dollars to a number of available advertising venues
- calculates the [REDACTED] website traffic generated by those dollars
- monetizes a portion of that traffic based on conservative conversion-to-sale rates

6.2.3.1. Generating Online Traffic

A portion of the owner's investment capital will be applied to online marketing in Year 1, and retained earnings will fuel additional marketing over time.

For the three years projected, the following marketing budgets are contemplated by the financial model:

\$20,000	Year 1
\$30,000	Year 2
\$40,000	Year 3

Those expenses are further broken down into various marketing categories during the years projected:

	%			\$		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Keyword, PPC Campaign	35%	31%	25%	\$7,000	\$9,300	\$10,000
Search Engine Optimization	20%	16%	12%	\$4,000	\$4,800	\$4,800
Viral Campaign*	20%	36%	50%	\$4,000	\$10,800	\$20,000
Press Rel/Print Campaign	5%	11%	10%	\$1,000	\$3,300	\$4,000
PR Firm	20%	6%	3%	\$4,000	\$1,800	\$1,200

The viral campaign line item above is further categorized:

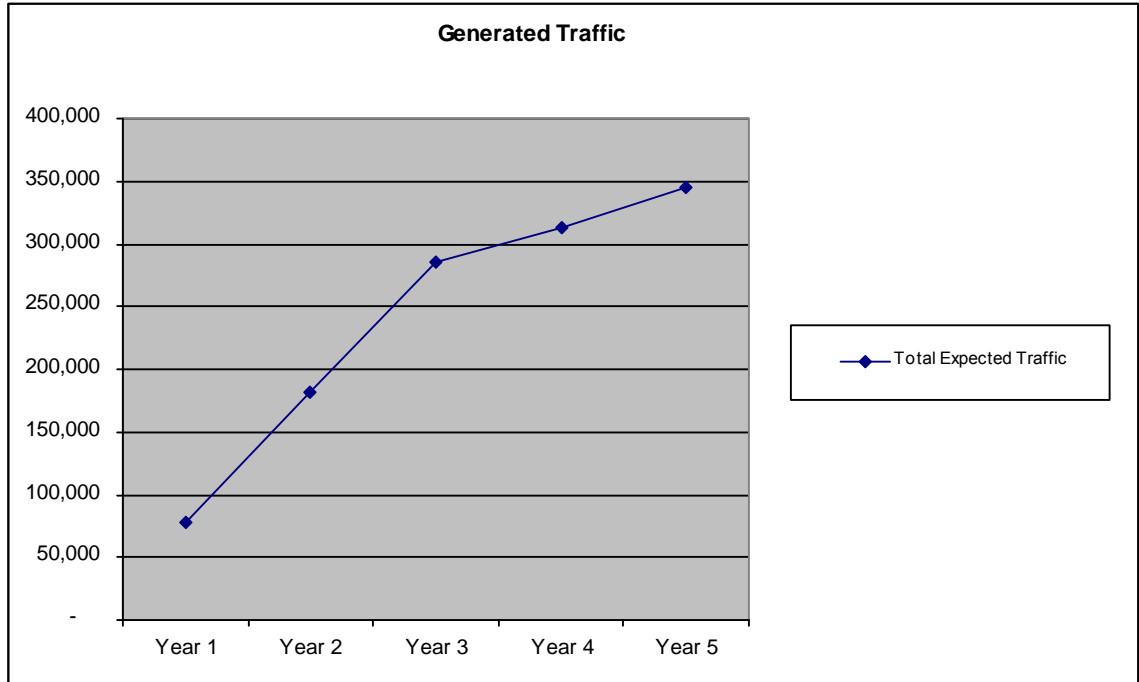
	%			\$		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
BUDGET ALLOTMENT	20%	36%	50%	\$4,000	\$10,800	\$20,000
Shows/Conferences	0%	11%	13%	\$0	\$1,188	\$2,600
Social Networking	60%	50%	50%	\$2,400	\$5,400	\$10,000
Email Blasts	20%	10%	5%	\$800	\$1,080	\$1,000
Event Sponsorship	15%	25%	30%	\$600	\$2,700	\$6,000
Member Freebies	5%	4%	2%	\$200	\$432	\$400

Outsourced consultants will be engaged to handle the online marketing endeavors.

A brief overview of the various marketing spokes includes:

- Keyword/PPC: This includes search engine marketing, based on keywords, and banner ads at relevant websites that will also incur pay-per-click (“PPC”) charges; rates and expected click-throughs are based on Google estimates and media kits from applicable martial arts websites
- Search Engine Optimization: Handled mainly by a consultant, this will give the Company a higher ranking on search engines and also optimize landing pages – for example, a person looking for a *meijin* uniform through a search engine will be directed to the Company’s top tier products page
- Press Release: Consultants who specialize in garnering blogger attention will be contracted; blogger notice historically creates spikes in website traffic
- PR Firm: a small budget for public relations is earmarked for occasional editorial coverage
- Viral: Online and offline viral campaigns will be executed; these range from sponsorship of martial arts exhibitions to advanced Web 2.0 marketing initiatives that include social networking through Facebook, MySpace and bookmarking groups like digg.com and newsvine.com

Based on these budgets and available data for marketing reach in each venue listed, the financial model projects the following overall traffic:



These figures align with traffic estimates for established martial art equipment retailers on the Internet.

The following traffic comparisons are provided by Quantcast, an online traffic monitor:

Blackbelt Shop

Estimated Monthly Traffic

9.8K

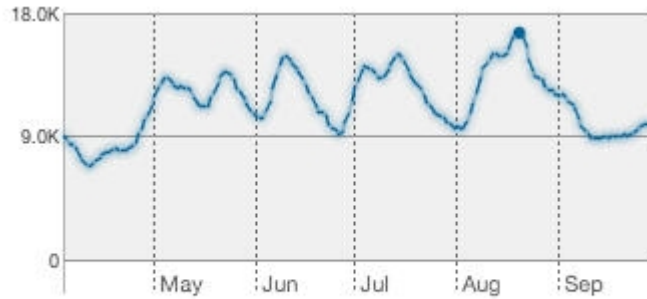
Estimated US People

Estimated Monthly U.S. People

Compare

Monthly U.S. People
blackbeltshop.com

Panel Estimate
09/30/08 ⚠



●US: 9.8K Max: 16.6K

Karate Depot

Estimated Monthly Traffic

35.5K

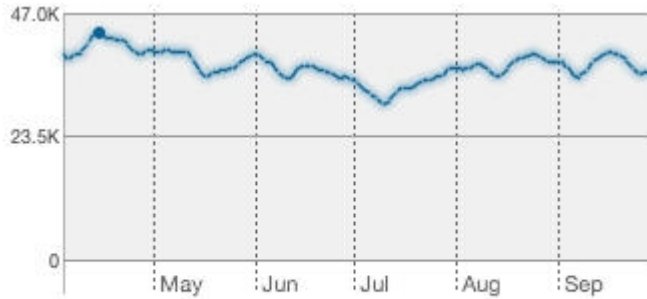
Estimated US People

Estimated Monthly U.S. People

Compare

Monthly U.S. People
karatedepot.com

Panel Estimate
09/30/08 ⚠

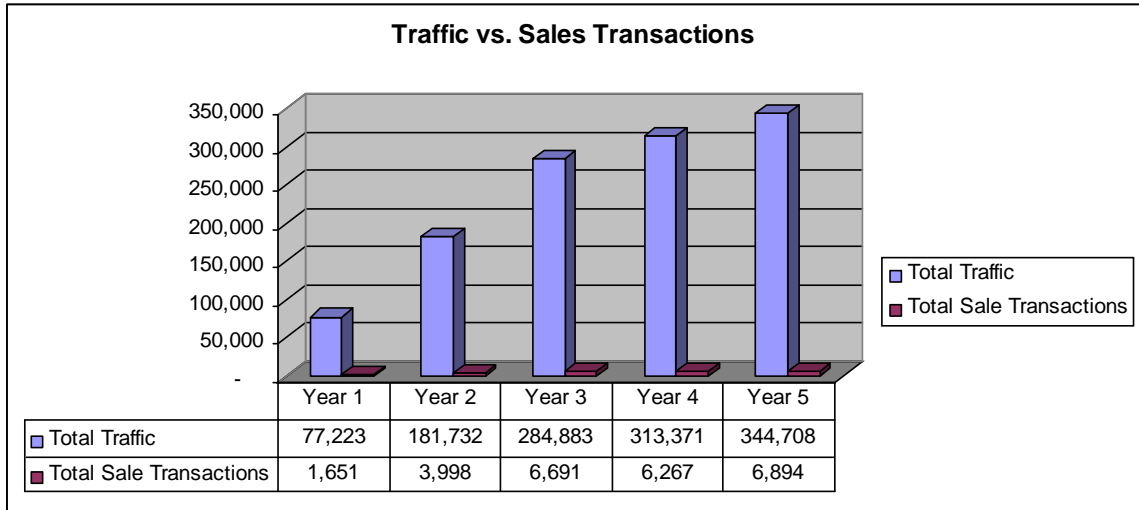


●US: 35.5K Max: 43.2K

As demonstrated above, [REDACTED]'s traffic assumptions undercut the competition in years 1 and 2 and match them by year 3 and beyond.

6.2.3.2. Conversion Rates and Sales

The Company does not assume that all traffic will result in a sale. *To the contrary*, the financial model assumes that only a fraction of traffic will place an order. The following table compares overall traffic to total sales and includes repeat customers:



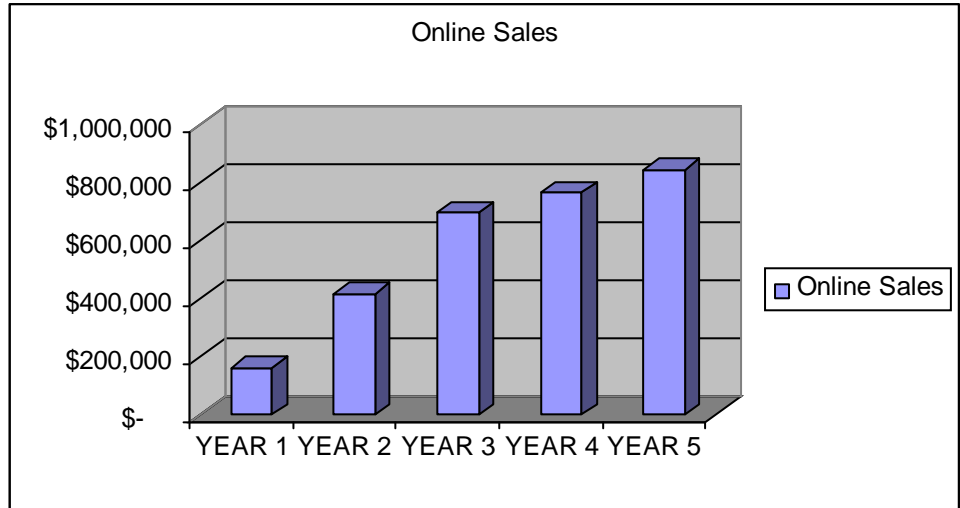
Transaction values take the following into account:

- The weighted average category ticket prices listed in section 6.2.1
- A purchase category preference (or distribution) based on the below figures:

Ticket Sales	1	YEAR 1	YEAR 2	YEAR 3-5
Uniforms	\$192	34%	30%	30%
Separates	\$47	33%	30%	30%
Belts	\$54	33%	30%	30%
Sparring Gear	\$51	0%	5%	5%
Training Gear	\$73	0%	5%	5%

Note that sparring gear and training gear will not be introduced until Year 2.

The resulting projected revenues are displayed in this graph:



6.3. Expense Assumptions

Expenses are divided into Cost of Goods, General & Administrative, Personnel and Marketing. Each is discussed in a subsection below.

6.3.1. Cost Of Goods Sold

Cost of Goods Sold include any non-discretionary expense required to make a sale. The following table shows estimated COGS over the years projected:

Cost of Sales	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Merchant Fees	\$ 4,875	\$ 12,520	\$ 20,953	\$ 23,048	\$ 25,353
Online Sale Fulfillment	\$ 11,375	\$ 29,213	\$ 48,890	\$ 53,779	\$ 59,157
Hosting	\$ 519	\$ 437	\$ 388	\$ 392	\$ 400
Goods	\$ 86,022	\$ 254,199	\$ 437,898	\$ 479,216	\$ 524,467
Commissions	\$ 1,060	\$ 7,378	\$ 13,734	\$ 14,832	\$ 16,019
Total	\$ 103,851	\$ 303,746	\$ 521,863	\$ 571,268	\$ 625,397

- Merchant fees (credit card transaction costs) are applied to all online sales as those transactions require a credit card for processing
- Online sales fulfillment cost are related to picking and packing
- Hosting costs relate to the volume of bandwidth required to run the website
- Goods include the Company's cost for all products purchased for resale
- Commissions will incentivize the sales staff and may include third-party referrals that require a bounty

6.3.2. General & Administrative

G&A expenses are comprised of ordinary overhead expenses:

G&A

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rent	\$12,000	\$12,000	\$12,000	\$12,720	\$13,483
Phone/Internet	\$2,400	\$4,440	\$5,760	\$6,106	\$6,472
Office/Computer Supplies	\$1,200	\$1,200	\$3,600	\$3,816	\$4,045
Business Insurance	\$3,000	\$3,000	\$3,000	\$3,180	\$3,371
Health Insurance	\$0	\$0	\$0	\$0	\$0
Legal Fees	\$3,000	\$3,000	\$3,000	\$3,180	\$3,371
Accounting	\$3,000	\$3,000	\$3,000	\$3,180	\$3,371
Travel & Entertainment	\$6,000	\$6,000	\$12,000	\$12,720	\$13,483
Consulting	\$0	\$0	\$0	\$0	\$0
Consultant: SEM	\$800	\$960	\$960	\$1,018	\$1,079
Website Realted	\$3,600	\$4,200	\$10,800	\$11,448	\$12,135
Dues/Subscriptions	\$650	\$1,200	\$1,800	\$1,908	\$2,022
Other	\$0	\$0	\$0	\$0	\$0
Contingency	\$7,200	\$7,200	\$7,200	\$7,632	\$8,090
Total	\$42,850	\$46,200	\$63,120	\$66,907	\$70,922

Note that disproportionate travel and entertainment expenses take into account the requirements of the sales staff, which will be calling on martial arts academies within a 50 mile radius of New York City's 10001 zip code.

Communications and office supplies are tied into the headcount of employees during each period.

Health insurance coverage for employees is a goal, but is not contemplated in these projections.

6.3.3. Personnel

The Company's Internet sales division will be hosted and implemented by outsourced professionals until the end of Year 1, but the direct sales division will require a dedicated team starting much earlier.

PERSONNEL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Principal	\$41,667	\$50,000	\$50,000	\$50,000	\$50,000
VP of Sales	\$23,333	\$40,000	\$40,000	\$40,000	\$40,000
Online Sales Manager	\$3,333	\$40,000	\$40,000	\$40,000	\$40,000
Administrator	\$0	\$2,917	\$35,000	\$35,000	\$35,000
Other	\$0	\$0	\$0	\$0	\$0
Total	\$68,333	\$132,917	\$165,000	\$165,000	\$165,000
Headcount	3	4	4	4	4

The Company's principal will be responsible for creating new relationships with a core group of martial arts academies – where [REDACTED] can most productively leverage her existing reputation and expand the client base.

Using invested funds and cash flow, the Company will add a second sales person three months into the plan. A sales manager for online sales comes in at the end of year one and an administrator at the end of year two.

6.3.4. Marketing

Marketing is discussed thoroughly in section 6.2.3, "Online Sales." The following table summarizes those expenses.

MARKETING

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Online Campaign 1	\$2,800	\$3,720	\$4,000	\$4,200	\$4,410
Online Campaign 2	\$2,100	\$2,790	\$3,000	\$3,150	\$3,308
Online Campaign 3	\$2,100	\$2,790	\$3,000	\$3,150	\$3,308
Search Engine Optimization	\$3,200	\$3,840	\$3,840	\$4,032	\$4,234
Press Rel/Print Campaign	\$1,000	\$3,300	\$4,000	\$4,200	\$4,410
Social Networking	\$2,400	\$5,400	\$10,000	\$10,500	\$11,025
Shows/Conferences	\$0	\$1,188	\$2,600	\$2,730	\$2,867
Email Blasts	\$800	\$1,080	\$1,000	\$1,050	\$1,103
Event Sponsorship	\$600	\$2,700	\$6,000	\$6,300	\$6,615
Media Kit/Creative	\$1,500	\$1,500	\$8,000	\$8,400	\$8,820
PR Firm	\$4,000	\$1,800	\$1,200	\$1,260	\$1,323
Other	\$0	\$0	\$0	\$0	\$0
Total	\$20,500	\$30,108	\$46,640	\$48,972	\$51,421

In addition to these marketing costs, the financials earmark 5% of direct sales revenue for salesperson commissions.

6.4. Projected Profit and Loss

The income statement below consolidates all the assumptions and calculations discussed in the previous sections. Also, it allots 15% of personnel costs for related taxes and a generous allowance for bad debt.

The company shows a book profit in Year 2, after sales positions are in place.

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REVENUES					
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Sales	\$ 28,662	\$ 147,558	\$ 274,675	\$ 296,649	\$ 320,381
Online Sales	\$ 162,498	\$ 417,328	\$ 698,431	\$ 768,275	\$ 845,102
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues:	\$ 191,161	\$ 564,886	\$ 973,106	\$ 1,064,923	\$ 1,165,483
Cost of Sales					
Merchant Fees	\$ 4,875	\$ 12,520	\$ 20,953	\$ 23,048	\$ 25,353
Online Sale Fulfillment	\$ 11,375	\$ 29,213	\$ 48,890	\$ 53,779	\$ 59,157
Hosting	\$ 519	\$ 437	\$ 388	\$ 392	\$ 400
Goods	\$ 86,022	\$ 254,199	\$ 437,898	\$ 479,216	\$ 524,467
Commissions	\$ 1,060	\$ 7,378	\$ 13,734	\$ 14,832	\$ 16,019
	\$ 103,851	\$ 303,746	\$ 521,863	\$ 571,268	\$ 625,397
Gross Margin	\$ 87,310	\$ 261,140	\$ 451,243	\$ 493,656	\$ 540,086
	46%	46%	46%	46%	46%
EXPENSES					
Personnel	\$ 68,333	\$ 132,917	\$ 165,000	\$ 165,000	\$ 165,000
Personnel Taxes	\$ 10,250	\$ 20,469	\$ 27,225	\$ 24,750	\$ 24,750
G&A	\$ 42,850	\$ 46,200	\$ 63,120	\$ 66,907	\$ 70,922
Marketing Costs	\$ 20,500	\$ 30,108	\$ 46,640	\$ 48,972	\$ 51,421
Allowance Bad Debt	\$ 3,823	\$ 11,298	\$ 19,462	\$ 21,298	\$ 23,310
Interest	\$ 10,218	\$ 9,560	\$ 8,829	\$ 8,017	\$ 7,116
Other	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 155,974	\$ 250,551	\$ 330,276	\$ 334,945	\$ 342,518
	82%	44%	34%	31%	29%
Pre-tax net	\$ (68,665)	\$ 10,589	\$ 120,967	\$ 158,711	\$ 197,568
Cumulative	\$ (68,665)	\$ (58,076)	\$ 62,891	\$ 221,602	\$ 419,170

6.5. Projected Cash Flow

The statement of cash flow includes these additional assumptions:

- 100% of online sales will be collected during the period in which the transaction occurs
- 90% of direct sales will be collected during the same period, with the balance going into accounts receivable
- COGS, personnel and related taxes will be paid in the period in which the expense occurs; all other bill payments will be on a 45-day cycle

PROJECTED CASH FLOW STATEMENT

	Year 1	Year 2	Year 3	Year 4	Year 5
CASH RECEIVED					
Cash Sales \$	172,044 \$	508,397 \$	875,796 \$	958,431 \$	1,048,935
Cash: Receivables \$	17,864 \$	43,566 \$	90,482 \$	31,653 \$	107,498
Investment \$	100,000 \$	- \$	- \$	- \$	-
Total Cash Received \$	289,908 \$	551,963 \$	966,277 \$	990,084 \$	1,156,433
EXPENDITURES					
Direct Cost of Sales \$	103,851 \$	303,746 \$	521,863 \$	571,268 \$	625,397
Personnel \$	68,333 \$	132,917 \$	165,000 \$	165,000 \$	165,000
Personnel Taxes \$	10,250 \$	20,469 \$	27,225 \$	24,750 \$	24,750
Bill Payments \$	75,257 \$	91,060 \$	134,825 \$	108,745 \$	150,269
Expansion Costs \$	12,000 \$	- \$	- \$	- \$	-
Long Term Assets \$	- \$	- \$	- \$	- \$	-
Total Expenditures \$	269,692 \$	548,192 \$	848,913 \$	869,763 \$	965,416
NET CASH FLOW \$	20,217 \$	3,772 \$	117,364 \$	120,321 \$	191,017
CASH BALANCE \$	20,217 \$	23,988 \$	141,353 \$	261,673 \$	452,690

6.6. Projected Balance Sheet

The corresponding balance sheet appears below:

PROJECTED BALANCE SHEET

	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS					
Current Assets					
Cash \$	20,217 \$	23,988 \$	141,353 \$	261,673 \$	452,690
Accounts Receivable \$	1,252 \$	14,174 \$	21,003 \$	95,843 \$	104,893
Other Current Assets \$	12,000 \$	12,000 \$	12,000 \$	12,000 \$	12,000
Total Current Assets \$	33,469 \$	50,163 \$	174,356 \$	257,988 \$	482,507
LONG TERM ASSETS					
Startup Assets \$	8,000 \$	4,000 \$	(0) \$	- \$	-
Accumulated Depreciation \$	333 \$	333 \$	333 \$	- \$	-
Total Long-Term Assets \$	8,333 \$	4,333 \$	333 \$	- \$	-
TOTAL ASSETS \$	41,802 \$	54,496 \$	174,689 \$	257,988 \$	482,507
LIABILITIES & EQUITY					
Current Liabilities					
Accounts Payable \$	2,134 \$	8,239 \$	11,465 \$	47,914 \$	50,413
Current Borrowing \$	- \$	- \$	- \$	- \$	-
Other Current Liabilities \$	- \$	- \$	- \$	- \$	-
Total Current Liabilities \$	2,134 \$	8,239 \$	11,465 \$	47,914 \$	50,413
Long-Term Liabilities					
Long Term Liabilities \$	- \$	- \$	- \$	- \$	-
Other \$	- \$	- \$	- \$	- \$	-
Total Long-Term Liabilities \$	- \$	- \$	- \$	- \$	-
Total Liabilities \$	2,134 \$	8,239 \$	11,465 \$	47,914 \$	50,413
EQUITY					
Long Term Assests \$	108,333 \$	104,333 \$	100,333 \$	- \$	-
Retained Earnings \$	(56,138) \$	(65,283) \$	37,229 \$	51,362 \$	234,525
Earnings \$	(12,527) \$	7,206 \$	25,662 \$	158,711 \$	197,568
Total Equity \$	39,668 \$	46,257 \$	163,225 \$	210,073 \$	432,093
TOTAL LIABILITIES & EQUITY \$	41,802 \$	54,496 \$	174,689 \$	257,988 \$	482,507

7. Year 1 Monthly Pro Formas

INCOME STATEMENT

	Month 1	Month 2	Y1Q1 Month 3	Month 4	Month 5	Y1Q2 Month 6	Month 7	Month 8	Y1Q3 Month 9	Month 10	Month 11	Y1Q4 Month 12
REVENUES												
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Sales	\$ 1,444	\$ 1,444	\$ 1,444	\$ 1,565	\$ 1,565	\$ 1,565	\$ 3,160	\$ 3,160	\$ 3,160	\$ 3,385	\$ 3,385	\$ 3,385
Online Sales	\$ 7,047	\$ 7,175	\$ 7,295	\$ 7,876	\$ 8,003	\$ 35,887	\$ 8,733	\$ 8,868	\$ 9,002	\$ 10,227	\$ 41,857	\$ 10,528
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues:	\$ 8,491	\$ 8,620	\$ 8,740	\$ 9,441	\$ 9,568	\$ 37,452	\$ 11,893	\$ 12,027	\$ 12,162	\$ 13,612	\$ 45,243	\$ 13,913
			\$ 25,851			\$ 56,461			\$ 36,081			\$ 72,768
Cost of Sales												
Merchant Fees	\$ 211	\$ 215	\$ 219	\$ 236	\$ 240	\$ 1,077	\$ 262	\$ 266	\$ 270	\$ 307	\$ 1,256	\$ 316
Online Sale Fulfillment	\$ 493	\$ 502	\$ 511	\$ 551	\$ 560	\$ 2,512	\$ 611	\$ 621	\$ 630	\$ 716	\$ 2,930	\$ 737
Hosting	\$ 22	\$ 22	\$ 23	\$ 25	\$ 25	\$ 114	\$ 29	\$ 29	\$ 30	\$ 33	\$ 134	\$ 34
Goods	\$ 3,821	\$ 3,879	\$ 3,933	\$ 4,248	\$ 4,306	\$ 16,854	\$ 5,352	\$ 5,412	\$ 5,473	\$ 6,125	\$ 20,359	\$ 6,261
Commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78	\$ 158	\$ 158	\$ 158	\$ 169	\$ 169	\$ 169
	\$ 4,548	\$ 4,619	\$ 4,685	\$ 5,061	\$ 5,131	\$ 20,635	\$ 6,412	\$ 6,486	\$ 6,560	\$ 7,350	\$ 24,848	\$ 7,517
Gross Margin	\$ 3,944	\$ 4,001	\$ 4,055	\$ 4,380	\$ 4,437	\$ 16,817	\$ 5,481	\$ 5,541	\$ 5,601	\$ 6,262	\$ 20,395	\$ 6,396
EXPENSES												
Personnel	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 10,833
Personnel Taxes	\$ 375	\$ 375	\$ 375	\$ 375	\$ 375	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,625
G&A	\$ 3,487	\$ 3,487	\$ 3,487	\$ 3,487	\$ 3,487	\$ 3,607	\$ 3,607	\$ 3,607	\$ 3,607	\$ 3,607	\$ 3,607	\$ 3,777
Marketing Costs	\$ 2,083	\$ 1,583	\$ 1,583	\$ 1,833	\$ 1,583	\$ 1,583	\$ 2,083	\$ 1,583	\$ 1,583	\$ 1,833	\$ 1,583	\$ 1,583
Allowance Bad Debt	\$ 170	\$ 172	\$ 175	\$ 189	\$ 191	\$ 749	\$ 238	\$ 241	\$ 243	\$ 272	\$ 905	\$ 278
Interest	\$ 875	\$ 871	\$ 867	\$ 862	\$ 858	\$ 854	\$ 850	\$ 845	\$ 841	\$ 836	\$ 832	\$ 827
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 9,490	\$ 8,988	\$ 8,986	\$ 9,246	\$ 8,995	\$ 15,418	\$ 15,402	\$ 14,901	\$ 14,899	\$ 15,174	\$ 15,552	\$ 18,924
Pre-tax net	\$ (5,546)	\$ (4,987)	\$ (4,932)	\$ (4,867)	\$ (4,558)	\$ 1,399	\$ (9,921)	\$ (9,360)	\$ (9,298)	\$ (8,911)	\$ 4,843	\$ (12,527)
Cumulative	\$ (5,546)	\$ (10,533)	\$ (15,465)	\$ (20,332)	\$ (24,890)	\$ (23,490)	\$ (33,412)	\$ (42,771)	\$ (52,069)	\$ (60,981)	\$ (56,138)	\$ (68,665)

STATEMENT OF CASH FLOW

	Month 1	Month 2	Y1Q1 Month 3	Month 4	Month 5	Y1Q2 Month 6	Month 7	Month 8	Y1Q3 Month 9	Month 10	Month 11	Y1Q4 Month 12
CASH RECEIVED												
90% Cash Sales	\$ 7,642	\$ 7,758	\$ 7,866	\$ 8,497	\$ 8,611	\$ 33,707	\$ 10,704	\$ 10,824	\$ 10,945	\$ 12,251	\$ 40,718	\$ 12,522
10% Cash: Receivables	\$ 85	\$ 850	\$ 863	\$ 881	\$ 945	\$ 1,236	\$ 3,490	\$ 1,191	\$ 1,204	\$ 1,231	\$ 1,678	\$ 4,211
Investment	\$ 100,000											
Total Cash Received	\$ 107,727	\$ 8,608	\$ 8,729	\$ 9,378	\$ 9,556	\$ 34,943	\$ 14,193	\$ 12,015	\$ 12,149	\$ 13,482	\$ 42,396	\$ 16,733
EXPENDITURES												
Direct Cost of Sales	\$ 4,548	\$ 4,619	\$ 4,685	\$ 5,061	\$ 5,131	\$ 20,635	\$ 6,412	\$ 6,486	\$ 6,560	\$ 7,350	\$ 24,848	\$ 7,517
Personnel	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 10,833
Personnel Taxes	\$ 375	\$ 375	\$ 375	\$ 375	\$ 375	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,125	\$ 1,625
67% Bill Payments	\$ 4,432	\$ 6,279	\$ 6,112	\$ 6,286	\$ 6,203	\$ 6,571	\$ 6,783	\$ 6,441	\$ 6,275	\$ 6,458	\$ 6,802	\$ 6,618
Expansion Costs	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long Term Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 23,855	\$ 13,772	\$ 13,672	\$ 14,222	\$ 14,209	\$ 35,831	\$ 21,819	\$ 21,552	\$ 21,460	\$ 22,433	\$ 40,275	\$ 26,593
NET CASH FLOW	\$ 83,873	\$ (5,164)	\$ (4,943)	\$ (4,844)	\$ (4,653)	\$ (888)	\$ (7,626)	\$ (9,537)	\$ (9,311)	\$ (8,951)	\$ 2,121	\$ (9,860)
CASH BALANCE	\$ 83,873	\$ 78,708	\$ 73,765	\$ 68,921	\$ 64,269	\$ 63,381	\$ 55,755	\$ 46,217	\$ 36,907	\$ 27,955	\$ 30,076	\$ 20,217

BALANCE SHEET

	Month 1	Month 2	Y1Q1 Month 3	Month 4	Month 5	Y1Q2 Month 6	Month 7	Month 8	Y1Q3 Month 9	Month 10	Month 11	Y1Q4 Month 12
ASSETS												
Current Assets												
Cash \$	83,873	78,708	73,765	68,921	64,269	63,381	55,755	46,217	36,907	27,955	30,076	20,217
Accounts Receivable \$	764	776	787	850	861	3,371	1,070	1,082	1,095	1,225	4,072	1,252
Other Current Assets \$	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Total Current Assets \$	96,637	91,484	86,552	81,771	77,130	78,751	68,825	59,300	50,001	41,180	46,148	33,469
LONG TERM ASSETS												
Startup Assets \$	11,667	11,333	11,000	10,667	10,333	10,000	9,667	9,333	9,000	8,667	8,333	8,000
Accumulated Depreciation \$	333	333	333	333	333	333	333	333	333	333	333	333
Total Long-Term Assets \$	11,333	11,667	11,333	11,000	10,667	10,333	10,000	9,667	9,333	9,000	8,667	8,333
TOTAL ASSETS \$	107,970	103,151	97,885	92,771	87,796	89,085	78,825	68,966	59,335	50,180	54,815	41,802
LIABILITIES & EQUITY												
Current Liabilities												
Accounts Payable \$	2,183	2,017	2,017	2,103	2,019	2,242	2,237	2,071	2,070	2,161	2,286	2,134
Current Borrowing \$	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities \$	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities \$	2,183	2,017	2,017	2,103	2,019	2,242	2,237	2,071	2,070	2,161	2,286	2,134
Long-Term Liabilities												
Long Term Liabilities \$	-	-	-	-	-	-	-	-	-	-	-	-
Other \$	-	-	-	-	-	-	-	-	-	-	-	-
Total Long-Term Liabilities \$	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities \$	2,183	2,017	2,017	2,103	2,019	2,242	2,237	2,071	2,070	2,161	2,286	2,134
EQUITY												
Long Term Assets \$	111,333	111,667	111,333	111,000	110,667	110,333	110,000	109,667	109,333	109,000	108,667	108,333
Retained Earnings \$	-	(5,546)	(10,533)	(15,465)	(20,332)	(24,890)	(23,490)	(33,412)	(42,771)	(52,069)	(60,981)	(56,138)
Earnings \$	(5,546)	(4,987)	(4,932)	(4,867)	(4,558)	1,399	(9,921)	(9,360)	(9,298)	(8,911)	4,843	(12,527)
Total Equity \$	105,787	101,133	95,868	90,668	85,777	86,843	76,588	66,895	57,264	48,019	52,529	39,668
LIABILITIES & EQUITY \$	107,970	103,151	97,885	92,771	87,796	89,085	78,825	68,966	59,335	50,180	54,815	41,802

8. Five-Year Financial Snapshot

