Grutzen watches

September 1998

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1.0 Executive Summary

Introduction
Grutzen Watches' is a start-up watch producer and distribution company. Its strategy is to serve the upscale niche markets of the watch industry. It will capitalize on the German engineering and manufacturing used to build the watches. There are many untapped potential markets within this industry that desire high-quality, stylish goods, but do not think they can afford them or do not know where to purchase them.

It is the firm's intention to build and export its products to the United States and to make Grutzen Watches the number one selling European watch in the Western U.S. To do this the company's long-term goals are to to achieve a 20% market share in the U.S, build brand image and brand equity through marketing, achieve a sustainable 55% profit margin, and eventually produce luxury watches in addition to the initial, moderately-priced line.

The Company
Grutzen Watches is a privately-held international corporation. Production takes place in Germany and sales and marketing are focused on the United States—California—for the short-term future.

Ownership is divided among three principal individuals who are putting up the initial investment. These include: Franz Grutzen—head of production department, Henry Winster—head of American division and sales and marketing division, and Walter Young—vice president of American division.

The German factory is located at 210 Autoroute 17, Frankfurt, Germany. The factory is 1,000 square meters and should be large enough for the first three years of the company's growth. The watches will be shipped to and distributed from Henry Winster's house at 343 Palm Avenue in Los Angeles, California. The watches will be initially sold in upscale watch stores in Los Angeles and San Francisco.

Grutzen's sales force will consist of Henry Winster and two freelancing sales representatives. Order processing will be achieved through communication between Henry Winster in the U.S. and Franz Grutzen in Germany.

The Products
The initial product line will be elegant analog watches with sporting characteristics, able to be used to depths of 100 meters under water. The company plans to release two versions, the "sport" watch and the "night" watch.

The pricing strategy will be to initially undercut our main competitors by 10%, using a market penetration strategy. Then, pricing will be adjusted to be directly competitive with the other major competitors. The price per watch is expected to be around $100-$200.

The Market
Entry into the high-end watch industry comes as a propious time. Over the past two years, the purchase of mid-level and high-level European watches has increased by 50 percent in the U.S. and this trend is expected to continue.

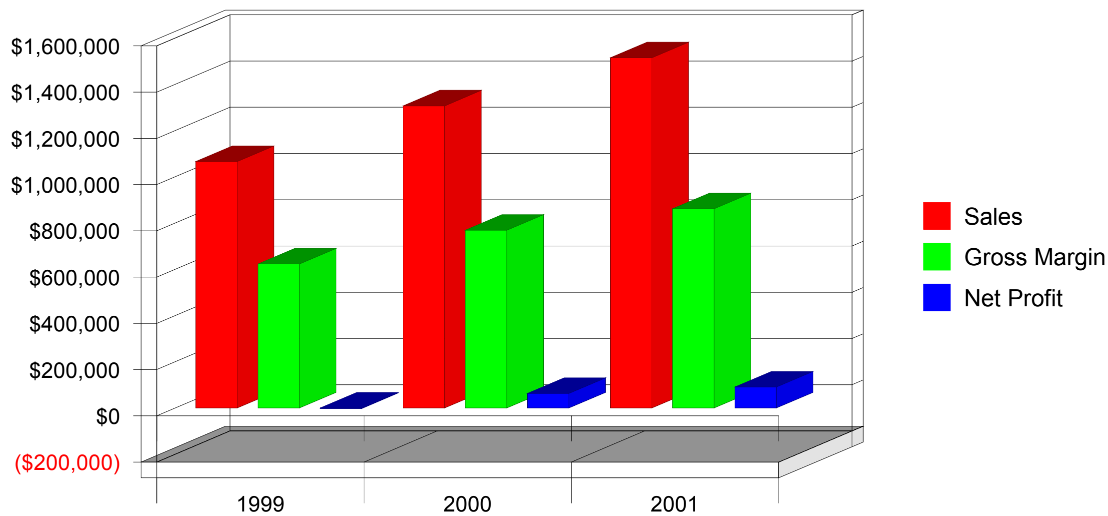
One of the most important recent trends is that potential watch buyers are willing to spend higher amounts on watches because of the enhanced image appeal. Therefore, a company that can build a substantial brand image in this industry gains a significant competitive advantage. It is the aim of Grutzen to capitalize on its high quality and reasonable price while pursuing the innovative styles necessary for brand building.

Financial Considerations
The company's start up costs will be ~$226,000. Owners equity will be provide $171,000,

$30,000 will consist of short-term borrowing, and the rest will be long-term loans. The majority of the start-up costs will consist of rent, research and development, initial inventory, and a strong cash account.

The Break-even Analysis shows Grutzen Watches will be able to make a steady profit by the second year. The break-even point is only $12,000 per month, while projected sales are three to five (or more) times that figure.

Highlights



1.1 Objectives

1. To make Grutzen Watches the number one selling European watch.
2. To eventually produce luxury watches in addition to the moderately priced line.
3. To achieve a 55% profit margin.
4. To achieve a 20% market share in the U.S.

1.2 Mission

Grutzen Watches is a watch company that produces wrist watches for sale in the United States—initially in California. The company will build its image as a quality watch first, and then will begin selling higher profit, luxury watches.

1.3 Keys to Success

To succeed Grutzen Watches must:

- Build and sell high quality products.
- Achieve 100% customer satisfaction.
- Build brand image and brand equity through marketing.

2.0 Company Summary

Grutzen Watches sells quality watches and provides excellent customer service for customers seeking a reliable watch. In the future Grutzen Watches intends to enter the luxury watch market.

2.1 Company Ownership

Grutzen Watches is a privately held international corporation. Production takes place in Germany and sales and marketing are focused on the United States—California for the short-term future.

Ownership:

- Franz Grutzen: 55% (Germany)
- Henry Winster: 30% (U.S.)
- Walter Young: 15% (U.S.)

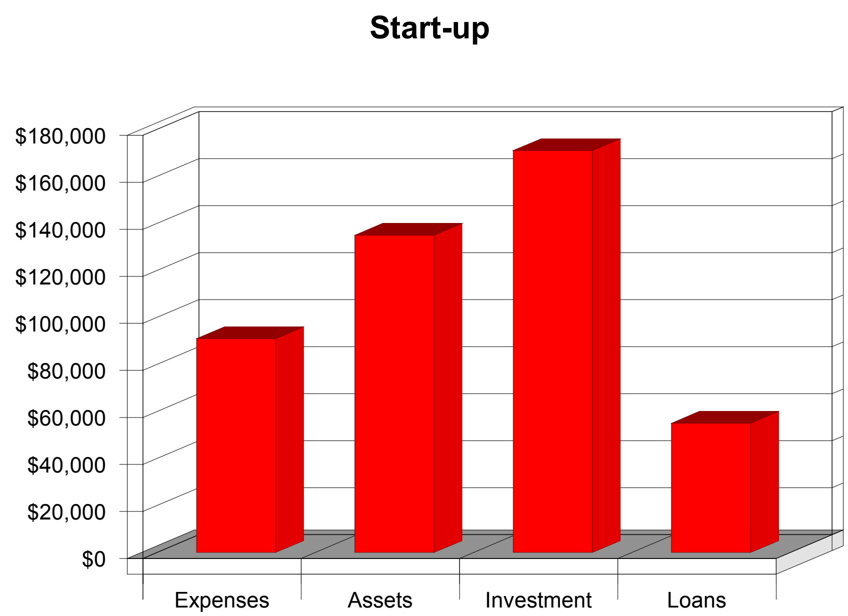
2.2 Start-up Summary

Sixty percent (60%) of start-up costs will go to assets. Start-up costs will be financed through the owners' investments, and short-term loans. The assumptions are shown in the following table and chart.

***NOTE:** *The tables in this sample plan were converted from German deutschmarks to dollars. However, the numbers do not reflect current monetary exchange rates.*

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	$20,000
Stationery etc.	$500
Brochures	$3,000
Consultants	$10,000
Insurance	$10,000
Rent	$20,000
Research and Development	$10,000
Expensed Equipment	$10,000
Other	$7,500
Total Start-up Expenses	$91,000
Start-up Assets Needed	
Cash Balance on Starting Date	$70,000
Start-up Inventory	$25,000
Other Current Assets	$5,000
Total Current Assets	$100,000
Long-term Assets	$35,000
Total Assets	$135,000
Total Requirements	$226,000
Funding	
Investment	
Investor 1	$100,000
Investor 2	$71,000
Other	$0
Total Investment	$171,000
Current Liabilities	
Accounts Payable	$5,000
Current Borrowing	$30,000
Other Current Liabilities	$0
Current Liabilities	$35,000
Long-term Liabilities	$20,000
Total Liabilities	$55,000
Loss at Start-up	($91,000)
Total Capital	$80,000
Total Capital and Liabilities	$135,000



2.3 Company Locations and Facilities

- The German factory is located at 210 Autoroute 17, Frankfurt, Germany.
- The factory is 1000 square meters and should be large enough for the first three years of the company's growth.
- The watches will be shipped to and distributed from Henry Winster's house at 343 Palm Avenue in Los Angeles, California.
- The watches will be initially sold in upscale watch stores in Los Angeles and San Francisco.

3.0 Products

The watches will be mid-level all-around high-quality sports watches.

The price will be very competitive: $100-$200.

3.1 Product Description

Grutzen Watches are elegant analog watches with sporting characteristics, able to be used to depths of 100 meters under water.

- The "sport" watch will be made of a durable steel and hard rubber combination that will provide both style and durability.
- The "night" watch will be all black including the face with minimal white writing for the numbers on the face and will feature white hands as well.

3.2 Competitive Comparison

Grutzen Watches will have the following sustainable competitive advantages:

1. German technology, experience, proficiency, and reputation.
2. High quality at a moderate price.
3. Elegant and ergonomic styling.
4. Devoted German work force.
5. American marketing skills.

3.3 Sales Literature

Grutzen Watches will use advertising, public relations, and sales programs to make the public aware of the watches.

1. Advertisements and public relations pieces in local newspapers—particularly *The Los Angeles Times* and *The San Francisco Chronicle.*
2. Full-color brochures will be distributed at the various outlets where the watches are sold.

3.4 Sourcing

Grutzen Watches will only sell watches produced at its German factory, therefore additional sourcing of watches will not be necessary. However, the sourcing of parts for the manufacturing of the watches will play a constant role in the firm's profitability. Initially, most parts will be sourced from Eastern European suppliers, as the exchange rate is very beneficial for those purchasing with German Marks.

3.5 Technology

PC-based software will be used for accounts receivable/payable, inventory, purchasing, sales, shipping, and returns.

This business plan uses Business Plan Pro from Palo Alto Software, Inc. and it will be reviewed and updated as necessary.

3.6 Future Products

A luxury watch is the current main focus for a future product. Other future products could include alarm clocks, wall clocks, and clocks for luxury automobiles built in Germany.

4.0 Market Analysis Summary

The purchase of mid-level and high-level European watches has increased by 50 percent over the past two years. We expect the sales to continue growing, and to capitalize on this ever-present market for watches—people will always need and buy watches.

4.1 Market Segmentation

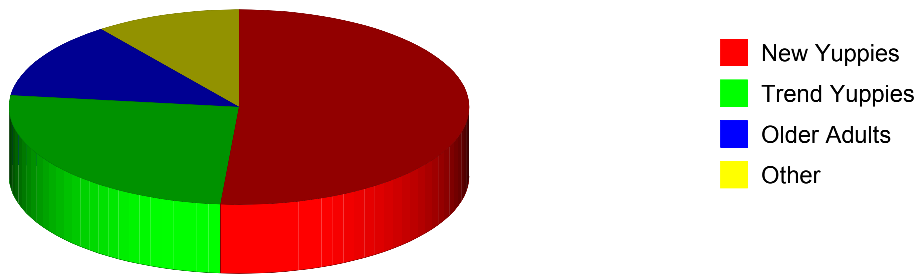
The market segmentation is divided into the leading target markets. The division reflects the differences in marketing strategy that will be used to target each different market.

- The "yuppies" who enjoy being the first on their block to have a new, "chic" and "hip" product.
- The "yuppies" who follow trends and buy products that everyone else has.
- Older adults who simply have good taste and a sense of style.
- Wealthier college students.
- Still fashionable senior citizens.

Table: Market Analysis

Market Analysis Potential Customers	Growth	1998	1999	2000	2001	2002	CAGR
New Yuppies	5%	100,000	105,000	110,250	115,763	121,551	5.00%
Trend Yuppies	2%	50,000	51,000	52,020	53,060	54,121	2.00%
Older Adults	5%	25,000	26,250	27,563	28,941	30,388	5.00%
Other	4%	20,000	20,800	21,632	22,497	23,397	4.00%
Total	4.15%	195,000	203,050	211,465	220,261	229,457	4.15%

Market Analysis (Pie)



4.2 Industry Analysis

The watch industry, particularly the upscale markets, is growing faster than ever. Potential watch buyers are willing to spend moderate to high amounts on watches because they can make the customer look good—and hence feel good about themselves. In addition, Grutzen Watches will be built to last a lifetime—battery replacement every ten years will be the only necessary maintenance, therefore customers will see the inherent value in the watches.

The upscale niche market that Grutzen Watches has targeted is competitive because of the competitors and the discerning consumers it serves. However, the competition is based more on quality than price unlike the discount market.

4.2.1 Industry Participants

The upscale watch industry is currently in a growth period, so now is an ideal time for entry.

4.2.2 Distribution Patterns

Henry Winster will distribute the watches to Los Angeles and San Francisco outlets from his residence in Los Angeles.

- The cost of marketing the new product is expected to be the biggest challenge for Grutzen. The initial use of Henry Winster's facilities as a distribution channel will allow for cost savings.
- The lack of an existing recognized brand name will be an initial problem, but in a few years Grutzen Watches intends to have achieved powerful brand equity—allowing it to rely on, and succeed because of its brand name.

4.2.3 Competition and Buying Patterns

The leading competitor is Swiss Army Watches.

Consumers often only buy a new watch every 5 to 10 years, yet they purchase them often as gifts. Therefore, advertising will be increased during the Christmas holiday season.

The intended retail outlets are full price and full service, therefore Grutzen will not need to use an extreme price penetration strategy to gain a foothold in the market.

4.2.4 Main Competitors

Our main competitor is Swiss Army Watches. Our next closest competitor is Tag Heuer. Both of these firms have strong brand equity, but there is room in this market for a new company as brand loyalty is not high on potential consumers' reasons for purchasing.

5.0 Strategy and Implementation Summary

Grutzen Watches' strategy is to serve niche markets of the watch industry. It will capitalize on the German engineering and manufacturing used to build the watches. There are many untapped potential markets that desire high-quality goods, but do not think they can afford them or do not know where to purchase them. Grutzen Watches' marketing strategy will alleviate this problem.

5.1 Marketing Strategy

The marketing strategy will focus on two segments:

1. The company will benchmark the objectives for promotion, outlet selling, and personal selling.
2. The marketing budget will be $36,000 per year.

5.1.1 Pricing Strategy

The pricing strategy will be to initially undercut our main competitors by 10%, using a market penetration strategy. Then, pricing will be adjusted to be directly competitive with the other major competitors.

5.1.2 Promotion Strategy

Promotion will be initially spearheaded by public relations because of its low cost, and then through advertising once the company begins to increase cash flow to an acceptable figure.

5.2 Sales Strategy

Grutzen's sales force will consist of Henry Winster and two freelancing sales representatives. Order processing will be achieved through communication between Henry Winster in the U.S. and Franz Grutzen in Germany.

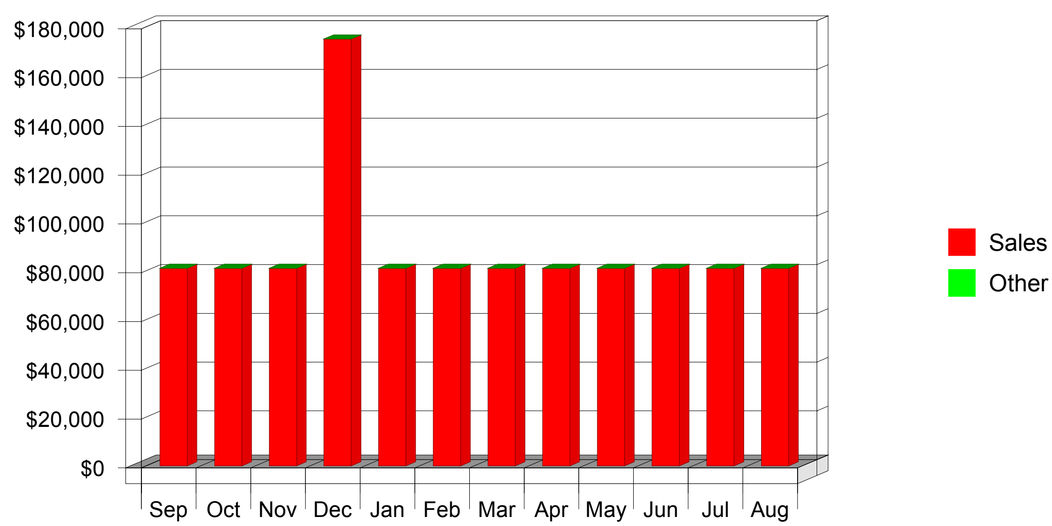
5.2.1 Sales Forecast

The following table and chart show our present sales forecast.

Table: Sales Forecast

Sales Forecast			
Sales	1999	2000	2001
Sales	$1,066,000	$1,307,000	$1,515,000
Other	$0	$0	$0
Total Sales	$1,066,000	$1,307,000	$1,515,000
Direct Cost of Sales	1999	2000	2001
Sales	$410,000	$500,000	$610,000
Other	$0	$0	$0
Subtotal Direct Cost of Sales	$410,000	$500,000	$610,000

Sales Monthly



5.2.2 Sales Programs

Sales will be made by Henry Winster and the sales reps. Outlets that achieve the highest figures in sales will receive 2% discounts in order to encourage increasing sales.

5.3 Milestones

This table lists important program milestones, with dates and managers in charge and budgets for each. The milestone schedule indicates our emphasis on planning for implementation.

Table: Milestones

Milestones Milestone	Start Date	End Date	Budget	Manager	Department
Business Plan	4/16/1998	4/16/1998	$4,000	FG	Devpt
Factory Selection	5/5/1998	5/5/1998	$6,000	FG	Finance
Retainer Contracts	6/1/1998	6/1/1998	$2,500	HW	Sales
Brochures	6/11/1998	6/11/1998	$5,500	HW	Marketing
Copywrite	6/28/1998	6/28/1998	$6,500	WY	Legal
Totals			$24,500		

6.0 Management Summary

Grutzen Watches is currently not hiring any more employees. The decision has been made to postpone further hiring until the company begins to succeed.

After approximately one year, two employees will be added to the current six.

6.1 Organizational Structure

Grutzen Watches is split by both location and functionality. The production division is located in Germany where the factory is, and run by Franz Grunster. The sales and marketing, and finance and administration divisions are located in Los Angeles and are run by Henry Winster and Walter Young.

6.2 Management Team

Franz Grutzen: president, founder, and head of production department. Grutzen was president of production at Swiss Army Watches before he decided to return to his native Germany to start his own company. He graduated from the University of Frankfurt, and received an MBA at The University of Paris at Sorbonne. Forty-eight years old, no children.

Henry Winster: head of american division and sales and marketing division. He has worked and co-owned Wright and Winster, an advertising agency, for fifteen years. BA from USC, MBA from Stanford. Fifty-six years old, three children.

Walter Young: vice president of american division. He was previously vice president of operations at Greentree Sports in Phoenix, AZ. He received his BA from Emory University and his MBA from UCLA.

6.3 Management Team Gaps

The following important gaps exist:

- The present team has little sales experience.
- There is no current in-house designer—this should be corrected within a year.
- There is no international manager.

6.4 Personnel Plan

The personnel plan calls for adding two employees by the end of the first year for a total of eight. After the second year, employment is expected to increase by another four. These new employees will go into production and sales.

Table: Personnel

Personnel Plan	1999	2000	2001
President	$72,000	$77,000	$82,000
Head of American Division	$66,000	$70,000	$74,000
Vice President American Division	$54,000	$58,000	$62,000
Other	$104,400	$118,000	$131,000
Total People	0	0	0
Total Payroll	$296,400	$323,000	$349,000

7.0 Financial Plan

Growth will be supported by cash flow and owner investment. This will keep initial growth slow and manageable, and will allow the management to have complete control over the firm.

7.1 Important Assumptions

Grutzen's financial plan relies on several important assumptions—most of which are shown in the following table.

The key assumptions are:

- Sufficient access to capital.
- Steady economy without a major recession.
- No unforeseen drastic technology changes.

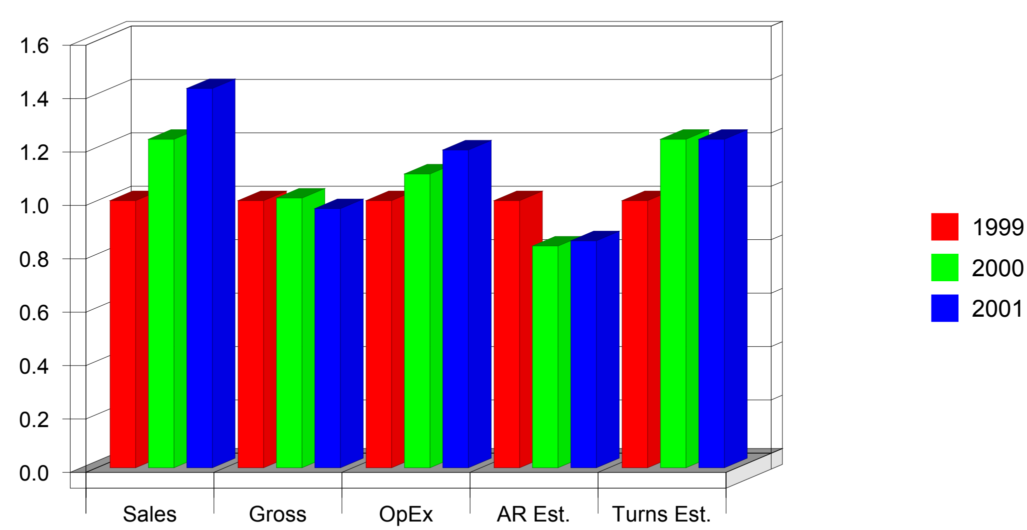
Table: General Assumptions

General Assumptions	1999	2000	2001
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	9.00%	9.00%	9.00%
Tax Rate	25.00%	25.00%	25.00%
Sales on Credit %	50.00%	50.00%	50.00%
Other	0.00%	0.00%	0.00%
Calculated Totals			
Payroll Expense	$296,400	$323,000	$349,000
Sales on Credit	$533,000	$653,500	$757,500
New Accounts Payable	$1,026,206	$1,138,614	$1,305,875
Inventory Purchase	$481,000	$521,073	$635,756

7.2 Key Financial Indicators

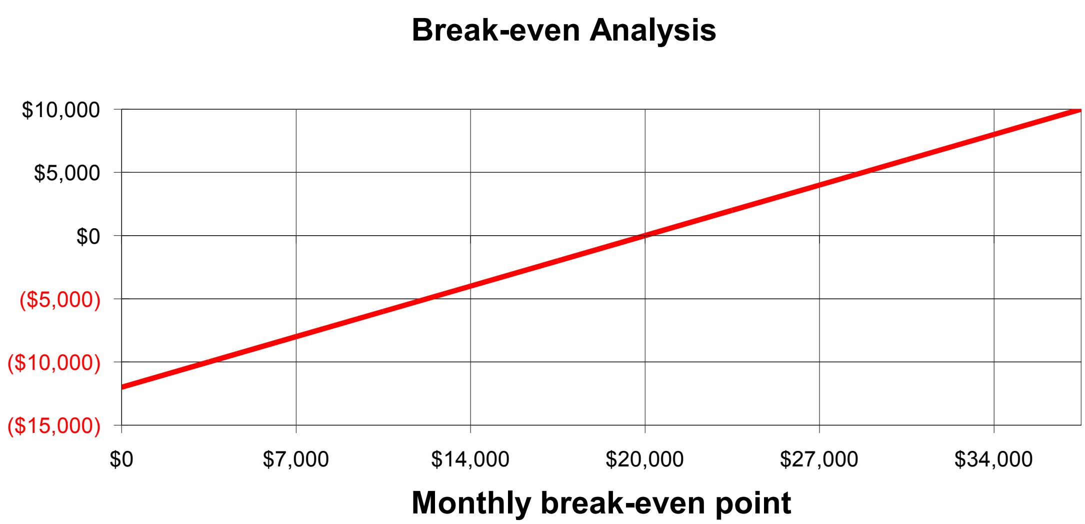
- Keeping average collection days at 30 days or below is very important as this could become a major cause of cash flow problems for the first year.
- Gross margins must remain above 55%.
- Variable costs must not exceed $80.

Benchmarks



7.3 Break-even Analysis

The Break-even Analysis chart and table show that if the costs stay at the current, or relatively stable, level Grutzen Watches will be able to make a steady profit by the second year. The break even point is only $12,000 per month, while projected sales are three to five (or more) times that figure.



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	120
Monthly Revenue Break-even	$20,400
Assumptions:	
Average Per-Unit Revenue	$170.00
Average Per-Unit Variable Cost	$70.00
Estimated Monthly Fixed Cost	$12,000

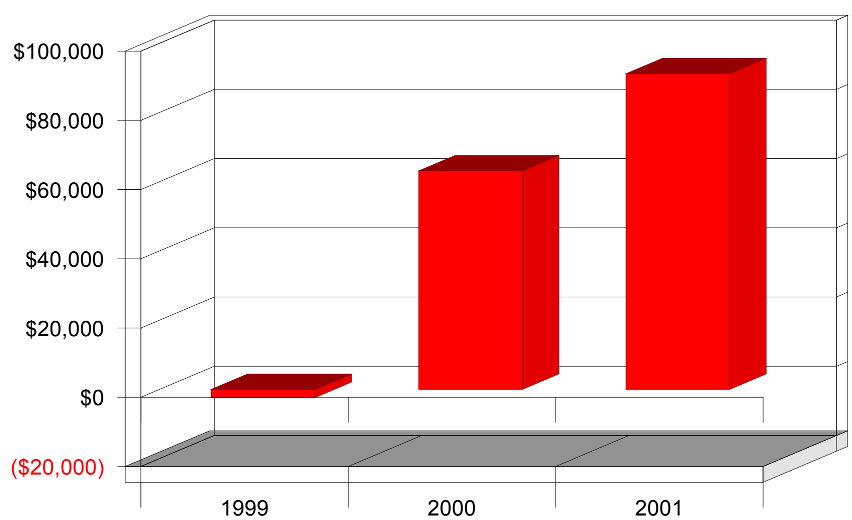
7.4 Projected Profit and Loss

The following table and chart shows Grutzen's expectations for profit and loss. The company will begin to make a profit in its second year of operation.

Table: Profit and Loss

Pro Forma Profit and Loss	1999	2000	2001
Sales	$1,066,000	$1,307,000	$1,515,000
Direct Costs of Goods	$410,000	$500,000	$610,000
Other	$33,000	$38,000	$43,000
Cost of Goods Sold	$443,000	$538,000	$653,000
Gross Margin	$623,000	$769,000	$862,000
Gross Margin %	58.44%	58.84%	56.90%
Expenses:			
Payroll	$296,400	$323,000	$349,000
Sales and Marketing and Other Expenses	$100,675	$112,900	$129,200
Depreciation	$36,000	$40,000	$42,000
Leased Equipment	$72,000	$80,000	$81,000
Utilities	$6,325	$7,000	$8,000
Insurance	$18,000	$21,000	$23,000
Rent	$48,000	$51,000	$55,000
Other	$6,000	$6,300	$6,500
Payroll Taxes	$35,568	$38,760	$41,880
Other	$0	$0	$0
Total Operating Expenses	$618,968	$679,960	$735,580
Profit Before Interest and Taxes	$4,032	$89,040	$126,420
Interest Expense	$6,375	$4,850	$4,800
Taxes Incurred	$0	$21,048	$30,405
Net Profit	($2,343)	$63,143	$91,215
Net Profit/Sales	-0.22%	4.83%	6.02%
Include Negative Taxes	FALSE	TRUE	TRUE

Profit Yearly

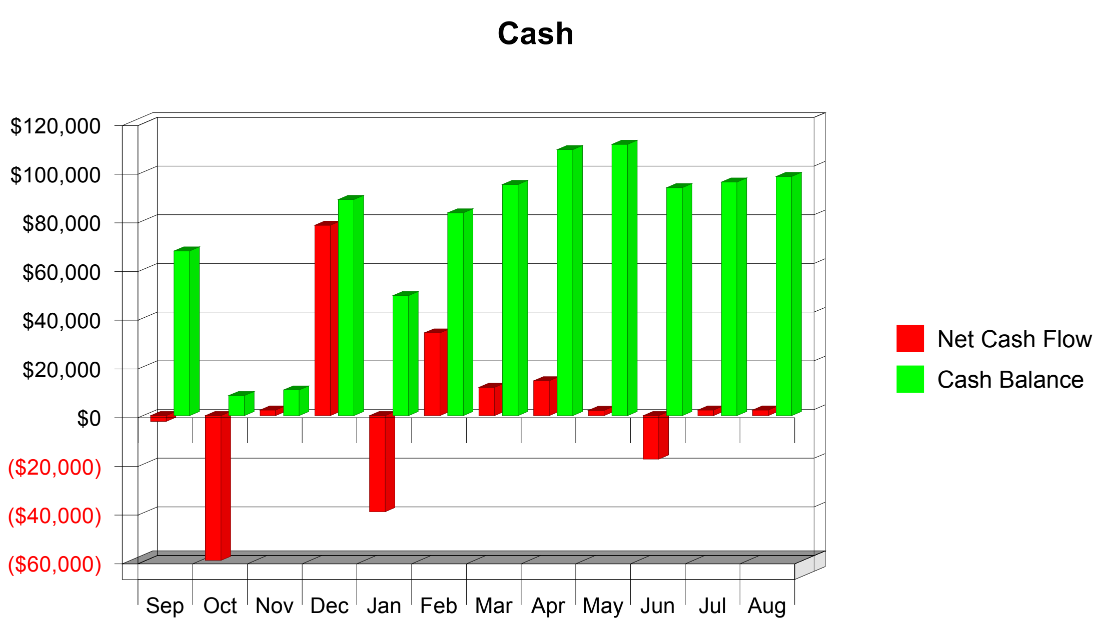


7.5 Projected Cash Flow

Cash flow will be managed with a $60,000 capital input for the first year with a $65,000 input in each of the following two years.

Table: Cash Flow

Pro Forma Cash Flow	1999	2000	2001
Cash Received			
Cash from Operations:			
Cash Sales	$533,000	$653,500	$757,500
Cash from Receivables	$493,850	$644,649	$749,861
Subtotal Cash from Operations	$1,026,850	$1,298,149	$1,507,361
Additional Cash Received			
New Current Borrowing	$41,000	$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	$60,000	$65,000	$65,000
Subtotal Cash Received	$1,127,850	$1,363,149	$1,572,361
Expenditures	1999	2000	2001
Expenditures from Operations:			
Cash Spending	$77,138	$86,317	$101,666
Payment of Accounts Payable	$982,478	$1,132,815	$1,296,179
Subtotal Spent on Operations	$1,059,616	$1,219,132	$1,397,845
Additional Cash Spent			
Principal Repayment of Current Borrowing	$40,000	$1,000	$0
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$0	$0	$0
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$1,099,616	$1,220,132	$1,397,845
Net Cash Flow	$28,234	$143,017	$174,516
Cash Balance	$98,234	$241,251	$415,767



7.6 Projected Balance Sheet

As seen in the balance sheet, A strong growth in net worth is expected over the next three years—reaching approximately $422,000.

Table: Balance Sheet

Pro Forma Balance Sheet

Assets			
Current Assets	1999	2000	2001
Cash	$98,234	$241,251	$415,767
Accounts Receivable	$39,150	$48,001	$55,640
Inventory	$96,000	$117,073	$142,829
Other Current Assets	$5,000	$5,000	$5,000
Total Current Assets	$238,384	$411,325	$619,236
Long-term Assets			
Long-term Assets	$35,000	$35,000	$35,000
Accumulated Depreciation	$36,000	$76,000	$118,000
Total Long-term Assets	($1,000)	($41,000)	($83,000)
Total Assets	$237,384	$370,325	$536,236

Liabilities and Capital			
	1999	2000	2001
Accounts Payable	$48,727	$54,526	$64,222
Current Borrowing	$31,000	$30,000	$30,000
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$79,727	$84,526	$94,222
Long-term Liabilities	$20,000	$20,000	$20,000
Total Liabilities	$99,727	$104,526	$114,222
Paid-in Capital	$231,000	$296,000	$361,000
Retained Earnings	($91,000)	($93,343)	($30,201)
Earnings	($2,343)	$63,143	$91,215
Total Capital	$137,657	$265,800	$422,015
Total Liabilities and Capital	$237,384	$370,325	$536,236
Net Worth	$137,657	$265,800	$422,015

7.7 Business Ratios

Standard business ratios are provided in the following table. The ratios show a strong, yet safe growth. Industry Profile ratios are based on Standard Industrial Classification (SIC) Index code 3873.

Table: Ratios

Ratio Analysis	1999	2000	2001	Industry Profile
Sales Growth	0.00%	22.61%	15.91%	3.90%
Percent of Total Assets				
Accounts Receivable	16.49%	12.96%	10.38%	27.20%
Inventory	40.44%	31.61%	26.64%	29.70%
Other Current Assets	2.11%	1.35%	0.93%	26.70%
Total Current Assets	100.42%	111.07%	115.48%	83.60%
Long-term Assets	-0.42%	-11.07%	-15.48%	16.40%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.00%	0.00%	0.00%	36.30%
Long-term Liabilities	8.43%	5.40%	3.73%	19.00%
Total Liabilities	8.43%	5.40%	3.73%	55.30%
Net Worth	91.57%	94.60%	96.27%	44.70%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	58.44%	58.84%	56.90%	34.40%
Selling, General & Administrative Expenses	58.66%	54.01%	50.88%	23.80%
Advertising Expenses	3.38%	3.21%	3.17%	0.70%
Profit Before Interest and Taxes	0.38%	6.81%	8.34%	1.70%
Main Ratios				
Current	2.99	4.87	6.57	2.42
Quick	1.79	3.48	5.06	1.31
Total Debt to Total Assets	42.01%	28.23%	21.30%	55.30%
Pre-tax Return on Net Worth	-1.70%	31.67%	28.82%	2.10%
Pre-tax Return on Assets	-0.99%	22.73%	22.68%	4.80%
Business Vitality Profile	1998	1999	2000	Industry
Sales per Employee	$0	$0	$0	$0
Survival Rate				0.00%
Additional Ratios	1999	2000	2001	
Net Profit Margin	-0.22%	4.83%	6.02%	n.a
Return on Equity	-1.70%	23.76%	21.61%	n.a
Activity Ratios				
Accounts Receivable Turnover	13.61	13.61	13.61	n.a
Collection Days	29	24	25	n.a
Inventory Turnover	3.81	4.69	4.69	n.a
Accounts Payable Turnover	21.06	20.88	20.33	n.a
Payment Days	18	199	199	
Total Asset Turnover	4.49	3.53	2.83	n.a
Debt Ratios				
Debt to Net Worth	0.72	0.39	0.27	n.a
Current Liab. to Liab.	0.80	0.81	0.82	n.a
Liquidity Ratios				
Net Working Capital	$158,657	$326,800	$525,015	n.a
Interest Coverage	0.63	18.36	26.34	n.a
Additional Ratios				
Assets to Sales	0.22	0.28	0.35	n.a
Current Debt/Total Assets	34%	23%	18%	n.a
Acid Test	1.29	2.91	4.47	n.a
Sales/Net Worth	7.74	4.92	3.59	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Appendix Table: Sales Forecast

Sales Forecast												
Sales	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Sales	$81,000	$81,000	$81,000	$175,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000
Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Sales	$81,000	$81,000	$81,000	$175,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000
Direct Cost of Sales	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Sales	$32,000	$32,000	$32,000	$58,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000
Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Direct Cost of Sales	$32,000	$32,000	$32,000	$58,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000

Appendix

Appendix Table: Personnel

Personnel Plan

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
President	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Head of American Division	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500
Vice President American Division	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500
Other	$8,700	$8,700	$8,700	$8,700	$8,700	$8,700	$8,700	$8,700	$8,700	$8,700	$8,700	$8,700
Total People	0	0	0	0	0	0	0	0	0	0	0	0
Total Payroll	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700

Appendix Table: General Assumptions

General Assumptions	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
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	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Sales on Credit %	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
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%
Calculated Totals												
Payroll Expense	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700
Sales on Credit	$40,500	$40,500	$40,500	$87,500	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500
New Accounts Payable	$141,964	$78,064	$78,109	$172,557	$49,572	$49,617	$65,622	$78,222	$78,222	$78,072	$78,117	$78,072
Inventory Purchase	$103,000	$32,000	$32,000	$136,000	$0	$0	$18,000	$32,000	$32,000	$32,000	$32,000	$32,000

Appendix Table: Profit and Loss

Pro Forma Profit and Loss

		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Sales		$81,000	$81,000	$81,000	$175,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000
Direct Costs of Goods		$32,000	$32,000	$32,000	$58,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000	$32,000
Other		$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750
Cost of Goods Sold		$34,750	$34,750	$34,750	$60,750	$34,750	$34,750	$34,750	$34,750	$34,750	$34,750	$34,750	$34,750
Gross Margin		$46,250	$46,250	$46,250	$114,250	$46,250	$46,250	$46,250	$46,250	$46,250	$46,250	$46,250	$46,250
Gross Margin %		57.10%	57.10%	57.10%	65.29%	57.10%	57.10%	57.10%	57.10%	57.10%	57.10%	57.10%	57.10%
Expenses:													
Payroll		$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700	$24,700
Sales and Marketing and Other Expenses		$8,350	$8,350	$8,350	$8,900	$8,275	$8,350	$8,350	$8,350	$8,350	$8,350	$8,350	$8,350
Depreciation		$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Leased Equipment		$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Utilities		$500	$500	$550	$600	$575	$550	$500	$500	$500	$500	$550	$500
Insurance		$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500
Rent		$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
Other		$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
Payroll Taxes	12%	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Operating Expenses		$51,514	$51,514	$51,564	$52,164	$51,514	$51,564	$51,514	$51,514	$51,514	$51,514	$51,564	$51,514
Profit Before Interest and Taxes		($5,264)	($5,264)	($5,314)	$62,086	($5,264)	($5,314)	($5,264)	($5,264)	($5,264)	($5,264)	($5,314)	($5,264)
Interest Expense		$400	$400	$400	$742	$742	$742	$575	$575	$575	$408	$408	$408
Taxes Incurred		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Profit		($5,664)	($5,664)	($5,714)	$61,344	($6,006)	($6,056)	($5,839)	($5,839)	($5,839)	($5,672)	($5,722)	($5,672)
Net Profit/Sales		-6.99%	-6.99%	-7.05%	35.05%	-7.41%	-7.48%	-7.21%	-7.21%	-7.21%	-7.00%	-7.06%	-7.00%
Include Negative Taxes													

Appendix Table: Cash Flow

Pro Forma Cash Flow	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Cash Received												
Cash from Operations:												
Cash Sales	$40,500	$40,500	$40,500	$87,500	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500
Cash from Receivables	$1,350	$40,500	$40,500	$42,067	$85,933	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500	$40,500
Subtotal Cash from Operations	$41,850	$81,000	$81,000	$129,567	$126,433	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000
Additional Cash Received												
New Current Borrowing	$0	$0	$0	$41,000	$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	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Subtotal Cash Received	$46,850	$86,000	$86,000	$175,567	$131,433	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000
Expenditures	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Expenditures from Operations:												
Cash Spending	$12,700	$5,600	$5,605	$16,099	$2,434	$2,439	$4,218	$5,618	$5,618	$5,601	$5,606	$5,601
Payment of Accounts Payable	$36,474	$139,834	$78,066	$81,257	$168,457	$49,573	$50,150	$66,042	$78,222	$78,217	$78,073	$78,115
Subtotal Spent on Operations	$49,174	$145,434	$83,671	$97,356	$170,891	$52,012	$54,368	$71,659	$83,839	$83,817	$83,679	$83,716
Additional Cash Spent												
Principal Repayment of Current Borrowing	$0	$0	$0	$0	$0	$0	$20,000	$0	$0	$20,000	$0	$0
Other Liabilities Principal Repayment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Long-term Liabilities Principal Repayment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
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	$49,174	$145,434	$83,671	$97,356	$170,891	$52,012	$74,368	$71,659	$83,839	$103,817	$83,679	$83,716
Net Cash Flow	($2,324)	($59,434)	$2,330	$78,210	($39,458)	$33,988	$11,633	$14,341	$2,161	($17,817)	$2,321	$2,284
Cash Balance	$67,676	$8,242	$10,572	$88,782	$49,324	$83,312	$94,944	$109,285	$111,446	$93,629	$95,950	$98,234

Appendix Table: Balance Sheet

Pro Forma Balance Sheet

Assets													
Current Assets	Starting Balances	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Cash	$70,000	$67,676	$8,242	$10,572	$88,782	$49,324	$83,312	$94,944	$109,285	$111,446	$93,629	$95,950	$98,234
Accounts Receivable	$0	$39,150	$39,150	$39,150	$84,583	$39,150	$39,150	$39,150	$39,150	$39,150	$39,150	$39,150	$39,150
Inventory	$25,000	$96,000	$96,000	$96,000	$174,000	$142,000	$110,000	$96,000	$96,000	$96,000	$96,000	$96,000	$96,000
Other Current Assets	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Total Current Assets	$100,000	$207,826	$148,392	$150,722	$352,365	$235,474	$237,462	$235,094	$249,435	$251,596	$233,779	$236,100	$238,384
Long-term Assets													
Long-term Assets	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000
Accumulated Depreciation	$0	$3,000	$6,000	$9,000	$12,000	$15,000	$18,000	$21,000	$24,000	$27,000	$30,000	$33,000	$36,000
Total Long-term Assets	$35,000	$32,000	$29,000	$26,000	$23,000	$20,000	$17,000	$14,000	$11,000	$8,000	$5,000	$2,000	($1,000)
Total Assets	$135,000	$239,826	$177,392	$176,722	$375,365	$255,474	$254,462	$249,094	$260,435	$259,596	$238,779	$238,100	$237,384

Liabilities and Capital													
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Accounts Payable	$5,000	$110,490	$48,720	$48,764	$140,063	$21,177	$21,221	$36,692	$48,872	$48,872	$48,727	$48,771	$48,727
Current Borrowing	$30,000	$30,000	$30,000	$30,000	$71,000	$71,000	$71,000	$51,000	$51,000	$51,000	$31,000	$31,000	$31,000
Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Current Liabilities	$35,000	$140,490	$78,720	$78,764	$211,063	$92,177	$92,221	$87,692	$99,872	$99,872	$79,727	$79,771	$79,727
Long-term Liabilities	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
Total Liabilities	$55,000	$160,490	$98,720	$98,764	$231,063	$112,177	$112,221	$107,692	$119,872	$119,872	$99,727	$99,771	$99,727
Paid-in Capital	$171,000	$176,000	$181,000	$186,000	$191,000	$196,000	$201,000	$206,000	$211,000	$216,000	$221,000	$226,000	$231,000
Retained Earnings	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)	($91,000)
Earnings	$0	($5,664)	($11,328)	($17,042)	$44,302	$38,297	$32,241	$26,402	$20,563	$14,724	$9,052	$3,329	($2,343)
Total Capital	$80,000	$79,336	$78,672	$77,958	$144,302	$143,297	$142,241	$141,402	$140,563	$139,724	$139,052	$138,329	$137,657
Total Liabilities and Capital	$135,000	$239,826	$177,392	$176,722	$375,365	$255,474	$254,462	$249,094	$260,435	$259,596	$238,779	$238,100	$237,384
Net Worth	$80,000	$79,336	$78,672	$77,958	$144,302	$143,297	$142,241	$141,402	$140,563	$139,724	$139,052	$138,329	$137,657