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Morningstar Bakery

1.0 Executive Summary

Morningstar Bakery is a new organic bakery specializing in gluten, wheat and dairy free products. Within the last three years there has been significant increases in demand for these bakery products. This can be explained to a large degree by the fact that up until recently Americans have had food allergies that have been undiagnosed. It has been only in the last few years that medical doctors have begun to diagnosis food allergies correctly. What was once an unknown problem that affected so many people with no recourse has become a manageable ailment that is easily dealt with through modification of diets. This is very positive for both those people that are affected as well as bakeries such as Morningstar that specialize in these products.

The Products

Morningstar offers a wide range of exciting products. The first group is spelt breads, muffins, and pastries. Spelt is used as there are far fewer people that are allergic to this grain. Yeast allergies are also common and Morningstar offers a menu of yeast free breads. Dairy free muffins and pastries are offered for vegans. Lastly, egg free breads, muffins, and pastries are offered.

Customers

Morningstar will focus on three distinct customer segments. The first group is the Allergy group. This segment is growing at 15% a year with 32,000 potential customers. The second niche is the Doctor group. This segment is also growing at 15% with 14,200 potential people. The last group is the Dieters group. This segment is typically making modifications to their diet based on their desire to lose weight. This niche also is growing at 15% with 48,000 possible customers.

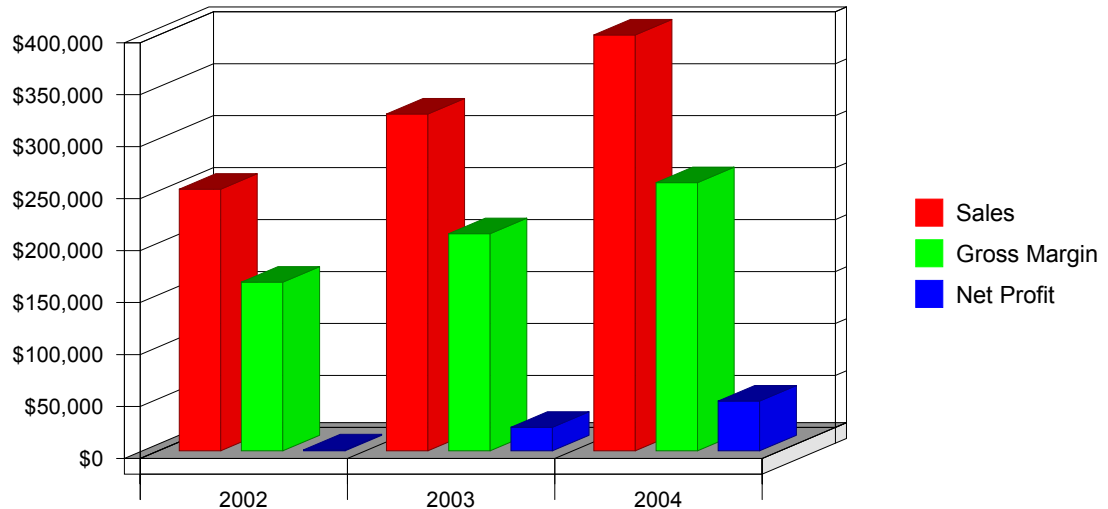
Management Team

Recognizing the importance of human capital, Morningstar has assembled a strong management team. The team is led by Donna Sharp. Donna comes to Morningstar with 10 years of baking experience. In addition to her industry specific experience, Donna has had 2 years of management experience. Donovan Bailey brings financial skills to Morningstar after a 15 year CPA career. Tara Juniper-Reid will lead the marketing efforts having participated in her own PR firm. Lastly, Lucy Hamilton will be on the team as an assistant baker with over five years of experience.

Morningstar is an exciting opportunity that combines, fresh baked goods with spelt, yeast free, dairy free, and egg free products, addressing the recent need for these new products. Demand for these products is expected to grow exponentially as medical doctors become more and more aware of food allergies Americans are afflicted with. Profitability is forecasted to occur by month three. Profits of \$806 and \$47,000 will be generated in years one and three respectively. Through a combination of a strong management team, a solid business model, and exciting, market demanded products will allow Morningstar to quickly gain market penetration and cash richness.

Morningstar Bakery

Highlights



1.1 Objectives

1. To establish a working storefront for Morningstar bakery.
2. To develop the strong presence in the community needed to support sales goals.
3. To develop a full menu by the end of the second quarter.

1.2 Mission

Morningstar Bakery aims to be a cornerstone in the community creating a neighborhood atmosphere where customers feel comfortable and become instant regulars. We are sensitive to the often over-looked population of allergy sufferers and cater to their needs for healthy, delicious baked goods. We seek fair and responsible profit, enough to keep the company financially healthy for the long term and to fairly compensate owners and investors for their money and risk.

2.0 Company Summary

Morningstar Bakery will be located in downtown [Name omitted] in a historical building. This downtown district is a very popular destination because of the historical architecture for weekenders and tourists. It is also a prime location for all the employees of the surrounding downtown businesses. The bakery sells non-wheat and other health specific breads, sweets and pastries to the surrounding community every Tuesday through Sunday.

Morningstar Bakery

2.1 Company Ownership

Currently Morningstar Bakery is a sole proprietorship owned by Donna Sharp. Eventually, as the company becomes established, Morningstar Bakery will apply to be incorporated.

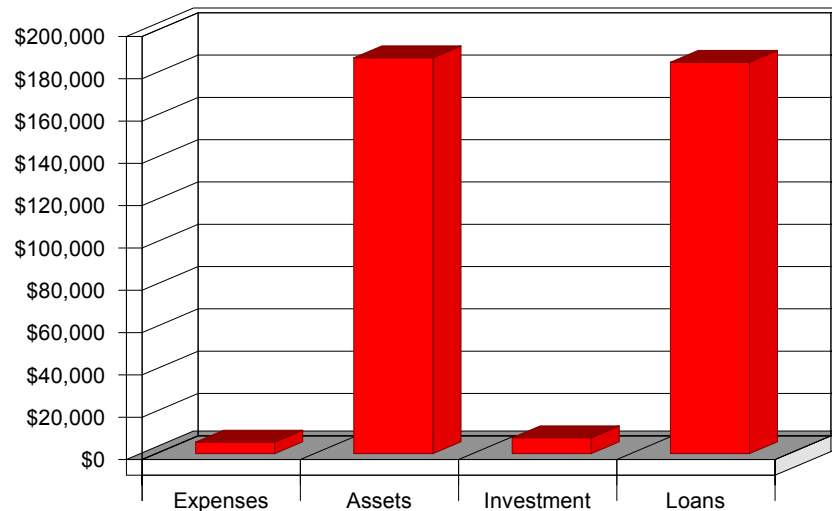
2.2 Start-up Summary

The primary expense to establish the Morningstar Bakery is the mortgage loan estimated at \$175,000 to purchase the vacant space on [Name omitted] street. The building was previously used as a bakery and we plan to buy the used equipment along with the space. This cost is also calculated into the loan estimate. Donna Sharp intends to invest \$7,500 of her savings to cover the other cost of start-up.

These costs include:

- Advertising brochures.
- Bakery ingredients.
- Insurance.
- Bakery accessories, i.e. paper bags, cartons, etc.

Start-up



Morningstar Bakery

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	\$0
Stationery etc.	\$0
Brochures	\$2,500
Consultants	\$0
Insurance	\$150
Mortgage	\$1,258
Research and development	\$0
Bakery Ingredients	\$500
Other	\$1,000
Total Start-up Expenses	\$5,408
Start-up Assets Needed	
Cash Balance on Starting Date	\$12,092
Other Current Assets	\$0
Total Current Assets	\$12,092
Long-term Assets	\$175,000
Total Assets	\$187,092
Total Requirements	\$192,500
Funding	
Investment	
Untitled	\$0
Donna Sharp	\$7,500
Other	\$0
Total Investment	\$7,500
Current Liabilities	
Accounts Payable	\$0
Current Borrowing	\$0
Other Current Liabilities	\$12,000
Total Current Liabilities	\$12,000
Long-term Liabilities	\$173,000
Total Liabilities	\$185,000
Loss at Start-up	(\$5,408)
Total Capital	\$2,092
Total Capital and Liabilities	\$187,092

3.0 Products

Morningstar Bakery provides non-gluten baked goods and pastries to diet-conscious and wheat-allergic consumers. Special considerations are made for all common food allergies such as dairy, yeast, wheat, and eggs.

Example of goods:

Spelt breads, muffins and pastries

Spelt flour is the most common wheat-alternative flour as it has the same characteristics as wheat which provides similar taste, consistency and behaviors creating goods that are just as good as any wheat baked good.

Yeast-free breads

Many people have an allergy to yeast, or have been warned by their doctors not to eat it. We provide a line of yeast-free breads.

Morningstar Bakery

Dairy-free muffins and pastries

Most breads do not require any dairy products, so they are not a consideration. Muffins and pastries most often require butter. To avoid this, we use a soy substitute.

Egg-free breads, muffins and pastries

Eggs are most common in muffins and pastries. Applesauce can be used as a substitute as it provides the same amount of moisture that is required.

4.0 Market Analysis Summary

Our target market includes people who are health conscious and/or have common food allergies. This is a niche market since most bakeries do not cater to these needs with the exception of high-fiber diets.

4.1 Market Segmentation

Our target market consists of three groups:

The Allergy Group

According to *Health Magazine*, one out of five people suffer from a common food allergy, however many bakeries do not cater to their needs.

The Doctor Diet Group

For health reasons, many people are warned off certain foods by their doctors because of high cholesterol and blood pressure. Currently the main killer in the U.S. is heart disease according to the American Heart Association. Many Americans aged 50+ are going on special diets to prevent heart disease.

The Diet Craze Group

According to *Self Magazine*, the year 2000 saw 20 new diet fads that discouraged certain foods such as wheat and dairy. The best selling book on the New York Time list for health was the "*Blood Type Diet*" which encourages readers to eat only non-gluten flours such as spelt, and to avoid dairy. While this target market is quite large, it is ever fluctuating since most people who diet yo-yo between different diets (*Self Magazine* September 2000).

Morningstar Bakery

Market Analysis (Pie)

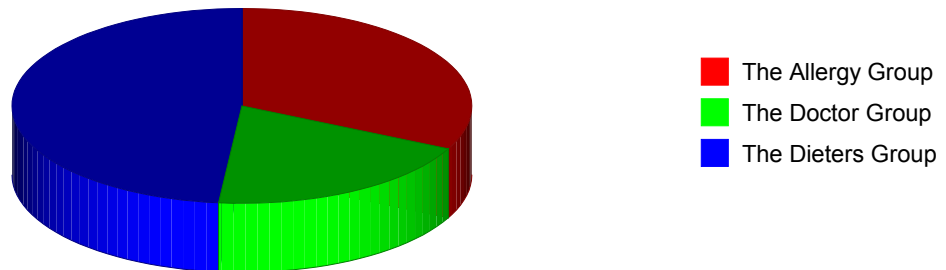


Table: Market Analysis

Market Analysis	Potential Customers	Growth	2002	2003	2004	2005	2006	CAGR
The Allergy Group		15%	32,000	36,800	42,320	48,668	55,968	15.00%
The Doctor Group		15%	19,200	22,080	25,392	29,201	33,581	15.00%
The Dieters Group		15%	48,000	55,200	63,480	73,002	83,952	15.00%
Total		15.00%	99,200	114,080	131,192	150,871	173,501	15.00%

4.2 Target Market Segment Strategy

In our target market, we will mainly focus on the "allergy group" since they are the most prevalent and steady of customers. We expect that the "doctor diet group" and the "diet craze" group will make up a smaller portion of our customers. We have not listed "regular customers" as a target group since the customers who do not fit into any of our groups are too varied to segment. We are specifically filling the needs of the "allergy group" so we expect the most business from this group.

4.3 Industry Analysis

Morningstar bakery competes in the Food Services Industry. In addition to competing with other organic and non-wheat bakeries, it competes with all restaurants, delis, bakeries and supermarkets for a share of its customers's food dollar. Morningstar is most concerned with competitors who differentiate their products and services with a healthy, organic focus. Because this group is so large, Morningstar has chosen to limit its analysis to other gluten-free bakeries.

4.3.1 Competition and Buying Patterns

Currently there are two bakeries in town that provide non-wheat goods.

Great Harvest Bread Company

Strengths: Makes spelt bread, muffins and cookies every Monday, Wednesday and Friday. Well-established bakery in town. Sells breads in local grocery stores.

Weaknesses: Does not provide a wide selection of non-wheat goods. Furthermore the texture and flavor of their spelt goods is very dense and flavorless. They use whole spelt bread which makes a denser, crumbly consistency bread. We use white spelt in our spelt breads and other goods which has a texture and flavor similar to wheat.

The Sweet Life Patisserie

Strengths: Makes spelt bread, muffins and brownies every day. Will make custom-ordered non-gluten cakes.

Weaknesses: Does not produce a wide selection or large quantity of non-wheat goods. Their main focus is wheat goods.

5.0 Strategy and Implementation Summary

Our strategy focuses on serving a niche market with quality goods. We are determined to become a part of the community—an establishment that becomes as much of the community as a church or local grocery store. To achieve these goals, we will provide the following:

- Friendly, neighborhood-feel atmosphere.
- Quality baked goods for everyone to enjoy at a fair price.
- Special diet menus in relation to the advice of local healthcare providers.

5.1 Competitive Edge

Our competitive edge is our quality of goods. We use only organic flours of the highest quality that create incredible non-gluten goods that can't be matched anywhere else in town. We also focus mainly on non-gluten goods. The other bakeries in town focus on wheat goods and sometimes, as an afterthought, use alternative flours.

Morningstar Bakery

5.2 Sales Strategy

Our strategy focuses on building a customer base by providing good customer experience. With the addition of the coffee bar and lunch menu in early spring, we hope to have customers make the bakery their one-stop destination for breakfast or lunch. In the summer, when we open the outdoor patio, more and more customers will make the bakery a destination for their lunches more often since the atmosphere will be so pleasing.

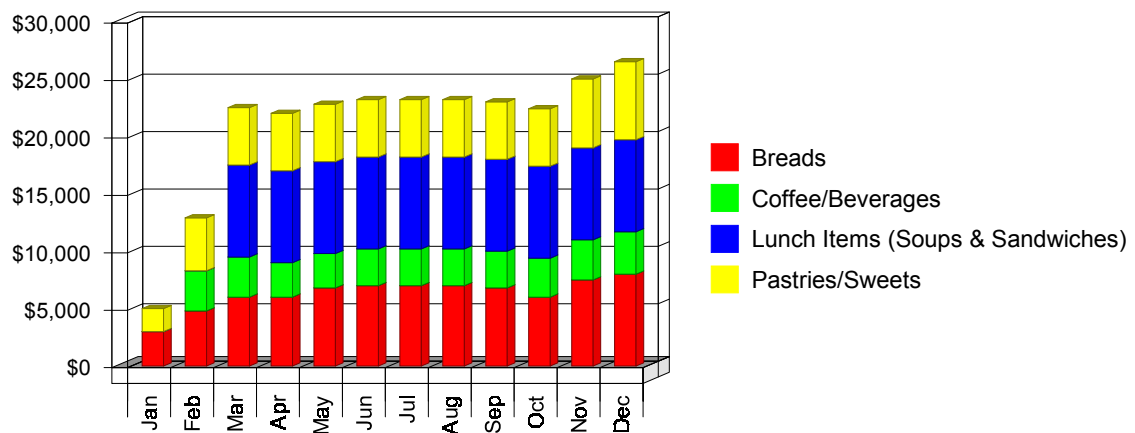
We would also like to work closely with local doctors and elder care homes to bring in customers with health problems. We are already in negotiations with Dr. Goodman's office to insure referrals to the bakery for his patients.

5.2.1 Sales Forecast

Our sales forecast assumes the following changes:

- Bread sales in the summer months will be slightly higher since more people will be having BBQs and picnics requiring items such as hamburger and hotdog buns.
- Bread and pastry sales will be higher in November and December because of the food-oriented holidays.
- Coffee sales will be higher in winter months, and for summer months sales of sodas and iced beverages will increase.

Sales Monthly



Morningstar Bakery

Table: Sales Forecast

Sales Forecast	2002	2003	2004
Sales			
Breads	\$75,900	\$96,000	\$120,000
Coffee/Beverages	\$36,400	\$48,000	\$60,000
Lunch Items (Soups & Sandwiches)	\$80,000	\$96,000	\$120,000
Pastries/Sweets	\$59,400	\$84,000	\$100,000
Total Sales	\$251,700	\$324,000	\$400,000
Direct Cost of Sales			
Breads	\$22,770	\$28,800	\$36,000
Coffee/Beverages	\$10,920	\$14,400	\$18,000
Lunch Items (Soups & Sandwiches)	\$32,000	\$38,400	\$48,000
Pastries/Sweets	\$23,760	\$33,600	\$40,000
Subtotal Direct Cost of Sales	\$89,450	\$115,200	\$142,000

5.3 Milestones

The table below displays the milestones that Morningstar Bakery would like to accomplish in the first three years. Emphasis in the first year will be on advertising to make the Morningstar Bakery an established business in town.

Table: Milestones

Milestones	Start Date	End Date	Budget	Manager	Department
Milestone					
First Advertising Campaign	12/1/01	3/1/02	\$5,000	Tara Juniper-Reid	Marketing
Full-Service Coffee Bar Integration	2/1/02	02/29/02	\$5,000	Donna Sharp	Bakery
Establishing a Lunch Menu	3/1/02	3/30/02	\$1,000	Donna Sharp	Bakery
Outdoor Cafe Seating	5/1/02	9/30/02	\$10,000	Donna Sharp	Bakery
Totals			\$21,000		

6.0 Management Summary

Donna Sharp is the founder of Morningstar Bakery. She brings to the bakery her experience as a baker and as an entrepreneur. She has worked as a baker for over 10 years including two years as an apprentice in a well-known Paris patisserie. As a teenager she helped her parents at the family's general store, both in sales and marketing. For her last two years at her family's store, she was the general employee manager. Her duties at the bakery will include employee hiring and training, head baker and store management.

Donovan Bailey has run his own successful CPA consulting firm for 15 years. His duties will include the bookkeeping, inventory management and stock fulfillment.

Tara Juniper-Reid runs her own PR company and will be assisting the Morningstar Bakery in its marketing campaigns on a part-time basis.

Lucy Hamilton has worked as a baker for over five years and will be the assistant baker. Her responsibilities will also include the management of the bakery shopping list.

Morningstar Bakery

6.1 Personnel Plan

Once the bakery becomes established and the cash flow is steady, we would like to hire one person for counter help and another assistant baker.

The table below illustrates the needs of the current employees, plus the integration of two more employees within three months of operation. The new hirings will coincide with the opening of a lunch menu and coffee bar which will most certainly require more help.

Table: Personnel

Personnel Plan	2002	2003	2004
Donna Sharp - Head Baker	\$24,000	\$26,400	\$29,040
Lucy Hamilton	\$21,000	\$23,100	\$25,410
Tara Juniper-Reid - Part-time	\$9,000	\$9,900	\$10,890
Counter Help - Full Time	\$18,000	\$19,800	\$21,780
Assistant Baker - Part time	\$9,000	\$9,900	\$10,890
Donovan Hamilton - Bookkeeper	\$24,000	\$26,400	\$29,040
Total People	6	6	6
Total Payroll	\$105,000	\$115,500	\$127,050

7.0 Financial Plan

The following sections will outline important financial assumptions.

7.1 Important Assumptions

The current economic climate in the U.S. appears to be on the brink of recession. However, we do not believe that if the country does enter a recession that our business will be unduly affected. Since our products are ones that help contribute to and maintain good health, we believe that people will continue to buy our products over traditional wheat bread. We are operating in a niche market, and in addition, the price of our breads and sweets although slightly higher than traditional bakeries they are not positioned as expensive, luxury items.

Table: General Assumptions

General Assumptions	2002	2003	2004
Plan Month	1	2	3
Current Interest Rate	9.00%	9.00%	9.00%
Long-term Interest Rate	8.50%	8.50%	8.50%
Tax Rate	25.00%	25.00%	25.00%
Other	0.00%	0.00%	0.00%
Calculated Totals			
Payroll Expense	\$105,000	\$115,500	\$127,050
New Accounts Payable	\$234,422	\$280,168	\$326,618

Morningstar Bakery

7.2 Break-even Analysis

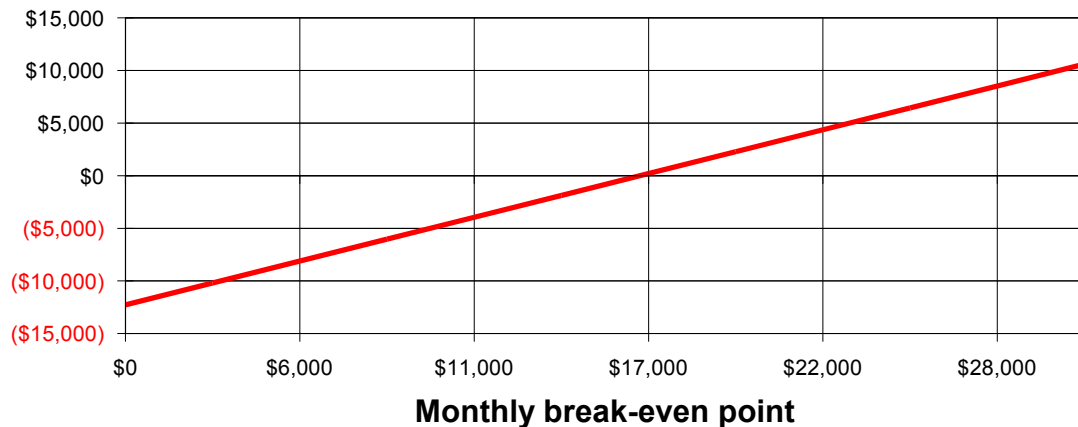
Our Break-Even Analysis assumes that our average per-unit revenue is \$3.00. Our lowest price for any good would be \$0.75 (cookies) and our highest would be \$5.50 (sandwiches), so \$3.00 is a fair estimate of the average per-unit revenue.

The running costs of production are fairly low since we manufacture all of our goods at a low cost to us. Here are the items included in the average per-unit variable cost:

- Manufacturing ingredients, i.e. flour, sugar, yeast and butter.
- Payroll.
- Mortgage.
- Utilities.
- Advertising.

The Break-Even Analysis as it appears below indicates that the break-even point will be attainable each month.

Break-even Analysis



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	4,720
Monthly Revenue Break-even	\$16,519
Assumptions:	
Average Per-Unit Revenue	\$3.50
Average Per-Unit Variable Cost	\$0.90
Estimated Monthly Fixed Cost	\$12,271

Morningstar Bakery

7.3 Projected Profit and Loss

The following table shows the projected profit and loss for Morningstar Bakery.

Table: Profit and Loss

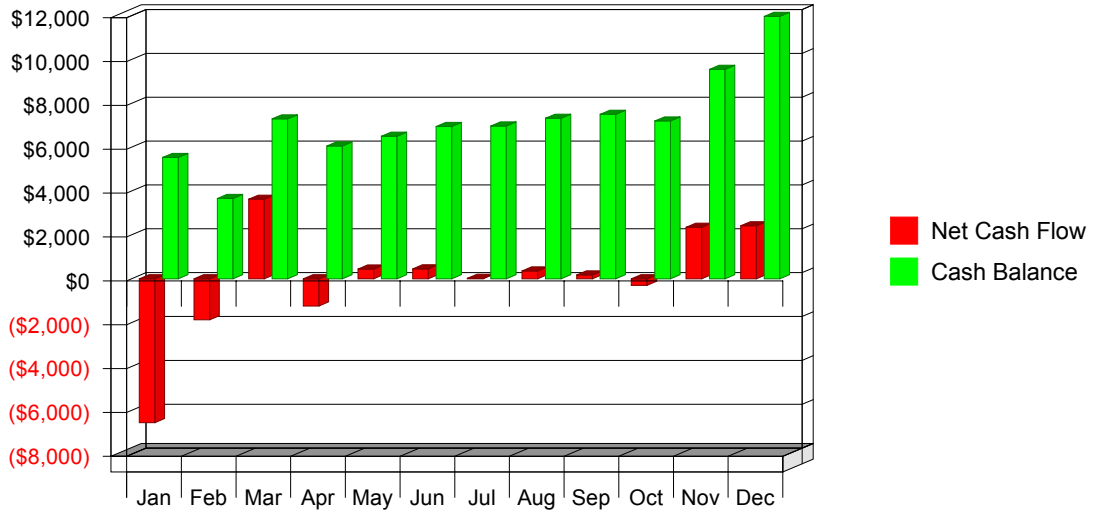
Pro Forma Profit and Loss	2002	2003	2004
Sales	\$251,700	\$324,000	\$400,000
Direct Costs of Goods	\$89,450	\$115,200	\$142,000
Production Payroll	\$0	\$0	\$0
Other	\$0	\$0	\$0
	-----	-----	-----
Cost of Goods Sold	\$89,450	\$115,200	\$142,000
Gross Margin	\$162,250	\$208,800	\$258,000
Gross Margin %	64.46%	64.44%	64.50%
Expenses:			
Payroll	\$105,000	\$115,500	\$127,050
Sales and Marketing and Other Expenses	\$13,040	\$14,640	\$16,640
Depreciation	\$3,492	\$3,492	\$3,492
Utilities	\$519	\$600	\$800
Insurance	\$1,800	\$2,400	\$2,800
Mortgage	\$10,800	\$15,096	\$15,096
Payroll Taxes	\$12,600	\$13,860	\$15,246
Other	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$147,251	\$165,588	\$181,124
Profit Before Interest and Taxes	\$14,999	\$43,212	\$76,876
Interest Expense	\$13,924	\$13,249	\$13,219
Taxes Incurred	\$269	\$7,491	\$15,914
Net Profit	\$806	\$22,472	\$47,743
Net Profit/Sales	0.32%	6.94%	11.94%
Include Negative Taxes	TRUE	TRUE	TRUE

Morningstar Bakery

7.4 Projected Cash Flow

The following chart illustrates a healthy cash balance for the first three years, enabling the company to grow through reinvestment.

Cash



Morningstar Bakery

Table: Cash Flow

Pro Forma Cash Flow	2002	2003	2004
Cash Received			
Cash from Operations:			
Cash Sales	\$251,700	\$324,000	\$400,000
Cash from Receivables	\$0	\$0	\$0
Subtotal Cash from Operations	\$251,700	\$324,000	\$400,000
Additional Cash Received			
Non Operating (Other) Income	\$0	\$0	\$0
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	\$251,700	\$324,000	\$400,000
Expenditures			
Expenditures from Operations:			
Cash Spending	\$12,980	\$17,868	\$22,147
Payment of Accounts Payable	\$222,597	\$275,716	\$322,720
Subtotal Spent on Operations	\$235,577	\$293,583	\$344,867
Additional Cash Spent			
Non Operating (Other) Expense	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$12,000	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$4,248	\$354	\$354
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$10,000	\$15,000
Dividends	\$0	\$6,000	\$8,000
Subtotal Cash Spent	\$251,825	\$309,937	\$368,221
Net Cash Flow	(\$125)	\$14,063	\$31,779
Cash Balance	\$11,967	\$26,030	\$57,810

Morningstar Bakery

7.5 Projected Balance Sheet

The following table represents the financial position of the Morningstar Bakery at the end of each of the three upcoming fiscal years.

Table: Balance Sheet

Pro Forma Balance Sheet

Assets			
Current Assets	2002	2003	2004
Cash	\$11,967	\$26,030	\$57,810
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$11,967	\$26,030	\$57,810
Long-term Assets			
Long-term Assets	\$175,000	\$185,000	\$200,000
Accumulated Depreciation	\$3,492	\$6,984	\$10,476
Total Long-term Assets	\$171,508	\$178,016	\$189,524
Total Assets	\$183,475	\$204,046	\$247,334
Liabilities and Capital			
	2002	2003	2004
Accounts Payable	\$11,825	\$16,278	\$20,176
Current Borrowing	(\$12,000)	(\$12,000)	(\$12,000)
Other Current Liabilities	\$12,000	\$12,000	\$12,000
Subtotal Current Liabilities	\$11,825	\$16,278	\$20,176
Long-term Liabilities	\$168,752	\$168,398	\$168,044
Total Liabilities	\$180,577	\$184,676	\$188,220
Paid-in Capital	\$7,500	\$7,500	\$7,500
Retained Earnings	(\$5,408)	(\$10,602)	\$3,870
Earnings	\$806	\$22,472	\$47,743
Total Capital	\$2,898	\$19,370	\$59,113
Total Liabilities and Capital	\$183,475	\$204,046	\$247,334
Net Worth	\$2,898	\$19,370	\$59,113

Appendix

Appendix Table: Sales Forecast

Sales Forecast												
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Breads	\$3,000	\$4,800	\$6,000	\$6,000	\$6,800	\$7,000	\$7,000	\$7,000	\$6,800	\$6,000	\$7,500	\$8,000
Coffee/Beverages	\$0	\$3,500	\$3,500	\$3,000	\$3,000	\$3,200	\$3,200	\$3,200	\$3,200	\$3,400	\$3,500	\$3,700
Lunch Items (Soups & Sandwiches)	\$0	\$0	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Pastries/Sweets	\$2,000	\$4,600	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$6,000	\$6,800
Total Sales	\$5,000	\$12,900	\$22,500	\$22,000	\$22,800	\$23,200	\$23,200	\$23,200	\$23,000	\$22,400	\$25,000	\$26,500
Direct Cost of Sales												
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Breads	\$900	\$1,440	\$1,800	\$1,800	\$2,040	\$2,100	\$2,100	\$2,100	\$2,040	\$1,800	\$2,250	\$2,400
Coffee/Beverages	\$0	\$1,050	\$1,050	\$900	\$900	\$960	\$960	\$960	\$960	\$1,020	\$1,050	\$1,110
Lunch Items (Soups & Sandwiches)	\$0	\$0	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200	\$3,200
Pastries/Sweets	\$800	\$1,840	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,400	\$2,720
Subtotal Direct Cost of Sales	\$1,700	\$4,330	\$8,050	\$7,900	\$8,140	\$8,260	\$8,260	\$8,260	\$8,200	\$8,020	\$8,900	\$9,430

Appendix

Appendix Table: Personnel

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Donna Sharp - Head Baker	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Lucy Hamilton	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750
Tara Juniper-Reid - Part-time	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Counter Help - Full Time	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Assistant Baker - Part time	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Donovan Hamilton - Bookkeeper	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total People	6	6	6	6	6	6	6	6	6	6	6	6
Total Payroll	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750

Appendix

Appendix Table: General Assumptions

General Assumptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current 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%
Long-term Interest Rate	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
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%
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	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750
New Accounts Payable	\$12,593	\$16,139	\$20,802	\$19,837	\$20,173	\$20,668	\$20,323	\$20,317	\$20,224	\$19,968	\$21,345	\$22,033

Appendix

Appendix Table: Profit and Loss

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$5,000	\$12,900	\$22,500	\$22,000	\$22,800	\$23,200	\$23,200	\$23,200	\$23,000	\$22,400	\$25,000	\$26,500
Direct Costs of Goods	\$1,700	\$4,330	\$8,050	\$7,900	\$8,140	\$8,260	\$8,260	\$8,260	\$8,200	\$8,020	\$8,900	\$9,430
Production Payroll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$1,700	\$4,330	\$8,050	\$7,900	\$8,140	\$8,260	\$8,260	\$8,260	\$8,200	\$8,020	\$8,900	\$9,430
Gross Margin	\$3,300	\$8,570	\$14,450	\$14,100	\$14,660	\$14,940	\$14,940	\$14,940	\$14,800	\$14,380	\$16,100	\$17,070
Gross Margin %	66.00%	66.43%	64.22%	64.09%	64.30%	64.40%	64.40%	64.40%	64.35%	64.20%	64.40%	64.42%
Expenses:												
Payroll	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750
Sales and Marketing and Other Expenses	\$1,820	\$1,820	\$1,820	\$720	\$720	\$1,220	\$720	\$720	\$720	\$720	\$1,020	\$1,020
Depreciation	\$291	\$291	\$291	\$291	\$291	\$291	\$291	\$291	\$291	\$291	\$291	\$291
Utilities	\$50	\$50	\$48	\$45	\$45	\$35	\$35	\$35	\$35	\$45	\$48	\$48
Insurance	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Mortgage	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
Payroll Taxes	12% \$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$13,011	\$13,011	\$13,009	\$11,906	\$11,906	\$12,396	\$11,896	\$11,896	\$11,896	\$11,906	\$12,209	\$12,209
Profit Before Interest and Taxes	(\$9,711)	(\$4,441)	\$1,441	\$2,194	\$2,754	\$2,544	\$3,044	\$3,044	\$2,904	\$2,474	\$3,891	\$4,861
Interest Expense	\$1,215	\$1,205	\$1,195	\$1,185	\$1,175	\$1,165	\$1,155	\$1,145	\$1,135	\$1,125	\$1,115	\$1,105
Taxes Incurred	(\$2,732)	(\$1,412)	\$61	\$252	\$395	\$345	\$472	\$475	\$442	\$337	\$694	\$939
Net Profit	(\$8,195)	(\$4,235)	\$184	\$756	\$1,184	\$1,034	\$1,416	\$1,424	\$1,326	\$1,011	\$2,082	\$2,817
Net Profit/Sales	-163.90%	-32.83%	0.82%	3.44%	5.19%	4.46%	6.11%	6.14%	5.77%	4.52%	8.33%	10.63%
Include Negative Taxes												

Appendix

Appendix Table: Cash Flow

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	\$5,000	\$12,900	\$22,500	\$22,000	\$22,800	\$23,200	\$23,200	\$23,200	\$23,000	\$22,400	\$25,000	\$26,500
Cash from Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash from Operations	\$5,000	\$12,900	\$22,500	\$22,000	\$22,800	\$23,200	\$23,200	\$23,200	\$23,000	\$22,400	\$25,000	\$26,500
Additional Cash Received												
Non Operating (Other) Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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	\$5,000	\$12,900	\$22,500	\$22,000	\$22,800	\$23,200	\$23,200	\$23,200	\$23,000	\$22,400	\$25,000	\$26,500
Expenditures												
Expenditures from Operations:												
Cash Spending	\$310	\$704	\$1,222	\$1,115	\$1,153	\$1,208	\$1,169	\$1,169	\$1,158	\$1,130	\$1,283	\$1,359
Payment of Accounts Payable	\$9,893	\$12,712	\$16,295	\$20,770	\$19,848	\$20,189	\$20,656	\$20,323	\$20,313	\$20,216	\$20,014	\$21,367
Subtotal Spent on Operations	\$10,203	\$13,416	\$17,517	\$21,885	\$21,001	\$21,397	\$21,825	\$21,492	\$21,472	\$21,345	\$21,296	\$22,727
Additional Cash Spent												
Non Operating (Other) Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$354	\$354	\$354	\$354	\$354	\$354	\$354	\$354	\$354	\$354	\$354	\$354
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	\$11,557	\$14,770	\$18,871	\$23,239	\$22,355	\$22,751	\$23,179	\$22,846	\$22,826	\$22,699	\$22,650	\$24,081
Net Cash Flow	(\$6,557)	(\$1,870)	\$3,629	(\$1,239)	\$445	\$449	\$21	\$354	\$174	(\$299)	\$2,350	\$2,419
Cash Balance	\$5,535	\$3,664	\$7,293	\$6,054	\$6,499	\$6,948	\$6,969	\$7,323	\$7,498	\$7,198	\$9,548	\$11,967

Appendix

Appendix Table: Balance Sheet

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Assets													
Cash	\$12,092	\$5,535	\$3,664	\$7,293	\$6,054	\$6,499	\$6,948	\$6,969	\$7,323	\$7,498	\$7,198	\$9,548	\$11,967
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$12,092	\$5,535	\$3,664	\$7,293	\$6,054	\$6,499	\$6,948	\$6,969	\$7,323	\$7,498	\$7,198	\$9,548	\$11,967
Long-term Assets													
Long-term Assets	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Accumulated Depreciation	\$0	\$291	\$582	\$873	\$1,164	\$1,455	\$1,746	\$2,037	\$2,328	\$2,619	\$2,910	\$3,201	\$3,492
Total Long-term Assets	\$175,000	\$174,709	\$174,418	\$174,127	\$173,836	\$173,545	\$173,254	\$172,963	\$172,672	\$172,381	\$172,090	\$171,799	\$171,508
Total Assets	\$187,092	\$180,244	\$178,082	\$181,420	\$179,890	\$180,044	\$180,202	\$179,932	\$179,995	\$179,879	\$179,288	\$181,347	\$183,475
Liabilities and Capital													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Accounts Payable	\$0	\$2,700	\$6,128	\$10,636	\$9,703	\$10,027	\$10,505	\$10,172	\$10,166	\$10,077	\$9,829	\$11,160	\$11,825
Current Borrowing	\$0	(\$1,000)	(\$2,000)	(\$3,000)	(\$4,000)	(\$5,000)	(\$6,000)	(\$7,000)	(\$8,000)	(\$9,000)	(\$10,000)	(\$11,000)	(\$12,000)
Other Current Liabilities	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Subtotal Current Liabilities	\$12,000	\$13,700	\$16,128	\$19,636	\$17,703	\$17,027	\$16,505	\$15,172	\$14,166	\$13,077	\$11,829	\$12,160	\$11,825
Long-term Liabilities	\$173,000	\$172,646	\$172,292	\$171,938	\$171,584	\$171,230	\$170,876	\$170,522	\$170,168	\$169,814	\$169,460	\$169,106	\$168,752
Total Liabilities	\$185,000	\$186,346	\$188,420	\$191,574	\$189,287	\$188,257	\$187,381	\$185,694	\$184,334	\$182,891	\$181,289	\$181,266	\$180,577
Paid-in Capital	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Retained Earnings	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)	(\$5,408)
Earnings	\$0	(\$8,195)	(\$12,430)	(\$12,245)	(\$11,489)	(\$10,305)	(\$9,271)	(\$7,855)	(\$6,431)	(\$5,104)	(\$4,093)	(\$2,011)	\$806
Total Capital	\$2,092	(\$6,103)	(\$10,338)	(\$10,153)	(\$9,397)	(\$8,213)	(\$7,179)	(\$5,763)	(\$4,339)	(\$3,012)	(\$2,001)	\$81	\$2,898
Total Liabilities and Capital	\$187,092	\$180,244	\$178,082	\$181,420	\$179,890	\$180,044	\$180,202	\$179,932	\$179,995	\$179,879	\$179,288	\$181,347	\$183,475
Net Worth	\$2,092	(\$6,103)	(\$10,338)	(\$10,153)	(\$9,397)	(\$8,213)	(\$7,179)	(\$5,763)	(\$4,339)	(\$3,012)	(\$2,001)	\$81	\$2,898