



Tricky Widgets

January 2001

This sample business plan has been made available to users of *Business Plan Pro™*, business planning software published by Palo Alto Software. Names, locations and numbers may have been changed, and substantial portions of text may have been omitted from the original plan to preserve confidentiality and proprietary information.

You are welcome to use this plan as a starting point to create your own, but you do not have permission to reproduce, publish, distribute or even copy this plan as it exists here.

Requests for reprints, academic use, and other dissemination of this sample plan should be emailed to the marketing department of Palo Alto Software at marketing@paloalto.com. For product information visit our Website: www.paloalto.com or call: 1-800-229-7526.

Copyright Palo Alto Software, Inc., 1995-2002

Confidentiality Agreement

The undersigned reader acknowledges that the information provided by _____ in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of _____.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to _____.

Upon request, this document is to be immediately returned to _____.

Signature

Name (typed or printed)

Date

This is a business plan. It does not imply an offering of securities.

Table of Contents

1.0	Executive Summary	1
1.1	Mission	1
1.2	Keys to Success	1
2.0	Company Summary	1
2.1	Company Ownership	2
2.2	Start-up Summary	2
3.0	Product/Service Description	3
3.1	Service Business Analysis	4
4.0	Market Analysis	4
4.1	Market Segmentation	5
4.2	Target Market Segment Strategy	6
4.3	Market Needs	6
4.4	Competition and Buying Patterns	6
4.5	Sales Forecast	7
5.0	Strategy and Implementation	8
5.1	Competitive Edge	8
5.2	Sales Strategy	9
6.0	Management Summary	9
6.1	Personnel Plan	9
7.0	Financial Plan	9
7.1	Break-even Analysis	10
7.2	Projected Profit and Loss	11
7.3	Projected Cash Flow	12
7.4	Projected Balance Sheet	14
7.5	Business Ratios	15

Tricky Widgets

1.0 Executive Summary

Tricky Widgets Manufacturing (TWM) is a manufacturer of heavy equipment machinery, with one location in Spokane, Washington. TWM is a start-up manufacturing firm. Along with a significant level of its own capital, TWM hopes to initially make a successful effort to secure start-up financing to begin operations.

TWM is looking to conduct operations at its location to meet an ever-growing level of demand for heavy equipment machinery products. The company's initial product offering will include the "Widget Basic," "Widget Deluxe," and "Widget Premium." These products are expected to be very popular among commercial construction companies because of their versatility and accurate control capabilities. Strong contact relationships and referral networks among commercial construction company owners are expected to allow for a rapid entry into this market.

1.1 Mission

TWM aims to offer high-quality heavy equipment machinery for the commercial construction industry at a price which is competitive in comparison to other premium-quality commercial machinery manufacturers in the market. The management of TWM believes there is a current untapped market opportunity because 1) existing providers of construction machinery are too diversified to serve the increasingly specialized needs of the commercial construction segment, and 2) the incorporation of greater precision controls within such machinery will greater serve the needs of this segment of the construction machinery industry.

1.2 Keys to Success

TWM's keys to success will include:

1. A high level of quality in its product line.
2. Maintaining and growing its referral networks to generate new and repeat sales.
3. Significant investments in research and development and engineering with the aim to focus on precisely controlled equipment.
4. Improving efficiencies of operations.

2.0 Company Summary

TWM is a start-up manufacturing firm which will be managed by four executives representing administration, marketing, sales, and finance. These executives bring to the company a large degree of experience in the equipment manufacturing industry. They perceive an opportunity to acquire a significant amount of market share by focusing on the specific needs of the commercial construction industry and by providing greater precision controls to their products than other competitors. The company will be organized as a closely-held corporation with a majority of the shares held by the four principle executives.

The company will be seeking to raise approximately \$4.5 million in loans and another

Tricky Widgets

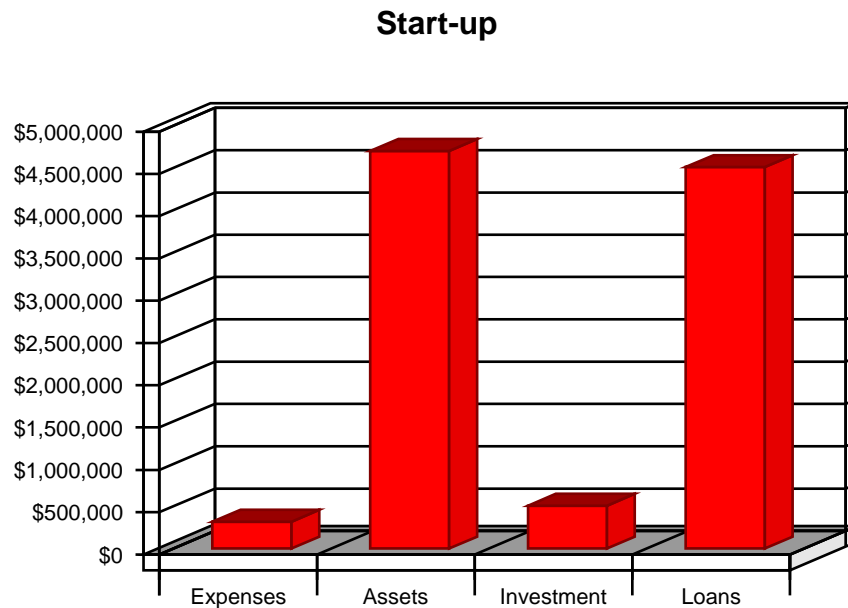
\$500,000 from private investors for start-up purposes. The company will have one manufacturing facility in Spokane, Washington.

2.1 Company Ownership

The company will be a closely-held corporation with six principle shareholders who will form the Board of Directors. It is anticipated that within the next five years, the company will be instituting a public offering to enlarge its ability to acquire financing. The principle owners will seek to retain the majority of the company's stock for the foreseeable future. The company is incorporated in the state of Delaware as this offers the most advantageous conditions of taxes etc.

2.2 Start-up Summary

The following table and chart illustrates projected initial start-up costs for the firm.



Tricky Widgets

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	\$4,000
Rent	\$24,000
Advertising	\$15,000
Insurance	\$12,000
Research and Development	\$250,000
Office setup	\$10,000
Other	\$3,000
Total Start-up Expenses	\$318,000
Start-up Assets Needed	
Cash Balance on Starting Date	\$2,000,000
Start-up Inventory	\$100,000
Other Current Assets	\$100,000
Total Current Assets	\$2,200,000
Long-term Assets	\$2,500,000
Total Assets	\$4,700,000
Total Requirements	\$5,018,000
Funding	
Investment	
Investor 1	\$55,000
Investor 2	\$43,000
Investor 3	\$160,000
Investor 4	\$60,000
Investor 5	\$120,000
Investor 6	\$70,000
Total Investment	\$508,000
Current Liabilities	
Accounts Payable	\$10,000
Current Borrowing	\$0
Other Current Liabilities	\$0
Total Current Liabilities	\$10,000
Long-term Liabilities	\$4,500,000
Total Liabilities	\$4,510,000
Loss at Start-up	(\$318,000)
Total Capital	\$190,000
Total Capital and Liabilities	\$4,700,000

3.0 Product/Service Description

TWM will manufacture heavy equipment machinery for all phases of commercial construction needs. Primary focus will be placed on product engineering and manufacturing processes to ensure the highest quality, a high level of product features, and the most efficient manufacturing process possible.

TWM will manufacture heavy equipment machinery products called the "Widget Basic," "Widget Deluxe," and "Widget Premium." All Widget products will be capable of lifting 50 tons, and are specially designed to be extremely precise when controlling movement of the various features of the machine.

The Widget Basic will include features including a large "grabber" arm, for tasks such as girder installation and placement, and a back-hoe lifter for land clearance.

Tricky Widgets

The Widget Deluxe will include features including a large "grabber" arm, for tasks such as girder installation and placement, a back-hoe lifter for land clearance, and a wrecker ball attachment for building demolition.

The Widget Premium will include features including a large "grabber" arm for tasks such as girder installation and placement; a back hoe lifter for land clearance; a wrecker ball attachment for building demolition; and an elevating device to lift as many as ten crewpersons up to 10 stories.

3.1 Service Business Analysis

The industry is dominated by a few very large companies, such as Caterpillar, Komatsu, Ingersoll Rand, and Linde AG. Of these major competitors, Caterpillar is the largest, with approximately 40% market share. Last year, Caterpillar reported sales of approximately \$20 billion and Komatsu, Ingersoll Rand, and Linde AG each reported around \$8-9 billion. Each of these giants has large or multisegment marketing strategies that provide general equipment for large blocks of customers.

Companies market their products through established local distributors who are often franchises of the parent manufacturers. There is limited direct sales to very large customers. The advantage of such distributors is the ability to provide financing, rapid servicing and replacement of such equipment as well as providing close relationships between customers and service providers that allows for maximizing equipment usage.

Customers who purchase such equipment require reliability, rapid servicing/availability of parts, and versatility for a variety of anticipated and unanticipated uses. Customers are influenced by reputation and cost, since equipment purchases can be the most significant portion of the customer's long-term assets.

4.0 Market Analysis

The construction machinery industry experienced sales of approximately \$15.4 billion last year. Power cranes, draglines, and excavators, which are similar to TWM's products, had a total sales of \$3.2 billion. The construction machinery industry is a mature market with approximately five percent annual growth.

Customers within the market consist of commercial construction companies, equipment rental and leasing companies, general construction firms, and to a lesser degree, adjacent market segments such as mining, industrial, agricultural, forestry, and waste management companies. Of these, commercial construction companies will be the dominate consumers of TWM's products as they have the deepest pockets, the greatest need for large orders of machinery, and the greatest need for precision controlled equipment.

The most rapidly growing sub-segment of the commercial construction segment is the small construction companies. These firms have relatively low entry/exit barriers to the market. However, these companies are not seen as a potentially large market for TWM since they have such low market capitalization.

The market is strongly effected by the current trends in the economy. Companies such as Caterpillar and Komatsu have seen recent decreases in sales due to a weakening global economy and decreasing consumer confidence. If recent downturns in the market prove to be long-lasting, then TWM may have a significantly more difficult time acquiring sales contracts and financing.

Tricky Widgets

One of the more recent trends in the construction machinery industry is to create more and more specialized equipment for the various market segments and to focus research and development on providing multitask machinery that is attractive to the companies with less market capitalization. It is TWM's goal to be the industry leader in focusing on these trends and being the first to market with innovative designs reflecting these changes.

Market Analysis (Pie)

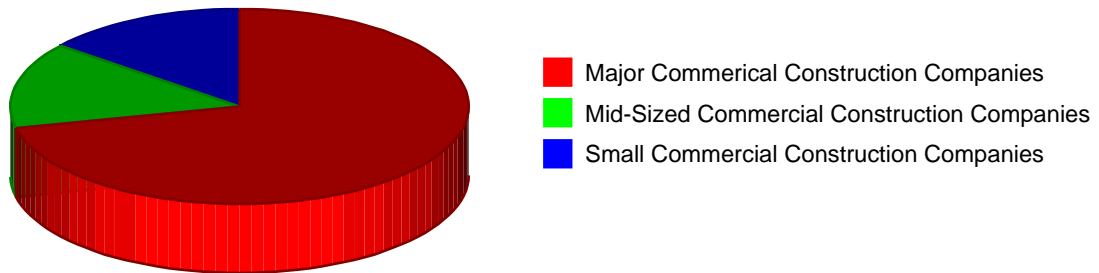


Table: Market Analysis

Market Analysis	Growth	2001	2002	2003	2004	2005	CAGR
Potential Customers							
Major Commercial Construction Companies	15%	25,000	28,750	33,063	38,022	43,725	15.00%
Mid-Sized Commercial Construction Companies	10%	5,000	5,500	6,050	6,655	7,321	10.00%
Small Commercial Construction Companies	3%	5,000	5,150	5,305	5,464	5,628	3.00%
Total	12.81%	35,000	39,400	44,418	50,141	56,674	12.81%

4.1 Market Segmentation

TWM will focus on the large commercial construction companies with over \$2 billion in annual revenue. These companies are looking for heavy equipment machinery that will last for a long period of time, will do the job effectively and quickly, are easy to operate, are extremely precise in control of movement, and offer a high number of features including safety types of features to minimize liability and employee injury risks. Typically these companies lean towards the Widget Deluxe or Widget Premium products.

Mid-size commercial construction companies are a secondary market for TWM. These companies are more interested in the Widget Basic and Widget Deluxe. Mid-size commercial construction companies range from \$500 million to \$2 billion in annual revenue. Cost savings is more important to these companies, who are still in the growth stage of the business cycle.

4.2 Target Market Segment Strategy

TWM primarily focuses on its target market, the large commercial construction company, through direct selling via its various relationship and referral networks. In addition, a significant amount of investment will be made in advertising to promote product awareness. Direct selling is far more effective in closing sales as well as in terms of sales and marketing costs.

TWM uses the tool of product demonstrations at its site to close sales. Potential clients' travel costs to TWM's site for product demonstrations is covered by TWM. Product demonstrations are a critical step in the sales process. This is the opportunity to prove the capabilities of our products, educate the potential client, and establish a relationship.

4.3 Market Needs

The volume of commercial construction activity has been steadily increasing since the mid-1980s. Demand for heavy machinery equipment has been steadily increasing as new entrants come into the market and current participants grow their operations.

Modern complex designs, earthquake proofing, and other factors have increased demand for higher precision and accuracy in controls of heavy machinery equipment in commercial construction operations.

4.4 Competition and Buying Patterns

TWM faces approximately 55 major competitors nationally. The top player is Caterpillar and has been in the market for 40 years. Their name is very well known and their products are trusted. Their products practically sell themselves.

Large commercial construction companies typically look for the most widely used equipment that has an established name and reputation for quality, durability, and versatility. Product demonstrations are a critical part of the buying process, especially when a buyer is working with a smaller, less known company.

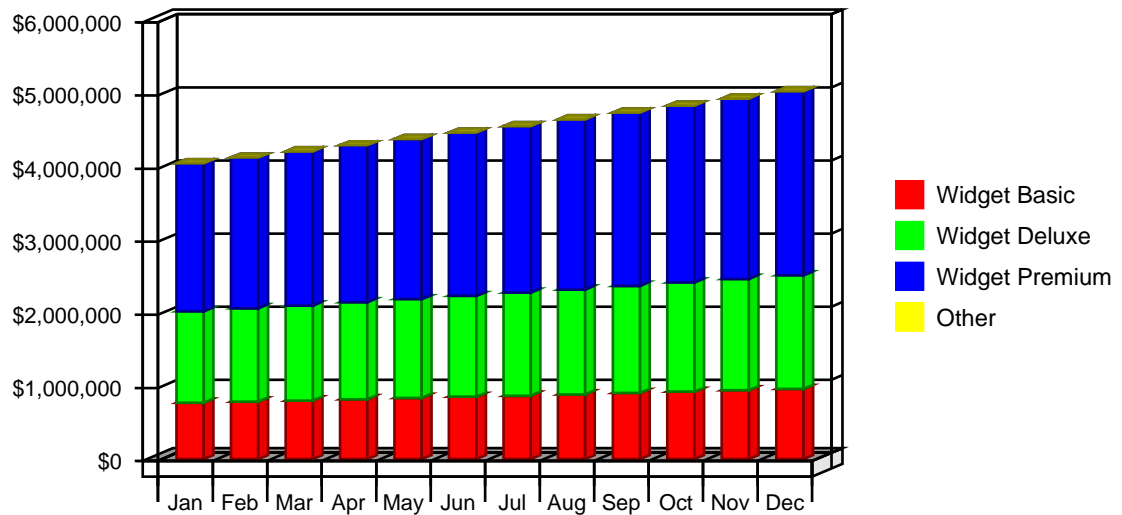
Similar competitors design, manufacture, and market power equipment that play a niche role in commercial construction and material movement. This segment's products include skid-steer loaders, compact hydraulic excavators, industrial vehicles, pavers, and compactors, drilling equipment, and rough-terrain material handlers.

Tricky Widgets

4.5 Sales Forecast

The company will begin by utilizing its extensive contacts with several major construction companies to leverage contracts through direct sales methods and onsite demonstrations. A number of these companies have expressed an interest in purchasing the proposed products of TWM. The company's extensive advertising campaign will be used to create product awareness through the use of trade journals, direct mail advertising, and other means. At some future date, the company will seek to entice major equipment distributors to carry TWM's products once the company has established a firm reputation. The establishment of a post sales servicing and parts division will provide additional sales and opportunities for marketing new products.

Sales Monthly



Tricky Widgets

Table: Sales Forecast

Sales Forecast			
Unit Sales	2001	2002	2003
Widget Basic	295	310	341
Widget Deluxe	335	352	387
Widget Premium	362	380	418
Other	0	0	0
Total Unit Sales	992	1,042	1,146
Unit Prices			
Widget Basic	\$35,000.00	\$38,500.00	\$42,350.00
Widget Deluxe	\$50,000.00	\$55,000.00	\$60,500.00
Widget Premium	\$75,000.00	\$82,500.00	\$90,750.00
Other	\$0.00	\$0.00	\$0.00
Sales			
Widget Basic	\$10,327,309	\$11,928,042	\$14,432,931
Widget Deluxe	\$16,765,112	\$19,363,705	\$23,430,082
Widget Premium	\$27,159,482	\$31,369,201	\$37,956,734
Other	\$0	\$0	\$0
Total Sales	\$54,251,903	\$62,660,948	\$75,819,747
Direct Unit Costs			
Widget Basic	\$28,000.00	\$30,240.00	\$32,659.20
Widget Deluxe	\$40,000.00	\$43,200.00	\$46,656.00
Widget Premium	\$60,000.00	\$64,800.00	\$69,984.00
Other	\$0.00	\$0.00	\$0.00
Direct Cost of Sales			
Widget Basic	\$8,261,847	\$9,368,935	\$11,130,295
Widget Deluxe	\$13,412,090	\$15,209,310	\$18,068,660
Widget Premium	\$21,727,585	\$24,639,082	\$29,271,229
Other	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$43,401,522	\$49,217,326	\$58,470,184

5.0 Strategy and Implementation

TWM will succeed by manufacturing high quality, durable heavy equipment machinery with a significant number of product features and options which are extremely precise in control of movement. It will focus on a very narrow segment of the market and attempt to achieve the best reputation in that segment.

5.1 Competitive Edge

TWM's competitive edge is its level of quality, product features and options, and the company's relationships with several major commercial construction companies nationwide.

5.2 Sales Strategy

As the table shows, TWM plans to deliver sales of approximately \$54 million in the current year, \$62 million in the second year, and \$75 million in the third year following this plan.

6.0 Management Summary

Jim Mitchell

Chief Executive Officer. Extensive experience in the manufacturing industry with sales and marketing capacities.

Ike Smith

Chief Financial Officer. Brings experience with a heavy focus in finance.

Pat Hyder

VP of Sales. Strong background in manufacturing sales, business development, and strategic partnership development.

Pamela Jules

VP of Marketing. Strong background in marketing within the heavy equipment manufacturing industry. Extensive experience in business development and strategic partnership development.

6.1 Personnel Plan

As the personnel plan shows, TWM expects to make significant investments in research and development.

Table: Personnel

Personnel Plan	2001	2002	2003
Executives	\$480,000	\$504,000	\$529,200
Managers	\$960,000	\$1,008,000	\$1,058,400
Manufacturing Process Workers	\$720,000	\$756,000	\$793,800
Engineering	\$3,000,000	\$3,150,000	\$3,307,500
Total People	115	127	175
Total Payroll	\$5,160,000	\$5,418,000	\$5,688,900

7.0 Financial Plan

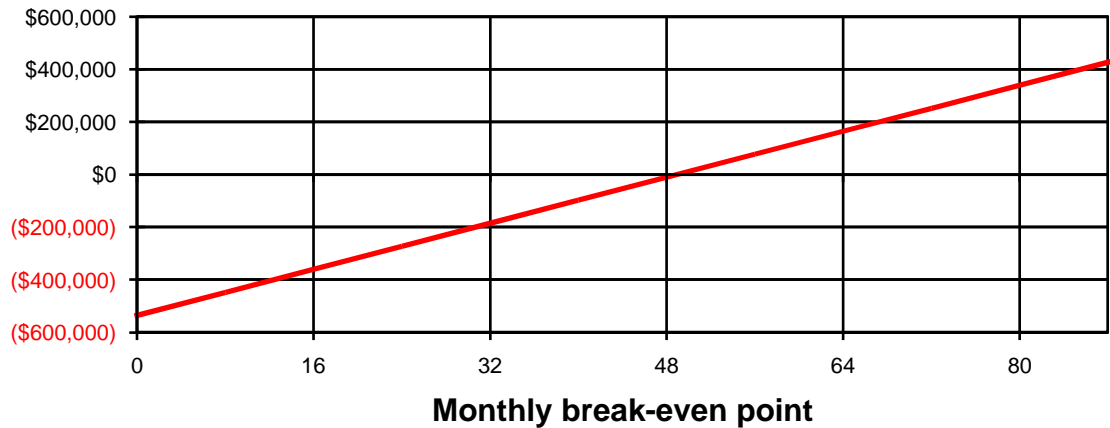
TWM expects to raise \$4.5 million in loans along with \$.5 million in private investment for start-up costs for the first three years. An additional \$50 million in financing is expected to be raised in an initial public offering that is scheduled to occur between years three-five. This will provide the bulk of the financing required to grow operations at the planned rate.

Tricky Widgets

7.1 Break-even Analysis

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

Break-even Analysis



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	49
Monthly Revenue Break-even	\$2,678,500
Assumptions:	
Average Per-Unit Revenue	\$54,689.42
Average Per-Unit Variable Cost	\$43,751.53
Estimated Monthly Fixed Cost	\$535,700

Tricky Widgets

7.2 Projected Profit and Loss

As the profit and loss table shows, TWM expects to continue its steady growth in profitability over the next three years of operations.

Table: Profit and Loss

Pro Forma Profit and Loss

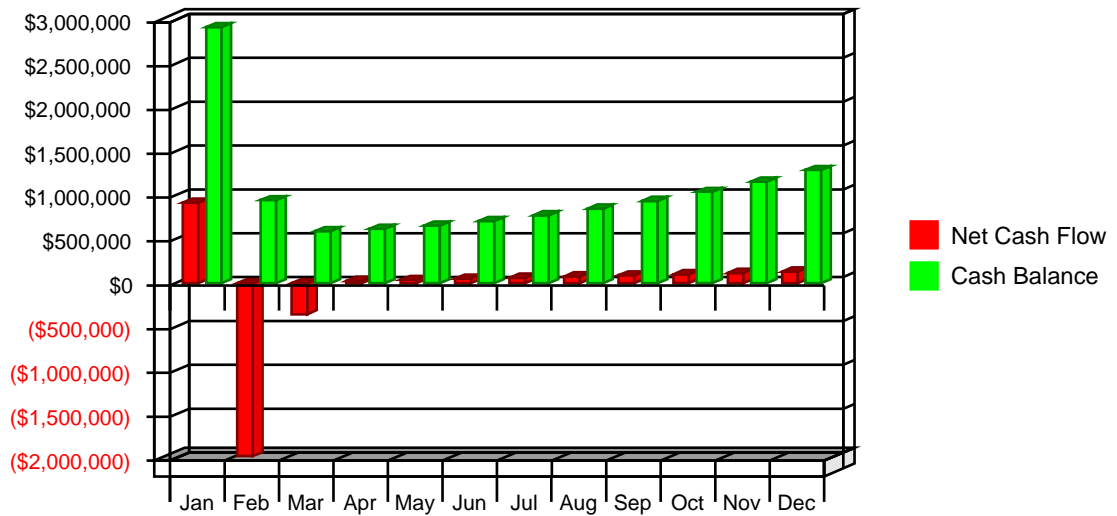
	2001	2002	2003
Sales	\$54,251,903	\$62,660,948	\$75,819,747
Direct Costs of Goods	\$43,401,522	\$49,217,326	\$58,470,184
Other	\$0	\$0	\$0
	-----	-----	-----
Cost of Goods Sold	\$43,401,522	\$49,217,326	\$58,470,184
Gross Margin	\$10,850,381	\$13,443,622	\$17,349,563
Gross Margin %	20.00%	21.45%	22.88%
Expenses:			
Payroll	\$5,160,000	\$5,418,000	\$5,688,900
Sales and Marketing and Other Expenses	\$242,400	\$540,800	\$829,200
Depreciation	\$300,000	\$300,000	\$300,000
Utilities	\$12,000	\$14,000	\$15,000
Payroll Taxes	\$774,000	\$812,700	\$853,335
Other	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$6,488,400	\$7,085,500	\$7,686,435
Profit Before Interest and Taxes	\$4,361,981	\$6,358,122	\$9,663,128
Interest Expense	\$450,000	\$436,198	\$408,594
Taxes Incurred	\$977,995	\$1,480,481	\$2,313,633
Net Profit	\$2,933,985	\$4,441,443	\$6,940,900
Net Profit/Sales	5.41%	7.09%	9.15%
Include Negative Taxes	TRUE	TRUE	TRUE

Tricky Widgets

7.3 Projected Cash Flow

The cash flow projection shows that provisions for ongoing expenses are adequate to meet TWM's needs as the business generates cash flow sufficient to support operations. The second and third month decrease in cash flow reflects the payment of initial cost of goods sold prior to a large number of receipts being paid. As can be seen, TWM has anticipated such a decrease and has budgeted a sufficient amount of cash to cover losses.

Cash



Tricky Widgets

Table: Cash Flow

Pro Forma Cash Flow	2001	2002	2003
Cash Received			
Cash from Operations:			
Cash Sales	\$27,125,951	\$31,330,474	\$37,909,873
Cash from Receivables	\$24,695,051	\$30,953,684	\$37,320,259
Subtotal Cash from Operations	\$51,821,003	\$62,284,158	\$75,230,132
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	\$51,821,003	\$62,284,158	\$75,230,132
Expenditures			
Expenditures from Operations:			
Cash Spending	\$5,110,748	\$5,602,796	\$6,859,440
Payment of Accounts Payable	\$45,319,037	\$52,420,530	\$61,465,391
Subtotal Spent on Operations	\$50,429,785	\$58,023,326	\$68,324,832
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	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$276,038	\$276,038
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$2,100,000	\$3,800,000	\$5,700,000
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$52,529,785	\$62,099,364	\$74,300,870
Net Cash Flow	(\$708,782)	\$184,794	\$929,262
Cash Balance	\$1,291,218	\$1,476,012	\$2,405,274

Tricky Widgets

7.4 Projected Balance Sheet

TWM's projected company balance sheet follows.

Table: Balance Sheet

Pro Forma Balance Sheet

Assets	2001	2002	2003
Current Assets			
Cash	\$1,291,218	\$1,476,012	\$2,405,274
Accounts Receivable	\$2,430,900	\$2,807,690	\$3,397,305
Inventory	\$4,023,559	\$4,562,716	\$5,420,507
Other Current Assets	\$100,000	\$100,000	\$100,000
Total Current Assets	\$7,845,677	\$8,946,418	\$11,323,086
Long-term Assets			
Long-term Assets	\$4,600,000	\$8,400,000	\$14,100,000
Accumulated Depreciation	\$300,000	\$600,000	\$900,000
Total Long-term Assets	\$4,300,000	\$7,800,000	\$13,200,000
Total Assets	\$12,145,677	\$16,746,418	\$24,523,086
Liabilities and Capital			
	2001	2002	2003
Accounts Payable	\$4,521,692	\$4,957,028	\$6,068,833
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$4,521,692	\$4,957,028	\$6,068,833
Long-term Liabilities	\$4,500,000	\$4,223,962	\$3,947,924
Total Liabilities	\$9,021,692	\$9,180,990	\$10,016,757
Paid-in Capital	\$508,000	\$508,000	\$508,000
Retained Earnings	(\$318,000)	\$2,615,985	\$7,057,428
Earnings	\$2,933,985	\$4,441,443	\$6,940,900
Total Capital	\$3,123,985	\$7,565,428	\$14,506,328
Total Liabilities and Capital	\$12,145,677	\$16,746,418	\$24,523,086
Net Worth	\$3,123,985	\$7,565,428	\$14,506,328

Tricky Widgets

7.5 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 3531, Construction Machinery, are shown for comparison.

Table: Ratios

Ratio Analysis	2001	2002	2003	Industry Profile
Sales Growth	0.00%	15.50%	21.00%	0.10%
Percent of Total Assets				
Accounts Receivable	20.01%	16.77%	13.85%	31.10%
Inventory	33.13%	27.25%	22.10%	29.10%
Other Current Assets	0.82%	0.60%	0.41%	20.00%
Total Current Assets	64.60%	53.42%	46.17%	80.20%
Long-term Assets	35.40%	46.58%	53.83%	19.80%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities				
Current Liabilities	37.23%	29.60%	24.75%	38.00%
Long-term Liabilities	37.05%	25.22%	16.10%	16.80%
Total Liabilities	74.28%	54.82%	40.85%	54.80%
Net Worth	25.72%	45.18%	59.15%	45.20%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	20.00%	21.45%	22.88%	28.00%
Selling, General & Administrative Expenses	14.59%	14.37%	13.73%	15.20%
Advertising Expenses	0.11%	0.13%	0.15%	0.50%
Profit Before Interest and Taxes	8.04%	10.15%	12.74%	3.30%
Main Ratios				
Current	1.74	1.80	1.87	2.11
Quick	0.85	0.88	0.97	1.14
Total Debt to Total Assets	74.28%	54.82%	40.85%	54.80%
Pre-tax Return on Net Worth	125.22%	78.28%	63.80%	7.30%
Pre-tax Return on Assets	32.21%	35.36%	37.74%	16.20%
Business Vitality Profile				
	2001	2002	2003	Industry
Sales per Employee	\$471,756	\$495,343	\$433,256	\$0
Survival Rate				0.00%
Additional Ratios				
	2001	2002	2003	
Net Profit Margin	5.41%	7.09%	9.15%	n.a
Return on Equity	93.92%	58.71%	47.85%	n.a
Activity Ratios				
Accounts Receivable Turnover	11.16	11.16	11.16	n.a
Collection Days	29	31	30	n.a
Inventory Turnover	12.00	11.46	11.71	n.a
Accounts Payable Turnover	11.02	10.66	10.31	n.a
Payment Days	29	33	32	n.a
Total Asset Turnover	4.47	3.74	3.09	n.a
Debt Ratios				
Debt to Net Worth	2.89	1.21	0.69	n.a
Current Liab. to Liab.	0.50	0.54	0.61	n.a
Liquidity Ratios				
Net Working Capital	\$3,323,985	\$3,989,390	\$5,254,252	n.a
Interest Coverage	9.69	14.58	23.65	n.a
Additional Ratios				
Assets to Sales	0.22	0.27	0.32	n.a
Current Debt/Total Assets	37%	30%	25%	n.a
Acid Test	0.31	0.32	0.41	n.a
Sales/Net Worth	17.37	8.28	5.23	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Appendix Table: Personnel

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Executives	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Managers	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
Manufacturing Process Workers	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Engineering	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Total People	75	75	75	75	85	85	85	100	100	100	100	115
Total Payroll	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000

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	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	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	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000
Sales on Credit	\$2,022,500	\$2,062,950	\$2,104,209	\$2,146,293	\$2,189,219	\$2,233,003	\$2,277,663	\$2,323,217	\$2,369,681	\$2,417,075	\$2,465,416	\$2,514,725
New Accounts Payable	\$6,316,560	\$3,614,297	\$3,678,588	\$3,744,165	\$3,811,053	\$3,879,280	\$3,948,871	\$4,019,853	\$4,092,256	\$4,166,106	\$4,241,434	\$4,318,268
Inventory Purchase	\$6,372,000	\$3,365,440	\$3,432,749	\$3,501,404	\$3,571,432	\$3,642,860	\$3,715,718	\$3,790,032	\$3,865,833	\$3,943,149	\$4,022,012	\$4,102,453

Appendix

Appendix Table: Profit and Loss

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$4,045,000	\$4,125,900	\$4,208,418	\$4,292,586	\$4,378,438	\$4,466,007	\$4,555,327	\$4,646,434	\$4,739,362	\$4,834,149	\$4,930,832	\$5,029,449
Direct Costs of Goods	\$3,236,000	\$3,300,720	\$3,366,734	\$3,434,069	\$3,502,750	\$3,572,805	\$3,644,262	\$3,717,147	\$3,791,490	\$3,867,320	\$3,944,666	\$4,023,559
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$3,236,000	\$3,300,720	\$3,366,734	\$3,434,069	\$3,502,750	\$3,572,805	\$3,644,262	\$3,717,147	\$3,791,490	\$3,867,320	\$3,944,666	\$4,023,559
Gross Margin	\$809,000	\$825,180	\$841,684	\$858,517	\$875,688	\$893,201	\$911,065	\$929,287	\$947,872	\$966,830	\$986,166	\$1,005,890
Gross Margin %	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Expenses:												
Payroll	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000
Sales and Marketing and Other Expenses	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200	\$20,200
Depreciation	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Utilities	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Payroll Taxes	15% \$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700	\$540,700
Profit Before Interest and Taxes	\$268,300	\$284,480	\$300,984	\$317,817	\$334,988	\$352,501	\$370,365	\$388,587	\$407,172	\$426,130	\$445,466	\$465,190
Interest Expense	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500
Taxes Incurred	\$57,700	\$61,745	\$65,871	\$70,079	\$74,372	\$78,750	\$83,216	\$87,772	\$92,418	\$97,157	\$101,992	\$106,922
Net Profit	\$173,100	\$185,235	\$197,613	\$210,238	\$223,116	\$236,251	\$249,649	\$263,315	\$277,254	\$291,472	\$305,975	\$320,767
Net Profit/Sales	4.28%	4.49%	4.70%	4.90%	5.10%	5.29%	5.48%	5.67%	5.85%	6.03%	6.21%	6.38%
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	\$2,022,500	\$2,062,950	\$2,104,209	\$2,146,293	\$2,189,219	\$2,233,003	\$2,277,663	\$2,323,217	\$2,369,681	\$2,417,075	\$2,465,416	\$2,514,725
Cash from Receivables	\$67,417	\$2,023,848	\$2,064,325	\$2,105,612	\$2,147,724	\$2,190,679	\$2,234,492	\$2,279,182	\$2,324,766	\$2,371,261	\$2,418,686	\$2,467,060
Subtotal Cash from Operations	\$2,089,917	\$4,086,798	\$4,168,534	\$4,251,905	\$4,336,943	\$4,423,682	\$4,512,156	\$4,602,399	\$4,694,447	\$4,788,336	\$4,884,102	\$4,981,784
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	\$2,089,917	\$4,086,798	\$4,168,534	\$4,251,905	\$4,336,943	\$4,423,682	\$4,512,156	\$4,602,399	\$4,694,447	\$4,788,336	\$4,884,102	\$4,981,784
Expenditures												
Expenditures from Operations:												
Cash Spending	\$666,340	\$366,089	\$373,232	\$380,518	\$387,950	\$395,531	\$403,263	\$411,150	\$419,195	\$427,401	\$435,770	\$444,308
Payment of Accounts Payable	\$328,071	\$5,518,176	\$3,974,802	\$3,670,016	\$3,735,421	\$3,802,135	\$3,870,183	\$3,939,592	\$4,010,389	\$4,082,602	\$4,156,259	\$4,231,390
Subtotal Spent on Operations	\$994,411	\$5,884,265	\$4,348,034	\$4,050,534	\$4,123,372	\$4,197,666	\$4,273,446	\$4,350,742	\$4,429,584	\$4,510,003	\$4,592,030	\$4,675,697
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$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	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$1,169,411	\$6,059,265	\$4,523,034	\$4,225,534	\$4,298,372	\$4,372,666	\$4,448,446	\$4,525,742	\$4,604,584	\$4,685,003	\$4,767,030	\$4,850,697
Net Cash Flow	\$920,505	(\$1,972,467)	(\$354,500)	\$26,371	\$38,572	\$51,016	\$63,709	\$76,656	\$89,863	\$103,333	\$117,073	\$131,087
Cash Balance	\$2,920,505	\$948,039	\$593,539	\$619,910	\$658,481	\$709,497	\$773,206	\$849,863	\$939,725	\$1,043,058	\$1,160,131	\$1,291,218

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	\$2,000,000	\$2,920,505	\$948,039	\$593,539	\$619,910	\$658,481	\$709,497	\$773,206	\$849,863	\$939,725	\$1,043,058	\$1,160,131	\$1,291,218
Accounts Receivable	\$0	\$1,955,083	\$1,994,185	\$2,034,069	\$2,074,750	\$2,116,245	\$2,158,570	\$2,201,741	\$2,245,776	\$2,290,692	\$2,336,506	\$2,383,236	\$2,430,900
Inventory	\$100,000	\$3,236,000	\$3,300,720	\$3,366,734	\$3,434,069	\$3,502,750	\$3,572,805	\$3,644,262	\$3,717,147	\$3,791,490	\$3,867,320	\$3,944,666	\$4,023,559
Other Current Assets	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Total Current Assets	\$2,200,000	\$8,211,589	\$6,342,944	\$6,094,342	\$6,228,729	\$6,377,477	\$6,540,873	\$6,719,209	\$6,912,786	\$7,121,907	\$7,346,883	\$7,588,032	\$7,845,677
Long-term Assets													
Long-term Assets	\$2,500,000	\$2,675,000	\$2,850,000	\$3,025,000	\$3,200,000	\$3,375,000	\$3,550,000	\$3,725,000	\$3,900,000	\$4,075,000	\$4,250,000	\$4,425,000	\$4,600,000
Accumulated Depreciation	\$0	\$25,000	\$50,000	\$75,000	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000	\$225,000	\$250,000	\$275,000	\$300,000
Total Long-term Assets	\$2,500,000	\$2,650,000	\$2,800,000	\$2,950,000	\$3,100,000	\$3,250,000	\$3,400,000	\$3,550,000	\$3,700,000	\$3,850,000	\$4,000,000	\$4,150,000	\$4,300,000
Total Assets	\$4,700,000	\$10,861,589	\$9,142,944	\$9,044,342	\$9,328,729	\$9,627,477	\$9,940,873	\$10,269,209	\$10,612,786	\$10,971,907	\$11,346,883	\$11,738,032	\$12,145,677
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$10,000	\$5,998,489	\$4,094,609	\$3,798,394	\$3,872,543	\$3,948,175	\$4,025,320	\$4,104,008	\$4,184,269	\$4,266,136	\$4,349,640	\$4,434,814	\$4,521,692
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$10,000	\$5,998,489	\$4,094,609	\$3,798,394	\$3,872,543	\$3,948,175	\$4,025,320	\$4,104,008	\$4,184,269	\$4,266,136	\$4,349,640	\$4,434,814	\$4,521,692
Long-term Liabilities													
Long-term Liabilities	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000
Total Liabilities	\$4,510,000	\$10,498,489	\$8,594,609	\$8,298,394	\$8,372,543	\$8,448,175	\$8,525,320	\$8,604,008	\$8,684,269	\$8,766,136	\$8,849,640	\$8,934,814	\$9,021,692
Capital													
Paid-in Capital	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000	\$508,000
Retained Earnings	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)	(\$318,000)
Earnings	\$0	\$173,100	\$358,335	\$555,948	\$766,186	\$989,301	\$1,225,552	\$1,475,201	\$1,738,516	\$2,015,771	\$2,307,243	\$2,613,218	\$2,933,985
Total Capital	\$190,000	\$363,100	\$548,335	\$745,948	\$956,186	\$1,179,301	\$1,415,552	\$1,665,201	\$1,928,516	\$2,205,771	\$2,497,243	\$2,803,218	\$3,123,985
Total Liabilities and Capital	\$4,700,000	\$10,861,589	\$9,142,944	\$9,044,342	\$9,328,729	\$9,627,477	\$9,940,873	\$10,269,209	\$10,612,786	\$10,971,907	\$11,346,883	\$11,738,032	\$12,145,677
Net Worth	\$190,000	\$363,100	\$548,335	\$745,948	\$956,186	\$1,179,301	\$1,415,552	\$1,665,201	\$1,928,516	\$2,205,771	\$2,497,243	\$2,803,218	\$3,123,985

Appendix

Appendix Table: Sales Forecast

Sales Forecast												
Unit Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Widget Basic	22	22	23	23	24	24	25	25	26	26	27	27
Widget Deluxe	25	26	26	27	27	28	28	29	29	30	30	31
Widget Premium	27	28	28	29	29	30	30	31	32	32	33	34
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total Unit Sales	74	75	77	79	80	82	83	85	87	88	90	92
Unit Prices												
Widget Basic	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00	\$35,000.00
Widget Deluxe	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00
Widget Premium	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00	\$75,000.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Sales												
Widget Basic	\$770,000	\$785,400	\$801,108	\$817,130	\$833,473	\$850,142	\$867,145	\$884,488	\$902,178	\$920,221	\$938,626	\$957,398
Widget Deluxe	\$1,250,000	\$1,275,000	\$1,300,500	\$1,326,510	\$1,353,040	\$1,380,101	\$1,407,703	\$1,435,857	\$1,464,574	\$1,493,866	\$1,523,743	\$1,554,218
Widget Premium	\$2,025,000	\$2,065,500	\$2,106,810	\$2,148,946	\$2,191,925	\$2,235,764	\$2,280,479	\$2,326,088	\$2,372,610	\$2,420,062	\$2,468,464	\$2,517,833
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales	\$4,045,000	\$4,125,900	\$4,208,418	\$4,292,586	\$4,378,438	\$4,466,007	\$4,555,327	\$4,646,434	\$4,739,362	\$4,834,149	\$4,930,832	\$5,029,449
Direct Unit Costs												
Widget Basic	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00	\$28,000.00
Widget Deluxe	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00
Widget Premium	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00
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
Direct Cost of Sales												
Widget Basic	\$616,000	\$628,320	\$640,886	\$653,704	\$666,778	\$680,114	\$693,716	\$707,590	\$721,742	\$736,177	\$750,901	\$765,919
Widget Deluxe	\$1,000,000	\$1,020,000	\$1,040,400	\$1,061,208	\$1,082,432	\$1,104,081	\$1,126,162	\$1,148,686	\$1,171,659	\$1,195,093	\$1,218,994	\$1,243,374
Widget Premium	\$1,620,000	\$1,652,400	\$1,685,448	\$1,719,157	\$1,753,540	\$1,788,611	\$1,824,383	\$1,860,871	\$1,898,088	\$1,936,050	\$1,974,771	\$2,014,266
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$3,236,000	\$3,300,720	\$3,366,734	\$3,434,069	\$3,502,750	\$3,572,805	\$3,644,262	\$3,717,147	\$3,791,490	\$3,867,320	\$3,944,666	\$4,023,559