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1.0 Executive Summary

Web Solutions, Inc. (Web Solutions) is an Internet Service Provider (ISP) based in Phoenix, Arizona. The company offers the following services to its customers:

- Dialup and dedicated Internet access (up to 64 Kbps).
- High bandwidth Internet access (128 Kbps).
 - Integrated Services Digital Network (ISDN).
 - Digital Subscriber Line (DSL).
 - Wireless.
- Website and virtual domain hosting.
- Server colocation.
- Network design, installation, and administration services.
- Web design (currently outsourced).

Web Solutions is a company driven to provide customers with a complete solution to their entire current and future Internet and private network needs. The company's customer base includes all consumers and all small- to medium-sized businesses, including start-ups.

Web Solutions benefits from several strategic alliances by receiving very competitive pricing on most services, allowing the company to offer competitive pricing on its services to customers. ISPs offer a way for people to enter the Internet. According to International Data Corporation (IDC), an information technology research and consulting firm located in Framingham, Massachusetts, the consumer ISP market will expand from \$10.7 billion in 1998 to \$37 billion in 2003.

Competitive threats come from other ISPs located in or around Phoenix, including the following companies: Jump.Net, Arizona.Net, EarthLink, and Mindspring. Most competitors offer solutions for Windows, and perhaps Macintosh, but ignore all other operating systems. With the rise of Linux and other alternative operating systems, there is potential for Web Solutions to surpass its competitors.

Web Solutions has a world-class management team with direct knowledge of the industry, extensive research experience, and unique administration skills. Its team includes Mr. Jason Williams, Mrs. Amy Williams, and Ms. Geena James.

Projected revenues for 2000 through 2002 are \$1.5 million, \$4.5 million, and \$7.5 million, respectively. The company is seeking an investment of \$1.5 million. The company primarily needs capital to fund four areas of growth in the company:

1. Increase personnel to handle sales, service, and development efforts.
2. Increase marketing to assure future customers are aware of our offerings and aggressive pricing.
3. Expand our base of operations (using wholesale providers, partnerships, and other mechanisms) to include at least the top 100 U.S. markets for dialup and dedicated Internet access.
4. Perform research and development to bring new products to market.

1.1 Mission

The mission of Web Solutions is to provide customers with a complete solution to all their current and future Internet and private network needs.

Web Solutions has established a reputation for quality work and plans to continue to enhance its image in the industry. The company seeks to become a well-known and respected provider of advanced network solutions by:

- Increasing service offerings.
- Increasing availability and accessibility to current and future customers.
- Creating innovative, unique, and cost-effective solutions to problems currently faced by customers.

Web Solutions, Inc.

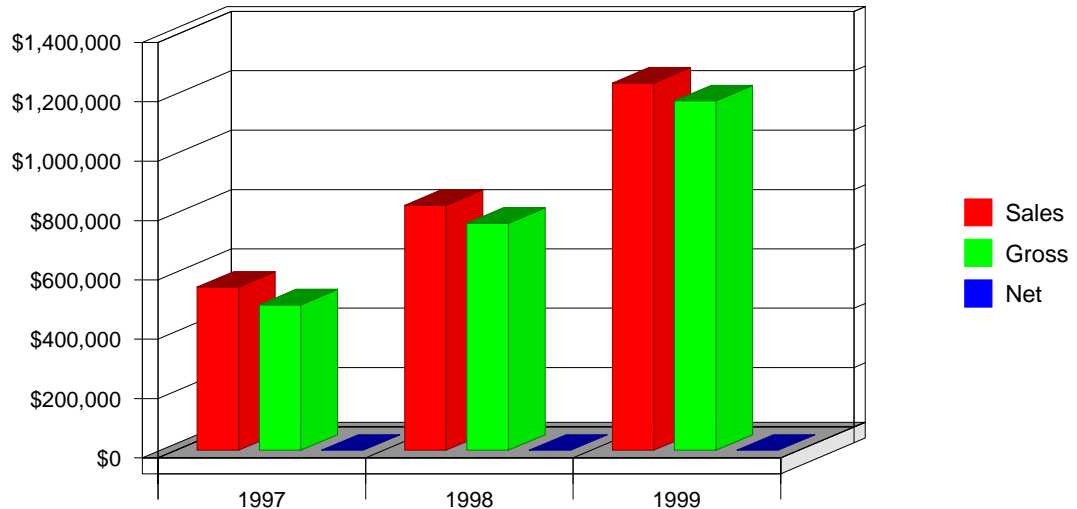
2.0 The Company - Legal Business Description

Web Solutions, Inc. is a C-class corporation, incorporated in the State of Arizona in July, 1997. The company's principal offices are currently located in Phoenix, AZ. All operations, from administration to product development, take place at this leased office location. The company plans to move to a bigger facility as it expands and its staff grows beyond its current four full-time employees.

Table: Past Performance

Past Performance	1997	1998	1999
Sales	\$550,000	\$825,000	\$1,237,500
Gross Margin	\$490,000	\$765,000	\$1,177,500
Gross % (calculated)	89.09%	92.73%	95.15%
Operating Expenses	\$160,100	\$180,100	\$200,100
Collection period (days)	48	0	0
Inventory turnover	0.00	0.00	0.00
Balance Sheet			
Short-term Assets	1997	1998	1999
Cash	\$50,050	\$75,075	\$112,613
Accounts receivable	\$10,875	\$15,400	\$23,500
Inventory	\$284,900	\$427,350	\$641,025
Other Short-term Assets	\$15,400	\$23,100	\$34,650
Total Short-term Assets	\$361,225	\$540,925	\$811,788
Long-term Assets			
Capital Assets	\$147,400	\$221,100	\$331,650
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$147,400	\$221,100	\$331,650
Total Assets	\$508,625	\$762,025	\$1,143,438
Capital and Liabilities			
	1997	1998	1999
Accounts Payable	\$50,750	\$65,125	\$70,688
Short-term Notes	\$40,150	\$60,225	\$90,338
Other ST Liabilities	\$40,150	\$60,225	\$90,338
Subtotal Short-term Liabilities	\$131,050	\$185,575	\$251,363
Long-term Liabilities	\$287,100	\$430,650	\$645,975
Total Liabilities	\$418,150	\$616,225	\$897,338
Paid in Capital	\$0	\$0	\$0
Retained Earnings	\$90,475	\$145,800	\$246,100
Earnings	\$0	\$0	\$0
Total Capital	\$90,475	\$145,800	\$246,100
Total Capital and Liabilities	\$508,625	\$762,025	\$1,143,438
Other Inputs			
	1997	1998	1999
Payment days	0	0	0
Sales on Credit	\$0	\$0	\$0
Receivables Turnover	0.00	0.00	0.00

Past Performance



3.0 Products and Services

Web Solutions currently delivers Internet service to dialup and ISDN customers, and will commence to sell DSL services by February of this year. The company currently hosts approximately 30 websites and has five collocated servers. Additionally, the company is evaluating e-commerce software, looking for the solution which provides the greatest flexibility while allowing operations to remain simple for its customers.

All services are competitively priced and targeted to small "Mom-and-Pop" businesses and small office/home office (SOHO) customers. Web Solutions feels that this market segment has largely been neglected because of the amount of "hand-holding" required by this segment, and the inability to pay the astronomical fees charged by many ISPs for typically poor service and user support.

By working to simplify the creation, management, and support of our services, the company will enable customers to perform many tasks themselves, or automating these tasks based on the customer's stated needs. This will make our pricing more competitive, the customer's perception of service high, and the operation as a whole more reliable and profitable.

With current hardware and facilities, the company can do the following:

- Handle an unlimited number of dialup users.
- Handle up to 46 dedicated channels.
- Handle up to 1,000 email users.

3.1 Background

Web Solutions is a traditional, full-service ISP, offering dialup and dedicated Internet access, Web and virtual domain hosting, server colocation, and network-related professional solutions (design, installation, management, etc.). The company allows people and companies to access and publish documents on the World Wide Web without the need to hire full-time system administrators, costly high-speed network connections, dedicated servers, and other similar expenses or expertise.

The company provides many of the services that customers need to get online. The company provides both connectivity and consulting on topics ranging from office automation to Web server planning. The company has ongoing research and development to provide solutions to current customer issues (e-commerce, ease-of-use features, etc.) and to develop new products and services which enable the company to enter and compete in new markets and attract new customers.

Web Solutions selects products which meet the following criterion:

- **Benefit to customers/company:** the product must materially benefit the customer or the company in some way. This may manifest itself as a side benefit, an improvement on current services, or additional revenue stream to the company.
- **Cost/benefit ratio:** the benefits realized must be at least as great as the cost of implementation, production, and maintenance of the product.
- **Maintainability:** the product must be maintainable by PhoenixARIZONA.COM personnel. The company has had some experience with products where source code and other maintenance resources are unavailable and has had major difficulties with these restrictions. The company has a strong preference for Open Source and similar distribution methods where source code is available to personnel to correct problems which vendors consider too unimportant to warrant effort on.

Web Solutions makes a concerted effort to keep customers informed and to remedy problems in the shortest possible times. The company has lost very few customers to technical support issues, and will continue to make high quality support one of its primary goals.

Web Solutions offers telephone support during extended business hours (8 a.m. to 8 p.m.) and has an on-call pager for emergencies (network-down and server-down situations). In the future, the company plans to implement a 24/7 network operations center (NOC) and a toll-free technical support phone number.

When the voice/video/data (VVD) product goes into production, the company plans to have constant monitoring of network connectivity and take preemptive measures to solve developing problems before the customer even notices them. For instance, if it is determined that there is a failing component on the customer's premise equipment, it would trigger a call to the customer and the scheduling of a replacement part before the customer even realizes that the problem exists.

3.2 Production and Delivery

Currently, all products are implementations of Open Source products. The groupware product will be based upon OpenDesk.com's software, which is available under an Open Source license. Web Solutions will be extending the functionality of this product, and release those changes back to the development community.

With the VVD product, the company will have to design and manufacture custom equipment for customers to receive the data and convert it to video or voice.

Currently, the company has no products to return. The company's usage policy states that it will refund a portion of the customers' monthly access fee if there are extended network outages due to events within our control.

The company gives technical advice to pre-sales customers and technical support is offered for all purchases by the customer. These services are offered by Web Solutions at no cost to our clientele.

3.3 Future Product Plans

Free (advertiser supported) back-office service with email, file sharing, calendaring/scheduling, and other applications are options for future services from Web Solutions. This would allow groups (both for-profit and nonprofit) to have the collaboration enjoyed by major corporations with multimillion-dollar management information systems (MIS) budgets for little or no cost. It also would produce an avenue through which to offer future free and pay services.

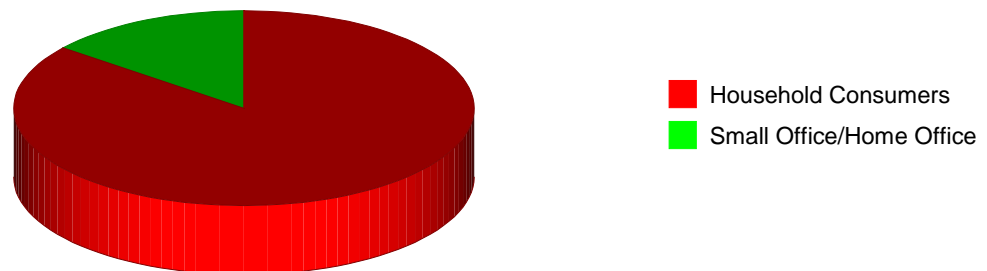
Web Solutions plans to have the initial launch of the back-office product by March 31st. The company currently has a potential customer (a local radio station) who wishes to privately brand this product and offer it to their customers.

Web Solutions is in the process of researching a future service of integrated voice, video, and data over high speed TCP/IP network connections (DSL, etc.) so as to merge the traditional telephone, cable, and ISP functionalities, extend them, and affordably offer them to consumers. This product would compete directly with traditional cable and telephone companies, and provide new and innovative revenue streams. Current plans for this product are to price the consumer product very aggressively and take the profit from secondary services such as advertising. Web Solutions plans to have a working prototype of the server and clients needed for the VVD product by October 1, 2000, and a limited launch by March 1, 2001.

4.0 Market Analysis

The topics which follow discuss our customers, our competitors, and conditions within our industry. The Market Analysis data found in the following table and chart is taken from the 1997 U.S. Census.

Market Analysis (Pie)



Web Solutions, Inc.

Table: Market Analysis

Market Analysis	Growth	2000	2001	2002	2003	2004	CAGR
Potential Customers							
Household Consumers	10%	101,041,000	111,044,059	122,037,421	134,119,126	147,396,919	9.90%
Small Office/Home Office	3%	16,963,070	17,404,110	17,856,617	18,320,889	18,797,232	2.60%
Total	8.94%	118,004,070	128,448,169	139,894,038	152,440,015	166,194,151	8.94%

4.1 Customers and Target Markets

The company's customer base includes all consumers and all small- to medium-sized businesses, including start-ups. The company plans to concentrate on SOHO clients, as these are perfect targets for our new high-speed offerings, and hold the greatest growth potential for the company. Web Solutions feels that these market segments have special pricing and service needs, and make more dedicated, reliable customers.

4.2 Competitive Analysis

The following sub-topics look at the size and concentration of businesses in this group, the way services are bought and sold, and specific competitors.

4.2.1 Service and Market Description

The company is competing in the low-cost Internet access and website hosting niche of the industry. The industry is moving in the direction of a fusion of VVD services over a single common media (ref. The AOL-Time/Warner merger). This is where all media players must move in order to compete in the coming decade.

The alternative is to be a content provider. This is a less desirable position as it leaves the company too much at the whim of the public and forces the company to renew its efforts continuously to provide usable content.

The ISP industry has begun the process of specialization. Many companies who began by filling all needs (as we do today) have moved into areas which utilize their strengths. These specializations include:

1. Colocation ("Server Hotel") facilities.
2. Web hosting.
3. Dialup access.
4. Content provision.

Additionally, there are a few new markets emerging, such as Applications Service Providers.

- **Access services** ISPs offer a way for people to enter the Internet. According to IDC, America Online (including subscribers to CompuServe, which AOL acquired in September, 1997), has approximately a 43% share of the total subscribers in the ISP segment, followed by Microsoft's MSN, and AT&T Corporation's WorldNet. After these major players, roughly 5,000 ISPs fight over the remainder of the market. IDC estimates that the consumer ISP market will expand from \$10.7 billion in 1998 to \$37 billion in 2003.

When users access the Internet, they dial into the local point of presence (POP) of an ISP or online service provider (OSP). ISPs offer basic, flat-rate Internet access to customers, either through their own networks, or through networks leased from other ISPs. Users dial into an ISP's network through ordinary phone lines and, using a browser, access the Web. OSPs, such as America Online, provide original content in areas such as shopping, news groups, gaming groups, investor information, and magazines.

Web Solutions, Inc.

Access fees for both ISPs and OSPs typically range from \$19.95 to \$21.95 per month for unlimited Internet use. The flat rate system was pioneered by America Online in 1996 and has led to an explosion of subscribers. Flat rates have also served to increase the amount of time that users spend online, which has forced many local telephone service companies to upgrade capacity in order to accommodate the heavy usage.

- **A taxing issue** One nettlesome issue that could potentially slow the growth of e-commerce is the taxation of goods and services. Currently, fees paid to ISPs and OSPs are tax-free, except in a few states. Purchases, however, are subject to the same taxes that apply to goods sold in a store or catalog. When online purchases are made, purchasers are technically responsible for remitting state and local taxes. The only exception occurs when a consumer buys from a corporation with a physical presence in that consumer's home state. In actuality, however, online shoppers rarely pay this cyber-taxation.

While state and local governments are disturbed at this loss of revenue--and the potential loss of immense future revenue--federal governmental officials have adopted a hands-off policy with regard to Internet taxation. In October, 1998, the Internet Tax Freedom Act was passed, placing a three-year ban on any new Internet sales taxes or taxes on ISPs. During this three-year time frame, a committee of government and business representatives known as The Advisory Commission on Electronic Commerce will meet to discuss a more permanent tax policy. The 19 members of the commission include three federal officials, eight business and consumer leaders, and eight representatives of state and local governments.

- **ISPs face challenges** The rise in Internet users has proven to be a boon for Internet service providers, which charge monthly subscription fees in return for providing access. While business has been good for many of these ISPs, a number of challenges threaten the long-term growth and profitability of these companies.
- **Broad access becomes more prevalent** Today, most residential Internet users gain access to the Web via commonplace copper telephone wires. Download speeds are limited to a maximum 56 Kbps and are often significantly slower than that, resulting in frustration among impatient Web surfers. The lack of speed has provided an opportunity for broadband service providers to gain market share. LLC's RoadRunner, which provides high-speed online access, has begun to attract users who desire more speed and are willing to pay a higher price. As of the second quarter of 1999, cable modem users numbered over 1 million, still a small percentage of total Internet users, but growing very rapidly.
- **"Free" Internet access proves viable** While most headlines or advertisements proclaiming free Internet service are actually a bit misleading, the impact of this business model is starting to be felt. The most prominent and successful example of a free ISP is in the United Kingdom, where Freeserve plc does not charge its customers access fees. Unlike the United States, however, local calls in the United Kingdom are billed on a per-minute basis, so heavy Internet users may actually pay more than in the United States.

In the United States, different types of "free" plans are being marketed. One strategy gives a subscriber free service in exchange for having advertisements scroll constantly across his or her PC screen. A different slant to this marketing scheme allows a consumer to earn a free personal computer, provided that he or she signs up for a few years of Internet service in advance.

The following is a list of services which various websites provide:

1. **Destinations.** Destinations are places, or websites, located on the Internet where people can go for information, entertainment, or commerce.
2. **Content providers.** This type of website offers mostly original content (like news articles) to subscribers. Some of the major content providers include ESPN Sports Zone (a joint venture between Infoseek Corp. and Walt Disney Co.), SportsLine USA Inc., privately held The Motley Fool Inc., and MSNBC (a joint venture between Microsoft and NBC). With new websites being established every day, it's difficult to come up with a reasonable estimate for the size of this market.
3. **Portals.** These websites tend to gather content into one place rather than creating it

Web Solutions, Inc.

themselves. Some of the major portals include Yahoo! Inc. (1998 sales of \$206 million), Infoseek Corporation (\$63 million in fiscal year 1998), and Lycos Inc. (\$56 million in fiscal year 1998). Although e-commerce has started to become a larger promotion of these companies' business, portals typically rely on the sale of advertising space to generate revenue. According to Jupiter Communications, a market research firm based in New York City, advertisers spent approximately \$2 billion for online ads in 1998. Jupiter believes that this number will hit \$9 billion in 2002.

4. **Communities.** Communities are similar to portals, in that their primary revenue streams come from advertisers. Some of the major community sites include Geocities (1998 sales of \$18.4 million), now a part of Yahoo! Xoom.com Inc. (\$8.3 million), and theglobe.com Inc. (\$5.5 million).
5. **Business-to-consumer e-commerce.** Estimates for the amount of online spending by consumers in 1998 range from \$7 billion to \$13 billion, with at least 25% occurring during the Christmas shopping season. Forrester Research, an information technology research firm in Cambridge, Massachusetts, believes that online retail spending will hit \$108 billion in 2003.
Some of the major publicly traded online retailers included Amazon.com Inc. (1998 sales of \$610 million), CDnow Inc. (\$98 million), barnesandnoble.com Inc. (\$62 million), and Beyond.com corp. (\$37 million). A variety of "real-world" companies including Gap Inc., Lands' End Inc., and Macy's have established retail operations on the Internet.
6. **Business-to-business e-commerce.** Although there are very few pure business-to-business e-commerce firms, this segment dwarfs the business-to-consumer sector. Forrester believes that this market, which totaled \$43 billion in 1998, should rise to \$1.3 trillion by 2003. Most companies in this category, like Cisco Systems and Dell Computer Corporation, have other sales channels, but are increasingly using the Internet to lower costs and reach a wider customer base. Dell generates an estimated \$30 million in sales every day via the Internet, while Cisco estimates that it produces approximately \$33 million a day in sales through the Internet.
7. **Auctions.** The online market for auctions is headed by eBay Inc., (1998 revenues of \$86.1 million, with \$745 million of gross merchandise sales).
8. **Hardware: networking equipment.** The hardware sector provides the infrastructure on which the Internet is built. Hardware companies provide the equipment that forms the interconnections between the networks that comprise the Internet. Their products steer traffic through a spiderweb of routes to the correct destination. One critical piece of networking equipment is the router, which acts as a traffic officer by directing data to the proper destination. Another key element of the Internet infrastructure is a remote access concentrator. Access concentrators link employees and customers to an organization's internal network, and link consumers to the Internet via their ISP.

4.2.2 Customer Buying Criteria

Web Solutions believes that its customers choose its products and services based on the following criteria:

- Price.
- Experience.
- Reputation.
- Service.
- Accessibility.

4.2.3 Competition

Competitive threats come from other ISPs, including the following companies: Jump.Net, Arizona.Net, AOL, EarthLink, Mindspring, and Prodigy Internet. Most of our competitors offer solutions for Windows, and perhaps Mac, but ignore all other operating systems. With the rise of Linux and other alternative operating systems, there is potential for Web Solutions to surpass its competitors.

Key competitors are detailed as follows:

Jump.Net

Jump.Net offers a wide variety of services to match customer needs. They have split information into two categories:

1. Basic service: for customers looking for a simple, inexpensive way to connect their home or business to the Internet.
2. Complete details: for customers who need a custom solution for unique requirements, Jump.net offers the following services:

Connectivity:

- ADSL & SDSL.
- Modem service.
- ISDN.
- Nationwide access.

Special Services:

- Colocation.
- FTP services.
- Hardware sales.
- Leased lines.
- Telnet-only service.
- Web hosting.

Arizona.Net

Arizona.Net is San Antonio's first and largest ISP. Locally owned and operated since 1994, Arizona.Net specializes in modem dial-up, ISDN, dedicated local area network (LAN) access and T1 (a high-speed network link that transmits data at 1.5 Mbps) to the Internet.

Arizona.Net now serves Phoenix, San Antonio, Houston, Dallas, Spring, Georgetown, Dripping Springs, Bandera, New Braunfels, and Boerne.

For dialup connections, Arizona.Net uses an all-digital modem pool consisting of equipment from US Robotics, Ascend, and Livingston. All of their locations maintain a full 56k modem pool, upgraded to the latest version of the v.90 standard. These digital modems allow for a more reliable connection, and enable them to make ISDN connections on the same equipment, so they can offer 64k ISDN service with all dialup accounts. To make sure that customers can get to their services, Arizona.Net maintains a no-busy-signal policy.

If customers report a busy signal, Arizona.Net has the ability to connect as many telephone lines as necessary to relieve the problem. Currently, none of their locations are having any problems with busy signals. Arizona.Net maintains multiple separate T3 (a high-speed network link that transmits data at 45 Mbps) connections to the Internet backbone through multiple backbone providers. These separate connections give Arizona.Net more than enough bandwidth to handle future growth as well as provide the security of uninterrupted service.

EarthLink

EarthLink helps its members have an enjoyable and productive Internet experience by providing reliable, unlimited Internet access and Web hosting services, outstanding technical support, useful information, and innovative services. Prices are among the lowest in the industry. EarthLink offers the following services:

Web Solutions, Inc.

- Internet access.
- High-speed access.
- Web hosting.
- EarthLink Sprint bundle.

Mindspring

MindSpring Biz delivers complete Business Internet Solutions for any small business backed with its award winning service and support. Its business plans--whether Web Hosting, e-commerce, high speed dedicated access, or Web Design--are packaged to fit customer needs today and are tailored to grow along with business for tomorrow. Mindspring offers the following business solutions:

- Web hosting.
- Business access.
- E-commerce.
- Domain reservation.
- Dedicated access.
- MindSpring dialup access.
- SDSL Waiting Lis.
- Promotional solutions.
- Help desk.

4.2.4 Risks

The company recognizes that it is subject to both market and industry risks. The company's view of its risks, as well as how each is being addressed, is as follows:

- **Regulations.** Possible problems caused by a sudden increase in regulation by local, State, or Federal authorities. One way the company can reduce this risk is to diversify into several different, but related, business areas. If one area becomes too heavily regulated it may be sold and the profit rolled back into the company to bolster the remaining business or start a new venture.
- **Monopolistic pricing.** Aggressive or monopolistic pricing by large or heavily-funded providers. By holding prices down, it becomes difficult for competitors to "low-ball" the company. By diversifying, we can protect business in one area by bundling it with offerings from another area, meeting the needs of the customers and strengthening their ties to the company.
- **Legal matters.** Lawsuits stemming from user abuse or accessibility of pornographic or questionable materials. The courts have historically classified ISP's as "carriers" unless the ISP made an incomplete effort to actively filter material posted by or made available to its users. The company's usage policy clearly states that illegal behavior will result in termination of service, but we do not otherwise attempt to control the access of its users or their content, thus maintaining the company's stance as a "carrier" in the eyes of the law. If the legal environment should change, the company will modify its policies and procedures to conform to the prevailing legal environment.
- **Technology.** Sudden and unexpected shifts in technology or the popularity of the Internet. The company will maintain an active research and development effort, as well as ongoing review of forthcoming technologies from competitors and vendors, in order to stay near the top of the technological curve. Also, the diversification of the company's business allows it to respond to shifts in revenue by redistributing material and personnel into those efforts most likely to generate the highest return on investment.

5.0 Strategy

The Web Solutions strategy is to achieve name recognition and attract customers by aggressively pricing its services. Once customers have been acquired, the company will seek to offer them additional services which will increase margins and provide them with useful solutions they would not otherwise find.

The company will also implement a low-cost strategy. This will be achieved by working to establish and develop agreements with local media companies to exchange services for discounted advertising and other exposures. Web Solutions' market strategy is to build on its core portfolio of products and services using the company's expertise in the ISP industry. The company will leverage its discounted services to help provide secondary income streams. For instance, the company plans to launch free email services, business directories, and other similar services which will attract current and potential customers to our Web pages. These "page views" will be used to generate advertising revenue, as well as increase exposure of our own products and services.

Web Solutions will be able to excel in the market because the company is small, highly focused, and motivated. The company can respond quickly to changing opportunities and take advantage of the latest technologies.

The company plans to expand its marketing efforts, service offerings, and production. It is anticipated that additional services will be offered and more personnel hired within 30 days of initial capital funding. Web Solutions plans to capitalize on the following areas of growth:

- High-speed Internet connectivity via DSL, Wireless, and other technologies.
- Web hosting and design tailored to small, local businesses.
- E-commerce and associated online databases.

5.1 Competitive Advantages

Web Solutions is currently the lowest-priced provider in Phoenix for most commercial services, and its reputation has been consistently high. Size gives the company a competitive advantage, in that it can see where the industry is going and move in that direction more quickly than the competition. This also allows the company to be more efficient at recruiting and hiring highly creative and talented individuals who tend to shy away from large "corporate" environments. The company has worked to overcome old mistakes made by existing ISPs by hiring technically-savvy individuals.

5.2 Marketing Plan

The concentrated marketing activities of Web Solutions focus on the business mission and are comprehensive in nature. The following activities are the marketing department's mission:

- Advertising design and placement.
- Public relations schedules and press releases throughout each year.
- Creation of annual advertorial (advertisement/tutorial) themes for trade journals and industry conferences.
- Planning and execution of all industry conferences, including the reservation of space, booths, personnel, messages, literature, etc.
- Collection, analysis, and internal dissemination of competitive information.
- Creation and maintenance of all corporate literature.
- Design, maintenance, and monitoring of websites.
- Design and creation of sales support material.
- Collection and dissemination of client testimonials.

5.2.1 Marketing Strategy

To generate sales, the company uses direct marketing, computer reseller and repair facilities, and high-traffic areas (e.g. store checkout stands). Currently, several local companies display the company's CD-ROMs at their checkout stands in the Phoenix area in exchange for free Web hosting.

Marketing initiatives will focus on four areas: Colocation ("Server Hotel") facilities, Web hosting, dialup access, and content provision. Marketing activities will be concentrated in the following categories:

- **Contact Campaigns.** This initiative will encompass various methods of reaching potential customers to generate interest, followed by direct mail to the potential customer.
- **Print Advertising.** Ads will be developed and placed in several industry publications.
- **Trade Shows.** The company will participate in selected local and national shows that will provide an opportunity to develop exposure. This is a very effective tool in creating awareness and stimulating lead activity.
- **Industry Organizations and Associates.** The recommendation is to join a number of organizations that are relevant to the company as a whole. This initiative will create awareness of the company within the industry, and provide networking opportunities.
- **Telemarketing Campaign.** Telemarketing activities geared to identify qualified leads, follow-up on sales progress to the qualified leads, and assurance that new potential contact lists are current and accurate.
- **Promotional GiveAways.** This is a traditional way of advertising a company's name by giving something away. This will be used in conjunction with community service organization fund-raising efforts and traditional advertising.

5.3 Strategic Relationships

Web Solutions currently has strategic relationships with:

- **World Communications** for Internet service.
- **Phoenix DSL Networks** for DSL resale.
- **Phoenix Communications** for high-speed wireless.
- **Internet of Phoenix** for dialup connectivity (they provide wholesale pricing in the Phoenix area).

Web Solutions benefits from these relationships by receiving very competitive pricing on most of these services, allowing the company to offer competitive pricing on its services to customers.

The company is currently pursuing an agreement with a local radio station to provide Web-hosting services which will eventually include extended email services and dial-up access offered to their listeners under a co-branding agreement. There have also been discussions about this becoming a nationwide collaboration between Web Solutions and the stations' parent company, Jordan's Media.

The company plans to develop community calendaring and groupware applications for use by the company and the afore-mentioned radio station. This will provide a simple, useful tool for organizations, businesses, and individuals to organize, plan, announce, and track projects and events. This is being based on the Open Source project maintained at www.opendesk.com and will most likely be developed to contain both Open Source and proprietary components.

In the future, the company plans to partner with backbone providers, wholesale carriers, and other strategic organizations to:

- Reduce cost of goods and services utilized.
- Increase the number and variety of goods and services offered to customers.
- Chart the growth of the company into new territories.

Web Solutions, Inc.

At this time, the company is establishing re-seller agreements with DSL and Wireless high-bandwidth providers, and other services which will allow the company to compete in these markets, thus allowing for broader consumer recognition.

6.0 Organization

The company's management philosophy is based on responsibility and mutual respect. Web Solutions has an environment and structure that encourages productivity and respect for customers and fellow employees. The company's goal is to create an environment where:

- Creativity can flourish.
- Generating new ideas and products is well rewarded.
- Management structure is relatively flat and communication is encouraged.
- Mutual respect and sharing of knowledge is encouraged.

Table: Personnel (Planned)

Personnel Plan	2000	2001	2002
Donald Williams	\$30,000	\$30,000	\$40,000
Amy Williams	\$30,000	\$30,000	\$40,000
Geena James	\$36,000	\$45,000	\$45,000
Dialup Services Manager	\$45,000	\$55,000	\$65,000
R & D Manager	\$60,000	\$60,000	\$70,000
R & D Researcher	\$60,000	\$60,000	\$70,000
Technical Support Personnel	\$31,200	\$31,200	\$31,200
Technical Support Personnel	\$15,600	\$31,200	\$31,200
Other	\$0	\$0	\$0
Total Payroll	\$307,800	\$342,400	\$392,400
Total Headcount	8	8	8
Payroll Burden	\$46,170	\$51,360	\$58,860
Total Payroll Expenditures	\$353,970	\$393,760	\$451,260

6.1 Officers and Key Employees

Web Solution's management is highly experienced and qualified. Key members of its management teams are listed below.

- Donald Williams - President
- Amy Williams - Secretary
- Geena James - Treasurer

Web Solutions, Inc.

7.0 Financials

This section presents our financial projections for the term of the plan.

7.1 Sales Forecast

The sales forecast chart and table are presented below. Final sales forecasts are based on predictions mentioned in the Executive Summary.

Sales Monthly (Planned)

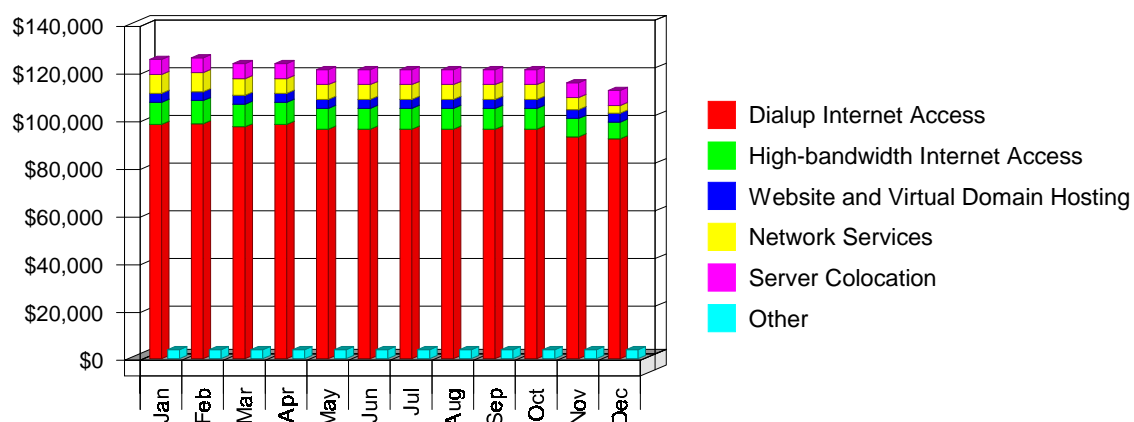


Table: Sales Forecast (Planned)

Sales Forecast	2000	2001	2002
Sales			
Dialup Internet Access	\$1,155,000	\$3,015,000	\$4,275,000
High-bandwidth Internet Access	\$105,000	\$765,000	\$2,025,000
Website and Virtual Domain Hosting	\$45,000	\$135,000	\$225,000
Network Services	\$75,000	\$225,000	\$375,000
Server Colocation	\$75,000	\$225,000	\$375,000
Other	\$45,000	\$135,000	\$225,000
Total Sales	\$1,500,000	\$4,500,000	\$7,500,000
Direct Cost of Sales			
Dialup Internet Access	\$39,996	\$39,996	\$39,996
High-bandwidth Internet Access	\$22,000	\$22,000	\$22,000
Website and Virtual Domain Hosting	\$4,800	\$4,800	\$4,800
Network Services	\$6,000	\$10,000	\$12,000
Server Colocation	\$2,400	\$3,500	\$4,000
Other	\$2,400	\$4,000	\$6,000
Subtotal Direct Cost of Sales	\$77,596	\$84,296	\$88,796

7.2 Funding Uses and General Assumptions

The company is raising \$1.5 million for the purpose of growth and operations. This funding will cover operating expenses and product development during this period. The following is a breakdown of how the funds will be used.

Expenses:	Costs:
Advertising	\$50,000
Legal Fees	\$10,000
Office	\$40,000
Working Capital	\$100,000
Miscellaneous	\$50,000
Sub-total	\$250,000
Product Development:	\$1,250,000
Total	\$1,500,000

Significant Assumptions

1. **Nature and Limitation of Projections.** This financial projection is based on sales volume at the levels described in the revenue section and presents, to the best of management's knowledge and belief, the company's expected assets, liabilities, capital, revenues, and expenses. The projections reflect management's judgement of the expected conditions and its expected course of action, given the hypothetical assumptions.
2. **Revenues.** The company's revenue is derived primarily from subscriptions. Revenue projections are based on the 1999 sales in the comparable market nationwide, based on industry average. The exact numbers can be found in the Sales Forecast table and chart section.
3. **Expenses.** The company's expenses are primarily those of salaries, sales commissions, and administrative costs. Other expenses are based on management's estimates and industry averages.

The table below outlines the general assumptions of Web Solutions.

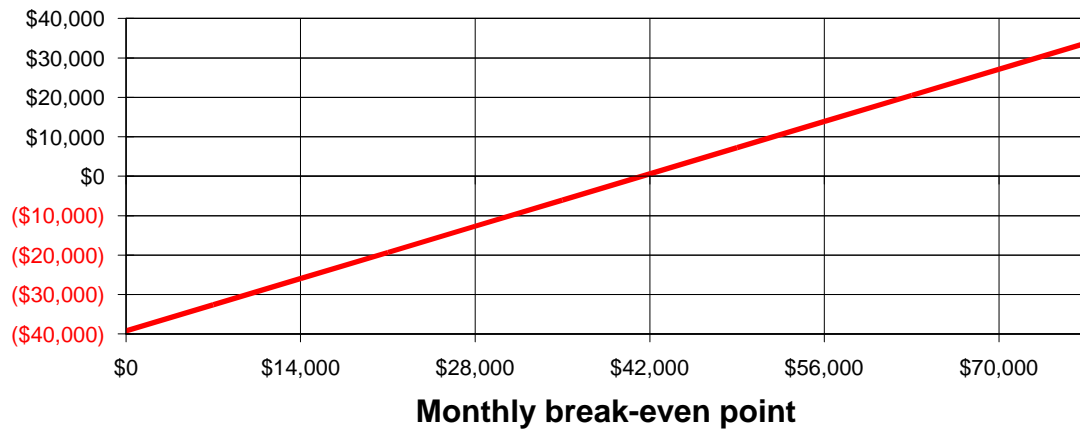
Table: General Assumptions

General Assumptions	2000	2001	2002
Short-term Interest Rate %	10.00%	10.00%	10.00%
Long-term Interest Rate %	10.00%	10.00%	10.00%
Tax Rate %	25.00%	25.00%	25.00%
Expenses in Cash %	10.00%	10.00%	10.00%
Sales on Credit %	15.00%	15.00%	15.00%
Personnel Burden %	15.00%	15.00%	15.00%

7.3 Break-even Analysis

The following table and chart reflect the company's break-even estimates. These are based on fixed and variable cost estimates derived from past income statement data. Given that Web Solutions has little in the way of marginal costs, the break even analysis reflects the industry's high gross margins. Unless one of the potential future risks seriously impacts profitability, or the company loses its ability to rapidly adjust to changing market conditions, the company does not see this as a serious issue.

Break-even Analysis



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	41,368
Monthly Sales Break-even	\$41,368
Assumptions:	
Average Per-Unit Revenue	\$1.00
Average Per-Unit Variable Cost	\$0.05
Estimated Monthly Fixed Cost	\$39,228

Web Solutions, Inc.

7.4 Income Statements - Projected

Web Solutions is in the early stage of development, thus initial projections have only been made on accounts that are believed to most drive the income statement. The following table provides Web Solution's projected income statements for 2000-2002.

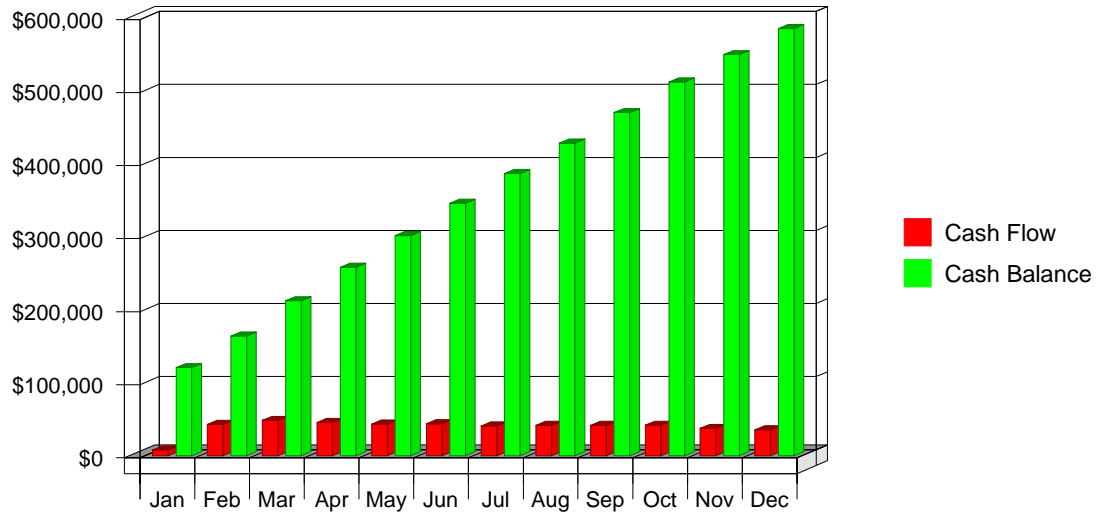
Table: Profit and Loss (Planned)

Pro Forma Profit and Loss	2000	2001	2002
Sales	\$1,500,000	\$4,500,000	\$7,500,000
Direct Cost of Sales	\$77,596	\$84,296	\$88,796
Other	\$0	\$0	\$0
	-----	-----	-----
Total Cost of Sales	\$77,596	\$84,296	\$88,796
Gross Margin	\$1,422,404	\$4,415,704	\$7,411,204
Gross Margin %	94.83%	98.13%	98.82%
Operating Expenses:			
Advertising/Promotion	\$25,068	\$25,068	\$25,068
Misc.	\$2,000	\$2,000	\$2,000
Other	\$500	\$500	\$500
Payroll Expense	\$307,800	\$342,400	\$392,400
Payroll Burden	\$46,170	\$51,360	\$58,860
Depreciation	\$0	\$0	\$0
Legal Fees	\$300	\$300	\$300
Utilities	\$3,600	\$3,600	\$3,600
Insurance	\$4,200	\$4,200	\$4,200
Mortgage	\$67,200	\$67,200	\$67,200
Other	\$13,900	\$13,900	\$13,900
Extraordinary items	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$470,738	\$510,528	\$568,028
Profit Before Interest and Taxes	\$951,666	\$3,905,176	\$6,843,176
Interest Expense Short-term	\$9,034	\$9,034	\$9,034
Interest Expense Long-term	\$56,473	\$42,098	\$27,098
Taxes Incurred	\$221,540	\$963,511	\$1,701,761
Extraordinary Items	\$0	\$0	\$0
Net Profit	\$664,620	\$2,890,534	\$5,105,284
Net Profit/Sales	44.31%	64.23%	68.07%

7.5 Projected Cash Flow

This chart and table show our cash flow and cash balance projections.

Cash (Planned)



Web Solutions, Inc.

Table: Cash Flow (Planned)

Pro Forma Cash Flow	2000	2001	2002
Cash Received			
Cash from Operations:			
Cash Sales	\$1,275,000	\$3,825,000	\$6,375,000
From Receivables	\$220,905	\$619,810	\$1,069,810
Subtotal Cash from Operations	\$1,495,905	\$4,444,810	\$7,444,810
Additional Cash Received			
Extraordinary Items	\$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 Short-term Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
Capital Input	\$0	\$0	\$0
Subtotal Cash Received	\$1,495,905	\$4,444,810	\$7,444,810
Expenditures			
Expenditures from Operations:			
Cash Spent on Costs and Expenses	\$48,141	\$121,571	\$194,346
Wages, Salaries, Payroll Taxes, etc.	\$353,970	\$393,760	\$451,260
Payment of Accounts Payable	\$471,548	\$1,044,702	\$1,700,118
Subtotal Spent on Operations	\$873,659	\$1,560,033	\$2,345,724
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$150,000	\$150,000	\$150,000
Purchase Other Short-term Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0
Subtotal Cash Spent	\$1,023,659	\$1,710,033	\$2,495,724
Net Cash Flow	\$472,246	\$2,734,777	\$4,949,086
Cash Balance	\$584,859	\$3,319,636	\$8,268,722

Web Solutions, Inc.

7.6 Balance Sheets - Projected

The following table outlines Web Solution's projected balance sheets for fiscal years 2000-2002.

Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets			
Short-term Assets	2000	2001	2002
Cash	\$584,859	\$3,319,636	\$8,268,722
Accounts Receivable	\$27,595	\$82,785	\$137,975
Other Short-term Assets	\$34,650	\$34,650	\$34,650
Total Short-term Assets	\$647,104	\$3,437,071	\$8,441,347
Long-term Assets			
Long-term Assets	\$331,650	\$331,650	\$331,650
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$331,650	\$331,650	\$331,650
Total Assets	\$978,754	\$3,768,721	\$8,772,997
Liabilities and Capital			
	2000	2001	2002
Accounts Payable	\$32,409	\$81,842	\$130,835
Current Borrowing	\$90,338	\$90,338	\$90,338
Other Short-term Liabilities	\$90,338	\$90,338	\$90,338
Subtotal Short-term Liabilities	\$213,084	\$262,517	\$311,510
Long-term Liabilities	\$495,975	\$345,975	\$195,975
Total Liabilities	\$709,059	\$608,492	\$507,485
Paid-in Capital			
Paid-in Capital	\$0	\$0	\$0
Retained Earnings			
Retained Earnings	(\$394,925)	\$269,695	\$3,160,228
Earnings	\$664,620	\$2,890,534	\$5,105,284
Total Capital	\$269,695	\$3,160,228	\$8,265,512
Total Liabilities and Capital	\$978,754	\$3,768,721	\$8,772,997
Net Worth	\$269,695	\$3,160,228	\$8,265,512

7.7 Business Ratios

Standard business ratios are shown in this table. Industry Profile ratios are based on Standard Industrial Classification (SIC) Index code 7375.

Web Solutions, Inc.

Table: Ratios (Planned)

Ratio Analysis	2000	2001	2002	Industry Profile
Sales Growth	21.21%	200.00%	66.67%	9.70%
Percent of Total Assets				
Accounts Receivable	2.82%	2.20%	1.57%	25.00%
Inventory	0.00%	0.00%	0.00%	5.30%
Other Short-term Assets	3.54%	0.92%	0.39%	46.30%
Total Short-term Assets	66.12%	91.20%	96.22%	76.60%
Long-term Assets	33.88%	8.80%	3.78%	23.40%
Total Assets	100.00%	100.00%	100.00%	100.00%
Other Short-term Liabilities				
Other Short-term Liabilities	9.23%	2.40%	1.03%	49.40%
Subtotal Short-term Liabilities	21.77%	6.97%	3.55%	36.20%
Long-term Liabilities	50.67%	9.18%	2.23%	21.20%
Total Liabilities	72.45%	16.15%	5.78%	70.60%
Net Worth	27.55%	83.85%	94.22%	29.40%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	94.83%	98.13%	98.82%	0.00%
Selling, General & Administrative Expenses	50.52%	33.89%	30.75%	78.10%
Advertising Expenses	1.67%	0.56%	0.33%	0.90%
Profit Before Interest and Taxes	63.44%	86.78%	91.24%	1.90%
Main Ratios				
Current	3.04	13.09	27.10	1.57
Quick	3.04	13.09	27.10	1.19
Total Debt to Total Assets	72.45%	16.15%	5.78%	70.60%
Pre-tax Return on Net Worth	377.16%	125.19%	83.23%	4.10%
Pre-tax Return on Assets	103.93%	104.98%	78.41%	13.80%
Business Vitality Profile				
Sales per Employee	2000 \$187,500	2001 \$562,500	2002 \$937,500	Industry \$0
Survival Rate				0.00%
Additional Ratios				
Net Profit Margin	2000 44.31%	2001 64.23%	2002 68.07%	n.a
Return on Equity	246.43%	91.47%	61.77%	n.a
Activity Ratios				
Accounts Receivable Turnover	8.15	8.15	8.15	n.a
Collection Days	41	30	36	n.a
Inventory Turnover	0.00	0.00	0.00	n.a
Accounts Payable Turnover	13.37	13.37	13.37	n.a
Total Asset Turnover	1.53	1.19	0.85	n.a
Debt Ratios				
Debt to Net Worth	2.63	0.19	0.06	n.a
Short-term Liab. to Liab.	0.30	0.43	0.61	n.a
Liquidity Ratios				
Net Working Capital	\$434,020	\$3,174,553	\$8,129,837	n.a
Interest Coverage	14.53	76.38	189.40	n.a
Additional Ratios				
Assets to Sales	0.65	0.84	1.17	n.a
Current Debt/Total Assets	22%	7%	4%	n.a
Acid Test	2.91	12.78	26.66	n.a
Sales/Net Worth	5.56	1.42	0.91	n.a
Dividend Payout	\$0	0.00	0.00	n.a

Appendix

Appendix Table: Personnel (Planned)

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Donald Williams	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Amy Williams	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Geena James	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Dialup Services Manager	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
R & D Manager	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
R & D Researcher	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Technical Support Personnel	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600
Technical Support Personnel	\$0	\$0	\$0	\$0	\$0	\$0	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Payroll	\$24,350	\$24,350	\$24,350	\$24,350	\$24,350	\$24,350	\$26,950	\$26,950	\$26,950	\$26,950	\$26,950	\$26,950
Total Headcount	8	8	8	8	8	8	8	8	8	8	8	8
Payroll Burden	\$3,653	\$3,653	\$3,653	\$3,653	\$3,653	\$3,653	\$4,043	\$4,043	\$4,043	\$4,043	\$4,043	\$4,043
Total Payroll Expenditures	\$28,003	\$28,003	\$28,003	\$28,003	\$28,003	\$28,003	\$30,993	\$30,993	\$30,993	\$30,993	\$30,993	\$30,993

Appendix

Appendix Table: Sales Forecast (Planned)

Sales Forecast	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales												
Dialup Internet Access	\$98,250	\$98,500	\$97,250	\$98,250	\$96,250	\$96,250	\$96,250	\$96,250	\$96,250	\$96,250	\$93,000	\$92,250
High-bandwidth Internet Access	\$9,250	\$9,750	\$9,500	\$9,250	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$8,750	\$7,750	\$7,000
Website and Virtual Domain Hosting	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Network Services	\$8,000	\$8,000	\$7,000	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$5,000	\$3,250
Server Colocation	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250
Other	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Total Sales	\$129,250	\$130,000	\$127,500	\$127,500	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$119,500	\$116,250
Direct Cost of Sales												
Dialup Internet Access	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333
High-bandwidth Internet Access	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Website and Virtual Domain Hosting	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Network Services	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Server Colocation	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Other	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Subtotal Direct Cost of Sales	\$4,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633

Appendix

Appendix Table: General Assumptions

General Assumptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-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%
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%
Expenses in Cash %	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Sales on Credit %	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Personnel Burden %	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%

Appendix

Appendix Table: Profit and Loss (Planned)

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$129,250	\$130,000	\$127,500	\$127,500	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$119,500	\$116,250
Direct Cost of Sales	\$4,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$4,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633	\$6,633
Gross Margin	\$124,617	\$123,367	\$120,867	\$120,867	\$118,367	\$118,367	\$118,367	\$118,367	\$118,367	\$118,367	\$112,867	\$109,617
Gross Margin %	96.42%	94.90%	94.80%	94.80%	94.69%	94.69%	94.69%	94.69%	94.69%	94.69%	94.45%	94.29%
Operating Expenses:												
Advertising/Promotion	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089	\$2,089
Misc.	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167
Other	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42
Payroll Expense	\$24,350	\$24,350	\$24,350	\$24,350	\$24,350	\$24,350	\$26,950	\$26,950	\$26,950	\$26,950	\$26,950	\$26,950
Payroll Burden	\$3,653	\$3,653	\$3,653	\$3,653	\$3,653	\$3,653	\$4,043	\$4,043	\$4,043	\$4,043	\$4,043	\$4,043
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal Fees	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Utilities	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Insurance	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
Mortgage	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600	\$5,600
Other	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158	\$1,158
Extraordinary items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$37,733	\$37,733	\$37,733	\$37,733	\$37,733	\$37,733	\$40,723	\$40,723	\$40,723	\$40,723	\$40,723	\$40,723
Profit Before Interest and Taxes	\$86,884	\$85,634	\$83,134	\$83,134	\$80,634	\$80,634	\$77,644	\$77,644	\$77,644	\$77,644	\$72,144	\$68,894
Interest Expense Short-term	\$753	\$753	\$753	\$753	\$753	\$753	\$753	\$753	\$753	\$753	\$753	\$753
Interest Expense Long-term	\$5,279	\$5,175	\$5,071	\$4,966	\$4,862	\$4,758	\$4,654	\$4,550	\$4,446	\$4,341	\$4,237	\$4,133
Taxes Incurred	\$20,213	\$19,927	\$19,328	\$19,354	\$18,755	\$18,781	\$18,059	\$18,085	\$18,111	\$18,137	\$16,788	\$16,002
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	\$60,639	\$59,780	\$57,983	\$58,061	\$56,264	\$56,342	\$54,178	\$54,256	\$54,334	\$54,412	\$50,365	\$48,006
Net Profit/Sales	46.92%	45.98%	45.48%	45.54%	45.01%	45.07%	43.34%	43.40%	43.47%	43.53%	42.15%	41.30%

Appendix

Appendix Table: Cash Flow (Planned)

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	\$109,863	\$110,500	\$108,375	\$108,375	\$106,250	\$106,250	\$106,250	\$106,250	\$106,250	\$106,250	\$101,575	\$98,813
From Receivables	\$14,688	\$13,909	\$22,741	\$19,338	\$19,125	\$18,963	\$18,750	\$18,750	\$18,750	\$18,750	\$18,750	\$18,393
Subtotal Cash from Operations	\$124,550	\$124,409	\$131,116	\$127,713	\$125,375	\$125,213	\$125,000	\$125,000	\$125,000	\$125,000	\$120,325	\$117,205
Additional Cash Received												
Extraordinary Items	\$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 Short-term 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
Capital Input	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$124,550	\$124,409	\$131,116	\$127,713	\$125,375	\$125,213	\$125,000	\$125,000	\$125,000	\$125,000	\$120,325	\$117,205
Expenditures												
Expenditures from Operations:												
Cash Spent on Costs and Expenses	\$4,061	\$4,222	\$4,151	\$4,144	\$4,073	\$4,066	\$3,983	\$3,975	\$3,967	\$3,960	\$3,814	\$3,725
Wages, Salaries, Payroll Taxes, etc.	\$28,003	\$28,003	\$28,003	\$28,003	\$28,003	\$28,003	\$30,993	\$30,993	\$30,993	\$30,993	\$30,993	\$30,993
Payment of Accounts Payable	\$71,906	\$36,596	\$37,975	\$37,361	\$37,272	\$36,658	\$36,565	\$35,844	\$35,774	\$35,704	\$35,592	\$34,301
Subtotal Spent on Operations	\$103,969	\$68,820	\$70,129	\$69,507	\$69,348	\$68,726	\$71,540	\$70,812	\$70,734	\$70,656	\$70,399	\$69,019
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500
Purchase Other Short-term 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
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$116,469	\$81,320	\$82,629	\$82,007	\$81,848	\$81,226	\$84,040	\$83,312	\$83,234	\$83,156	\$82,899	\$81,519
Net Cash Flow	\$8,081	\$43,089	\$48,487	\$45,705	\$43,527	\$43,987	\$40,960	\$41,688	\$41,766	\$41,844	\$37,426	\$35,686
Cash Balance	\$120,693	\$163,782	\$212,269	\$257,975	\$301,502	\$345,489	\$386,448	\$428,136	\$469,902	\$511,747	\$549,173	\$584,859

Appendix

Appendix Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Assets													
Cash	\$112,613	\$120,693	\$163,782	\$212,269	\$257,975	\$301,502	\$345,489	\$386,448	\$428,136	\$469,902	\$511,747	\$549,173	\$584,859
Accounts Receivable	\$23,500	\$28,200	\$33,791	\$30,175	\$29,963	\$29,588	\$29,375	\$29,375	\$29,375	\$29,375	\$29,375	\$28,550	\$27,595
Other Short-term Assets	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650	\$34,650
Total Short-term Assets	\$170,763	\$183,543	\$232,223	\$277,094	\$322,587	\$365,740	\$409,514	\$450,473	\$492,161	\$533,927	\$575,772	\$612,373	\$647,104
Long-term Assets													
Long-term Assets	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650	\$331,650
Total Assets	\$502,413	\$515,193	\$563,873	\$608,744	\$654,237	\$697,390	\$741,164	\$782,123	\$823,811	\$865,577	\$907,422	\$944,023	\$978,754
Liabilities and Capital													
Accounts Payable	\$70,688	\$35,329	\$36,730	\$36,118	\$36,050	\$35,438	\$35,370	\$34,652	\$34,584	\$34,516	\$34,448	\$33,184	\$32,409
Current Borrowing	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338
Other Short-term Liabilities	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338	\$90,338
Subtotal Short-term Liabilities	\$251,363	\$216,004	\$217,405	\$216,793	\$216,725	\$216,113	\$216,045	\$215,327	\$215,259	\$215,191	\$215,123	\$213,859	\$213,084
Long-term Liabilities	\$645,975	\$633,475	\$620,975	\$608,475	\$595,975	\$583,475	\$570,975	\$558,475	\$545,975	\$533,475	\$520,975	\$508,475	\$495,975
Total Liabilities	\$897,338	\$849,479	\$838,380	\$825,268	\$812,700	\$799,588	\$787,020	\$773,802	\$761,234	\$748,666	\$736,098	\$722,334	\$709,059
Paid-in Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retained Earnings	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)	(\$394,925)
Earnings	\$0	\$60,639	\$120,419	\$178,402	\$236,462	\$292,726	\$349,069	\$403,246	\$457,502	\$511,836	\$566,249	\$616,614	\$664,620
Total Capital	(\$394,925)	(\$334,286)	(\$274,506)	(\$216,523)	(\$158,463)	(\$102,199)	(\$45,856)	\$8,321	\$62,577	\$116,911	\$171,324	\$221,689	\$269,695
Total Liabilities and Capital	\$502,413	\$515,193	\$563,873	\$608,744	\$654,237	\$697,390	\$741,164	\$782,123	\$823,811	\$865,577	\$907,422	\$944,023	\$978,754
Net Worth	(\$394,925)	(\$334,286)	(\$274,506)	(\$216,523)	(\$158,463)	(\$102,199)	(\$45,856)	\$8,321	\$62,577	\$116,911	\$171,324	\$221,689	\$269,695