

The logo for 'The Discount Pharmacy' features the text 'The Discount Pharmacy' in a bold, red, sans-serif font. The text is centered within a white, horizontally-oriented oval. This oval is set against a solid yellow rectangular background.

The Discount Pharmacy

November, 2001

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The Discount Pharmacy

1.0 Executive Summary

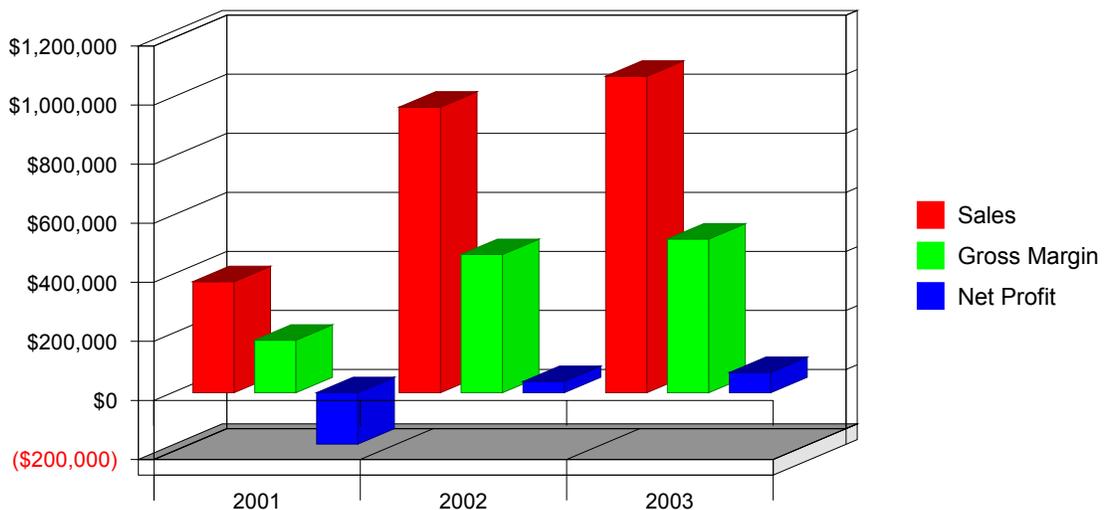
The Discount Pharmacy's main goal is to provide prescription medications for our customers at the lowest prices on the market. We will be able to sell prescriptions at reduced prices by carefully maintaining efficiencies in our operations and by targeting a specific segment of the market - those customers who pay for their prescription medications themselves. By focusing on this segment it gives us additional efficiencies - we avoid disruptions in cash flow often associated with insurance payments and we can eliminate unnecessary services for the type of knowledgeable, repeat customer taking maintenance-type medication.

The Discount Pharmacy will operate from one store that will serve both mail order customers and those who visit in person. We will thrive by employing friendly and knowledgeable personnel, which, along with our great prices, will drive the repeat business that we will rely upon. We only expect that as the price of medication continues to skyrocket, The Discount Pharmacy will appeal more and more to the customer's sense of value and convenience.

Our advertising, mainly through ads in magazines targeted at the over 55 crowd, will be targeted at those who are looking to save money on a pricey but necessary and regular expense.

The Discount Pharmacy will be led by John Reeleaf, an MBA with experience in the pharmaceutical industry. Costs will be minimized by maintaining only one pharmacist and filling the void with pharmaceutical techs. We expect to reach profitability by our second year and will generate over \$1 million in sales by year three.

Highlights



The Discount Pharmacy

1.1 Objectives

The objectives for the first three years include:

1. Exceed customer expectations with superior pricing
2. Increase the number of customers by more than 30% per year
3. Develop a business that survives off its own cash flow

1.2 Mission

The Discount Pharmacy's mission is to provide our customers with the best prices for their prescription medications. Our convenience and services will exceed the expectations of our customers.

1.3 Keys to Success

The keys to success are:

- Satisfy our customers so they will return again and again
- Maintain low overhead and operating costs
- Provide better prices than all our competitors

2.0 Company Summary

The Discount Pharmacy is located in Portland, OR and offers prescription medications at discount prices to our customers by mail order or at the store front.

2.1 Company Ownership

The Discount Pharmacy is an Oregon limited liability corporation. The majority stock holder is John Reeleaf.

2.2 Start-up Summary

The Discount Pharmacy will incur the following start-up equipment costs:

- Office equipment including chairs, file cabinets, and desks.
- Front counter, storage bins, cash register.
- Three computer terminals.
- Main computer server with a laser printer, and back-up system.
- Software: Microsoft Office, QuickBooks Pro, drug interaction software, Physician Desk Reference software detailing side effects and other information pertinent to the customer.
- Assorted boxes for shipment.
- Scales for shipping.

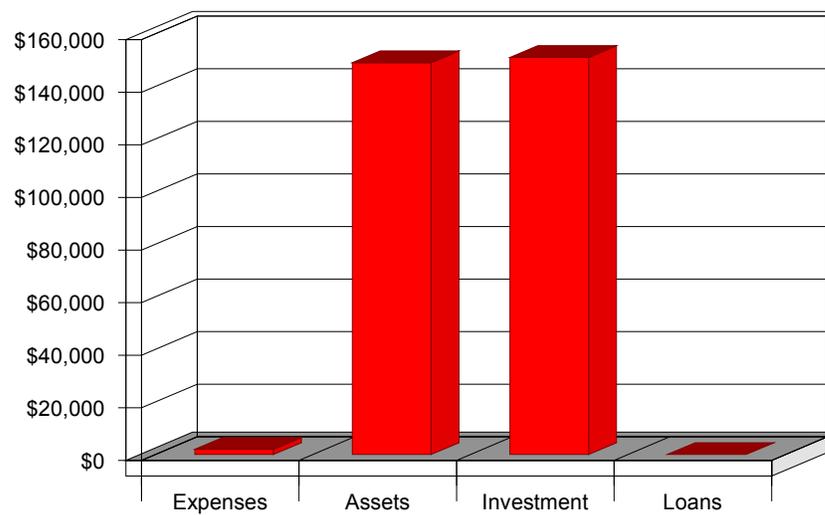
Please note that these items will be used for more than one year and will therefore be labeled long-term assets, depreciated using G.A.A.P. approved straight-line depreciation.

The Discount Pharmacy

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	\$1,000
Website development	\$1,000
Total Start-up Expenses	\$2,000
Start-up Assets Needed	
Cash Balance on Starting Date	\$140,500
Other Current Assets	\$0
Total Current Assets	\$140,500
Long-term Assets	\$8,500
Total Assets	\$149,000
Total Requirements	\$151,000
Funding	
Investment	
Seed Funding	\$50,000
John	\$51,000
Friends and Family	\$50,000
Total Investment	\$151,000
Current Liabilities	
Accounts Payable	\$0
Current Borrowing	\$0
Other Current Liabilities	\$0
Total Current Liabilities	\$0
Long-term Liabilities	
Total Liabilities	\$0
Loss at Start-up	(\$2,000)
Total Capital	\$149,000
Total Capital and Liabilities	\$149,000

Start-up



The Discount Pharmacy

3.0 Products

The Discount Pharmacy offers a wide range of prescription drugs to patients based in Oregon or nationally. Both generics and name brands are offered.

3.1 Business Model Description

In order for a customer to purchase medications mail order, they must first contact The Discount Pharmacy over the phone. The customer then needs to either mail in the prescription, fax it, or email it. Once it is received and payment arrangements are complete, the meds will be sent out to the customer via U.S.P.S. or U.P.S. Local customers may stop by the store front to pick up the medications.

The Discount Pharmacy will only service customers who self pay. The self pay customers will be attracted to The Discount Pharmacy because of its superior prices. For many Americans that do not have drug plans, including the vast majority of Americans over 65, a discount on drugs is very welcome on todays increasingly tight monthly budgets.

The Discount Pharmacy will be able to survive on lower margins due to operating efficiencies gained through national mail order operations and not accepting insurance policy drug plans which hampers cash flow. The Discount Pharmacy will also save money by not paying for customer's unlimited access to a pharmacist. If a customer has a question regarding a drug, the pharmaceutical technician will attempt to answer it. As a last resort the pharmacist will provide the answer. Generally, the technician or the accompanying printed literature will answer the question.

This model of saving costs by not providing unlimited access to the pharmacist will be successful because the majority of customers will be customers who have been taking said drug for awhile, as opposed to a new prescription, and will not require their hand to be held during the transaction. They are interested in The Pharmacy as an inexpensive source for their medication.

With each order a printout will accompany the medications providing directions on how to take the medications, other drugs that should be avoided concurrently, and other useful information. The Discount Pharmacy will be using computer print outs from industry software to reduce the cost of providing this information.

Note--while the term "self pay" is typically associated with the notion that the customer is paying for the medication out of pocket without insurance, it is used in this context as the customer paying for the medications upfront regardless if they have insurance. They may be paying out of pocket, or they may be paying upfront and then submitting to their insurance companies drug plan to reimburse them later.

The Discount Pharmacy

4.0 Market Analysis Summary

The Discount Pharmacy's target market consists of two different groups, local customers or walk-ins, and mail order customers.

The Discount Pharmacy will employ two different strategies to reach these two diverse market segments.

4.1 Market Segmentation

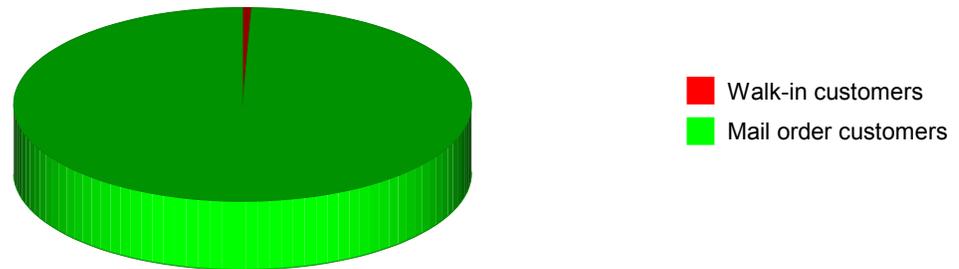
The Discount Pharmacy's customers can be broken down into two different groups, mail order customers and walk-in customers:

- **Mail order customers.** This group of customers orders their medication through the mail in an effort to save money. Generally, the mail order customers are older in age, typically over 50. In general, elderly customers consume more medication relative to younger people. The mail order customer will typically purchase maintenance medications - prescriptions for an ongoing ailment that requires regular treatment. This group of customers will also be more likely to purchase several months of medication at once.
- **Walk-in customers.** This group of customers are also looking for the lowest prices for their medication. However, they tend to purchase medications monthly at their local pharmacy, often at a higher price. There is not a common demographic for this group of people, other than living in the Portland metropolitan area. Some of these customers will pay for the medications out of pocket and some will submit a claim to their insurance company for reimbursement at a later date.

Table: Market Analysis

Market Analysis	Growth	2001	2002	2003	2004	2005	CAGR
Potential Customers							
Walk-in customers	8%	345,887	373,558	403,443	435,718	470,575	8.00%
Mail order customers	9%	54,876,345	59,815,216	65,198,585	71,066,458	77,462,439	9.00%
Total	8.99%	55,222,232	60,188,774	65,602,028	71,502,176	77,933,014	8.99%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

The Discount Pharmacy will seek to attract two different groups of customers and will thus have two strategies to attract them.

We anticipate that by far our largest group of customers will be those who order through the mail. These customers will be targeted through an advertising campaign in magazines and newsletters that have an older (>55) audience who regularly need medication and are aware in advance of their needs. For example, one of the main advertising vehicles will be the A.A.R.P monthly newsletter.

Walk-in customers will be targeted through advertisements in the local paper, "The Oregonian." Ads will raise awareness for the The Discount Pharmacy and our low prices.

5.0 Strategy and Implementation Summary

The Discount Pharmacy will use their website to develop visibility and disseminate information.

The Discount Pharmacy

5.1 Competitive Edge

The Discount Pharmacy's competitive edge is superior pricing. To do that we must maintain our position as the low cost provider by painstakingly ensuring that costs are kept low through operating efficiencies.

We will be able to do that by eliminating some of the services traditionally offered by pharmacies. For example, we will employ only one pharmacist and use pharmaceutical technicians to fill the void. As long as a pharmacist is on site during the hours of operation, we can use the pharmaceutical techs for all other capacities where other pharmacies use pharmacists. Other efficiencies are created by having only a small store front and conducting most of our business through mail order.

Finally, The Discount Pharmacy is not designed to hold the patient's hand during their purchase. We expect that the vast majority of our customers will already be informed of how to take the medication, and any side effects or drug interactions that should be avoided. We will simply provide each patient with a print out of all the relevant information for consumption of the medication.

5.2 Marketing Strategy

The marketing strategy will be based on targeted advertisements, appealing to the customer's sense of value. The marketing campaign's goal will to be increase awareness of The Discount Pharmacy with their target market.

5.3 Sales Strategy

The sales strategy will be based on generating long-term relationships with customers. To facilitate that, we will provide medications at superior prices, have meds in stock for both quick shipment and store front pick up, and provide superior customer service. All sales agents will be trained to provide friendly, knowledgeable customer service. By keeping to these simple, yet effective, business practices, we expect that our customers will make The Discount Pharmacy their exclusive source for medications. For some, medications are an integral part of their lives, so establishing long-term relationships will ensure a large, loyal customer base.

5.3.1 Sales Forecast

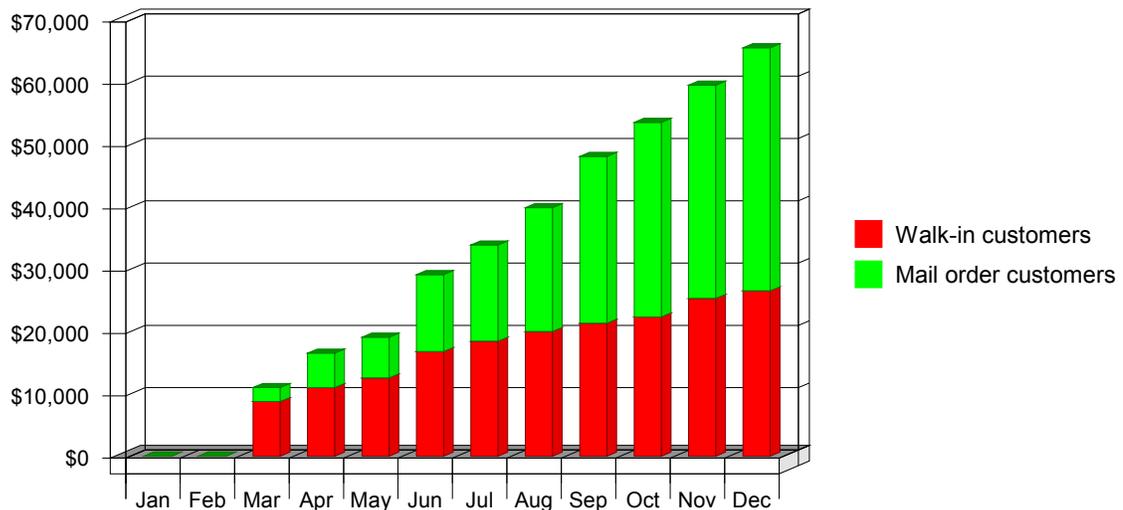
During the first two months we will focus on setting up the store front and generating both local and national visibility. Sales activity will begin in month three. Sales during months three through five there will mainly consist of local business through the store front. In month six we expect to see a jump in sales from mail order. Sales will grow steadily from month six on.

The Discount Pharmacy

Table: Sales Forecast

Sales Forecast	2001	2002	2003
Sales			
Walk-in customers	\$183,056	\$399,833	\$431,334
Mail order customers	\$193,224	\$567,432	\$640,543
Total Sales	\$376,280	\$967,265	\$1,071,877
Direct Cost of Sales	2001	2002	2003
Walk-in customers	\$111,664	\$243,898	\$263,114
Mail order customers	\$86,951	\$255,344	\$288,244
Subtotal Direct Cost of Sales	\$198,615	\$499,243	\$551,358

Sales Monthly



5.4 Milestones

The Discount Drug Dealer will have several milestones early on:

- Office/business set up.
- Establishment of the first strategic relationship.
- Profitability.

Table: Milestones

Milestones	Start Date	End Date	Budget	Manager	Department
Milestone					
Office/business set up	1/1/2001	5/1/2001		John	Executive
Establishment of the first strategic relationship	1/1/2001	7/1/2001		John	Business Development
Profitability	1/1/2001	11/1/2002		Everyone	Finance
Totals			\$0		

The Discount Pharmacy

6.0 Web Plan Summary

The website will be used for the dissemination of information as well as a mechanism for email communication. Initially there will be no ordering through our website since we do not expect that method to be widely used and trusted by our target customers.

6.1 Development Requirements

The Discount Pharmacy will hire a recent college graduate with a major in computer science to complete and maintain our simple website. This will keep costs down.

7.0 Management Summary

John Reeleaf has experience working with a major drug manufacturer, Eli Lilly, as a drug representative. He was able to see first hand the profitability associated with the prescription drug industry, as well as the inefficiencies with which most companies are plagued.

John graduated with an MBA from the University of Oregon's innovative entrepreneurship program. While there he was awarded a \$50,000 no interest loan through a business plan competition. That seed money will be parlayed, along with some other investments, into start up expenses for The Discount Pharmacy. John received an undergraduate degree in chemistry from the University of Oregon.

7.1 Personnel Plan

The Discount Drug Dealer will employ the following people:

- Sales agents/phone representatives: two at month three, an additional person at month sixth.
- Pharmaceutical technicians: two at month two, a third at month six.
- Pharmacists: month two.
- Order fulfillment agents: two for month five, a third for month eight.
- Counter person/phone representative: one at month three.

Table: Personnel

Personnel Plan	2001	2002	2003
CEO (John)	\$48,000	\$52,000	\$60,000
Pharmacist	\$55,000	\$60,000	\$60,000
Pharmacist technician	\$27,500	\$30,000	\$30,000
Pharmacist technician	\$27,500	\$30,000	\$30,000
Pharmacist technician	\$17,500	\$30,000	\$30,000
Sales agent	\$19,200	\$23,040	\$23,040
Sales agent	\$19,200	\$23,040	\$23,040
Sales agent	\$11,520	\$23,040	\$23,040
Counter person/phone rep.	\$14,400	\$17,280	\$17,280
Counter person/phone rep.	\$14,400	\$17,280	\$17,280
Order fulfillment	\$14,400	\$17,280	\$17,280
Total People	11	11	11
Total Payroll	\$268,620	\$322,960	\$330,960

The Discount Pharmacy

8.0 Financial Plan

The following sections will outline important financial information.

8.1 Important Assumptions

The following table details important financial assumptions.

Table: General Assumptions

General Assumptions	2001	2002	2003
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%
Other	0.00%	0.00%	0.00%
Calculated Totals			
Payroll Expense	\$268,620	\$322,960	\$330,960
New Accounts Payable	\$524,386	\$872,053	\$939,847

8.2 Break-even Analysis

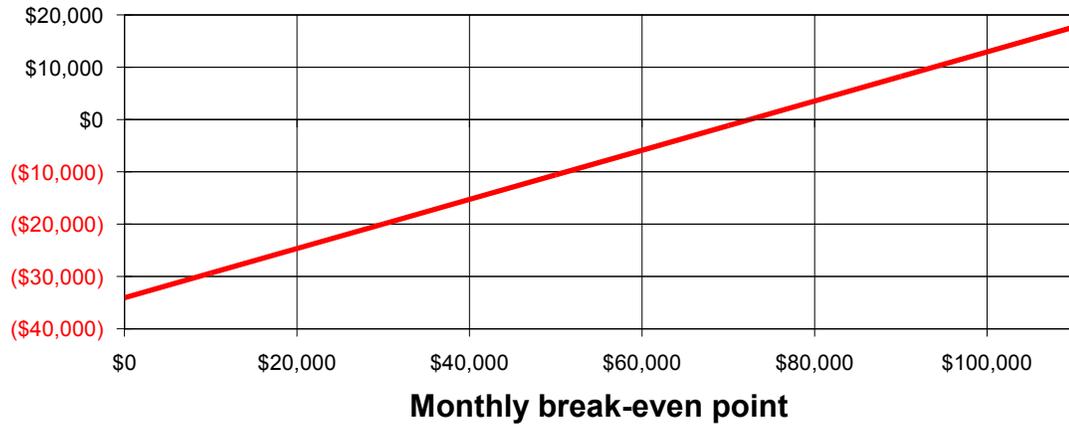
The Break-even Analysis indicates that \$72,494 will be needed in monthly revenue to reach the break-even point.

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	725
Monthly Revenue Break-even	\$72,494
Assumptions:	
Average Per-Unit Revenue	\$100.00
Average Per-Unit Variable Cost	\$53.00
Estimated Monthly Fixed Cost	\$34,072

The Discount Pharmacy

Break-even Analysis



Break-even point = where line intersects with 0

The Discount Pharmacy

8.3 Projected Profit and Loss

The following table will indicate projected profit and loss.

Table: Profit and Loss

Pro Forma Profit and Loss

	2001	2002	2003
Sales	\$376,280	\$967,265	\$1,071,877
Direct Costs of Goods	\$198,615	\$499,243	\$551,358
Other Production Expenses	\$0	\$0	\$0
Cost of Goods Sold	\$198,615	\$499,243	\$551,358
Gross Margin	\$177,665	\$468,022	\$520,519
Gross Margin %	47.22%	48.39%	48.56%
Expenses:			
Payroll	\$268,620	\$322,960	\$330,960
Sales and Marketing and Other Expenses	\$8,400	\$8,400	\$8,400
Depreciation	\$1,704	\$1,704	\$1,704
Leased Equipment	\$0	\$0	\$0
Utilities	\$4,800	\$4,800	\$4,800
Insurance	\$3,600	\$3,600	\$3,600
Rent	\$24,000	\$24,000	\$24,000
Payroll Taxes	\$40,293	\$48,444	\$49,644
Other	\$0	\$0	\$0
Total Operating Expenses	\$351,417	\$413,908	\$423,108
Profit Before Interest and Taxes	(\$173,752)	\$54,114	\$97,411
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$0	\$16,234	\$29,223
Net Profit	(\$173,752)	\$37,880	\$68,188
Net Profit/Sales	-46.18%	3.92%	6.36%
Include Negative Taxes	FALSE	TRUE	TRUE

Profit Monthly



The Discount Pharmacy

8.4 Projected Cash Flow

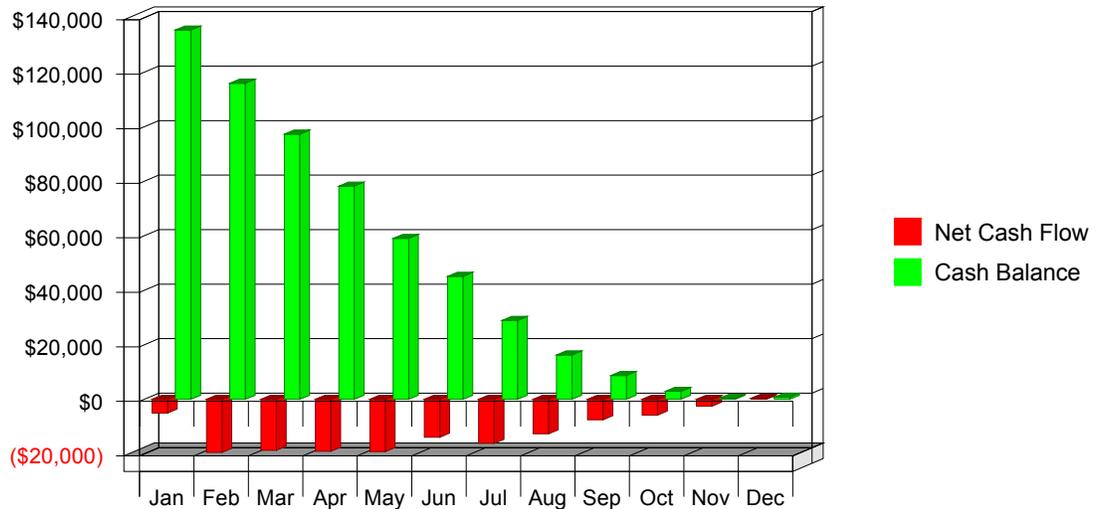
The following chart and table will indicate projected cash flow.

Table: Cash Flow

Pro Forma Cash Flow	2001	2002	2003
Cash Received			
Cash from Operations:			
Cash Sales	\$376,280	\$967,265	\$1,071,877
Cash from Receivables	\$0	\$0	\$0
Subtotal Cash from Operations	\$376,280	\$967,265	\$1,071,877
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	\$376,280	\$967,265	\$1,071,877
Expenditures			
Expenditures from Operations:			
Cash Spending	\$23,941	\$55,628	\$62,138
Payment of Accounts Payable	\$492,074	\$829,288	\$931,060
Subtotal Spent on Operations	\$516,015	\$884,916	\$993,199
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	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$516,015	\$884,916	\$993,199
Net Cash Flow	(\$139,735)	\$82,349	\$78,678
Cash Balance	\$765	\$83,114	\$161,792

The Discount Pharmacy

Cash



8.5 Projected Balance Sheet

The following table will indicate the projected balance sheet.

Table: Balance Sheet

Pro Forma Balance Sheet

Assets	2001	2002	2003
Current Assets			
Cash	\$765	\$83,114	\$161,792
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$765	\$83,114	\$161,792
Long-term Assets			
Long-term Assets	\$8,500	\$8,500	\$8,500
Accumulated Depreciation	\$1,704	\$3,408	\$5,112
Total Long-term Assets	\$6,796	\$5,092	\$3,388
Total Assets	\$7,561	\$88,206	\$165,180
Liabilities and Capital			
Accounts Payable	\$32,313	\$75,078	\$83,865
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$32,313	\$75,078	\$83,865
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$32,313	\$75,078	\$83,865
Paid-in Capital	\$151,000	\$151,000	\$151,000
Retained Earnings	(\$2,000)	(\$175,752)	(\$137,872)
Earnings	(\$173,752)	\$37,880	\$68,188
Total Capital	(\$24,752)	\$13,128	\$81,316
Total Liabilities and Capital	\$7,561	\$88,206	\$165,180
Net Worth	(\$24,752)	\$13,128	\$81,316

Appendix

Appendix Table: Sales Forecast

Sales Forecast	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$0	\$0	\$8,765	\$10,987	\$12,554	\$16,776	\$18,443	\$20,001	\$21,332	\$22,343	\$25,311	\$26,544
Walk-in customers	\$0	\$0	\$2,245	\$5,543	\$6,543	\$12,344	\$15,454	\$19,877	\$26,765	\$31,223	\$34,232	\$38,998
Mail order customers	\$0	\$0	\$11,010	\$16,530	\$19,097	\$29,120	\$33,897	\$39,878	\$48,097	\$53,566	\$59,543	\$65,542
Total Sales	\$0	\$0	\$11,010	\$16,530	\$19,097	\$29,120	\$33,897	\$39,878	\$48,097	\$53,566	\$59,543	\$65,542
Direct Cost of Sales	\$0	\$0	\$5,347	\$6,702	\$7,658	\$10,233	\$11,250	\$12,201	\$13,013	\$13,629	\$15,440	\$16,192
Walk-in customers	\$0	\$0	\$1,010	\$2,494	\$2,944	\$5,555	\$6,954	\$8,945	\$12,044	\$14,050	\$15,404	\$17,549
Mail order customers	\$0	\$0	\$6,357	\$9,196	\$10,602	\$15,788	\$18,205	\$21,145	\$25,057	\$27,680	\$30,844	\$33,741
Subtotal Direct Cost of Sales	\$0	\$0	\$6,357	\$9,196	\$10,602	\$15,788	\$18,205	\$21,145	\$25,057	\$27,680	\$30,844	\$33,741

Appendix

Appendix Table: Personnel

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
CEO (John)	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Pharmacist	\$0	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Pharmacist technician	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Pharmacist technician	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Pharmacist technician	\$0	\$0	\$0	\$0	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Sales agent	\$0	\$0	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920
Sales agent	\$0	\$0	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920
Sales agent	\$0	\$0	\$0	\$0	\$0	\$0	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920	\$1,920
Counter person/phone rep.	\$0	\$0	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440
Counter person/phone rep.	\$0	\$0	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440
Order fulfillment	\$0	\$0	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440	\$1,440
Total People	1	4	9	9	9	10	11	11	11	11	11	11
Total Payroll	\$4,000	\$14,000	\$22,160	\$22,160	\$22,160	\$24,660	\$26,580	\$26,580	\$26,580	\$26,580	\$26,580	\$26,580

Appendix

Appendix Table: General Assumptions

General Assumptions	Jan 1	Feb 2	Mar 3	Apr 4	May 5	Jun 6	Jul 7	Aug 8	Sep 9	Oct 10	Nov 11	Dec 12
Plan Month												
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	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
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	\$4,000	\$14,000	\$22,160	\$22,160	\$22,160	\$24,660	\$26,580	\$26,580	\$26,580	\$26,580	\$26,580	\$26,580
New Accounts Payable	\$7,660	\$19,160	\$34,265	\$36,821	\$38,086	\$45,628	\$50,011	\$52,658	\$56,178	\$58,539	\$61,387	\$63,994

Appendix

Appendix Table: Profit and Loss

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$0	\$0	\$11,010	\$16,530	\$19,097	\$29,120	\$33,897	\$39,878	\$48,097	\$53,566	\$59,543	\$65,542
Direct Costs of Goods	\$0	\$0	\$6,357	\$9,196	\$10,602	\$15,788	\$18,205	\$21,145	\$25,057	\$27,680	\$30,844	\$33,741
Other Production Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$0	\$0	\$6,357	\$9,196	\$10,602	\$15,788	\$18,205	\$21,145	\$25,057	\$27,680	\$30,844	\$33,741
Gross Margin	\$0	\$0	\$4,653	\$7,334	\$8,495	\$13,332	\$15,692	\$18,733	\$23,040	\$25,886	\$28,699	\$31,801
Gross Margin %	0.00%	0.00%	42.26%	44.37%	44.48%	45.78%	46.29%	46.98%	47.90%	48.33%	48.20%	48.52%
Expenses:												
Payroll	\$4,000	\$14,000	\$22,160	\$22,160	\$22,160	\$24,660	\$26,580	\$26,580	\$26,580	\$26,580	\$26,580	\$26,580
Sales and Marketing and Other Expenses	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700
Depreciation	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142
Leased Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Insurance	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Rent	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Payroll Taxes	\$600	\$2,100	\$3,324	\$3,324	\$3,324	\$3,699	\$3,987	\$3,987	\$3,987	\$3,987	\$3,987	\$3,987
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$8,142	\$19,642	\$29,026	\$29,026	\$29,026	\$31,901	\$34,109	\$34,109	\$34,109	\$34,109	\$34,109	\$34,109
Profit Before Interest and Taxes	(\$8,142)	(\$19,642)	(\$24,373)	(\$21,692)	(\$20,531)	(\$18,569)	(\$18,417)	(\$15,376)	(\$11,069)	(\$8,223)	(\$5,410)	(\$2,308)
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$8,142)	(\$19,642)	(\$24,373)	(\$21,692)	(\$20,531)	(\$18,569)	(\$18,417)	(\$15,376)	(\$11,069)	(\$8,223)	(\$5,410)	(\$2,308)
Net Profit/Sales	0.00%	0.00%	-221.37%	-131.23%	-107.51%	-63.77%	-54.33%	-38.56%	-23.01%	-15.35%	-9.09%	-3.52%
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	\$0	\$0	\$11,010	\$16,530	\$19,097	\$29,120	\$33,897	\$39,878	\$48,097	\$53,566	\$59,543	\$65,542
Cash from Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash from Operations	\$0	\$0	\$11,010	\$16,530	\$19,097	\$29,120	\$33,897	\$39,878	\$48,097	\$53,566	\$59,543	\$65,542
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	\$0	\$0	\$11,010	\$16,530	\$19,097	\$29,120	\$33,897	\$39,878	\$48,097	\$53,566	\$59,543	\$65,542
Expenditures												
Expenditures from Operations:												
Cash Spending	\$340	\$340	\$976	\$1,260	\$1,400	\$1,919	\$2,160	\$2,455	\$2,846	\$3,108	\$3,424	\$3,714
Payment of Accounts Payable	\$4,702	\$19,160	\$28,735	\$34,350	\$36,863	\$41,117	\$47,909	\$50,099	\$52,775	\$56,257	\$58,634	\$61,474
Subtotal Spent on Operations	\$5,042	\$19,500	\$29,710	\$35,610	\$38,263	\$43,035	\$50,069	\$52,554	\$55,621	\$59,365	\$62,058	\$65,188
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$5,042	\$19,500	\$29,710	\$35,610	\$38,263	\$43,035	\$50,069	\$52,554	\$55,621	\$59,365	\$62,058	\$65,188
Net Cash Flow	(\$5,042)	(\$19,500)	(\$18,700)	(\$19,080)	(\$19,166)	(\$13,915)	(\$16,172)	(\$12,676)	(\$7,524)	(\$5,799)	(\$2,515)	\$354
Cash Balance	\$135,458	\$115,958	\$97,258	\$78,178	\$59,011	\$45,096	\$28,924	\$16,248	\$8,724	\$2,925	\$410	\$765

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	\$140,500	\$135,458	\$115,958	\$97,258	\$78,178	\$59,011	\$45,096	\$28,924	\$16,248	\$8,724	\$2,925	\$410	\$765
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$140,500	\$135,458	\$115,958	\$97,258	\$78,178	\$59,011	\$45,096	\$28,924	\$16,248	\$8,724	\$2,925	\$410	\$765
Long-term Assets													
Long-term Assets	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
Accumulated Depreciation	\$0	\$142	\$284	\$426	\$568	\$710	\$852	\$994	\$1,136	\$1,278	\$1,420	\$1,562	\$1,704
Total Long-term Assets	\$8,500	\$8,358	\$8,216	\$8,074	\$7,932	\$7,790	\$7,648	\$7,506	\$7,364	\$7,222	\$7,080	\$6,938	\$6,796
Total Assets	\$149,000	\$143,816	\$124,174	\$105,332	\$86,110	\$66,801	\$52,744	\$36,430	\$23,612	\$15,946	\$10,005	\$7,348	\$7,561
Liabilities and Capital													
Accounts Payable	\$0	\$2,958	\$2,958	\$8,489	\$10,959	\$12,182	\$16,694	\$18,796	\$21,354	\$24,757	\$27,039	\$29,792	\$32,313
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	\$0	\$2,958	\$2,958	\$8,489	\$10,959	\$12,182	\$16,694	\$18,796	\$21,354	\$24,757	\$27,039	\$29,792	\$32,313
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$2,958	\$2,958	\$8,489	\$10,959	\$12,182	\$16,694	\$18,796	\$21,354	\$24,757	\$27,039	\$29,792	\$32,313
Paid-in Capital	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000	\$151,000
Retained Earnings	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
Earnings	\$0	(\$8,142)	(\$27,784)	(\$52,157)	(\$73,849)	(\$94,381)	(\$112,950)	(\$131,366)	(\$146,743)	(\$157,811)	(\$166,034)	(\$171,444)	(\$173,752)
Total Capital	\$149,000	\$140,858	\$121,216	\$96,843	\$75,151	\$54,619	\$36,050	\$17,634	\$2,257	(\$8,811)	(\$17,034)	(\$22,444)	(\$24,752)
Total Liabilities and Capital	\$149,000	\$143,816	\$124,174	\$105,332	\$86,110	\$66,801	\$52,744	\$36,430	\$23,612	\$15,946	\$10,005	\$7,348	\$7,561
Net Worth	\$149,000	\$140,858	\$121,216	\$96,843	\$75,151	\$54,619	\$36,050	\$17,634	\$2,257	(\$8,811)	(\$17,034)	(\$22,444)	(\$24,752)