

Clothing Retail Sample Business Plan



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Table of Contents

Executive Summary	1
<i>Chart: Highlights</i>	<i>1</i>
Objectives.....	2
Mission.....	2
Keys to Success.....	2
Company Summary	3
Company Ownership	3
Start-up Summary	3
<i>Chart: Start-up.....</i>	<i>4</i>
<i>Table: Start-up Funding</i>	<i>5</i>
<i>Table: Start-up.....</i>	<i>6</i>
Company Locations and Facilities.....	6
Products	7
Product Description	7
<i>Table: Carried Labels.....</i>	<i>7</i>
Competitive Comparison	7
Sales Literature	8
Sourcing	8
Technology	9
Future Products	9
Market Analysis Summary	10
Market Segmentation	10
<i>Table: Market Analysis.....</i>	<i>10</i>
<i>Chart: Market Analysis (Pie).....</i>	<i>11</i>

Target Market Segment Strategy 11

Market Needs 11

Market Trends 12

Market Growth 12

Industry Analysis 13

Small Specialty Stores 13

Large Multi-owned Western Wear Retailers 13

Main Competitors 13

Strategy and Implementation Summary 14

Competitive Edge..... 14

Marketing Strategy..... 14

Pricing Strategy..... 14

Promotion Strategy 14

Distribution Strategy 15

Marketing Programs..... 15

Positioning Statement 15

Sales Strategy 15

Sales Forecast..... 15

Table: Sales Forecast 16

Chart: Sales by Year 17

Milestones 17

Chart: Milestones..... 18

Management Summary 18

Organizational Structure 18

Management Team..... 19

Personnel Plan..... 19

Table: Personnel..... 19

Financial Plan..... **20**

Important Assumptions 20

Table: General Assumptions..... 20

Key Financial Indicators 20

Chart: Benchmarks 21

Break-even Analysis 21

Table: Break-even Analysis 21

Chart: Break-even Analysis 22

Projected Profit and Loss 23

Chart: Profit Yearly 23

Table: Profit and Loss 24

Projected Cash Flow 25

Table: Cash Flow..... 25

Chart: Cash..... 26

Projected Balance Sheet..... 27

Table: Balance Sheet 27

Business Ratios 28

Table: Ratios..... 28

Appendix..... **i**

Sales Forecast (With Monthly Detail) i

Personnel (With Monthly Details) ii

General Assumptions (With Monthly Detail)..... iii

Profit and Loss Statement (With Monthly Detail) iv

Cash Flow Statement (With Monthly Detail) v

Balance Sheet (With Monthly Detail)..... vi

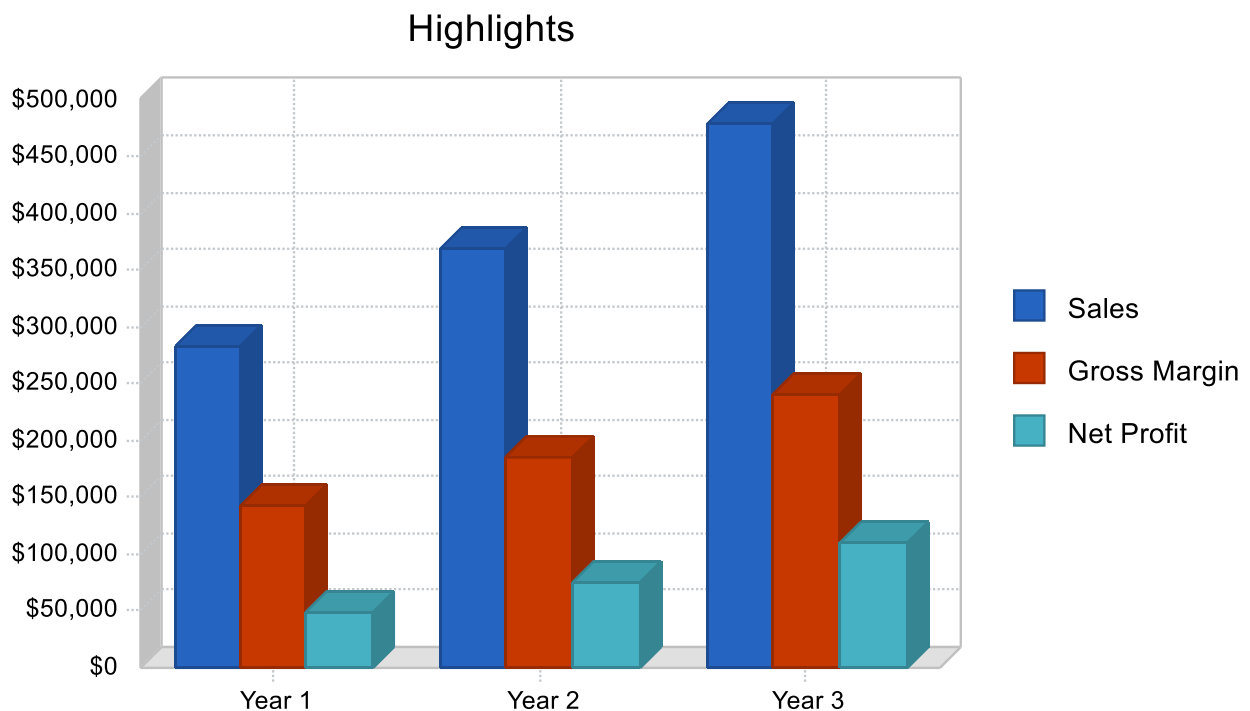
Executive Summary

Mahogany Western Wear is a new apparel store that caters to the African-American cowboy community in Houston, Texas. As our name suggests our focus is to provide western wear apparel and accessories, and position ourselves as the top retail store servicing this particular market.

We are the first and only African-American owned western apparel store in the city of Houston. Our intentions are to obtain 80% market share and become a central hub of shopping activity for the local African-American cowboy population as well others who enjoy wearing western apparel.

Mahogany Western Wear will be located at 13328 1/2 Almeda Rd., Houston, TX in southwest Houston, TX. Mahogany Western Wear has centralized itself directly in position to the residential location and social activities of our target market. We believe that this is critical to our initial success and long-term growth.

Chart: Highlights



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Objectives

- To create a shopping environment that caters to the apparel needs of the urban African-American cowboy and cowgirl.
- To earn 80% market share and become the number one ethnic western wear apparel store in southwest Houston, TX and achieve name recognition in the local cowboy community.
- To receive a 50% profit margin within the first year.
- To have a customer base of 1,000 by the end of the first operating year.
- To achieve a net profit of \$75,000 by year two and \$100,000 by year three.
- To be an active and vocal member in the community supporting agricultural events, and equestrian organizations working with children.

Mission

Mahogany Western Wear's mission is to offer quality, name brand western wear in an assortment of sizes and styles to accommodate all varying body styles and shapes.

Keys to Success

In order to succeed in the western wear apparel industry Mahogany Western Wear must:

- Carry an assortment of sizes to fit the more ample frames of their African-American target customer base.
- Provide customers with top notch personalized customer service in an atmosphere of southern hospitality.
- Advertise and promote in areas that our target customer base will learn about our store.
- Continuously review our inventory and sales and adjust our inventory levels accordingly.

Company Summary

Mahogany Western Wear is organized as a partnership among the two partners of Chandra E. Miller and Derrick L. McCoy.

We will be located at 13328 1/2 Almeda Rd, Houston, TX, being the epi-center of the African-American cowboy community on the south side of Houston.

The hours of operation will be Monday - Tuesday 10 a.m. - 6 p.m., Wednesday - Saturday 10 a.m. - 8 p.m., and Sunday 12 p.m. - 6 p.m. There will be extended special hours designated during The Houston Livestock Show & Rodeo season and during the Christmas holiday shopping season.

All merchandise will be purchased according to the company's mission and customer focus of outfitting all sizes including women's plus sizes and men's big and tall.

Company Ownership

Mahogany Western Wear is organized as a partnership among the two partners of Chandra E. Miller and Derrick L. McCoy. Chandra E. Miller will handle all administrative and managerial duties while Derrick L. McCoy acts as a silent partner.

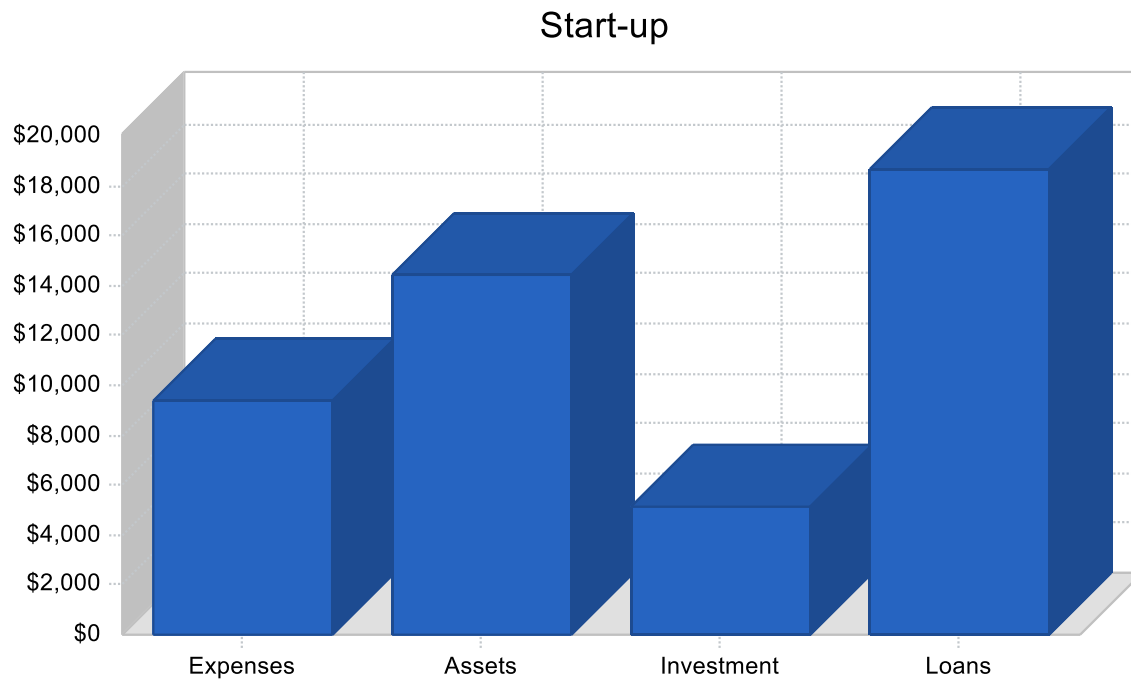
Start-up Summary

Mahogany Western Wear's incorporation costs are listed below. The company will start with three months inventory on hand for apparel and accessories as this is the main revenue generator. The majority of the company's assets will reside in inventory. The opening days cash on hand balance will be \$384.

The purpose of this business plan is to secure a \$16,700 ACCION loan. This supplemental financing is required to work on site preparation, inventory, and operational expenses. The loan amount appears in the long-term liability row of the start-up summary. Other financing will include an owners investment of \$5,100 and a short term revolving line of credit of \$2,000 for inventory replenishment during months of high receipts.

Successful operation and building a loyal customer base will allow Mahogany Western Wear to be self sufficient and profitable in year two.

Chart: Start-up



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Table: Start-up Funding

<i>Start-up Funding</i>	
Start-up Expenses to Fund	\$9,416
Start-up Assets to Fund	\$14,384
Total Funding Required	\$23,800
Assets	
Non-cash Assets from Start-up	\$14,000
Cash Requirements from Start-up	\$384
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$384
Total Assets	\$14,384
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$16,700
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$2,000
Total Liabilities	\$18,700
Capital	
Planned Investment	
Owners Investment - Cash	\$5,100
Other	\$0
Additional Investment Requirement	\$0
Total Planned Investment	\$5,100
Loss at Start-up (Start-up Expenses)	(\$9,416)
Total Capital	(\$4,316)
Total Capital and Liabilities	\$14,384
Total Requirements	\$23,800

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Table: Start-up

<i>Start-up</i>	
Requirements	
Start-up Expenses	
Rent	\$1,606
Grand Opening Event	\$400
Telephone & Utilities (3 months)	\$1,575
Travel - Dallas Market Buying Trip	\$350
Business Insurance	\$600
Advertising & Promotion	\$1,010
Store Fixtures/Decorations	\$1,500
Computer/Cash Register	\$950
Signage (Including Permits)	\$400
Organizational Dues & Subscriptions	\$125
Business/Office Supplies	\$400
Other	\$500
Total Start-up Expenses	\$9,416
Start-up Assets	
Cash Required	\$384
Start-up Inventory	\$14,000
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$14,384
Total Requirements	\$23,800

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Company Locations and Facilities

Mahogany Western Wear will be located at 13328 1/2 Almeda Rd., Houston, TX 77045. This space has 1,020 square feet and has been leased for two years. This location is central to the geographical location for the African-American cowboy community in the southern part of Houston, TX. We feel it is essential to our initial and ongoing success that we locate ourselves in the heartbeat of the community. We also strive to create an atmosphere of acceptance and community, as well as a retail environment where individuals can identify and bond with their culture.

All business deliveries and shipments will be handled through the store. The company office will also be housed at this location.

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Products

Mahogany Western Wear will carry nationally recognized American western wear brands (see list below). Our selection will range from the basics of Wrangler to the trendy western style of Western Ethics. We will be purchasing through sales representatives and manufacturers in a variety of sizes, colors and style to fit our target market base. The greatest percentage of merchandise will be in apparel, followed by accessories, hats, and gifts.

Management will rely on customer feedback, suggestions, and sales reports to introduce or eliminate certain brands, styles and sizes.

Product Description

Mahogany Western Wear will provide a selection of brands that fall within our mission statement. Our goal is to carry a selection of labels from the hardcore western wear to the more sophisticated southwestern styles.

Some of the labels we will carry are listed below:

Table: Carried Labels

<i>Carried Labels</i>	
Cinch	Rouchrider of Circle T
Circle Y of Yoakum	Silver Strike Buckles
Cowboy Hardware	Sunbody Hats
Hat 'N' Hand	20X by Wrangler
Lawman Jeans	Urgent Gear
Panhandle Slim	Western Ethics
Rocky Mountains	Wrangler

Competitive Comparison

Mahogany Western Wear has a number of advantages that will allow us to build our brand identity, add value to our merchandise and build a loyal customer base while standing apart from our competitors.

- We will be the first African-American-owned western wear apparel retailer in Houston, TX.
- The 'Mahogany Shopper Card' will entitle customers to a 15% discount after ten purchases.
- We will offer clothing to fit plus-size women and big and tall men.

- We will create a sense of culture and bonding with the community by offering products that combine both the African-American and cowboy cultures.
- Our location is central to our target customer base.
- We will maintain a detailed record on each customer, logging addresses, their purchases, size, and brand for customer follow-up and in-house promotional purposes.

Sales Literature

Mahogany Western Wear will use a targeted advertising and sales program to generate publicity and build a customer base.

- 2,500 full-color postcard flyers with a 10% coupon will be distributed throughout southwest Houston area: local zydeco and cowboy dance halls and clubs, rodeos, trail riding events, two weeks prior to the grand opening event.
- 200 grand opening invites will be mailed to potential new customers two weeks before the grand opening in June, 2002. The invitation will also include a promotional 10% coupon off a customer's first purchase. The customer mailing list has been compiled from contacts the owners have made while in the community.
- 5,000 business cards with a Mahogany Frequent Shopper Card on the reverse side entitling the customer to a 15% discount on the eleventh purchase after ten purchases.

Sourcing

We will shop for our merchandise as outlined below:

- With manufacturers who have a regional representative and showroom located at the Dallas Market Center, we will place our weekly and monthly reorders with them and review new products. For all other brands we will work directly with the manufacturer and utilize product catalogs and line sheets.
- August 2002 is the International Western Apparel Tack & Accessories Show, the largest regional show for western wear and southwestern influence apparel featuring the latest collections of all brands with regional representatives. All orders will be placed for Fall lines not previously viewed and placement orders for Holiday 2002 and Spring 2003 will begin.

The Dallas Market Center is the largest wholesale merchandise mart and was the first to have a permanent facility to unite regional wholesalers under one roof. 2350 Stemmons is a 400,000 square foot, six story building that houses all major manufacturers of boots, hats and other western apparel.

The Dallas Market Center offers to all registered buyers, special events, fashion shows, product displays and demonstrations, educational programs, seminars, new buyer's kits and registrations, special buying programs and first Monday and Tuesday Design Events.

With the Dallas Market Center being only a four hour drive and 250 miles away from Houston, TX, this makes it a prime sourcing for Mahogany Western Wear in servicing its retail needs.

We will also work to solidify our relationships with sales representatives and vendors so that we may achieve decreased cost of goods. Our competitors, (both direct and indirect) purchase from the same sources and we believe that through marketing programs and strategic alliances we will begin to gain a competitive advantage.

Technology

Retail apparel establishments have a tendency to have a high number of SKU's because of the level of inventory. It is imperative that an advanced inventory and point of sales program be utilized to maintain stock levels and track sales. Mahogany Western Wear will utilize Peachtree Accounting software for all financial and accounting purposes. For inventory management and point of sale transactions we will utilize Retail I.C.E. (Inventory Control Expert) software. This product is a Windows-based software that allows the small, single store retailer to manage their inventory and point of sale functions all in one.

Our business plan will be generated and reviewed on a bi-annual basis using the most updated version of Business Plan Pro from Palo Alto Software and reviewed quarterly to ensure all financial goals and objectives are being reached. Palo Alto's companion software, Marketing Plan Pro, will allow us to make the most of our limited marketing budget by focusing our communications on our target markets and enhancing our marketing knowledge.

Future Products

As we achieve and exceed our sales and profitability goals, Mahogany Western Wear will add western boots to the product line and our own personal in-house label of clothing that will include Mahogany t-shirts for women and shirts for men. We will expand our line of brands with those that have been repeatedly requested by our customers. An e-commerce website will also be created to increase our distribution channels and expand our customer base to a national level.

Market Analysis Summary

The primary target customer of Mahogany Western Wear will be the African-American cowboys located in the southern part of Houston, TX. As we are situated in the epi-center of their residential community we believe they will make up the largest percentage of our customer base.

The secondary target customers are the Hispanic community in the area. As the Hispanic population continues to grow rapidly in the south central area we expect to receive the patronage of Hispanics as they are very loyal to western apparel.

The last target customer of Mahogany is listed as other. As popularity about the store increases we expect to see an assortment of curiosity seekers, and local residents from the community as well as seasonal purchasers during rodeo season.

Market Segmentation

The African-American cowboy population is concentrated heavily in the southwestern part of the city therefore leading to the highest concentration of our customer base.

The Hispanic community, which is a growing population in the community in which the store is located, has statistically shown to be loyal to the major western brands such as Wrangler.

The last area of potential customers is labeled as "other." Because Mahogany Western Wear offers a variety of western and southwestern wear apparel, along with accessories and gifts we feel that we will attract many curious shoppers. Our ambience and customer service will make them repeat customers.

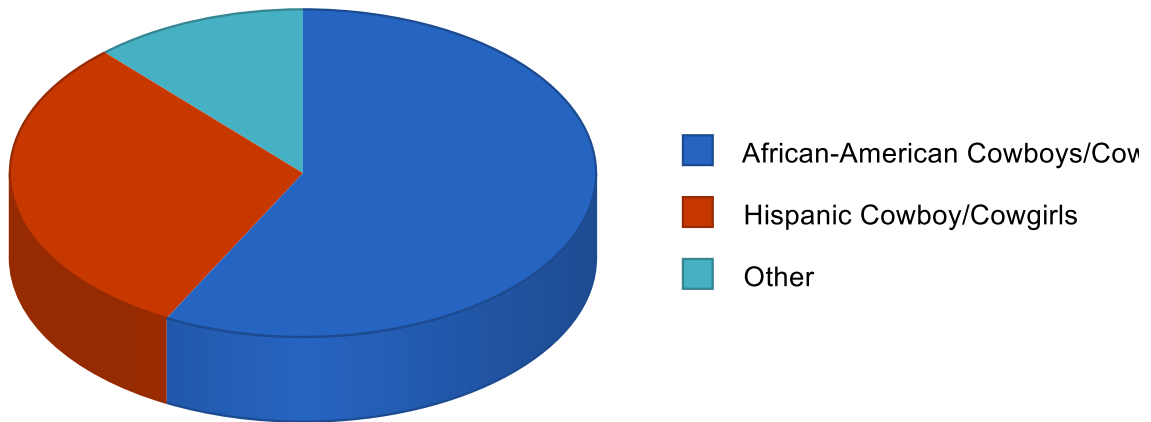
Table: Market Analysis

<i>Market Analysis</i>		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
African-American Cowboys/Cowgirls	10%	18,247	19,981	21,879	23,958	26,234	9.50%
Hispanic Cowboy/Cowgirls	15%	9,682	11,134	12,804	14,725	16,934	15.00%
Other	10%	3,724	4,096	4,506	4,957	5,453	10.00%

Total	11.33%	31,653	35,211	39,189	43,640	48,621	11.33%
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Chart: Market Analysis (Pie)

Market Analysis (Pie)



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Target Market Segment Strategy

The goal of Mahogany Western Wear is to serve the local African-American cowboy community that have difficulty finding western clothes that fit their larger frames. We will also serve the Hispanic community which tends to have a slimmer yet shorter frame.

Both of these markets are underserved in the major western retailer outlets.

Market Needs

There are several important needs in the western wear apparel business that are being either underserved or not met at all. Mahogany Western Wear plans to meet and service those needs.

- Mahogany will provide a large assortment of sizes to compliment the various body shapes and sizes of the ethnic community. This is a size segment that is missing throughout the larger western wear apparel retailers in the city.
- Focus and attention to customer's personal preferences and customer retention will be given high priority. Because of the high rate of employee turnover at major mass retailers, customer service and personal detail has been lost.

Market Trends

Millions of people around the world instantly recognize and identify with western apparel. It is synonymous with America and is a true classic.

Western wear has survived many eras. Modern cowboys herd cattle in helicopters but they still wear the same jeans, boots and hats their grandfathers wore. There will always be a future for western apparel. Within the last two years the southwestern and western look has made a comeback in the fashion industry. Mahogany Western Wear intends to use its place in the community to heighten the awareness of the African-American cowboy culture in Houston, TX.

With the increase of participation by professional African-American cowboys such as five-time World Champion professional calf roper Fred Whitfield from Houston, TX more people are becoming aware of African-Americans role and contribution in the cowboy community.

Market Growth

Market growth is in an upward motion, despite some of the latest economic downturns in the Houston metro area. According to a report by the City of Houston Economy & Trade, Houston ranked second in the rate of job growth among the nation's 10 largest cities during 2000. Although for the time being, Houston will mirror much of the national economy, by the second half of 2002 Houston will again see positive growth as the city is predicted to add another 15,000 jobs. In the 12 months ending in January 2002, the city posted a net gain of 7,500 jobs while the nation as a whole lost 1.2 million. It is important to note that 90% of the new jobs are in the non-energy dependent sectors thereby adding to the city's economy and economic diversity.

Houston has also been designated as the best city in the U.S. to start a new business. For three consecutive years, Houston has ranked first in the nation in new business growth, according to American Business Information. The most recent survey shows that more than 31,000 new local businesses were started in Houston. Los Angeles, California was a distant second with 16,780.

For these reasons and more, Houston is considered an economic leader in America. Economy.com has analyzed America's 40 largest metro areas and predicts Houston's Gross Area Product will do better than any other city through the second quarter of 2002. Industry Week named Houston one of 12 world class cities for manufacturing and Black Enterprise has ranked

Houston as the top U.S. city for blacks based on income potential, cost of living, proximity to employers, cost of housing and 21 quality-of-life factors.

Industry Analysis

Western wear apparel retailers are made of several kinds of stores:

Small Specialty Stores

The majority of western wear apparel is sold through small family-run specialty stores that are located in or near neighborhood communities. 85% of the purchasing statistics for western apparel is derived from these locations.

Large Multi-owned Western Wear Retailers

These large stores mass market and sell to hardcore enthusiasts as well as the local tourists and those who purchase only during rodeo season.

Main Competitors

Mahogany Western Wear has three competitors within a 15 miles radius of its location.

Cavender's Boot City, which is located approximately 7.1 miles from our location is our closest competitor. Cavender's is one of the largest western wear apparel stores in the state of Texas. They operate 42 stores and sell basic western wear apparel and boots to the general mass market. Because of Cavender's size they have a large percentage of the market share but still only cater to what the apparel industry considers to be the average size. Locating plus size clothing for women and big and tall sizes for men can be extremely difficult. They also tend to be a bit behind the market in offering more contemporary western styles. Because of Cavender's size they have also lost some of their customer service skills as employee turnover is high.

Barbecue Hall of Fame, located approximately 9.3 miles from our store. The Barbecue Hall of Fame retail outlet combines the atmosphere of Goode & Co. BBQ restaurant with shopping and a prime tourist attraction. They offer an eclectic mix of old west meets new west with apparel, grills, cookware, and gift items. BBQ Hall of Fame doesn't do any advertising or promotions of their retail outlet so if you don't visit The Goode & Co. restaurant you wouldn't know about the retail establishment.

Turner Saddlery is approximately 12.1 miles from Mahogany Western Wear and is the farthest of the three competitors. Turner Saddlery is a family-owned western apparel with two stores in the Houston area and one store in Conroe, TX. Their customer base tends to be more upscale as they carry more of the high end western labels such as Saddle Ridge and Lucchese. They also carry housewares and bedding items of which Cavender's and BBQ Hall of Fame does not carry.

They have few plus sizes for women and big and tall for men. Also, Turner Saddlery does very little advertising and promotion.

Strategy and Implementation Summary

Mahogany Western Wear's goal is to provide apparel to the under served market of the African-American cowboy community. The major western apparel retailers have left a hole in this market by not providing a larger assortment of sizes.

Our intention is to gain 80% of this market share by focusing on our niche positioning, neighborhood location, brand that we sell, southern hospitality and special promotions.

Competitive Edge

- The Mahogany Shopper Card which allows the customer a 15% discount after ten purchases.
- Our location in the community will offer closer access to our target customer base.
- We will offer plus sizes for women and big and tall sizes for men.

Marketing Strategy

Our marketing strategy will focus heavily on sales promotion, niche positioning in the market and customer service with loyalty and retention in sales.

- The marketing budget will not exceed 5% of our gross annual sales.
- Our promotions will always stay in tune with our company objectives and mission statement.

Pricing Strategy

Mahogany Western Wear will maintain a flexible pricing strategy. We base the product lines that we carry on their reputation and quality as western wear apparel. Most of our lines come with a suggested retail price that we will follow. We will also utilize the standard practice of keystone pricing as well.

Promotion Strategy

Mahogany Western Wear will follow an aggressive yet creative promotional plan. This will allow us to focus directly on our target customer while still being conservative with our advertising dollars.

- A press release kit will be sent to all major media outlets in Houston, TX highlighting the grand opening of the first African-American owned western wear apparel retailer in the city. This kit will include a press release, pictures of the interior space, color postcard/flyer, and a business card.
- 5,000 4x5 color flyers/postcards will be distributed throughout the city at local zydeco and cowboy dance halls and clubs, trailrides and rodeos.
- Spot radio advertisements on two local FM radio stations, KMJQ Majic 102 and KTSU 90.9.
- A direct mail program that will further focus on and target the top 50% customer base with special in-house sales and promotions.

Distribution Strategy

Our retail location will be the foundation of building our customer base. We will also manage a direct mail program that will focus on our top 50% customers spotlighting any in-house sales and promotions.

Marketing Programs

Our marketing programs will consist of the distribution of 5,000 color flyers two weeks prior to our grand opening event.

Positioning Statement

For the more full-bodied individual seeking western apparel, Mahogany Western Wear will offer name brand western wear in a larger assortment of styles and sizes that aren't always readily available in the mass western apparel retailers.

Sales Strategy

- We will utilize the Retail ICE POS software with every sales transaction. With each purchase the software will record and maintain in its database the customer's name, address and purchases. This information will be used with our direct mailing program to focus on our top 50% of customers.
- We will offer a 14 day return/exchange policy to build trust with our customers and maintain retention and loyalty.

Sales Forecast

The following table and chart give a highlight on forecasted sales. We expect sales to start off conservatively and increase extensively during the Christmas holiday shopping season and during the months of The Houston Livestock Show and Rodeo.

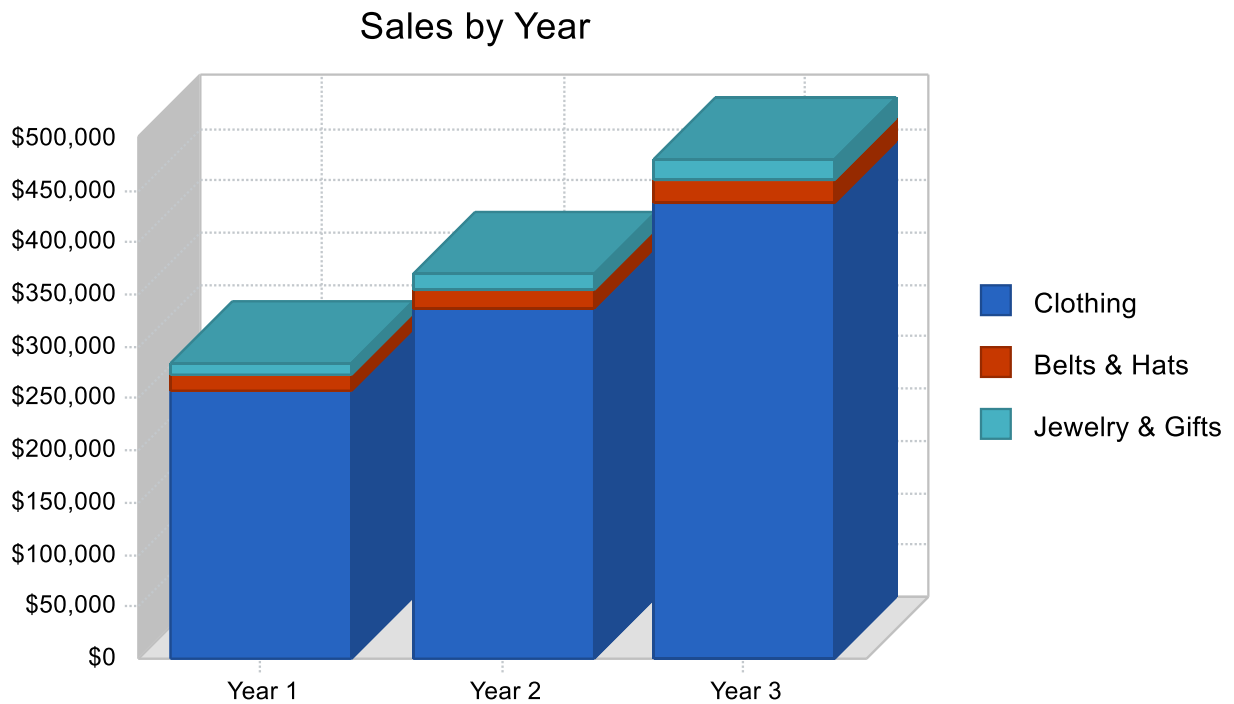
Mahogany Western Wear has planned for a rate of growth at 15% for the first year as we build name recognition and status in the community. In the second and third year we look to see an increase of revenue of 20% as we gain a larger percentage of the market share and increase our customer base beyond the southwest part of the city.

Table: Sales Forecast

<i>Sales Forecast</i>			
	Year 1	Year 2	Year 3
Unit Sales			
Clothing	5,175	6,728	8,746
Belts & Hats	285	371	482
Jewelry & Gifts	560	728	946
Total Unit Sales	6,020	7,826	10,173
Unit Prices	Year 1	Year 2	Year 3
Clothing	\$50.00	\$50.00	\$50.00
Belts & Hats	\$50.00	\$50.00	\$50.00
Jewelry & Gifts	\$20.00	\$20.00	\$20.00
Sales			
Clothing	\$258,750	\$336,375	\$437,288
Belts & Hats	\$14,250	\$18,525	\$24,083
Jewelry & Gifts	\$11,200	\$14,560	\$18,920
Total Sales	\$284,200	\$369,460	\$480,290
Direct Unit Costs	Year 1	Year 2	Year 3
Clothing	\$25.00	\$25.00	\$25.00
Belts & Hats	\$25.00	\$25.00	\$25.00
Jewelry & Gifts	\$10.00	\$10.00	\$10.00
Direct Cost of Sales			
Clothing	\$129,375	\$168,188	\$218,644
Belts & Hats	\$7,125	\$9,263	\$12,041
Jewelry & Gifts	\$5,600	\$7,280	\$9,460
Subtotal Direct Cost of Sales	\$142,100	\$184,730	\$240,145

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Chart: Sales by Year

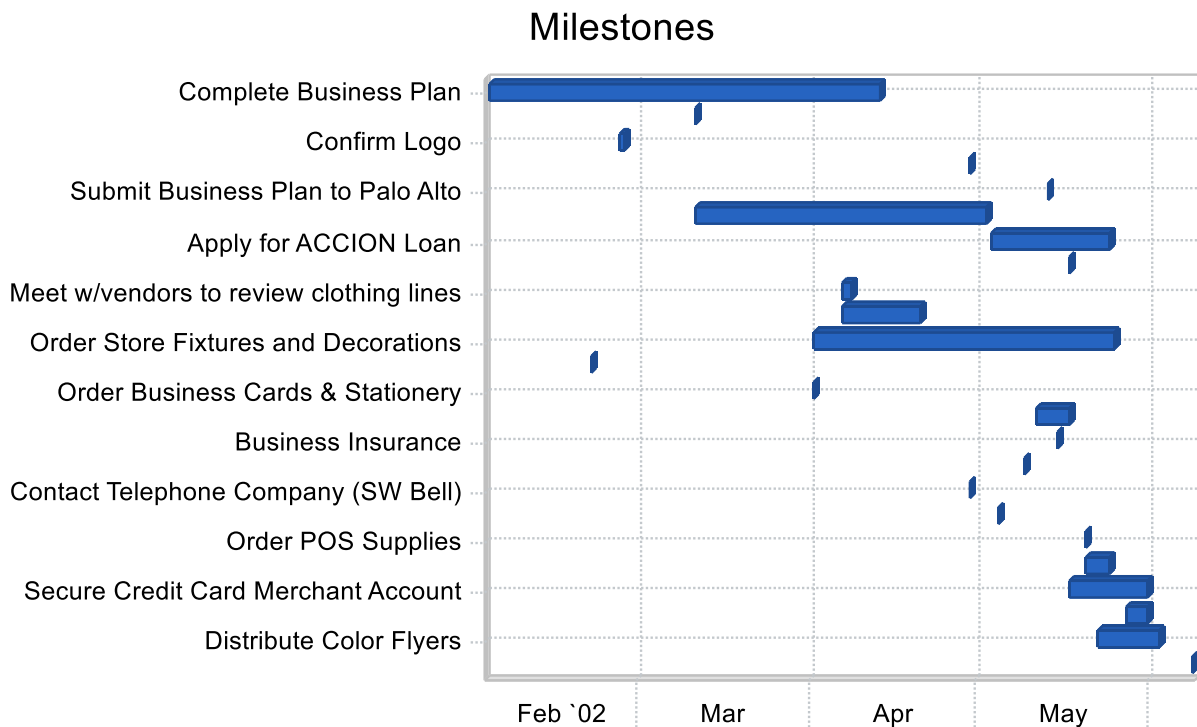


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Milestones

The accompanying milestone chart highlights our plan with specific dates. This schedule reflects our strong commitment to organization and detail.

Chart: Milestones



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Management Summary

Employees will be encouraged to work within their creative, physical, and intellectual boundaries. All duties will be divided and delegated according to strengths and weaknesses. At Mahogany we will expect a high degree of customer service skills and personality as this is essential to our success.

Chandra Miller will assess the productivity and perform informal employees evaluations of all employees every six months. These bi-annual evaluations are conducive to the continued growth of our small business.

Organizational Structure

Mahogany Western Wear is a small business and therefore requires a simple organizational structure. Chandra Miller will act a general manager. All decisions are made in-line with the

company objectives. Employee tasks are delegated based upon their level of expertise, creativity, strengths and weaknesses.

Management Team

Chandra E. Miller, co-owner and general manager will be responsible for all administrative functions, purchasing, inventory control, and promotions. She will also act as a part-time sales representative. She has spent over 10 years in accounting, finance and operations management. She was also the owner of Tattletale's, an e-commerce toy store for three years. She has extensive background in purchasing, inventory control, and marketing.

Personnel Plan

The personnel plan is included in the following table below. There will be one full-time employee and two part-time employees working 20-30 hours per week. The full-time employee will be paid at a rate of \$10.00 per hour and the two part-time employees will be paid at a rate of \$8.00 per hour. All employee's will benefit from a one day paid holiday on their respective birthdays and one week of paid vacation after twelve months of employment.

At this time medical benefits will not be offered to employees. As profits increase in the future medical benefits will be offered to all employees.

Table: Personnel

<i>Personnel Plan</i>	Year 1	Year 2	Year 3
Owner	\$11,475	\$12,623	\$13,885
Full-time position	\$20,400	\$22,440	\$24,684
Part-time position	\$12,240	\$13,464	\$14,810
Total People	3	3	3
Total Payroll	\$44,115	\$48,527	\$53,379

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Financial Plan

The growth of Mahogany Western Wear will be moderate and the cash balance will always be positive. Being a retail environment we will not be selling on credit. We will accept cash, checks, and all major credit cards. TeleCheck Services will be used as the check guaranty system to help reduce the percentage of loss on bad checks. Marketing and advertising will remain at or below 5% of sales. We will continue to reinvest residual profits into company expansion, and personnel.

Important Assumptions

Mahogany Western Wear does not sell on credit nor do we offer layaways at this time. We accept cash and checks, Visa, MasterCard, Discover and American Express. All sales paid via credit cards will be deposited in our business checking account within 48 hours. Our business checking account will be with Washington Mutual. They have reported the interest rate as those listed below.

Table: General Assumptions

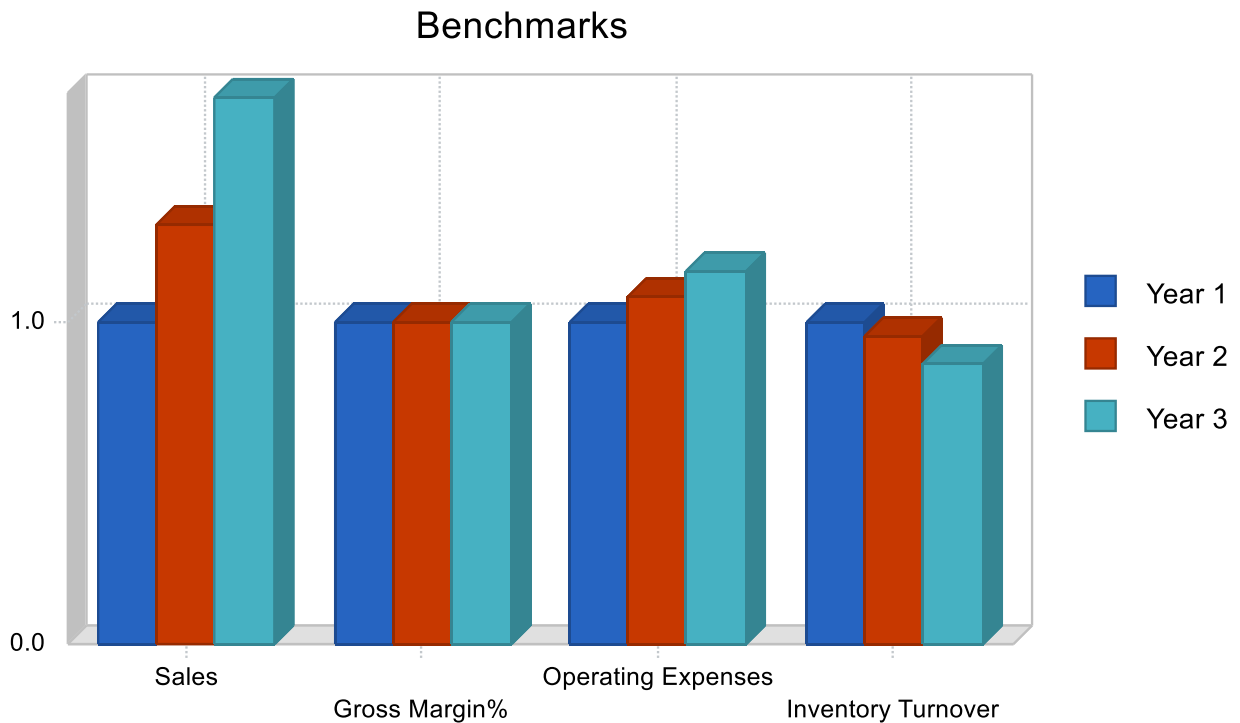
<i>General Assumptions</i>	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%
Other	0	0	0

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Key Financial Indicators

The following chart shows the benchmark figures for Mahogany Western Wear.

Chart: Benchmarks



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Break-even Analysis

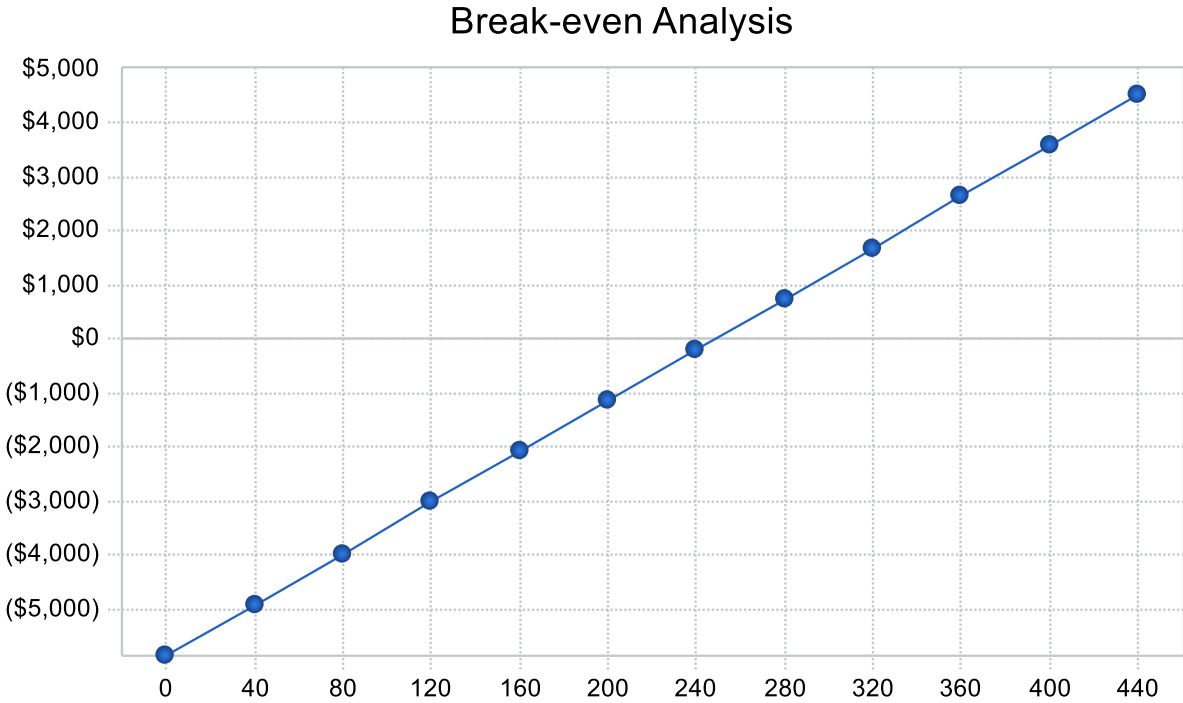
A break-even analysis table has been completed on the basis of average costs/prices. With fixed costs of \$5,800, ~\$47 in average sales, and \$23 in an average variable costs, we need \$11,700 per month in sales to break even.

Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Units Break-even	248
Monthly Revenue Break-even	\$11,712
Assumptions:	

Average Per-Unit Revenue	\$47.21
Average Per-Unit Variable Cost	\$23.60
Estimated Monthly Fixed Cost	\$5,856

Chart: Break-even Analysis

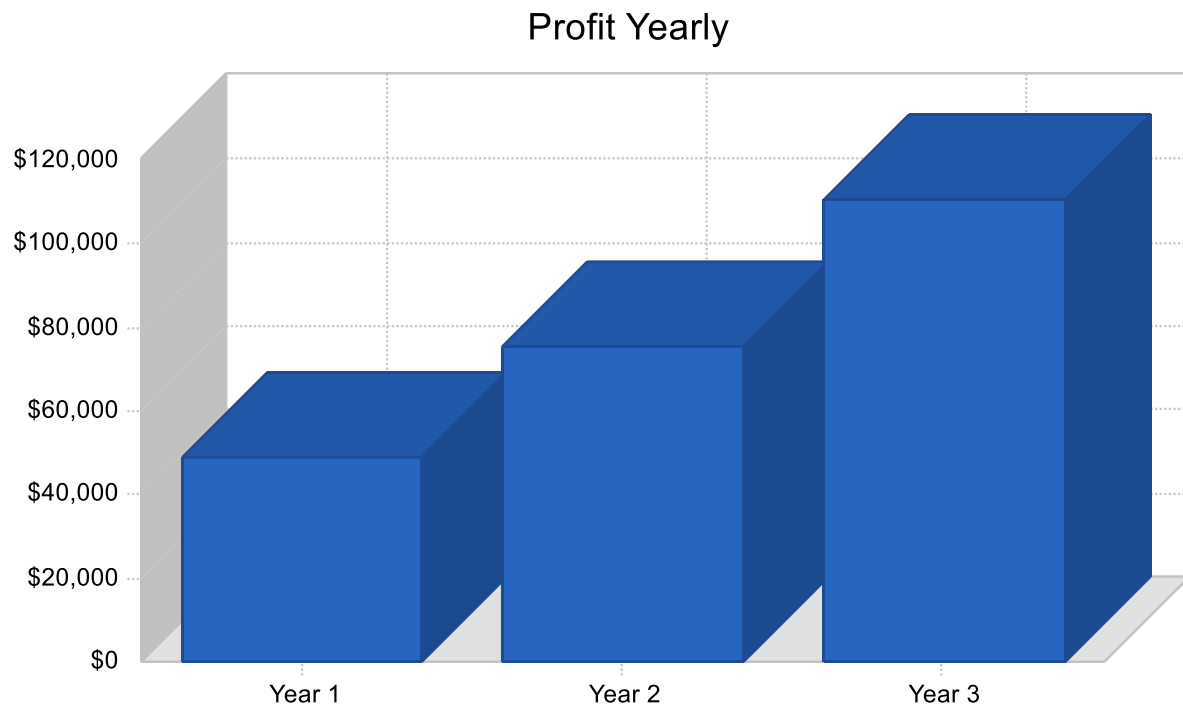


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Projected Profit and Loss

The following chart and table will indicate projected profit and loss.

Chart: Profit Yearly



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Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>			
	Year 1	Year 2	Year 3
Sales	\$284,200	\$369,460	\$480,290
Direct Cost of Sales	\$142,100	\$184,730	\$240,145
Other Production Expenses	\$0	\$0	\$0
Total Cost of Sales	\$142,100	\$184,730	\$240,145
Gross Margin	\$142,100	\$184,730	\$240,145
Gross Margin %	50.00%	50.00%	50.00%
Expenses			
Payroll	\$44,115	\$48,527	\$53,379
Sales and Marketing and Other Expenses	\$15,448	\$15,523	\$15,834
Depreciation	\$0	\$0	\$0
Telephone / Pagers/ Cell	\$1,800	\$1,800	\$1,836
Utilities	\$4,500	\$4,800	\$4,896
Payroll Taxes	\$4,412	\$4,853	\$5,338
Other	\$0	\$0	\$0
Total Operating Expenses	\$70,275	\$75,502	\$81,283
Profit Before Interest and Taxes	\$71,826	\$109,228	\$158,862
EBITDA	\$71,826	\$109,228	\$158,862
Interest Expense	\$1,491	\$1,175	\$845
Taxes Incurred	\$21,100	\$32,416	\$47,405
Net Profit	\$49,234	\$75,637	\$110,612
Net Profit/Sales	17.32%	20.47%	23.03%

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Projected Cash Flow

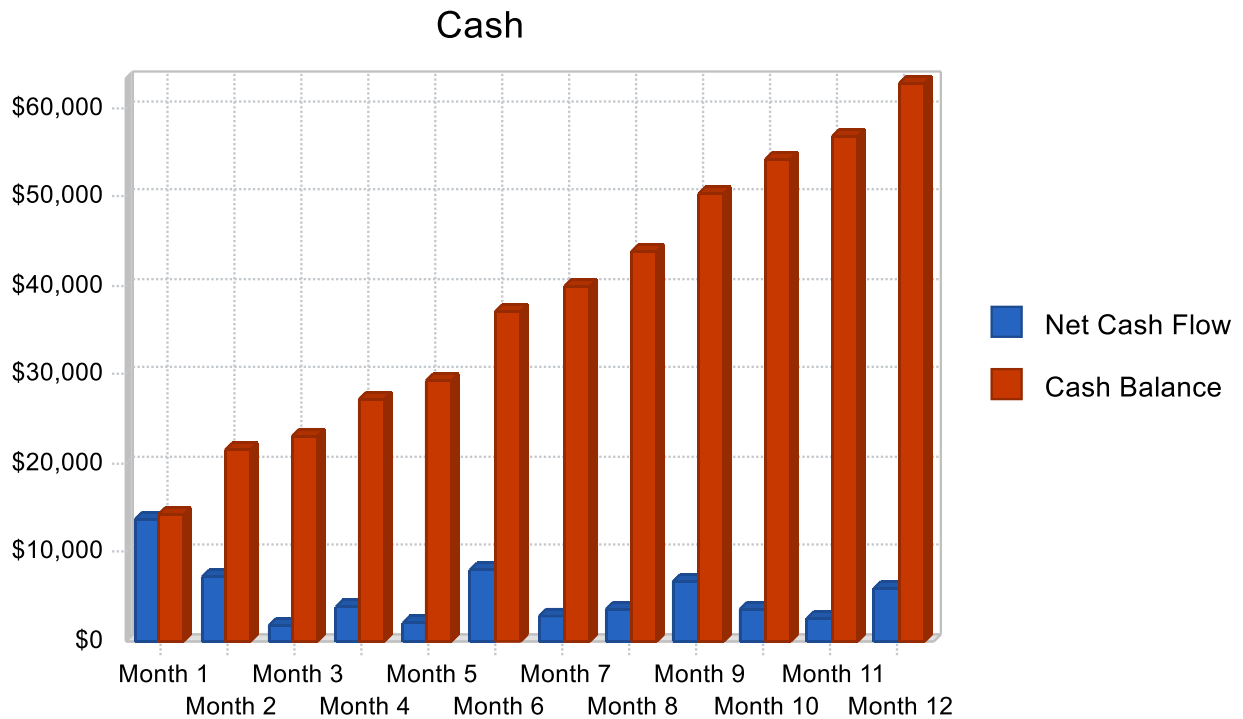
The following table explains projected cash flow.

Table: Cash Flow

<i>Pro Forma Cash Flow</i>	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$284,200	\$369,460	\$480,290
Subtotal Cash from Operations	\$284,200	\$369,460	\$480,290
Additional Cash Received			
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	\$284,200	\$369,460	\$480,290
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	\$44,115	\$48,527	\$53,379
Bill Payments	\$174,454	\$248,835	\$317,235
Subtotal Spent on Operations	\$218,569	\$297,361	\$370,613
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	\$3,300	\$3,300	\$3,300
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$221,869	\$300,661	\$373,913
Net Cash Flow	\$62,331	\$68,799	\$106,377

Cash Balance	\$62,715	\$131,514	\$237,890
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Chart: Cash



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Projected Balance Sheet

The following table explains the projected balance sheet.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$62,715	\$131,514	\$237,890
Inventory	\$13,365	\$22,014	\$28,617
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$76,080	\$153,527	\$266,507
Long-term Assets			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0
Total Assets	\$76,080	\$153,527	\$266,507
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	\$15,762	\$20,872	\$26,540
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$2,000	\$2,000	\$2,000
Subtotal Current Liabilities	\$17,762	\$22,872	\$28,540
Long-term Liabilities	\$13,400	\$10,100	\$6,800
Total Liabilities	\$31,162	\$32,972	\$35,340
Paid-in Capital	\$5,100	\$5,100	\$5,100
Retained Earnings	(\$9,416)	\$39,818	\$115,455
Earnings	\$49,234	\$75,637	\$110,612
Total Capital	\$44,918	\$120,555	\$231,167
Total Liabilities and Capital	\$76,080	\$153,527	\$266,507
Net Worth	\$44,918	\$120,555	\$231,167

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Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 5699, Miscellaneous Apparel and Accessory stores.

Table: Ratios

<i>Ratio Analysis</i>	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	30.00%	30.00%	0.20%
Percent of Total Assets				
Inventory	17.57%	14.34%	10.74%	49.00%
Other Current Assets	0.00%	0.00%	0.00%	23.00%
Total Current Assets	100.00%	100.00%	100.00%	81.40%
Long-term Assets	0.00%	0.00%	0.00%	18.60%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	23.35%	14.90%	10.71%	40.70%
Long-term Liabilities	17.61%	6.58%	2.55%	15.20%
Total Liabilities	40.96%	21.48%	13.26%	55.90%
Net Worth	59.04%	78.52%	86.74%	44.10%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	50.00%	50.00%	50.00%	38.30%
Selling, General & Administrative Expenses	32.72%	29.62%	27.09%	22.10%
Advertising Expenses	0.00%	0.02%	0.02%	2.10%
Profit Before Interest and Taxes	25.27%	29.56%	33.08%	0.70%
Main Ratios				
Current	4.28	6.71	9.34	2.22
Quick	3.53	5.75	8.34	0.62
Total Debt to Total Assets	40.96%	21.48%	13.26%	55.90%
Pre-tax Return on Net Worth	156.58%	89.63%	68.36%	1.70%
Pre-tax Return on Assets	92.45%	70.38%	59.29%	3.80%
Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	17.32%	20.47%	23.03%	n.a

Return on Equity	109.61%	62.74%	47.85%	n.a
Activity Ratios				
Inventory Turnover	10.91	10.44	9.49	n.a
Accounts Payable Turnover	12.07	12.17	12.17	n.a
Payment Days	27	26	27	n.a
Total Asset Turnover	3.74	2.41	1.80	n.a
Debt Ratios				
Debt to Net Worth	0.69	0.27	0.15	n.a
Current Liab. to Liab.	0.57	0.69	0.81	n.a
Liquidity Ratios				
Net Working Capital	\$58,318	\$130,655	\$237,967	n.a
Interest Coverage	48.16	92.96	188.00	n.a
Additional Ratios				
Assets to Sales	0.27	0.42	0.55	n.a
Current Debt/Total Assets	23%	15%	11%	n.a
Acid Test	3.53	5.75	8.34	n.a
Sales/Net Worth	6.33	3.06	2.08	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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Appendix

Sales Forecast (With Monthly Detail)

<i>Sales Forecast</i>													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
Unit Sales													
Clothing	0%	325	350	350	400	400	475	500	475	500	500	450	450
Belts & Hats	0%	15	15	15	20	20	30	30	35	35	30	20	20
Jewelry & Gifts	0%	40	40	40	40	40	65	65	50	50	50	40	40
Total Unit Sales		380	405	405	460	460	570	595	560	585	580	510	510
Unit Prices													
Clothing		\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Belts & Hats		\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Jewelry & Gifts		\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Sales													
Clothing		\$16,250	\$17,500	\$17,500	\$20,000	\$20,000	\$23,750	\$25,000	\$23,750	\$25,000	\$25,000	\$22,500	\$22,500
Belts & Hats		\$750	\$750	\$750	\$1,000	\$1,000	\$1,500	\$1,500	\$1,750	\$1,750	\$1,500	\$1,000	\$1,000
Jewelry & Gifts		\$800	\$800	\$800	\$800	\$800	\$1,300	\$1,300	\$1,000	\$1,000	\$1,000	\$800	\$800
Total Sales		\$17,800	\$19,050	\$19,050	\$21,800	\$21,800	\$26,550	\$27,800	\$26,500	\$27,750	\$27,500	\$24,300	\$24,300
Direct Unit Costs													
Clothing	0%	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Belts & Hats	0%	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Jewelry & Gifts	0%	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Direct Cost of Sales													
Clothing		\$8,125	\$8,750	\$8,750	\$10,000	\$10,000	\$11,875	\$12,500	\$11,875	\$12,500	\$12,500	\$11,250	\$11,250
Belts & Hats		\$375	\$375	\$375	\$500	\$500	\$750	\$750	\$875	\$875	\$750	\$500	\$500
Jewelry & Gifts		\$400	\$400	\$400	\$400	\$400	\$650	\$650	\$500	\$500	\$500	\$400	\$400
Subtotal Direct Cost of Sales		\$8,900	\$9,525	\$9,525	\$10,900	\$10,900	\$13,275	\$13,900	\$13,250	\$13,875	\$13,750	\$12,150	\$12,150

Personnel (With Monthly Details)

Personnel Plan		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Owner	0%	\$900	\$900	\$900	\$1,125	\$900	\$900	\$1,125	\$900	\$900	\$1,125	\$900	\$900
Full-time position	0%	\$1,600	\$1,600	\$1,600	\$2,000	\$1,600	\$1,600	\$2,000	\$1,600	\$1,600	\$2,000	\$1,600	\$1,600
Part-time position	0%	\$960	\$960	\$960	\$1,200	\$960	\$960	\$1,200	\$960	\$960	\$1,200	\$960	\$960
Total People		3	3	3	3	3	3	3	3	3	3	3	3
Total Payroll		\$3,460	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460

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General Assumptions (With Monthly Detail)

<i>General Assumptions</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	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	0	0	0	0	0	0	0	0	0	0	0

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Profit and Loss Statement (With Monthly Detail)

<i>Pro Forma Profit and Loss</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	\$17,800	\$19,050	\$19,050	\$21,800	\$21,800	\$26,550	\$27,800	\$26,500	\$27,750	\$27,500	\$24,300	\$24,300
Direct Cost of Sales	\$8,900	\$9,525	\$9,525	\$10,900	\$10,900	\$13,275	\$13,900	\$13,250	\$13,875	\$13,750	\$12,150	\$12,150
Other Production Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$8,900	\$9,525	\$9,525	\$10,900	\$10,900	\$13,275	\$13,900	\$13,250	\$13,875	\$13,750	\$12,150	\$12,150
Gross Margin	\$8,900	\$9,525	\$9,525	\$10,900	\$10,900	\$13,275	\$13,900	\$13,250	\$13,875	\$13,750	\$12,150	\$12,150
Gross Margin %	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Expenses												
Payroll	\$3,460	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460
Sales and Marketing and Other Expenses	\$1,229	\$1,229	\$1,579	\$1,229	\$1,229	\$1,229	\$1,229	\$1,579	\$1,229	\$1,229	\$1,229	\$1,229
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telephone / Pagers/ Cell	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Utilities	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375
Payroll Taxes	10% \$346	\$346	\$346	\$433	\$346	\$346	\$433	\$346	\$346	\$433	\$346	\$346
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$5,560	\$5,560	\$5,910	\$6,512	\$5,560	\$5,560	\$6,512	\$5,910	\$5,560	\$6,512	\$5,560	\$5,560
Profit Before Interest and Taxes	\$3,340	\$3,965	\$3,615	\$4,389	\$5,340	\$7,715	\$7,389	\$7,340	\$8,315	\$7,239	\$6,590	\$6,590
EBITDA	\$3,340	\$3,965	\$3,615	\$4,389	\$5,340	\$7,715	\$7,389	\$7,340	\$8,315	\$7,239	\$6,590	\$6,590
Interest Expense	\$137	\$135	\$132	\$130	\$128	\$125	\$123	\$121	\$119	\$116	\$114	\$112
Taxes Incurred	\$961	\$1,149	\$1,045	\$1,278	\$1,564	\$2,277	\$2,180	\$2,166	\$2,459	\$2,137	\$1,943	\$1,943
Net Profit	\$2,242	\$2,681	\$2,438	\$2,981	\$3,649	\$5,313	\$5,086	\$5,053	\$5,738	\$4,986	\$4,533	\$4,535
Net Profit/Sales	12.60%	14.08%	12.80%	13.67%	16.74%	20.01%	18.29%	19.07%	20.68%	18.13%	18.66%	18.66%

Cash Flow Statement (With Monthly Detail)

Pro Forma Cash Flow												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	\$17,800	\$19,050	\$19,050	\$21,800	\$21,800	\$26,550	\$27,800	\$26,500	\$27,750	\$27,500	\$24,300	\$24,300
Subtotal Cash from Operations	\$17,800	\$19,050	\$19,050	\$21,800	\$21,800	\$26,550	\$27,800	\$26,500	\$27,750	\$27,500	\$24,300	\$24,300
Additional Cash Received												
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	\$17,800	\$19,050	\$19,050	\$21,800	\$21,800	\$26,550	\$27,800	\$26,500	\$27,750	\$27,500	\$24,300	\$24,300
Expenditures												
Expenditures from Operations												
Cash Spending	\$3,460	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460	\$4,325	\$3,460	\$3,460
Bill Payments	\$263	\$8,078	\$13,581	\$13,247	\$15,963	\$14,881	\$20,346	\$19,017	\$17,337	\$19,200	\$17,935	\$14,605
Subtotal Spent on Operations	\$3,723	\$11,538	\$17,041	\$17,572	\$19,423	\$18,341	\$24,671	\$22,477	\$20,797	\$23,525	\$21,395	\$18,065
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	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275
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	\$3,998	\$11,813	\$17,316	\$17,847	\$19,698	\$18,616	\$24,946	\$22,752	\$21,072	\$23,800	\$21,670	\$18,340
Net Cash Flow	\$13,802	\$7,237	\$1,734	\$3,953	\$2,102	\$7,934	\$2,854	\$3,748	\$6,678	\$3,700	\$2,630	\$5,960
Cash Balance	\$14,186	\$21,423	\$23,157	\$27,109	\$29,212	\$37,145	\$39,999	\$43,748	\$50,425	\$54,125	\$56,755	\$62,715

Balance Sheet (With Monthly Detail)

<i>Pro Forma Balance Sheet</i>													
	Starting Balances	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets													
Current Assets													
Cash	\$384	\$14,186	\$21,423	\$23,157	\$27,109	\$29,212	\$37,145	\$39,999	\$43,748	\$50,425	\$54,125	\$56,755	\$62,715
Inventory	\$14,000	\$9,790	\$10,478	\$10,478	\$11,990	\$11,990	\$14,603	\$15,290	\$14,575	\$15,263	\$15,125	\$13,365	\$13,365
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$14,384	\$23,976	\$31,900	\$33,634	\$39,099	\$41,202	\$51,748	\$55,289	\$58,323	\$65,688	\$69,250	\$70,120	\$76,080
Long-term Assets													
Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$14,384	\$23,976	\$31,900	\$33,634	\$39,099	\$41,202	\$51,748	\$55,289	\$58,323	\$65,688	\$69,250	\$70,120	\$76,080
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$7,625	\$13,143	\$12,714	\$15,473	\$14,202	\$19,710	\$18,441	\$16,696	\$18,599	\$17,450	\$14,062	\$15,762
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$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
Subtotal Current Liabilities	\$2,000	\$9,625	\$15,143	\$14,714	\$17,473	\$16,202	\$21,710	\$20,441	\$18,696	\$20,599	\$19,450	\$16,062	\$17,762
Long-term Liabilities	\$16,700	\$16,425	\$16,150	\$15,875	\$15,600	\$15,325	\$15,050	\$14,775	\$14,500	\$14,225	\$13,950	\$13,675	\$13,400
Total Liabilities	\$18,700	\$26,050	\$31,293	\$30,589	\$33,073	\$31,527	\$36,760	\$35,216	\$33,196	\$34,824	\$33,400	\$29,737	\$31,162
Paid-in Capital	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100
Retained Earnings	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)	(\$9,416)
Earnings	\$0	\$2,242	\$4,923	\$7,361	\$10,342	\$13,991	\$19,304	\$24,389	\$29,443	\$35,180	\$40,166	\$44,699	\$49,234
Total Capital	(\$4,316)	(\$2,074)	\$607	\$3,045	\$6,026	\$9,675	\$14,988	\$20,073	\$25,127	\$30,864	\$35,850	\$40,383	\$44,918
Total Liabilities and Capital	\$14,384	\$23,976	\$31,900	\$33,634	\$39,099	\$41,202	\$51,748	\$55,289	\$58,323	\$65,688	\$69,250	\$70,120	\$76,080
Net Worth	(\$4,316)	(\$2,074)	\$607	\$3,045	\$6,026	\$9,675	\$14,988	\$20,073	\$25,127	\$30,864	\$35,850	\$40,383	\$44,918

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