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# Climbing Outfitter

BUSINESS PLAN

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ROCKHOUND OUTFITTERS

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*2268 Eagle Rock Dr.  
Greenfield, WY 76551*

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*This business plan is an excellent example of a business in a field with high growth potential. Capitalizing on current leisure and sport trends, Rockhound Outfitters is located in an area that takes particular advantage of nearby climbing opportunities and isolates it from the competition. Market analysis and promotional strategies are well-thought-out. This business plan was compiled using Business Plan Pro, by Palo Alto Software ©.*

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- EXECUTIVE SUMMARY
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- PRODUCTS
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- FINANCIAL PLAN

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## CLIMBING OUTFITTER

### BUSINESS PLAN

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#### EXECUTIVE SUMMARY

Rockhound Outfitters will sell the best rockclimbing gear and Northwest coffee. The store is located one mile from Eagle Rock State Park in the Central Wyoming desert. This is the company's permanent residence.

75% of Profits will go to the owner and employees and 25% to Eagle Rock Park restoration projects. This plan introduces the rewards, community and financial, of investment in Rockhound Outfitters.

#### Objectives

1. To make Rockhound Outfitters the number one destination for rockclimbing equipment customers in Wyoming, and to achieve the largest market share in the region for rockclimbing gear.
2. To be an active and vocal member of the community, and to provide continual re-investment through participation in community activities and financial contributions.
3. To achieve a 65% profit margin within the first year.
4. To achieve a net profit of \$30,000 by year two.

#### Mission

Rockhound Outfitters is an equipment store specializing in rockclimbing gear and coffee/espresso drinks. We encourage rockclimbers to be safe and fun. We also understand that rockclimbers need a healthy dose of the newest, coolest gear and raw caffeine; we provide them with the best of both.

Our goal is to be the embarkment point for rockclimbers throughout Central Wyoming.

We believe it is important to remain an active member of the community, and to impact our customer's lives in more ways than the selling of merchandise:

Providing safety instruction and travel tips that make our sport safe and fun; re-investing in the community and the wilderness destinations that allow our sport to exist: local, state, and national parks.

#### Keys to Success

To succeed in this business we must:

- Sell products that are of the highest reliability and quality.
- Provide for the satisfaction of 100% of our customers.
- Be an active member of the community: i.e., host sportclimbing and rockclimbing events.
- Encourage the two most important values in climbing: safety and fun.

#### COMPANY SUMMARY

Rockhound Outfitters sells quality products and provides excellent customer service for rockclimbers and coffee-lovers. We have purchased a retail store that we use to market and merchandise our products. It is located one mile from Eagle Rock State park, five miles from Greenfield. The company was incorporated on January 1, 1996.

Rockhound Outfitters is a privately held corporation. Ownership: 60%, Ethan Reilley; 40%, Sarah Robinson.

## Company Ownership

- 93% of startup costs will go to assets.
- The building will be purchased with a down payment of \$8,000 on a twenty year mortgage.
- The espresso machine will cost \$4500(straight-line depreciation, 3 years).
- Startup costs will be financed through a combination of owner investment, short-term loans, and long term borrowing. The startup chart shows the distribution of financing.
- Other miscellaneous expenses include: Marketing/advertising consultancy fees of \$1,000 for our company logo and assistance in designing our grand-opening ads and brochures.
- Legal fees for corporate organization filings (\$300).
- Retail merchandising/designing consultancy fees of \$3,500 for store layout and fixture purchasing consulting.

## Startup Summary

### Start-up Plan

#### Start-up Expenses

|                                  |         |
|----------------------------------|---------|
| Legal                            | \$300   |
| Marketing consultants            | \$1,000 |
| Business and liability insurance | \$600   |
| 1st month's pmt+deposit          | \$2,500 |
| Design costs                     | \$3,500 |
| Other                            | \$0     |

|                        |         |
|------------------------|---------|
| Total Start-up Expense | \$7,900 |
|------------------------|---------|

#### Start-up Assets Needed

|                         |          |
|-------------------------|----------|
| Cash requirements       | \$7,000  |
| Start-up inventory      | \$16,000 |
| Other Short-term Assets | \$1,000  |
| Total Short-term Assets | \$24,000 |

|                  |           |
|------------------|-----------|
| Long-term Assets | \$140,000 |
|------------------|-----------|

|              |           |
|--------------|-----------|
| Total Assets | \$164,000 |
|--------------|-----------|

|                              |           |
|------------------------------|-----------|
| Total Start-up Requirements: | \$171,900 |
|------------------------------|-----------|

|                  |     |
|------------------|-----|
| Left to finance: | \$0 |
|------------------|-----|

### Start-up Funding Plan

#### Investment

|                  |          |
|------------------|----------|
| Ethan Reilley    | \$10,900 |
| Sarah Robinson   | \$2,900  |
| Other            | \$0      |
| Total investment | \$13,800 |

...continued

**Startup Summary***...continued*

|                                |           |
|--------------------------------|-----------|
| Short-term borrowing           |           |
| Unpaid expenses                | \$0       |
| Short-term loans               | \$10,000  |
| Interest-free short-term loans | \$1,000   |
| Subtotal Short-term Borrowing  | \$11,000  |
| Long-term Borrowing            | \$148,000 |
| Total Borrowing                | \$159,000 |
| Loss at start-up               | (\$8,800) |
| Total Equity                   | \$5,000   |
| Total Debt and Equity          | \$164,000 |
| Checkline                      | \$0       |

**COMPANY PRODUCTS**

Rockhound Outfitters sells high-quality rockclimbing gear to serious climbers. The gear is checked by knowledgeable employees who use and recommend equipment to customers and management.

The gear is purchased from well-known manufacturers like Black Diamond, Boreal, and Petzl. Management will rely on employees and customers to shorten the feedback loop in product and service offerings. Climbing gear is delivered every Thursday.

Straight espresso bean rebuys arrive on Mondays and Thursdays, ensuring the freshest beans possible. Modified rebuys are done by Sam Williamston on the first of each month. Sam is very demanding and will always get the freshest beans.

**Company Locations and Facilities**

The company office is located in the owner's residence, 5566 Russet Drive, Ford Valley, WY 76550.

The office is about 700 square feet and has ample space for the first three years of growth.

Deliveries and shipments are serviced through the store located at 2268 Eagle Rock Drive, Greenfield, WY 76551.

The 5000 square foot retail building is owned by Rockhound Outfitters and there is no excess storage capacity.

**Products**

Espresso is the big money-maker for Rockhound Outfitters, with coffee peripherals coming in a close second. The rockclimbing gear is a long-term sales project that will rely on future catalog and "Word-of-Mouth" sales.

**Product Description**

Rockhound Outfitters sells the entire raft of coffee-drinks: lattes, mochas, cappuccino, espresso, and a delicious house blend.

Rockhound Outfitters also sells carabiners, nuts, ropes, webbing, shoes, and harnesses; our product mix is sufficient to satisfy even the most hard-core enthusiast.

All products are quality-checked when they arrive and quality-checked before the customer takes them home.

Rockhound Outfitters has several advantages over its leading competitor.

1. Newer inventory and more modern interior fixtures.
2. Espresso drinks are made available to consumers while they shop, increasing marketing message impact.
3. Rockhound Outfitters is a fun, spacious store catering to both the climbing “Pro”s and the inexperienced. Our competitor, The Rock Lobster, is an exclusive “Pro” shop that we believe discourages newcomers to the sport. Our positioning encourages those just getting started, a one-stop destination for equipment advice and purchasing opportunities, technique and safety instruction, and conversation with other enthusiasts.
4. We expect a high degree of expertise and enthusiasm from our employees and we compensate them accordingly.

### **Competitive Comparison**

Rockhound Outfitters will use advertising and sales programs to get the word out to customers.

### **Sales Literature**

2000 four-color brochures to be distributed throughout Ford Valley and area facilities: outdoor clothing shops, hotels, ranger stations, chambers of commerce, tourism council offices, area eateries, and other tourist-frequented spots one month before the grand opening in July.

Half -page newspaper advertisements in Wyoming regional newspapers, advertising the following sales promotion: introductory rockclimbing classes, two days for \$100 per person. Copy: magazine and newspaper advertisements.

Sourcing is critical for any enterprise, especially a retail operation. The Bean People are to be our coffee vendors, and will handle many in-store merchandising issues for their line coffee products. Operational supplies for the coffee bar will be purchased from the regional supply wholesaler, who will handle special merchandising issues, such as point-of-sale materials. The sport and recreation inventory will be sourced directly from the manufacturers like Black Diamond, Boreal, and Petzl.

Advertising costs are outsourced to Hamilton Marketing. Most sales promotion and public relations work is handled in-house by Ethan Reilley.

Future seminars and climbing-clinics will be handled either by Ethan or several certified and experienced tour and adventure professionals.

We use off-the-shelf, PC-based software for accounting purposes, including AR/AP, inventory, purchasing, sales, and returns.

### **Technology**

Our business plan is generated on an annual basis using Business Plan Pro from Palo Alto Software, and reviewed quarterly for evaluation. Further functionality is provided by Palo Alto Software’s companion package, Marketing Plus, that allows us to make the most use of our marketing dollars by focusing our communications with our target markets and enhancing our marketing-tracking capability.

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                | <p>We are currently studying the costs, benefits, and feasibility of creating and maintaining an Internet presence on the World Wide Web. A possible Web site would allow enhanced communication with our target markets and the community at large. On-line commerce is becoming an increasingly attractive option due to the relatively low cost-of-goods, the global reach of the medium, and the increasing security. Our business model could quite conceivably expand to include a form of Internet commerce in a variety of adventure equipment.</p>                                                                                                                                                                                     |
| <b>Future Products</b>         | <p>Future expansion may allow for a horizontal increase of our product line by offering additional product categories: water sport gear, camping gear, and mountain biking accessories.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>MARKET ANALYSIS SUMMARY</b> | <p>Consumer expenditures for rockclimbing equipment rose to \$2,000,000 in Central Wyoming in 1995. We expect sales to increase steadily as Wyoming's population grows and the rockclimbing industry becomes increasingly popular.</p> <p>The presence of several large universities located in Western Wyoming helps fuel our business, as does the status of Eagle Rock as a international destination spot for rockclimbing enthusiasts. Individuals from as far away as Japan, Europe, South America, and Australia seek out Eagle Rock as a beautiful and challenging sport- and rockclimbing destination. We count worldwide readers of such publications as Rock &amp; Ice magazine and Outdoor Adventure among our target audience.</p> |
| <b>Market Segmentation</b>     | <p>The weekend warriors purchase during weekends. When these climbers are on a rock wall, they want to look COOL.</p> <p>Hardcore climbers are very fickle about the gear they use. This segment is very brand loyal and provides the company with powerful WOM marketing.</p> <p>Curious Georges that want to stop in for a gander on their way to their campsites or hotel rooms.</p>                                                                                                                                                                                                                                                                                                                                                         |
| <b>Industry Analysis</b>       | <p>The rockclimbing industry is dispersing faster than ever. Although the gear is expensive, people buy it because it provides them with long term fun.</p> <p>High profit margins on coffee sales and low overhead costs lead to high profit margins in the espresso industry.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Industry Participants</b>   | <p>The rockclimbing gear industry is still fairly young. Climbing stores are generally small in size and community oriented. These stores seek to attract the most knowledgeable \$6-8/hour employees.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Distribution Patterns</b>   | <p>Generally, traditional distribution channels are followed. The products are bought from wholesalers who have little say in how products are marketed, beyond the occasional sales promotion display provided via the manufacturer. This is beneficial in keeping the marketing and product costs low, while maintaining profit margins of 60% or more.</p> <p>Customers are very brand oriented and effects the distribution patterns(rebuys) on the retail end.</p>                                                                                                                                                                                                                                                                         |

Climbers demand knowledgeable employees in a convenient location.

Comparison: REI has placed its stores in urban industrial areas. Costco, a wholesaler, implements a similar strategy that draws the suburban dweller out of the house, this strategy keeps these customers isolated from the competition.

Products and services are the most important factors when selling rockclimbing gear. Brand name products sell well in stores that maintain a good selection, good location, and knowledgeable, friendly employees.

Espresso shops need to be fast, efficient, and friendly. Fortunately, there are no espresso shops in close proximity to Rockhound Outfitters.

Our nearest competitor is Kelly’s Gear. Our next closest competitor is The Rock Lobster, located near Greenfield. Neither of these retailers offer espresso to their customers.

Kelly’s sells limited gear (clothes), they do not promote, and they do not market their products extensively. On the positive side, they sell ice cream and carry more GenX apparel than Rockhound Outfitters. We see their products as complementary to ours; Ice Cream/Espresso. Their biggest weakness is a small store size.

The Rock Lobster will be our toughest competitor, for they have already established themselves in the rockclimbing community, they have a very experienced and knowledgeable staff of expert climbers working for them, and they are located on the highway that leads directly to Eagle Rock. They sell 75-80% of the same gear that we carry.

The market analysis shows potential customers and the company’s target markets. Weekend Warriors make up the largest market segment, we expect this market to grow at a rate of 4% per year. This market constitutes the bulk of climbers, those that spend their weekends at Eagle Rock. Curious Georges constitute the second largest market. The last market segment is the smallest, the Hardcore climbers. A combination of students, climbing instructors, and climbing juggernauts make up this market sector.

Market Analysis

| Potential Customers | Customers | Growth rate |
|---------------------|-----------|-------------|
| Weekend warriors    | 40,000    | 3%          |
| Hard-Core Climbers  | 2,300     | 4%          |
| Curious Georges     | 30,000    | 4%          |
| Other               | 0         | 0%          |
| Total               | 72,300    | 3.45%       |

Competition and Buying Patterns

Main Competitors

Market Analysis

**STRATEGY AND IMPLEMENTATION SUMMARY**

Rockhound Outfitters uses a strategy of total market service.

Assumptions:

1. Every person is a potential customer and all potential markets experience growth.
2. Marketing to one segment of the population will lead to an expansion in overall market growth.

**Marketing Strategy**

Our marketing strategy will focus on three segments. Those three segments are described in the following subtopics.

The plan will benchmark our objectives for sales promotion, mass selling, and personal selling.

We are focusing our marketing effort on the weekend warriors and the hard-core climbing community. We will implement a strategy that treats these customers as a community. This means our marketing resources will be centered around both sales promotions(events, displays) and personal sales(customer service, friendly atmosphere).

The marketing budget will not exceed \$7,000 per year.

Marketing promotions will be consistent with the Mission Statement.

**Pricing Strategy**

We are a store that is positioned for impulse buying therefore it is important that we maintain a flexible pricing strategy.

Our pricing strategy will be based on competitive parity guidelines. We will not exceed competitors' prices by more than 10%, and if a customer sees a price elsewhere for less we will give it to them for that price.

Price says a lot about a product. The products that are innovative and not available elsewhere in the region will be marked up to meet the demand curve.

**Promotion Strategy**

Rockhound Outfitters will implement a strong sales promotion strategy, advertising will be secondary.

Hamilton Marketing will be paid up to \$2000 to determine the impact of promotional campaigns on the surrounding populous(cousin jed and uncle bill).

Promotional campaigns will be partially outsourced to Hamilton Marketing.

Advertising will be consistent with Hamilton Marketing.

Sales promotions and Public Relation strategies will work together to inform customers of new products, to encourage an image of community involvement for Rockhound Outfitters, and to limit environmental impact.

**Marketing Programs**

Hamilton Marketing is creating a billboard program that will integrate rockclimber interests with Rockhound Outfitters image of community, fun, and expertise.

**Advertising**

Ethan Reilley will host numerous climbing events.

**Sales Promotion**

Sales compensation is based on a % of profits.

**Sales Strategy**

All potential sales will be attended to in a timely fashion and long-term salesperson-customer relationships will take precedence over sales closure.

The following information gives a run-down on forecasted sales. We expect Sales to increase at a rate of 1% per month for each product in the first few months.

**Sales Forecast**

November through January, we expect zero sales, Rockhound Outfitters will be closed. February through March we expect 1% sales growth once again, becoming 2% growth as we round to the second summer. In 1998 and 1999, we expect solid 20% sales growth as Rockhound Outfitters claims a larger market share. Seven percent decreasing costs due to lower agency and efficiency costs are included in the 1998-1999 figures.

Note: For company purchases, the per unit price of inventory purchases includes cost of shipping.

| Sales               | FY1998    | FY1999    | FY2000    |
|---------------------|-----------|-----------|-----------|
| Carabiners          | \$32,279  | \$38,735  | \$48,419  |
| Ropes               | \$6,276   | \$7,532   | \$9,415   |
| Books and Magazines | \$1,210   | \$1,453   | \$1,816   |
| Cookies             | \$1,009   | \$1,210   | \$1,513   |
| Espresso regulars   | \$65,903  | \$79,084  | \$98,855  |
| Espresso shakes     | \$6,052   | \$7,263   | \$9,078   |
| Other               | \$0       | \$0       | \$0       |
| Total Sales         | \$112,730 | \$135,276 | \$169,095 |

| Cost of sales          | FY1998   | FY1999   | FY2000   |
|------------------------|----------|----------|----------|
| Carabiners             | \$14,122 | \$15,958 | \$18,032 |
| Ropes                  | \$2,914  | \$3,293  | \$3,721  |
| Books and Magazines    | \$605    | \$684    | \$773    |
| Cookies                | \$403    | \$456    | \$515    |
| Espresso regulars      | \$11,298 | \$12,766 | \$14,426 |
| Espresso shakes        | \$1,345  | \$1,520  | \$1,717  |
| Line 7                 | \$0      | \$0      | \$0      |
| Other                  | \$0      | \$0      | \$0      |
| Subtotal Cost of Sales | \$30,687 | \$34,677 | \$39,185 |

**Sales Programs**

Sales programs will include sales awards for highest sales and customer service awards for those employees who best exemplify Rockhound Outfitters's commitment to customers.

**Service and Support**

Customer service issues are handled on the spot based a policy that faulty merchandise is returnable. Costs will be absorbed and accounted towards Goodwill.

**Milestones**

The milestone table shows purchasing, sales, and marketing goals. Sam will conduct straight rebuys while touching base with the The Bean People Inc. distributor in Port Parson, WY. We have paid a deposit of \$700 (06/28/97) to set up a thirty day grace period on all purchases from The Bean People Inc. There is no franchise fee and The Bean People will donate advertising, consulting, and literature provided that all sales \$ from Bean People mugs, cups, and T-shirts go directly to The Bean People Inc.

**Business Plan Milestones**

| Milestone                           | Mngr | Date     | Dept.      | Budget | Act date | Act \$  | Date P-A | \$ P-A  |
|-------------------------------------|------|----------|------------|--------|----------|---------|----------|---------|
| Coffee beans                        | SW   | 6/30/96  | Purchasing | \$700  | 6/28/96  | \$1,123 | 2        | (\$423) |
| Meet with rep                       | ER   | 6/25/96  | Sales      | \$400  | 6/28/96  | \$473   | (3)      | (\$73)  |
| Complete advertising<br>June rebuy/ | ER   | 6/26/96  | Marketing  | \$500  | 6/26/96  | \$500   | 0        | \$0     |
| beans & cookies                     | SW   | 7/30/96  | Purchasing | \$705  | 7/28/96  | \$0     | 2        | \$705   |
| Jordan Rock Festival                | ER   | 8/23/96  | Marketing  | \$650  | 8/23/96  | \$650   | 0        | \$0     |
| Straight rebuy                      | SW   | 8/30/96  | Purchasing | \$712  | 8/30/96  | \$712   | 0        | \$0     |
| Straight rebuy                      | SW   | 9/30/96  | Purchasing | \$720  | 9/30/96  | \$720   | 0        | \$0     |
| Straight rebuy                      | SW   | 10/30/96 | Purchasing | \$726  | 10/30/96 | \$726   | 0        | \$0     |
| Straight rebuy                      | SW   | 11/30/96 | Purchasing | \$726  | 11/30/96 | \$726   | 0        | \$0     |
| Straight rebuy                      | SW   | 12/30/96 | Purchasing | \$726  | 12/30/96 | \$726   | 0        | \$0     |
| Straight rebuy                      | SW   | 1/30/97  | Purchasing | \$726  | 1/30/97  | \$726   | 0        | \$0     |
| Other                               | SW   | 2/28/97  | Purchasing | \$726  | 2/28/97  | \$726   | 0        | \$0     |
| Totals                              |      |          |            |        |          | \$8,017 |          |         |

**MANAGEMENT SUMMARY**

The CEO of Rockhound Outfitters believes very strongly that relationships should be forthright, work should be structured with enough room for creativity, and pay should be commensurate with the amount and quality of work completed.

No person is better than another; except in ability, knowledge, and experience.

**Organizational Structure**

Rockhound Outfitters is not departmentalized. The owner, Ethan Reilley, is also the CEO, CFO, and lead manager. The company makes all decisions in accordance with the company mission. Employees are given specific tasks based upon their creativity, knowledge, and social ability.

Every three months, the CEO assess the results of these tasks and the personality of the employee involved to determine promotion and/or salary issues.

Ethan Reilley: Manager, CEO, and founder. Ethan spent four years selling shoes and apparel for Nordstrom, Inc. He graduated from the University of Wyoming in 1987 with a degree in Finance. In 1990 Ethan went to work for Boeing as an accounts manager and was quickly promoted to head of investments for the regional division. MBA, University of Pennsylvania. BA, University of Wyoming. 35 years old, married, 1 child.

Sam Williamston: Assistant manager. Sam is an avid rockclimber, diver, river rafter, mountain climber, and tour guide. He graduated from the University of Wyoming in 1989 with a degree in leisure studies. He spent 5 years with Hilton hotels as a service analyst.

Sam knows climbing and he knows people, but he has no experience in marketing and inventory control.

Ethan Reilley will be unable to delegate much responsibility through the first three to four months of operation, leading to time constraints and priority leakage.

The personnel plan is included in the following table. It shows the owner's salary (Other) followed by two part-time salaries for espresso servers/gear experts. Sam Williamston is being given \$1,500 per month + 25% of company profit. This means that when the company is not profitable, Sam's wages fall accordingly (25%\*Profit decrease). Part-time employees will not be included in the profit sharing program.

#### Personnel Plan

| Job title       | FY1998   | FY1999   | FY2000   |
|-----------------|----------|----------|----------|
| Sam Williamston | \$13,900 | \$14,595 | \$15,325 |
| Part-time emp.  | \$4,000  | \$4,200  | \$4,410  |
| Other           | \$36,000 | \$37,800 | \$39,690 |
| Subtotal        | \$53,900 | \$56,595 | \$59,425 |

Growth will be moderate, cash flows steady.

Marketing will remain below 15% of sales.

The company will invest residual profits into financial markets and not company expansion(unless absolutely necessary).

Future cash investments will use NPV projections to achieve maximum return with limited risk.

We do not sell anything on credit. The personnel burden is very low because benefits are not paid to part-timers. And the short-term interest rate is extraordinarily low because of Mr. Reilley's long-standing relationship with Alamo Federal.

#### Management Team

#### Management Gaps

#### Personnel Plan

#### FINANCIAL PLAN

#### Important Assumptions

**Important Assumptions****General Assumptions**

|                          | FY1998 | FY1999 | FY2000 |
|--------------------------|--------|--------|--------|
| Short Term Interest Rate | 6.00%  | 6.00%  | 6.00%  |
| Long Term Interest Rate  | 7.50%  | 7.50%  | 7.50%  |
| Payment days             | 30     | 30     | 30     |
| Inventory Turnover       | 9      | 9.00   | 9.00   |
| Tax Rate Percent         | 30.00% | 30.00% | 30.00% |
| Expenses in cash%        | 0.00%  | 0.00%  | 0.00%  |
| Sales on credit          | 0.00%  | 0.00%  | 0.00%  |
| Personnel Burden %       | 4.13%  | 4.13%  | 4.13%  |

Note: Ratios in assumptions are used as estimators and may therefore have different values than ratios calculated in the ratios section.

**Key Financial Indicators****Break-even Analysis**

A break-even analysis table has been completed on the basis of average costs/prices.

**Break Even Analysis**

|                          |          |
|--------------------------|----------|
| Monthly Units Break-even | 909      |
| Monthly Sales Break-even | \$21,000 |

**Assumptions**

|                       |          |
|-----------------------|----------|
| Average Unit Sale     | \$23.10  |
| Average Per-Unit Cost | \$12.10  |
| Fixed Cost            | \$10,000 |

**Projected Profit and Loss**

We predict advertising costs and consulting costs will go down in the next three years. This will give Rockhound Outfitters a profit to sales ratio of nearly 10% by the year 2000. Normally, a startup concern will operate with negative profits through the first two years. We will avoid that kind of operating loss by knowing our competitors and our target markets.

**Pro-forma Income Statement**

|                                  | FY1998    | FY1999    | FY2000    |
|----------------------------------|-----------|-----------|-----------|
| Sales                            | \$112,730 | \$135,276 | \$169,095 |
| Direct Cost of Sales             | \$30,687  | \$34,677  | \$39,185  |
| Other                            | \$0       | \$0       | \$0       |
| Total Cost of Sales              | \$30,687  | \$34,677  | \$39,185  |
| Gross margin                     | \$82,043  | \$100,599 | \$129,910 |
| Gross margin percent             | 72.78%    | 74.37%    | 76.83%    |
| Operating expenses:              |           |           |           |
| Advertising/Promotion            | \$4,500   | \$5,500   | \$5,200   |
| Travel                           | \$300     | \$0       | \$0       |
| Payroll expense                  | \$53,900  | \$56,595  | \$59,425  |
| Leased Equipment                 | \$0       | \$0       | \$0       |
| Utilities                        | \$1,089   | \$1,122   | \$1,155   |
| Insurance                        | \$780     | \$803     | \$828     |
| Mortgage Payment                 | \$13,500  | \$13,905  | \$14,322  |
| Depreciation                     | \$1,200   | \$1,236   | \$1,273   |
| Payroll Burden                   | \$2,470   | \$2,335   | \$2,451   |
| Contract/Consultants             | \$2,000   | \$2,000   | \$1,800   |
| Total Operating Expenses         | \$79,739  | \$83,496  | \$86,454  |
| Profit Before Interest and Taxes | \$2,304   | \$17,103  | \$43,456  |
| Interest Expense ST              | \$278     | \$0       | \$0       |
| Interest Expense LT              | \$10,983  | \$16,110  | \$15,786  |
| Taxes Incurred                   | (\$2,687) | \$298     | \$8,301   |
| Net Profit                       | (\$6,270) | \$695     | \$19,369  |
| Net Profit/Sales                 | -5.56%    | 0.51%     | 11.45%    |

**Projected Profit and Loss***...continued*

We are positioning ourselves in the market as a medium risk concern with steady cash flows. Accounts payable is paid at the end of each month while sales are in cash, giving Rockhound Outfitters an excellent cash structure. Solid NWC and intelligent marketing will secure a cash balance of \$29,000 by January 1, 2001. Fifty percent of cash above \$10,000 will be invested into semi-liquid stock portfolios to decrease the opportunity cost of cash held.

**Projected Cash Flow**

**Projected Cash Flow***...continued***Pro-Forma Cash Flow**

|                                       | FY1998     | FY1999    | FY2000    |
|---------------------------------------|------------|-----------|-----------|
| Net Profit:                           | (\$6,270)  | \$695     | \$19,369  |
| Plus:                                 |            |           |           |
| Depreciation                          | \$1,200    | \$1,236   | \$1,273   |
| Change in Accounts Payable            | \$5,659    | \$543     | \$473     |
| Current Borrowing (repayment)         | (\$10,000) | \$0       | \$0       |
| Increase (decrease) Other Liabilities | (\$1,000)  | \$0       | \$0       |
| Long-term Borrowing (repayment)       | (\$2,880)  | (\$2,880) | (\$2,880) |
| Capital Input                         | \$0        | \$0       | \$0       |
| Subtotal                              | (\$13,291) | (\$406)   | \$18,235  |
| Less:                                 | FY1998     | FY1999    | FY2000    |
| Change in Accounts Receivable         | \$0        | \$0       | \$0       |
| Change in Inventory                   | (\$11,206) | \$623     | \$704     |
| Change in Other ST Assets             | \$0        | \$0       | \$0       |
| Capital Expenditure                   | \$0        | \$0       | \$0       |
| Dividends                             | \$0        | \$0       | \$4,000   |
| Subtotal                              | (\$11,206) | \$623     | \$4,704   |
| Net Cash Flow                         | (\$2,085)  | (\$1,029) | \$13,531  |
| Cash balance                          | \$4,915    | \$3,886   | \$17,417  |

**Projected Balance Sheet**

All of our tables will be updated monthly to reflect past performance and future assumptions. Future assumptions will not be based on past performance but rather economic cycle activity, regional industry strength, and future cash flow possibilities. We expect solid growth in Net Worth beyond the year 2000.

**Pro-forma Balance Sheet**

|                          |                   | FY1998    | FY1999    | FY2000    |
|--------------------------|-------------------|-----------|-----------|-----------|
| Short-term Assets        | Starting Balances |           |           |           |
| Cash                     | \$7,000           | \$4,915   | \$3,886   | \$17,417  |
| Accounts receivable      | \$0               | \$0       | \$0       | \$0       |
| Inventory                | \$16,000          | \$4,794   | \$5,417   | \$6,122   |
| Other Short-term Assets  | \$1,000           | \$1,000   | \$1,000   | \$1,000   |
| Total Short-term Assets  | \$24,000          | \$10,709  | \$10,303  | \$24,538  |
| Long-term Assets         |                   |           |           |           |
| Capital Assets           | \$140,000         | \$140,000 | \$140,000 | \$140,000 |
| Accumulated Depreciation | \$0               | \$1,200   | \$2,436   | \$3,709   |
| Total Long-term Assets   | \$140,000         | \$138,800 | \$137,564 | \$136,291 |
| Total Assets             | \$164,000         | \$149,509 | \$147,867 | \$160,829 |

| Debt and Equity                 |           |           |            |            | Projected<br>Balance Sheet |
|---------------------------------|-----------|-----------|------------|------------|----------------------------|
|                                 |           | FY1998    | FY1999     | FY2000     |                            |
| Accounts Payable                | \$0       | \$5,659   | \$6,202    | \$6,675    |                            |
| Short-term Notes                | \$10,000  | \$0       | \$0        | \$0        |                            |
| Other ST Liabilities            | \$1,000   | (\$0)     | (\$0)      | (\$0)      |                            |
| Subtotal Short-term Liabilities | \$11,000  | \$5,659   | \$6,202    | \$6,675    |                            |
| Long-term Liabilities           | \$148,000 | \$145,120 | \$142,240  | \$139,360  |                            |
| Total Liabilities               | \$159,000 | \$150,779 | \$148,442  | \$146,035  |                            |
| Paid in Capital                 | \$13,800  | \$13,800  | \$13,800   | \$13,800   |                            |
| Retained Earnings               | (\$8,800) | (\$8,800) | (\$15,070) | (\$18,374) |                            |
| Earnings                        | \$0       | (\$6,270) | \$695      | \$19,369   |                            |
| Total Equity                    | \$5,000   | (\$1,270) | (\$574)    | \$14,795   |                            |
| Total Debt and Equity           | \$164,000 | \$149,509 | \$147,867  | \$160,829  |                            |
| Net Worth                       | \$5,000   | (\$1,270) | (\$574)    | \$14,795   |                            |

We expect our net profit margin, gross margin, and ROA to increase steadily over the three year period. ROE will decrease due to lower equity needs and higher cash inflows. Our net working capital will increase to almost \$34000 by year 3, proving that we have the cash flows to remain a going concern. The following table shows these important financial ratios.

### Business Ratios

#### Ratio Analysis

| Profitability Ratios: | FY1998 | FY1999 | FY2000  | RMA |
|-----------------------|--------|--------|---------|-----|
| Gross margin          | 72.78% | 74.37% | 76.83%  | 0   |
| Net profit margin     | -5.56% | 0.51%  | 11.45%  | 0   |
| Return on Assets      | -4.19% | 0.47%  | 12.04%  | 0   |
| Return on Equity      | 0.00%  | 0.00%  | 130.92% | 0   |

#### Activity Ratios

|                        |      |      |      |   |
|------------------------|------|------|------|---|
| AR Turnover            | 0.00 | 0.00 | 0.00 | 0 |
| Collection days        | 0    | 0    | 0    | 0 |
| Inventory Turnover     | 2.95 | 6.79 | 6.79 | 0 |
| Accts payable turnover | 9.55 | 9.55 | 9.55 | 0 |
| Total asset turnover   | 0.75 | 0.91 | 1.05 | 0 |

| Debt Ratios:             | FY1998 | FY1999 | FY2000 | RMA |
|--------------------------|--------|--------|--------|-----|
| Debt to net Worth        | 0.00   | 0.00   | 9.87   | 0   |
| Short-term Debt to Liab. | 0.04   | 0.04   | 0.05   | 0   |

#### Liquidity ratios

|                     |         |         |          |   |
|---------------------|---------|---------|----------|---|
| Current Ratio       | 1.89    | 1.66    | 3.68     | 0 |
| Quick Ratio         | 1.05    | 0.79    | 2.76     | 0 |
| Net Working Capital | \$5,050 | \$4,102 | \$17,864 | 0 |
| Interest Coverage   | 0.20    | 1.06    | 2.75     | 0 |

| Additional ratios         | FY1998 | FY1999 | FY2000 | RMA |
|---------------------------|--------|--------|--------|-----|
| Assets to sales           | 1.33   | 1.09   | 0.95   | 0   |
| Debt/Assets               | 101%   | 100%   | 91%    | 0   |
| Current debt/Total Assets | 4%     | 4%     | 4%     | 0   |
| Acid Test                 | 1.05   | 0.79   | 2.76   | 0   |
| Asset Turnover            | 0.75   | 0.91   | 1.05   | 0   |
| Sales/Net Worth           | 0.00   | 0.00   | 11.43  | 0   |

### Appendix: Projected Balance Sheet

#### Pro-forma Balance Sheet

|                                 |                   | May-97    | Jun-97    | Jul-97    | Aug-97    | Sep-97    | Oct-97    |
|---------------------------------|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Short-term Assets               | Starting Balances |           |           |           |           |           |           |
| Cash                            | \$7,000           | \$15,263  | \$18,652  | \$22,269  | \$22,568  | \$22,205  | \$20,347  |
| Accounts receivable             | \$0               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| Inventory                       | \$16,000          | \$12,578  | \$9,087   | \$5,491   | \$4,842   | \$4,600   | \$3,450   |
| Other Short-term Assets         | \$1,000           | \$1,000   | \$1,000   | \$1,000   | \$1,000   | \$1,000   | \$1,000   |
| Total Short-term Assets         | \$24,000          | \$28,840  | \$28,739  | \$28,760  | \$28,410  | \$27,805  | \$24,797  |
| Long-term Assets                |                   |           |           |           |           |           |           |
| Capital Assets                  | \$140,000         | \$140,000 | \$140,000 | \$140,000 | \$140,000 | \$140,000 | \$140,000 |
| Accumulated Depreciation        | \$0               | \$100     | \$200     | \$300     | \$400     | \$500     | \$600     |
| Total Long-term Assets          | \$140,000         | \$139,900 | \$139,800 | \$139,700 | \$139,600 | \$139,500 | \$139,400 |
| Total Assets                    | \$164,000         | \$168,740 | \$168,539 | \$168,460 | \$168,010 | \$167,305 | \$164,197 |
| Debt and Equity                 |                   |           |           |           |           |           |           |
|                                 |                   | May-97    | Jun-97    | Jul-97    | Aug-97    | Sep-97    | Oct-97    |
| Accounts Payable                | \$0               | \$5,195   | \$5,457   | \$5,852   | \$5,595   | \$5,419   | \$4,384   |
| Short-term Notes                | \$10,000          | \$9,175   | \$8,350   | \$7,525   | \$6,700   | \$5,875   | \$5,050   |
| Other ST Liabilities            | \$1,000           | \$917     | \$833     | \$750     | \$667     | \$583     | \$500     |
| Subtotal Short-term Liabilities | \$11,000          | \$15,287  | \$14,640  | \$14,127  | \$12,962  | \$11,877  | \$9,934   |
| Long-term Liabilities           | \$148,000         | \$147,760 | \$147,520 | \$147,280 | \$147,040 | \$146,800 | \$146,560 |
|                                 | \$145,360         | \$145,120 | \$145,120 | \$142,240 | \$139,360 |           |           |
| Total Liabilities               | \$159,000         | \$163,047 | \$162,160 | \$161,407 | \$160,002 | \$158,677 | \$156,494 |
| Paid in Capital                 | \$13,800          | \$13,800  | \$13,800  | \$13,800  | \$13,800  | \$13,800  | \$13,800  |
| Retained Earnings               | (\$8,800)         | (\$8,800) | (\$8,800) | (\$8,800) | (\$8,800) | (\$8,800) | (\$8,800) |
| Earnings                        | \$0               | \$693     | \$1,378   | \$2,053   | \$3,008   | \$3,627   | \$2,703   |
| Total Equity                    | \$5,000           | \$5,693   | \$6,378   | \$7,053   | \$8,008   | \$8,627   | \$7,703   |
| Total Debt and Equity           | \$164,000         | \$168,740 | \$168,539 | \$168,460 | \$168,010 | \$167,305 | \$164,197 |
| Net Worth                       | \$5,000           | \$5,693   | \$6,378   | \$7,053   | \$8,008   | \$8,627   | \$7,703   |

| Nov-97    | Dec-97    | Jan-98    | Feb-98    | Mar-98    | Apr-98    | FY1998    | FY1999     | FY2000     |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| \$14,317  | \$9,625   | \$4,727   | \$5,816   | \$5,325   | \$4,915   | \$4,915   | \$3,886    | \$17,417   |
| \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0        | \$0        |
| \$400     | \$400     | \$400     | \$4,563   | \$4,655   | \$4,794   | \$4,794   | \$5,417    | \$6,122    |
| \$1,000   | \$1,000   | \$1,000   | \$1,000   | \$1,000   | \$1,000   | \$1,000   | \$1,000    | \$1,000    |
| \$15,717  | \$11,025  | \$6,127   | \$11,379  | \$10,980  | \$10,709  | \$10,709  | \$10,303   | \$24,538   |
| \$140,000 | \$140,000 | \$140,000 | \$140,000 | \$140,000 | \$140,000 | \$140,000 | \$140,000  | \$140,000  |
| \$700     | \$800     | \$900     | \$1,000   | \$1,100   | \$1,200   | \$1,200   | \$2,436    | \$3,709    |
| \$139,300 | \$139,200 | \$139,100 | \$139,000 | \$138,900 | \$138,800 | \$138,800 | \$137,564  | \$136,291  |
| \$155,017 | \$150,225 | \$145,227 | \$150,379 | \$149,880 | \$149,509 | \$149,509 | \$147,867  | \$160,829  |
| Nov-97    | Dec-97    | Jan-98    | Feb-98    | Mar-98    | Apr-98    | FY1998    | FY1999     | FY2000     |
| \$0       | \$0       | \$0       | \$5,482   | \$5,557   | \$5,659   | \$5,659   | \$6,202    | \$6,675    |
| \$4,225   | \$3,400   | \$2,575   | \$1,750   | \$925     | \$0       | \$0       | \$0        | \$0        |
| \$417     | \$333     | \$250     | \$167     | \$83      | (\$0)     | (\$0)     | (\$0)      | (\$0)      |
| \$4,642   | \$3,733   | \$2,825   | \$7,399   | \$6,565   | \$5,659   | \$5,659   | \$6,202    | \$6,675    |
| \$146,320 | \$146,080 | \$145,840 | \$145,600 |           |           |           |            |            |
| \$150,962 | \$149,813 | \$148,665 | \$152,999 | \$151,925 | \$150,779 | \$150,779 | \$148,442  | \$146,035  |
| \$13,800  | \$13,800  | \$13,800  | \$13,800  | \$13,800  | \$13,800  | \$13,800  | \$13,800   | \$13,800   |
| (\$8,800) | (\$8,800) | (\$8,800) | (\$8,800) | (\$8,800) | (\$8,800) | (\$8,800) | (\$15,070) | (\$18,374) |
| (\$945)   | (\$4,588) | (\$8,438) | (\$7,620) | (\$7,045) | (\$6,270) | (\$6,270) | \$695      | \$19,369   |
| \$4,055   | \$412     | (\$3,438) | (\$2,620) | (\$2,045) | (\$1,270) | (\$1,270) | (\$574)    | \$14,795   |
| \$155,017 | \$150,225 | \$145,227 | \$150,379 | \$149,880 | \$149,509 | \$149,509 | \$147,867  | \$160,829  |
| \$4,055   | \$412     | (\$3,438) | (\$2,620) | (\$2,045) | (\$1,270) | (\$1,270) | (\$574)    | \$14,795   |

### Appendix: Important Assumptions

#### Pro-Forma Cash Flow

|                                       | May-97    | Jun-97    | Jul-97    | Aug-97   | Sep-97   | Oct-97    |
|---------------------------------------|-----------|-----------|-----------|----------|----------|-----------|
| Net Profit:                           | \$693     | \$685     | \$675     | \$955    | \$619    | (\$925)   |
| Plus:                                 |           |           |           |          |          |           |
| Depreciation                          | \$100     | \$100     | \$100     | \$100    | \$100    | \$100     |
| Change in Accounts Payable            | \$5,195   | \$262     | \$395     | (\$256)  | (\$176)  | (\$1,035) |
| Current Borrowing (repayment)         | (\$825)   | (\$825)   | (\$825)   | (\$825)  | (\$825)  | (\$825)   |
| Increase (decrease) Other Liabilities | (\$83)    | (\$83)    | (\$83)    | (\$83)   | (\$83)   | (\$83)    |
| Long-term Borrowing (repayment)       | (\$240)   | (\$240)   | (\$240)   | (\$240)  | (\$240)  | (\$240)   |
| Capital Input                         | \$0       | \$0       | \$0       | \$0      | \$0      | \$0       |
| Subtotal                              | \$4,840   | (\$101)   | \$21      | (\$349)  | (\$605)  | (\$3,008) |
| Less:                                 | May       | Jun       | Jul       | Aug      | Sep      | Oct       |
| Change in Accounts Receivable         | \$0       | \$0       | \$0       | \$0      | \$0      | \$0       |
| Change in Inventory                   | (\$3,423) | (\$3,491) | (\$3,596) | (\$649)  | (\$242)  | (\$1,150) |
| Change in Other ST Assets             | \$0       | \$0       | \$0       | \$0      | \$0      | \$0       |
| Capital Expenditure                   | \$0       | \$0       | \$0       | \$0      | \$0      | \$0       |
| Dividends                             | \$0       | \$0       | \$0       | \$0      | \$0      | \$0       |
| Subtotal                              | (\$3,423) | (\$3,491) | (\$3,596) | (\$649)  | (\$242)  | (\$1,150) |
| Now                                   | \$8,263   | \$3,390   | \$3,616   | \$299    | (\$363)  | (\$1,858) |
| Cash balance                          | \$15,263  | \$18,652  | \$22,269  | \$22,568 | \$22,205 | \$20,347  |

### Appendix: Projected Cash Flow

#### General Assumptions

|                          | May-97 | Jun-97 | Jul-97 | Aug-97 | Sep-97 | Oct-97 |
|--------------------------|--------|--------|--------|--------|--------|--------|
| Short Term Interest Rate | 6.00%  | 6.00%  | 6.00%  | 6.00%  | 6.00%  | 6.00%  |
| Long Term Interest Rate  | 7.50%  | 7.50%  | 7.50%  | 7.50%  | 7.50%  | 7.50%  |
| Payment days             | 30     | 30     | 30     | 30     | 30     | 30     |
| Inventory Turnover       | 9.00   | 9.00   | 9.00   | 9.00   | 9.00   | 9.00   |
| Tax Rate Percent         | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% |
| Expenses in cash%        | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  |
| Sales on credit          | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  |
| Personnel Burden %       | 5.50%  | 5.50%  | 5.50%  | 5.50%  | 5.50%  | 5.50%  |

Note: Ratios in assumptions are used as estimators and may therefore have different values than ratios calculated in the ratios section.

| Nov-97    | Dec-97    | Jan-98    | Feb-98  | Mar-98  | Apr-98  | FY1998     | FY1999    | FY2000    |
|-----------|-----------|-----------|---------|---------|---------|------------|-----------|-----------|
| (\$3,647) | (\$3,644) | (\$3,850) | \$818   | \$575   | \$775   | (\$6,270)  | \$695     | \$19,369  |
| \$100     | \$100     | \$100     | \$100   | \$100   | \$100   | \$1,200    | \$1,236   | \$1,273   |
| (\$4,384) | \$0       | \$0       | \$5,482 | \$74    | \$102   | \$5,659    | \$543     | \$473     |
| (\$825)   | (\$825)   | (\$825)   | (\$825) | (\$825) | (\$925) | (\$10,000) | \$0       | \$0       |
| (\$83)    | (\$83)    | (\$83)    | (\$83)  | (\$83)  | (\$83)  | (\$1,000)  | \$0       | \$0       |
| (\$240)   | (\$240)   | (\$240)   | (\$240) | (\$240) | (\$240) | (\$2,880)  | (\$2,880) | (\$2,880) |
| \$0       | \$0       | \$0       | \$0     | \$0     | \$0     | \$0        | \$0       | \$0       |
| (\$9,080) | (\$4,692) | (\$4,898) | \$5,252 | (\$399) | (\$271) | (\$13,291) | (\$406)   | \$18,235  |
| Nov       | Dec       | Jan       | Feb     | Mar     | Apr     | FY1998     | FY1999    | FY2000    |
| \$0       | \$0       | \$0       | \$0     | \$0     | \$0     | \$0        | \$0       | \$0       |
| (\$3,050) | \$0       | \$0       | \$4,163 | \$91    | \$140   | (\$11,206) | \$623     | \$704     |
| \$0       | \$0       | \$0       | \$0     | \$0     | \$0     | \$0        | \$0       | \$0       |
| \$0       | \$0       | \$0       | \$0     | \$0     | \$0     | \$0        | \$0       | \$0       |
| \$0       | \$0       | \$0       | \$0     | \$0     | \$0     | \$0        | \$0       | \$4,000   |
| (\$3,050) | \$0       | \$0       | \$4,163 | \$91    | \$140   | (\$11,206) | \$623     | \$4,704   |
| (\$6,030) | (\$4,692) | (\$4,898) | \$1,088 | (\$490) | (\$411) | (\$2,085)  | (\$1,029) | \$13,531  |
| \$14,317  | \$9,625   | \$4,727   | \$5,816 | \$5,325 | \$4,915 | \$4,915    | \$3,886   | \$17,417  |

| Nov-97 | Dec-97 | Jan-98 | Feb-98 | Mar-98 | Apr-98 | FY1998 | FY1999 | FY2000 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 6.00%  | 6.00%  | 6.00%  | 6.00%  | 6.00%  | 6.00%  | 6.00%  | 6.00%  | 6.00%  |
| 7.50%  | 7.50%  | 7.50%  | 7.50%  | 7.50%  | 7.50%  | 7.50%  | 7.50%  | 7.50%  |
| 30     | 30     | 30     | 30     | 30     | 30     | 30     | 30     | 30     |
| 9.00   | 9.00   | 9.00   | 9.00   | 9.00   | 9.00   | 9      | 9.00   | 9.00   |
| 30.00% | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% |
| 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  |
| 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  |
| 0.00%  | 0.00%  | 0.00%  | 5.50%  | 5.50%  | 5.50%  | 4.13%  | 4.13%  | 4.13%  |

### Appendix: Personnel Plan

#### Personnel Plan

| Job title       | May-97  | Jun-97  | Jul-97  | Aug-97  | Sep-97  | Oct-97  |
|-----------------|---------|---------|---------|---------|---------|---------|
| Sam Williamston | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,600 |
| Part-time emp.  | \$500   | \$500   | \$500   | \$500   | \$500   | \$500   |
| Other           | \$3,000 | \$3,000 | \$3,000 | \$3,000 | \$3,000 | \$3,000 |
| Subtotal        | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,100 |

### Appendix: Projected Profit and Loss

#### Pro-forma Income Statement

|                                  | May-97   | Jun-97   | Jul-97   | Aug-97   | Sep-97   | Oct-97  |
|----------------------------------|----------|----------|----------|----------|----------|---------|
| Sales                            | \$12,573 | \$12,824 | \$13,209 | \$13,341 | \$12,674 | \$9,505 |
| Direct Cost of Sales             | \$3,423  | \$3,491  | \$3,596  | \$3,632  | \$3,450  | \$2,588 |
| Total Cost of Sales              | \$3,423  | \$3,491  | \$3,596  | \$3,632  | \$3,450  | \$2,588 |
| Gross margin                     | \$9,150  | \$9,333  | \$9,613  | \$9,709  | \$9,224  | \$6,918 |
| Gross margin percent             | 72.78%   | 72.78%   | 72.78%   | 72.78%   | 72.78%   | 72.78%  |
| Operating expenses:              |          |          |          |          |          |         |
| Advertising/Promotion            | \$500    | \$500    | \$500    | \$500    | \$500    | \$500   |
| Travel                           | \$0      | \$0      | \$300    | \$0      | \$0      | \$0     |
| Payroll expense                  | \$5,000  | \$5,000  | \$5,000  | \$5,000  | \$5,000  | \$5,100 |
| Leased Equipment                 | \$0      | \$0      | \$0      | \$0      | \$0      | \$0     |
| Utilities                        | \$120    | \$121    | \$121    | \$122    | \$122    | \$122   |
| Insurance                        | \$70     | \$70     | \$70     | \$70     | \$70     | \$70    |
| Mortgage Payment                 | \$1,125  | \$1,125  | \$1,125  | \$1,125  | \$1,125  | \$1,125 |
| Depreciation                     | \$100    | \$100    | \$100    | \$100    | \$100    | \$100   |
| Payroll Burden                   | \$275    | \$275    | \$275    | \$275    | \$275    | \$281   |
| Contract/Consultants             | \$0      | \$200    | \$200    | \$200    | \$200    | \$0     |
| Total Operating Expenses         | \$7,190  | \$7,391  | \$7,691  | \$7,392  | \$7,392  | \$7,298 |
| Profit Before Interest and Taxes | \$1,960  | \$1,942  | \$1,922  | \$2,317  | \$1,831  | (\$380) |
| Interest Expense ST              | \$46     | \$42     | \$38     | \$34     | \$29     | \$25    |
| Interest Expense LT              | \$924    | \$922    | \$921    | \$919    | \$918    | \$916   |
| Taxes Incurred                   | \$297    | \$294    | \$289    | \$409    | \$265    | (\$396) |
| Net Profit                       | \$693    | \$685    | \$675    | \$955    | \$619    | (\$925) |
| Net Profit/Sales                 | 5.52%    | 5.34%    | 5.11%    | 7.16%    | 4.88%    | -9.73%  |

| Nov-97  | Dec-97  | Jan-98  | Feb-98  | Mar-98  | Apr-98  | FY1998   | FY1999   | FY2000   |
|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| \$0     | \$0     | \$0     | \$1,600 | \$1,600 | \$1,600 | \$13,900 | \$14,595 | \$15,325 |
| \$0     | \$0     | \$0     | \$0     | \$500   | \$500   | \$4,000  | \$4,200  | \$4,410  |
| \$3,000 | \$3,000 | \$3,000 | \$3,000 | \$3,000 | \$3,000 | \$36,000 | \$37,800 | \$39,690 |
| \$3,000 | \$3,000 | \$3,000 | \$4,600 | \$5,100 | \$5,100 | \$53,900 | \$56,595 | \$59,425 |

| Nov-97 | Dec-97 | Jan-98 | Feb-98   | Mar-98   | Apr-98   | FY1998    | FY1999    | FY2000    |
|--------|--------|--------|----------|----------|----------|-----------|-----------|-----------|
| \$0    | \$0    | \$0    | \$12,573 | \$12,824 | \$13,209 | \$112,730 | \$135,276 | \$169,095 |
| \$0    | \$0    | \$0    | \$3,423  | \$3,491  | \$3,596  | \$30,687  | \$34,677  | \$39,185  |
| \$0    | \$0    | \$0    | \$3,423  | \$3,491  | \$3,596  | \$30,687  | \$34,677  | \$39,185  |
| \$0    | \$0    | \$0    | \$9,150  | \$9,333  | \$9,613  | \$82,043  | \$100,599 | \$129,910 |
| 0.00%  | 0.00%  | 0.00%  | 72.78%   | 72.78%   | 72.78%   | 72.78%    | 74.37%    | 76.83%    |

|           |           |           |         |         |         |           |          |          |
|-----------|-----------|-----------|---------|---------|---------|-----------|----------|----------|
| \$0       | \$0       | \$0       | \$500   | \$500   | \$500   | \$4,500   | \$5,500  | \$5,200  |
| \$0       | \$0       | \$0       | \$0     | \$0     | \$0     | \$300     | \$0      | \$0      |
| \$3,000   | \$3,000   | \$3,000   | \$4,600 | \$5,100 | \$5,100 | \$53,900  | \$56,595 | \$59,425 |
| \$0       | \$0       | \$0       | \$0     | \$0     | \$0     | \$0       | \$0      | \$0      |
| \$0       | \$0       | \$0       | \$115   | \$123   | \$123   | \$1,089   | \$1,122  | \$1,155  |
| \$50      | \$50      | \$50      | \$70    | \$70    | \$70    | \$780     | \$803    | \$828    |
| \$1,125   | \$1,125   | \$1,125   | \$1,125 | \$1,125 | \$1,125 | \$13,500  | \$13,905 | \$14,322 |
| \$100     | \$100     | \$100     | \$100   | \$100   | \$100   | \$1,200   | \$1,236  | \$1,273  |
| \$0       | \$0       | \$0       | \$253   | \$281   | \$281   | \$2,470   | \$2,335  | \$2,451  |
| \$0       | \$0       | \$300     | \$300   | \$300   | \$300   | \$2,000   | \$2,000  | \$1,800  |
| \$4,275   | \$4,275   | \$4,575   | \$7,063 | \$7,599 | \$7,599 | \$79,739  | \$83,496 | \$86,454 |
| (\$4,275) | (\$4,275) | (\$4,575) | \$2,087 | \$1,735 | \$2,014 | \$2,304   | \$17,103 | \$43,456 |
| \$21      | \$17      | \$13      | \$9     | \$5     | \$0     | \$278     | \$0      | \$0      |
| \$915     | \$913     | \$912     | \$910   | \$909   | \$907   | \$10,983  | \$16,110 | \$15,786 |
| (\$1,563) | (\$1,562) | (\$1,650) | \$350   | \$246   | \$332   | (\$2,687) | \$298    | \$8,301  |
| (\$3,647) | (\$3,644) | (\$3,850) | \$818   | \$575   | \$775   | (\$6,270) | \$695    | \$19,369 |
| 0.00%     | 0.00%     | 0.00%     | 6.50%   | 4.48%   | 5.87%   | -5.56%    | 0.51%    | 11.45%   |

**Appendix:  
Sales Forecast**

| Sales               | May-97   | Jun-97   | Jul-97   | Aug-97   | Sep-97   | Oct-97  |
|---------------------|----------|----------|----------|----------|----------|---------|
| Carabiners          | \$3,600  | \$3,672  | \$3,782  | \$3,820  | \$3,629  | \$2,722 |
| Ropes               | \$700    | \$714    | \$735    | \$743    | \$706    | \$529   |
| Books and Magazines | \$135    | \$138    | \$142    | \$143    | \$136    | \$102   |
| Cookies             | \$113    | \$115    | \$118    | \$119    | \$113    | \$85    |
| Espresso regulars   | \$7,350  | \$7,497  | \$7,722  | \$7,799  | \$7,409  | \$5,557 |
| Espresso shakes     | \$675    | \$689    | \$709    | \$716    | \$680    | \$510   |
| Other               | \$0      | \$0      | \$0      | \$0      | \$0      | \$0     |
| Total Sales         | \$12,573 | \$12,824 | \$13,209 | \$13,341 | \$12,674 | \$9,505 |

| Cost of sales          | May-97  | Jun-97  | Jul-97  | Aug-97  | Sep-97  | Oct-97  |
|------------------------|---------|---------|---------|---------|---------|---------|
| Carabiners             | \$1,575 | \$1,607 | \$1,655 | \$1,671 | \$1,588 | \$1,191 |
| Ropes                  | \$325   | \$332   | \$341   | \$345   | \$328   | \$246   |
| Books and Magazines    | \$68    | \$69    | \$71    | \$72    | \$68    | \$51    |
| Cookies                | \$45    | \$46    | \$47    | \$48    | \$45    | \$34    |
| Espresso regulars      | \$1,260 | \$1,285 | \$1,324 | \$1,337 | \$1,270 | \$953   |
| Espresso shakes        | \$150   | \$153   | \$158   | \$159   | \$151   | \$113   |
| Line 7                 |         |         |         |         |         |         |
| Other                  | \$0     | \$0     | \$0     | \$0     | \$0     | \$0     |
| Subtotal Cost of Sales | \$3,423 | \$3,491 | \$3,596 | \$3,632 | \$3,450 | \$2,588 |

| Nov-97 | Dec-97 | Jan-98 | Feb-98   | Mar-98   | Apr-98   | FY1998    | FY1999    | FY2000    |
|--------|--------|--------|----------|----------|----------|-----------|-----------|-----------|
| \$0    | \$0    | \$0    | \$3,600  | \$3,672  | \$3,782  | \$32,279  | \$38,735  | \$48,419  |
| \$0    | \$0    | \$0    | \$700    | \$714    | \$735    | \$6,276   | \$7,532   | \$9,415   |
| \$0    | \$0    | \$0    | \$135    | \$138    | \$142    | \$1,210   | \$1,453   | \$1,816   |
| \$0    | \$0    | \$0    | \$113    | \$115    | \$118    | \$1,009   | \$1,210   | \$1,513   |
| \$0    | \$0    | \$0    | \$7,350  | \$7,497  | \$7,722  | \$65,903  | \$79,084  | \$98,855  |
| \$0    | \$0    | \$0    | \$675    | \$689    | \$709    | \$6,052   | \$7,263   | \$9,078   |
| \$0    | \$0    | \$0    | \$0      | \$0      | \$0      | \$0       | \$0       | \$0       |
| \$0    | \$0    | \$0    | \$12,573 | \$12,824 | \$13,209 | \$112,730 | \$135,276 | \$169,095 |

| Nov-97 | Dec-97 | Jan-98 | Feb-98  | Mar-98  | Apr-98  | FY1998   | FY1999   | FY2000   |
|--------|--------|--------|---------|---------|---------|----------|----------|----------|
| \$0    | \$0    | \$0    | \$1,575 | \$1,607 | \$1,655 | \$14,122 | \$15,958 | \$18,032 |
| \$0    | \$0    | \$0    | \$325   | \$332   | \$341   | \$2,914  | \$3,293  | \$3,721  |
| \$0    | \$0    | \$0    | \$68    | \$69    | \$71    | \$605    | \$684    | \$773    |
| \$0    | \$0    | \$0    | \$45    | \$46    | \$47    | \$403    | \$456    | \$515    |
| \$0    | \$0    | \$0    | \$1,260 | \$1,285 | \$1,324 | \$11,298 | \$12,766 | \$14,426 |
| \$0    | \$0    | \$0    | \$150   | \$153   | \$158   | \$1,345  | \$1,520  | \$1,717  |
|        |        |        |         |         |         | \$0      | \$0      | \$0      |
| \$0    | \$0    | \$0    | \$0     | \$0     | \$0     | \$0      | \$0      | \$0      |
| \$0    | \$0    | \$0    | \$3,423 | \$3,491 | \$3,596 | \$30,687 | \$34,677 | \$39,185 |