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Cranium Filament Reductions

1.0 Executive Summary

Introduction

Cranium Filament Reductions is a hair salon that allows the entire family to have their hair needs satisfied in one convenient visit.

There are many "quick salons" like Cranium, however, many of these salons, such as Cost Cutters, only provide the minimum services, whereas the upscale salons can be inconvenient due to scheduling requirements and cost. The owner of Cranium perceives an unfulfilled customer need for a low-cost salon that provides maximum flexibility and strong customer attention. Using this strategy, Cranium will gain significant market share and create critical long-term relationships with its clients.

The Company

Cranium Filament Reductions is an Oregon corporation owned entirely by Susan Sever and is located in Shaker Hts., Oregon.

Ms. Sever will be handling all hiring and training, purchasing, and retail sales. She will also hire a receptionist to manage all of the appointments as well as the people who walk in and be responsible for the point of sale transactions. Cranium will also be hiring six part-time hair stylists who will operate on a hourly/commission basis.

Ms. Sever will be using a partial commission basis to create incentives for superior customer attention. The more her stylists attend to the customer's needs, the more money they will make off commissions. Cranium will invest time and money into training to ensure that clients receive the best experience possible making it easier to turn them into long-term customers.

Services

Cranium Filament Reductions provides hair styling for the entire family. This includes hair cuts for men and women, permanents and hair coloring for women, as well as hair cuts for children. Shampoos will be offered for all adult services. Service is offered on a walk-in basis or by appointment. Cranium Filament Reductions will emphasize a customer-centric service where the customer's needs are always the priority.

Cranium Filament Reductions will also sell hair care products which is forecasted to account for 15% of sales. These professional-quality supplies will include shampoos, conditioners, reconstructors, brushes, combs, and other styling aids.

The Market

The hair styling industry is highly fragmented with national chains such as Regis Corporation, which operates diverse franchises catering to all the market segments, and also including thousands of "mom and pop" salons that are very restricted in scope and services. This makes for a highly competitive market that has low barriers to entry and exit. In addition, the clients of hair styling have significant leverage due to the low switching costs they have. However, most companies have tried to pursue only one general strategy in gaining market share. Cranium believes that it is possible to offer a differentiated service through improved customer service at no greater significant cost if the right employee incentives are provided.

With this strategy in mind, the company's goal is to increase the number of clients served by at least 20% per year.

Cranium Filament Reductions will target three different market segments:

- Men will typically make up 70-75% of the clientele.
- Females who cannot afford an upscale salon.

Cranium Filament Reductions

- Young mothers with children.

Financial Considerations

The Break-even Analysis indicates that Cranium must achieve \$32,340 in monthly revenue to reach the break-even point.

The company expects to have a sales level of \$525,000 and profits of \$63,000 by year three of operations. During this time the company expects to maintain a positive cash flow.

1.1 Objectives

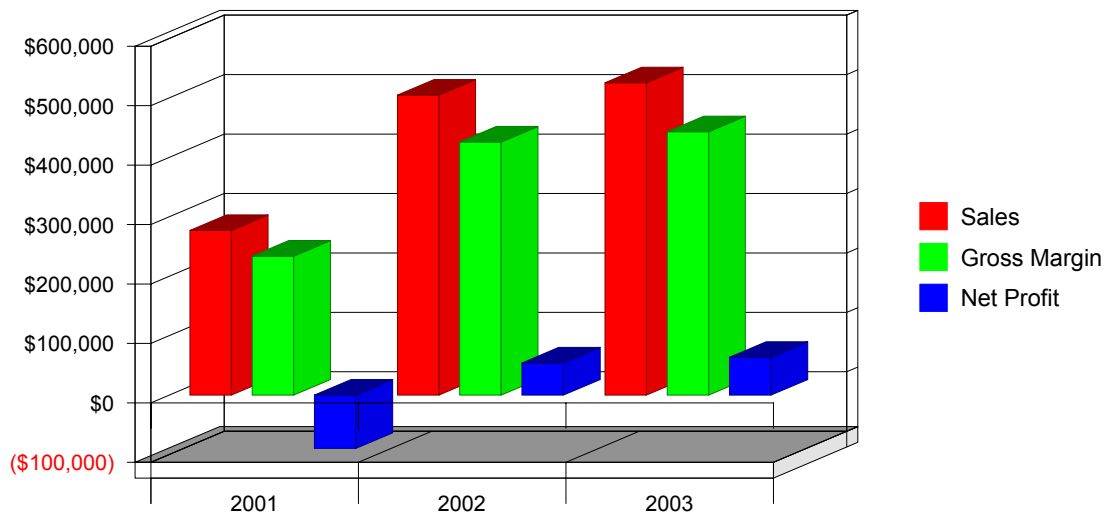
The objectives for the first three years of operation include:

1. To create a service-based company whose goal is to exceed customer's expectations.
2. To increase the number of clients served by at least 20% per year through superior performance and word-of-mouth referrals.
3. To develop a sustainable start-up business, contributing to increased employment of community residents.

1.2 Mission

Cranium Filament Reductions' mission is to provide reasonably priced, convenient hair styling. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

Highlights (Planned)



Cranium Filament Reductions

2.0 Company Summary

Cranium Filament Reductions, soon to be located in Shaker Hts., OH, will offer reasonably priced, convenient hair styling. Cranium Filament Reductions will accept walk-ins as well as appointments for the entire family. Cranium Filament Reductions will grow its market share based on superior customer attention. Cranium Filament Reductions is a family hair salon, also known as a "quick hair salon."

2.1 Company Ownership

Cranium Filament Reductions is an Oregon corporation owned entirely by Susan Sever.

2.2 Start-up Summary

Cranium Filament Reductions will incur the following start-up costs:

- Computer with point of sale terminal.
- Computer with printer for back office.
- Five cutting stations, each station requires a barber chair, cabinet, large mirror, blow dryer, curling iron, electric razor, several pairs of scissors, spray bottle, two sided mirror, and assorted combs and brushes.
- Desk for reception area.
- Three couches for the reception area.
- Display shelf for sale of retail products.
- Assorted plants.
- Assorted toys for the children.
- Legal fees for business formation and generation/review of contracts.

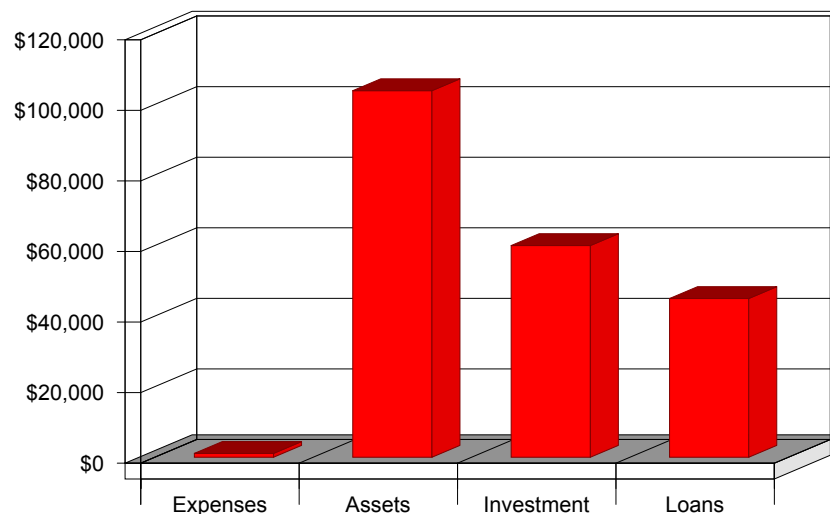
Please note that the following items that are assets to be used for more than a year will be considered a long-term assets and will be depreciated using the straight-line method accepted by G.A.A.P.

Cranium Filament Reductions

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	\$1,000
Stationery etc.	\$100
Other	\$0
Total Start-up Expense	\$1,100
Start-up Assets Needed	
Cash Balance on Starting Date	\$96,580
Other Short-term Assets	\$0
Total Short-term Assets	\$96,580
Long-term Assets	\$7,320
Total Assets	\$103,900
Total Requirements	\$105,000
Funding	
Investment	
Susan	\$60,000
Investor 2	\$0
Other	\$0
Total Investment	\$60,000
Short-term Liabilities	
Accounts Payable	\$0
Current Borrowing	\$0
Other Short-term Liabilities	\$0
Subtotal Short-term Liabilities	\$0
Long-term Liabilities	\$45,000
Total Liabilities	\$45,000
Loss at Start-up	(\$1,100)
Total Capital	\$58,900
Total Capital and Liabilities	\$103,900

Start-up



Cranium Filament Reductions

2.3 Milestones

Cranium Filament Reductions will have several milestones early on:

1. Business plan completion. This will be done as a roadmap for the organization.
2. Set up the store front.
3. Revenue exceeding \$100,000.
4. Profitability.

Table: Milestones (Planned)

Milestones Milestone	Start Date	End Date	Budget	Manager	Department
Business plan completion	1/1/01	2/1/01			
Set up the store front	1/1/01	2/1/01			
Revenue exceeding \$100,000	1/1/01	7/1/01			
Profitability	1/1/01	9/1/01			
Totals			\$0		

3.0 Services

Cranium Filament Reductions provides hair styling for the entire family. This includes hair cuts for men and women, permanents and hair coloring for women, as well as hair cuts for children. Shampoos will be offered for all adult services. Service is offered on a walk-in basis or by appointment. Cranium Filament Reductions will emphasize a customer-centric service where the customer's needs are always the priority.

Cranium Filament Reductions will also sell hair care products which is forecasted to account for 15% of sales. These professional-quality supplies will include shampoos, conditioners, reconstructors, brushes, combs, and other styling aids.

4.0 Market Analysis Summary

Cranium Filament Reductions will be targeting three diverse groups of customers. Cranium will work hard to distinctly appeal to each of these groups. By focusing on more than one group, Cranium is lowering their risk that in a downturn one group will negatively effect the company.

Cranium Filament Reductions

4.1 Market Segmentation

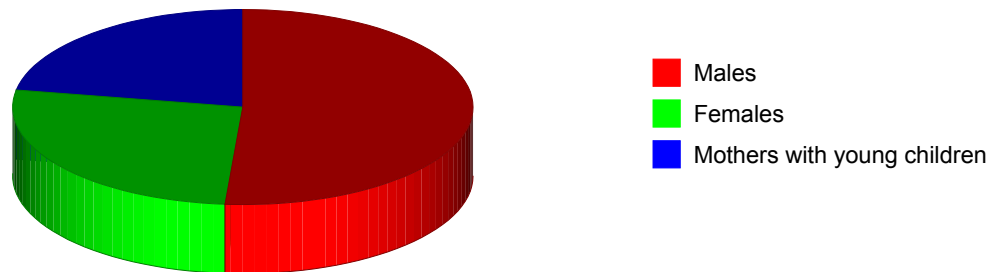
Cranium Filament Reductions will target three different market segments:

- **Men will typically make up 70-75% of the clientele.** Men have shorter hair requiring a faster, simpler job.
- **Females who cannot afford an upscale salon.** Women tend to favor a female specific upscale salon if they can afford it. There is not often a difference in quality of an upscale salon relative to a family hair salon other than a upscale salon will tend to pamper you more, only accepts appointments, and the facility is generally a bit plusher. Someone who is fiscally responsible as opposed to someone who likes opulence will favor a family style salon.
- **Young mothers with children.** Most young children are notoriously difficult when it comes to getting haircuts. A family style salon is a more laid-back place that allows the children to play while they are waiting and then will work with the parents in calming the kids nerves when they are ready for their shearing.

Table: Market Analysis

Market Analysis	Growth	2001	2002	2003	2004	2005	CAGR
Potential Customers							
Males	9%	54,000	58,860	64,157	69,931	76,225	9.00%
Females	10%	28,000	30,800	33,880	37,268	40,995	10.00%
Mothers with young children	9%	23,400	25,506	27,802	30,304	33,031	9.00%
Total	9.27%	105,400	115,166	125,839	137,503	150,251	9.27%

Market Analysis (Pie)



Cranium Filament Reductions

4.2 Target Market Segment Strategy

Cranium Filament Reductions will target each of the three groups separately. The males will be targeted by offering a quick, convenient, service. Because men tend to have shorter hair, they usually require haircuts more often. If they are getting a cut every four weeks and work normal business hours, most barbers are closed when the male customers have free time. Cranium Filament Reductions will cater to males with evening hours, no appointments necessary, and quick turn around times.

Generally females prefer the allure of upscale salons, however, not everyone can afford this luxury. For this reason Cranium Filament Reductions will provide the same quality hair styling, without the expensive price. Cranium will target these customers by emphasizing the sophisticated, ultra-hip styling that Cranium can offer.

Cranium Filament Reductions will also target mothers with children by offering the kids toys to play with while they wait and child-friendly hair stylists. Additionally, children receive a special rate reflecting the fact that children's hair grows so fast that it can be expensive to keep up with regular cuts, as well as the recognition that it generally takes a lot less time to cut a child's hair so it should be inherently less expensive.

4.3 Service Business Analysis

The "hair" service industry is fairly diverse. On one end of the spectrum you have the traditional barber, on the other end you have the fashionable boutique salons. Somewhere in between there are independent hair stylists, franchise barbers and stylists, and beauty salons.

4.3.1 Competition and Buying Patterns

Cranium Filament Reductions' competitors include:

1. **Traditional barbers.** They rarely serve appointments, it is generally a walk-in service. While barbers are usually willing to provide whatever cut you are interested, they are generally providing straight forward haircuts, typically on the conservative side. The advantages of a barber is they are inexpensive and easy to use. Their disadvantages is often conservative styling capacities, sometimes a long wait as the barber may be an old timer who enjoys to chit chat.
2. **Franchised "quick salons."** An example of this would be Supercuts or Best Cuts. In essence this is a franchised version of Cranium Filament Reductions. The advantage of this style is the store will be the same from location to location and some people like this predictability.
3. **Independent salons.** These shops typically focus on a specific niche and do not serve a wide group of customers. The advantages to these could be an independent salon that fulfills all of your needs. The disadvantage is that because they tend to be more focused, more often than not this type of salon will not offer exactly what customers are looking for.

Cranium Filament Reductions

The buying patterns of men and women are quite different. Typically men are more price or convenience sensitive. Men typically care less about the task of getting their hair cut. For them whatever is easiest works best. Women on the other hand are more caught up in hair styling and tend to bond more with their stylists. Because they bond more, they are much more loyal to their stylist. Once a stylist has earned their trust they are more willing to blindly put their hair in the stylists hands.

5.0 Strategy and Implementation Summary

Cranium Filament Reductions will rely on three separate strategies to grow market share. The first is superior customer service. Customers will be blown away with the level of service that they receive. They have expectations of average (at best) customer service from a quick salon based on past experiences.

Cranium will also be leveraging its high-traffic store front location in a shopping center to drive people into the store. They will benefit from the shopping center association's marketing efforts to bring more people to the center.

Lastly, Cranium Filament Reductions will use financial incentives early on to build a large, loyal customer population.

5.1 Competitive Edge

Cranium Filament Reductions' competitive edge is based on faultless customer service. Cranium Filament Reductions recognizes that the hair cutting/styling market is crowded so it is difficult to stand out. Cranium Filament Reductions will stand out by providing superior customer attention. This is particularly important in the "quick salon" space that Cranium operates in because margins are a bit lower and the goal of a quick salon is to crank through customers.

Cranium will invest time and money into training to ensure that clients receive the best experience possible making it easier to turn them into long-term customers. By providing superior customer service, Cranium will be able to effectively compete against and outlast larger chains and independent stores.

5.2 Marketing Strategy

Cranium Filament Reductions will be located in a shopping center in Shaker Hts., OH. While the cost of the lease per foot is higher than in other business areas, the shopping center provides the best exposure. Additionally, the shopping center association is responsible for marketing the center's common area which will help draw a lot of traffic to the shopping center.

Cranium Filament Reductions will market themselves as a hair salon that serves everyone, men, women, and children. This will be done through flyers to be sent out with the local newspaper. Cranium will also have an in-store promotion for the first few months to lure new people in. Lastly, Cranium will offer a discount for a few months to people that refer new customers.

Cranium Filament Reductions

5.3 Sales Strategy

Cranium Filament Reductions' sales strategy will be based on extremely professional interactions with the customer. Typically the "quick salons" concentrate on being quick and inexpensive, often at the expense of customer service. Anytime that a prospective customer is speaking with someone at Cranium's the employee will have an opportunity to impress the customer. Employee training will emphasize seizing these opportunities.

Cranium Filament Reductions will also have the opportunity to increase sales of their retail hair care products every time they have a customer in the chair. Cranium offers deep discounts on the hair care products for employees to encourage usage so they can explain to the customer about their personal experiences. Additionally, Cranium offers a product-based commission structure for the hair care products where they give away the product to the employee for commissions for selling the items to their customers. These personal testimonials and commission structure will allow Cranium to generate good sales from the retail hair care products.

Cranium Filament Reductions

5.3.1 Sales Forecast

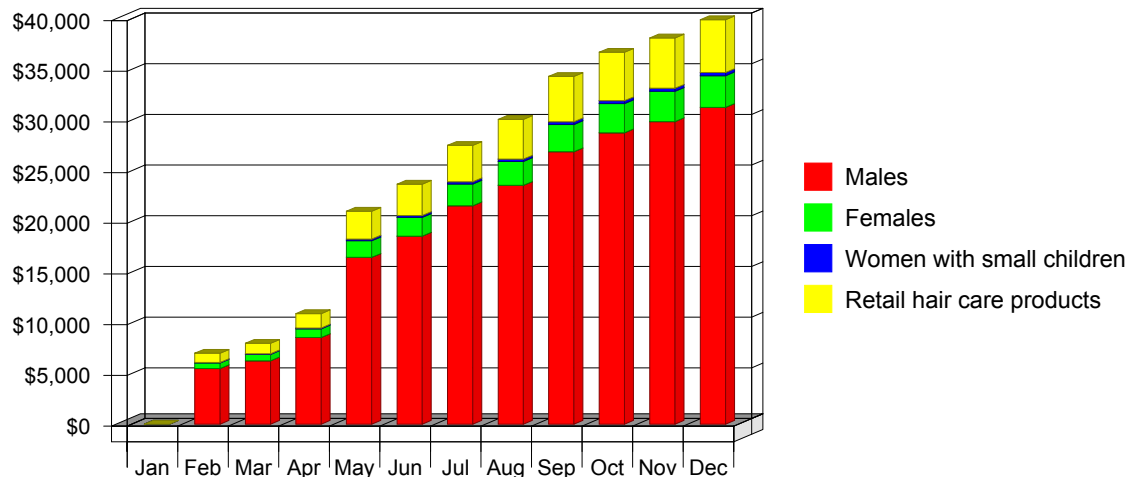
The first month will be used to set up the store and hire and train the employees. The store will be officially open the second month. Sales for month two through will four will be somewhat slow as Cranium will be building up a customer base. From month four on sales will grow steadily.

Table: Sales Forecast (Planned)

Sales Forecast			
Sales	2001	2002	2003
Males	\$217,112	\$395,458	\$411,545
Females	\$21,711	\$39,546	\$41,155
Women with small children	\$2,171	\$3,955	\$4,115
Retail hair care products	\$36,149	\$65,844	\$68,522
Total Sales	\$277,143	\$504,802	\$525,337

Direct Cost of Sales			
	2001	2002	2003
Males	\$26,053	\$47,455	\$49,385
Females	\$2,605	\$4,745	\$4,939
Women with small children	\$261	\$475	\$494
Retail hair care products	\$14,460	\$26,338	\$27,409
Subtotal Direct Cost of Sales	\$43,379	\$79,013	\$82,227

Sales Monthly (Planned)



6.0 Management Summary

Susan Sever received her bachelor's degree from Miami University in Oxford, OH. While pursuing her degree Susan worked in the restaurant industry. For the four years during school she was a server in an upscale restaurant. While this provided very good income, particularly on the weekends, she longed for management experience.

After graduation she sat down with the owner of the restaurant and presented him with a well reasoned case as to why she should be manager of the establishment. Her main points were her intimate knowledge of the industry and the restaurant, her superior communication skills with the customers and her colleagues, and her ambition to succeed. The owner was surprised by the well-reasoned arguments, enthusiasm, and ambition to take on more work

Cranium Filament Reductions

that he promoted her to manager on the spot.

Susan worked as manager for three years, learning all the intricacies of operating a business. These were three rewarding, but long, years. Toward the end, the long hours and work at night took its toll on Susan and she was burned out. When contemplating new opportunities she was brainstorming a way in which she could combine something she loved with something that she would be the owner of. She loved hair and had the experience of operating a business so after a lot of market research she undertook the task of writing a business plan.

Cranium Filament Reductions

6.1 Personnel Plan

Susan will be working full time for Cranium Filament Reductions. She will be handling all hiring and training, purchasing, and retail sales. Susan will also hire a receptionist to manage all of the appointments as well as the people who walk in and be responsible for the point of sale. The receptionist will be paid an hourly wage. Susan will also be hiring six part-time hair stylists who will operate on a hourly/commission basis.

Susan will be using a partial commission basis to create incentives for superior customer attention. The more her stylists attend to the customer's needs, the more money they will make off commissions. Susan is more than happy to pay for this type of performance.

Table: Personnel (Planned)

Personnel Plan	2001	2002	2003
Susan	\$36,000	\$40,000	\$44,000
Receptionist	\$17,600	\$19,200	\$19,200
Part-time hair stylist	\$33,000	\$36,000	\$36,000
Part-time hair stylist	\$33,000	\$36,000	\$36,000
Part-time hair stylist	\$33,000	\$36,000	\$36,000
Part-time hair stylist	\$33,000	\$36,000	\$36,000
Part-time hair stylist	\$33,000	\$36,000	\$36,000
Part-time hair stylist	\$33,000	\$36,000	\$36,000
Total Payroll	\$251,600	\$275,200	\$279,200
Total People	8	8	8
Payroll Burden	\$37,740	\$41,280	\$41,880
Total Payroll Expenditures	\$289,340	\$316,480	\$321,080

Cranium Filament Reductions

7.0 Financial Plan

The following sections will outline the important financial data.

7.1 Important Assumptions

The following table details important financial assumptions for Cranium Filament Reductions.

Table: General Assumptions

General Assumptions	2001	2002	2003
Short-term 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%
Expenses in Cash %	10.00%	10.00%	10.00%
Personnel Burden %	15.00%	15.00%	15.00%

7.2 Break-even Analysis

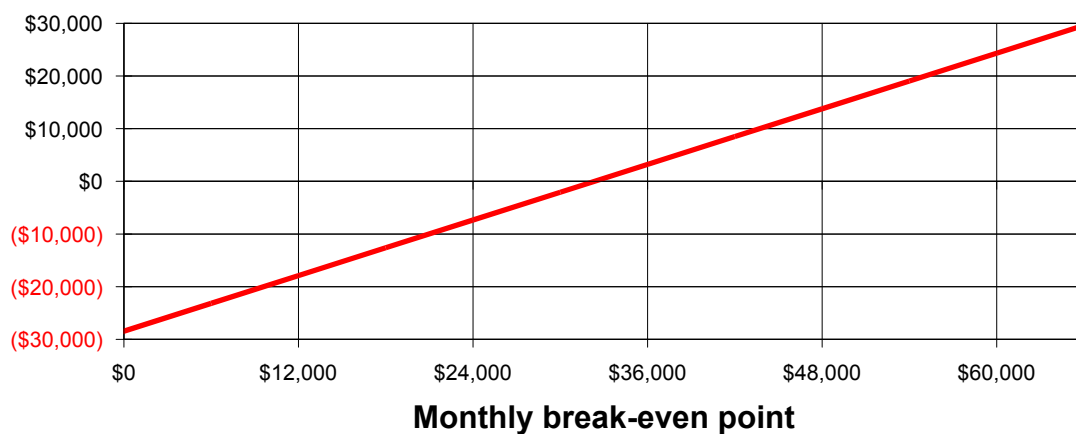
The Break-even Analysis indicates that Cranium must achieve \$32,340 in monthly revenue to reach the break even point.

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	2,156
Monthly Sales Break-even	\$32,340

Assumptions:	
Average Per-Unit Revenue	\$15.00
Average Per-Unit Variable Cost	\$1.80
Estimated Monthly Fixed Cost	\$28,459

Break-even Analysis



Break-even point = where line intersects with 0

Cranium Filament Reductions

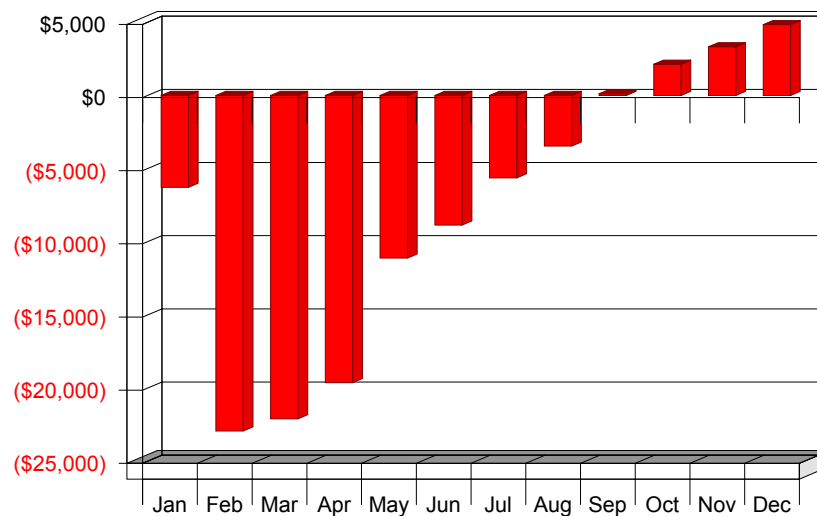
7.3 Projected Profit and Loss

The following table and chart shows the projected profit and loss for Cranium Filament Reductions.

Table: Profit and Loss (Planned)

Pro Forma Profit and Loss			
	2001	2002	2003
Sales	\$277,143	\$504,802	\$525,337
Direct Cost of Sales	\$43,379	\$79,013	\$82,227
Other Production Expenses	\$0	\$0	\$0
	-----	-----	-----
Total Cost of Sales	\$43,379	\$79,013	\$82,227
Gross Margin	\$233,764	\$425,790	\$443,111
Gross Margin %	84.35%	84.35%	84.35%
Operating Expenses:			
Advertising/Promotion	\$1,442		
Travel	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0
Payroll Expense	\$251,600	\$275,200	\$279,200
Payroll Burden	\$37,740	\$41,280	\$41,880
Depreciation	\$1,464	\$1,464	\$1,464
Leased Equipment	\$0	\$0	
Utilities	\$1,200	\$1,200	\$1,200
Insurance	\$1,500	\$1,500	\$1,500
Rent	\$24,000	\$24,000	\$24,000
Contract/Consultants	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$318,946	\$344,644	\$349,244
Profit Before Interest and Taxes	(\$85,182)	\$81,146	\$93,867
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$4,352	\$3,954	\$3,164
Taxes Incurred	\$0	\$23,157	\$27,211
Extraordinary Items	\$0	\$0	\$0
Net Profit	(\$89,533)	\$54,034	\$63,492
Net Profit/Sales	-32.31%	10.70%	12.09%

Profit Monthly (Planned)



Cranium Filament Reductions

7.5 Projected Balance Sheet

The following table and chart shows the projected balance sheet for Cranium Filament Reductions.

Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets			
Short-term Assets	2001	2002	2003
Cash	\$13,508	\$69,501	\$124,654
Other Short-term Assets	\$0	\$0	\$0
Total Short-term Assets	\$13,508	\$69,501	\$124,654
Long-term Assets			
Long-term Assets	\$7,320	\$7,320	\$7,320
Accumulated Depreciation	\$1,464	\$2,928	\$4,392
Total Long-term Assets	\$5,856	\$4,392	\$2,928
Total Assets	\$19,364	\$73,893	\$127,582
Liabilities and Capital			
	2001	2002	2003
Accounts Payable	\$7,781	\$13,621	\$14,285
Current Borrowing	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$7,781	\$13,621	\$14,285
Long-term Liabilities	\$42,217	\$36,871	\$26,404
Total Liabilities	\$49,997	\$50,492	\$40,690
Paid-in Capital	\$60,000	\$60,000	\$60,000
Retained Earnings	(\$1,100)	(\$90,633)	(\$36,599)
Earnings	(\$89,533)	\$54,034	\$63,492
Total Capital	(\$30,633)	\$23,401	\$86,893
Total Liabilities and Capital	\$19,364	\$73,893	\$127,582
Net Worth	(\$30,633)	\$23,401	\$86,893

Cranium Filament Reductions

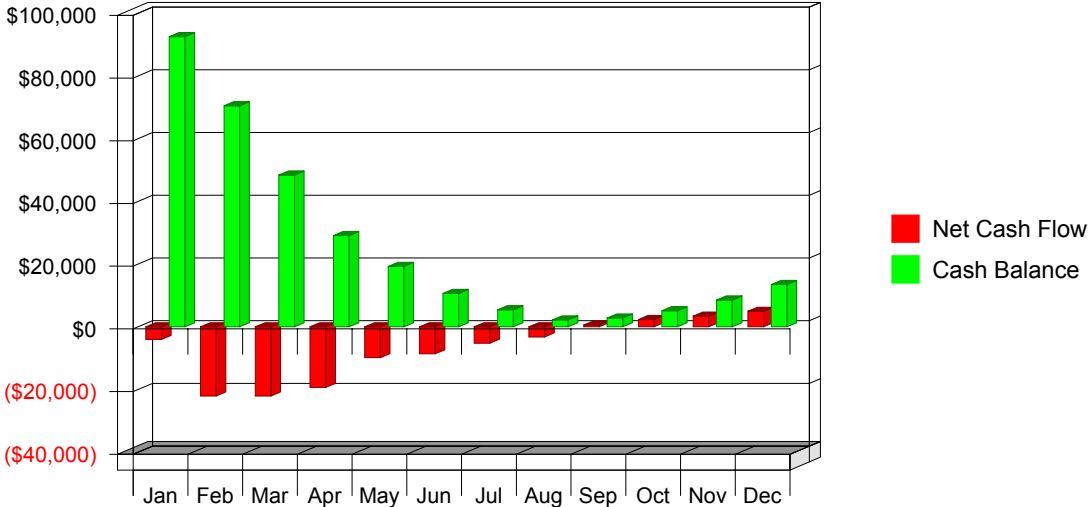
7.4 Projected Cash Flow

The following table and chart shows the projected cash flow for Cranium Filament Reductions.
Table: Cash Flow (Planned)

Pro Forma Cash Flow	2001	2002	2003
Cash Received			
Cash from Operations:			
Cash Sales	\$277,143	\$504,802	\$525,337
From Receivables	\$0	\$0	\$0
Subtotal Cash from Operations	\$277,143	\$504,802	\$525,337
Additional Cash Received			
Extraordinary Items	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$277,143	\$504,802	\$525,337
Expenditures			
Expenditures from Operations:			
Cash Spent on Costs and Expenses	\$7,587	\$13,282	\$13,930
Wages, Salaries, Payroll Taxes, etc.	\$289,340	\$316,480	\$321,080
Payment of Accounts Payable	\$60,505	\$113,701	\$124,707
Subtotal Spent on Operations	\$357,432	\$443,464	\$459,717
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	\$2,783	\$5,345	\$10,467
Purchase Other Short-term Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0
Subtotal Cash Spent	\$360,215	\$448,809	\$470,184
Net Cash Flow	(\$83,072)	\$55,993	\$55,153
Cash Balance	\$13,508	\$69,501	\$124,654

Cranium Filament Reductions

Cash (Planned)



Appendix

Appendix Table: Sales Forecast (Planned)

Sales Forecast												
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Males	\$0	\$5,484	\$6,254	\$8,547	\$16,455	\$18,545	\$21,545	\$23,555	\$26,874	\$28,745	\$29,854	\$31,254
Females	\$0	\$548	\$625	\$855	\$1,646	\$1,855	\$2,155	\$2,356	\$2,687	\$2,875	\$2,985	\$3,125
Women with small children	\$0	\$55	\$63	\$85	\$165	\$185	\$215	\$236	\$269	\$287	\$299	\$313
Retail hair care products	\$0	\$913	\$1,041	\$1,423	\$2,740	\$3,088	\$3,587	\$3,922	\$4,475	\$4,786	\$4,971	\$5,204
Total Sales	\$0	\$7,000	\$7,983	\$10,910	\$21,005	\$23,673	\$27,502	\$30,068	\$34,305	\$36,693	\$38,109	\$39,896
Direct Cost of Sales												
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Males	\$0	\$658	\$750	\$1,026	\$1,975	\$2,225	\$2,585	\$2,827	\$3,225	\$3,449	\$3,582	\$3,750
Females	\$0	\$66	\$75	\$103	\$197	\$223	\$259	\$283	\$322	\$345	\$358	\$375
Women with small children	\$0	\$7	\$8	\$10	\$20	\$22	\$26	\$28	\$32	\$34	\$36	\$38
Retail hair care products	\$0	\$365	\$417	\$569	\$1,096	\$1,235	\$1,435	\$1,569	\$1,790	\$1,914	\$1,988	\$2,082
Subtotal Direct Cost of Sales	\$0	\$1,096	\$1,250	\$1,708	\$3,288	\$3,705	\$4,305	\$4,706	\$5,369	\$5,743	\$5,965	\$6,245

Appendix

Appendix Table: Personnel (Planned)

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Susan	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Receptionist	\$0	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600
Part-time hair stylist	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Part-time hair stylist	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Part-time hair stylist	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Part-time hair stylist	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Part-time hair stylist	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Part-time hair stylist	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Total Payroll	\$3,000	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600
Total People	1	8	8	8	8	8	8	8	8	8	8	8
Payroll Burden	\$450	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390
Total Payroll Expenditures	\$3,450	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990

Appendix

Appendix Table: General Assumptions

General Assumptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Interest Rate %	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate %	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate %	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Expenses in Cash %	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Personnel Burden %	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%

Appendix

Appendix Table: Profit and Loss (Planned)

Pro Forma Profit and Loss	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$0	\$7,000	\$7,983	\$10,910	\$21,005	\$23,673	\$27,502	\$30,068	\$34,305	\$36,693	\$38,109	\$39,896
Direct Cost of Sales	\$0	\$1,096	\$1,250	\$1,708	\$3,288	\$3,705	\$4,305	\$4,706	\$5,369	\$5,743	\$5,965	\$6,245
Other Production Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$0	\$1,096	\$1,250	\$1,708	\$3,288	\$3,705	\$4,305	\$4,706	\$5,369	\$5,743	\$5,965	\$6,245
Gross Margin	\$0	\$5,905	\$6,734	\$9,203	\$17,717	\$19,967	\$23,198	\$25,362	\$28,935	\$30,950	\$32,144	\$33,651
Gross Margin %	0.00%	84.35%	84.35%	84.35%	84.35%	84.35%	84.35%	84.35%	84.35%	84.35%	84.35%	84.35%
Operating Expenses:												
Advertising/Promotion	\$100	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122
Travel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Expense	\$3,000	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600	\$22,600
Payroll Burden	\$450	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390	\$3,390
Depreciation	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122
Leased Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Insurance	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125
Rent	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Contract/Consultants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$5,897	\$28,459	\$28,459	\$28,459	\$28,459	\$28,459	\$28,459	\$28,459	\$28,459	\$28,459	\$28,459	\$28,459
Profit Before Interest and Taxes	(\$5,897)	(\$22,554)	(\$21,725)	(\$19,256)	(\$10,742)	(\$8,492)	(\$5,261)	(\$3,097)	\$476	\$2,491	\$3,685	\$5,192
Interest Expense Short-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Expense Long-term	\$373	\$371	\$369	\$368	\$366	\$364	\$362	\$360	\$358	\$356	\$354	\$352
Taxes Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$6,270)	(\$22,926)	(\$22,095)	(\$19,624)	(\$11,108)	(\$8,855)	(\$5,623)	(\$3,457)	\$118	\$2,135	\$3,331	\$4,840
Net Profit/Sales	0.00%	-327.49%	-276.76%	-179.87%	-52.88%	-37.41%	-20.45%	-11.50%	0.35%	5.82%	8.74%	12.13%

Appendix

Appendix Table: Cash Flow (Planned)

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	\$0	\$7,000	\$7,983	\$10,910	\$21,005	\$23,673	\$27,502	\$30,068	\$34,305	\$36,693	\$38,109	\$39,896
From Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash from Operations	\$0	\$7,000	\$7,983	\$10,910	\$21,005	\$23,673	\$27,502	\$30,068	\$34,305	\$36,693	\$38,109	\$39,896
Additional Cash Received												
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$0	\$7,000	\$7,983	\$10,910	\$21,005	\$23,673	\$27,502	\$30,068	\$34,305	\$36,693	\$38,109	\$39,896
Expenditures												
Expenditures from Operations:												
Cash Spent on Costs and Expenses	\$270	\$381	\$397	\$442	\$600	\$642	\$701	\$741	\$807	\$845	\$867	\$894
Wages, Salaries, Payroll Taxes, etc.	\$3,450	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990	\$25,990
Payment of Accounts Payable	\$81	\$2,462	\$3,437	\$3,583	\$4,027	\$5,413	\$5,792	\$6,324	\$6,692	\$7,278	\$7,608	\$7,807
Subtotal Spent on Operations	\$3,801	\$28,833	\$29,824	\$30,015	\$30,617	\$32,044	\$32,484	\$33,055	\$33,489	\$34,113	\$34,465	\$34,692
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	\$222	\$223	\$225	\$227	\$229	\$231	\$233	\$235	\$237	\$239	\$241	\$243
Purchase Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$4,022	\$29,057	\$30,049	\$30,242	\$30,846	\$32,275	\$32,716	\$33,290	\$33,726	\$34,351	\$34,705	\$34,934
Net Cash Flow	(\$4,022)	(\$22,056)	(\$22,066)	(\$19,332)	(\$9,842)	(\$8,603)	(\$5,214)	(\$3,222)	\$579	\$2,342	\$3,403	\$4,961
Cash Balance	\$92,558	\$70,501	\$48,436	\$29,104	\$19,262	\$10,660	\$5,445	\$2,223	\$2,802	\$5,144	\$8,547	\$13,508

Appendix

Appendix Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Assets													
Cash	\$96,580	\$92,558	\$70,501	\$48,436	\$29,104	\$19,262	\$10,660	\$5,445	\$2,223	\$2,802	\$5,144	\$8,547	\$13,508
Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Short-term Assets	\$96,580	\$92,558	\$70,501	\$48,436	\$29,104	\$19,262	\$10,660	\$5,445	\$2,223	\$2,802	\$5,144	\$8,547	\$13,508
Long-term Assets													
Long-term Assets	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320	\$7,320
Accumulated Depreciation	\$0	\$122	\$244	\$366	\$488	\$610	\$732	\$854	\$976	\$1,098	\$1,220	\$1,342	\$1,464
Total Long-term Assets	\$7,320	\$7,198	\$7,076	\$6,954	\$6,832	\$6,710	\$6,588	\$6,466	\$6,344	\$6,222	\$6,100	\$5,978	\$5,856
Total Assets	\$103,900	\$99,756	\$77,577	\$55,390	\$35,936	\$25,972	\$17,248	\$11,911	\$8,567	\$9,024	\$11,244	\$14,525	\$19,364
Liabilities and Capital													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Accounts Payable	\$0	\$2,347	\$3,318	\$3,450	\$3,847	\$5,220	\$5,582	\$6,102	\$6,449	\$7,025	\$7,348	\$7,539	\$7,781
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$0	\$2,347	\$3,318	\$3,450	\$3,847	\$5,220	\$5,582	\$6,102	\$6,449	\$7,025	\$7,348	\$7,539	\$7,781
Long-term Liabilities	\$45,000	\$44,778	\$44,555	\$44,330	\$44,103	\$43,874	\$43,643	\$43,410	\$43,175	\$42,939	\$42,700	\$42,459	\$42,217
Total Liabilities	\$45,000	\$47,126	\$47,873	\$47,780	\$47,950	\$49,094	\$49,225	\$49,512	\$49,625	\$49,963	\$50,048	\$49,998	\$49,997
Paid-in Capital	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Retained Earnings	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)	(\$1,100)
Earnings	\$0	(\$6,270)	(\$29,196)	(\$51,291)	(\$70,915)	(\$82,022)	(\$90,877)	(\$96,501)	(\$99,958)	(\$99,839)	(\$97,704)	(\$94,373)	(\$89,533)
Total Capital	\$58,900	\$52,630	\$29,704	\$7,609	(\$12,015)	(\$23,122)	(\$31,977)	(\$37,601)	(\$41,058)	(\$40,939)	(\$38,804)	(\$35,473)	(\$30,633)
Total Liabilities and Capital	\$103,900	\$99,756	\$77,577	\$55,390	\$35,936	\$25,972	\$17,248	\$11,911	\$8,567	\$9,024	\$11,244	\$14,525	\$19,364
Net Worth	\$58,900	\$52,630	\$29,704	\$7,609	(\$12,015)	(\$23,122)	(\$31,977)	(\$37,601)	(\$41,058)	(\$40,939)	(\$38,804)	(\$35,473)	(\$30,633)