



Home Décor Products Manufacturer

BUSINESS PLAN

BURTON DECOR, INC.

14275 Washington Avenue
Skokie, Illinois 60077

Burton Décor manufactures high-quality specialty home décor products for the mass market, specifically items designed for the Christmas season. This plan raised more than \$1 million in capital for the company's owners.

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DESCRIPTION OF BUSINESS

Burton Décor, Inc., designs and develops specialty Christmas and soft (also known as "cut and sewn") home décor products manufactured in India. India's extraordinary fabrics and handiwork are not readily available in other countries and stand out from the typical mass-produced product currently available. These unique, value-priced products will be targeted to U.S.-based mass merchants such as Sears, Target, and Wal-Mart. Specifically, Burton Décor will bring a high-end look to the mass market.

Burton Décor aims to offer unusual, unique specialty items at competitive prices. Beautiful handiwork such as beading, embroidery, and weaving will help merchants stand out from their competitors and draw in shoppers. Although Burton Décor will offer narrow product lines as compared to their competitors, the company will produce in high volumes to meet the demands of mass merchants. In addition, Burton Décor can customize products to suit individual buyers' tastes.

John Smith, the man behind Burton Décor, has the product development experience, design talent, and established relationships necessary to meet those demands. Along with his 20 years of retailing and interior design experience, John spent the last two-and-a-half years working for Tupperware, one of the nation's leading gift product importers to mass merchants. His sourcing, product development, and production experience, in combination with his design talent and people skills, has allowed him to develop the know-how and relationships necessary to understand and meet the needs of mass merchants.



Business Model

As a direct importer, Burton Décor products will be shipped from the factory directly to the retailer. As such, Burton Décor will carry no inventory, with production beginning only when a purchase order is received. Payments between retailers and Burton Décor, and between Burton Décor and its factories will be made by letter-of-credit, resulting in minimal financial exposure.

PRODUCTS & SERVICES OFFERED

Burton Décor develops the designs, samples, and packaging for specialty Christmas and soft home décor products manufactured in India. Its product lines are meant to broaden the offerings of mass merchants, with unique handiwork such as beading, embroidery, and weaving in beautiful silks, velvets, and pashmina. In order for buyers to review the product lines, samples of each product are displayed in Burton Décor's Chicago showroom.

Product Lines

Burton Décor's product lines will be narrow and focused on the unique fabrics, colors, and beautiful handiwork typical of India. The lines will have a specific point of view and, as such, will not try to be all things to all buyers. The product categories for which Burton Décor will design products are:

Christmas	Home Décor
Gift bags	Bedding
Ornaments	Pillows
Stockings	Ready-made draperies
Table linens	Shower curtains
Table runners	Soft picture frames
Tree skirts	Table linens
Wire-edged ribbon	Throws
	Wire-edged ribbon

Christmas	Home Décor
Gift bags	Bedding
Ornaments	Pillows
Stockings	Ready-made draperies
Table linens	Shower curtains
Table runners	Soft picture frames
Tree skirts	Table linens
Wire-edged ribbon	Throws
	Wire-edged ribbon

Burton Décor's philosophy is that it is possible to feature well-designed, fashion-forward, high-quality products at competitive prices. The four cornerstones of that philosophy are:

- Design: Well-designed, fashion-forward products for the mass market
- Quality: High-quality products produced in a quality-controlled environment
- Value: Offering well-designed, quality products at affordable prices
- Relationships: Listening to our buyers and building trusting relationships with them

The product lines will feature a distinct point of view, yet products can be customized to suit individual buyers' tastes. Burton Décor will work closely with buyers to build their businesses because they want the merchants to succeed. Burton Décor does that by listening and responding to their needs. As a mass merchant buyer recently told John Smith, "You're the only person I trust because you're the only one who doesn't try to sell me something I don't want or need." This sentiment is the underpinning of Burton Décor's philosophy.



Benefits

Mass merchants want high-quality, fashion-forward products at competitive prices because they want to offer their customers a high-end look at an affordable price. India is an untapped geographic resource.

In the current marketplace, China is India's biggest competitor. While China offers good quality and great prices, the level of creativity and craftsmanship is limited. China's strength is in setting up factories to do mass runs. India offers great creativity, great quality, and great prices. The drawback has been their inability to offer mass merchants a way to buy consistently well-designed and well-produced products in one centralized location.

Burton Décor offers mass merchants the opportunity to draw in customers with products heretofore unavailable at these price points. Mass merchants can:

1. Bring high-end looks to the mass market, by offering their customers well-designed, fashion-forward products at affordable prices
2. Buy unique products with unusual handiwork at competitive prices
3. Round out and add depth to their departments
4. Stand out from their competitors
5. Buy products of India in a centralized buying location
6. Enjoy the security of knowing they are buying well-designed, quality-controlled products
7. Benefit from Burton Décor's retailing, design, and production experience

Pricing

Burton Décor products are developed within the context of mass merchant price points. Burton Décor wants to provide great design and great quality at a great value. The standard industry markup on Christmas and home décor products is 30 to 40 percent. Burton Décor is structured in such a way that overhead is kept low and the markup is 25 percent. Burton Décor is able to do this because of two cost-effective differences from their competitors: (i) no warehouse and (ii) no inventory.

Production

Burton Décor will be working with a new, Wal-Mart-approved factory located in India not far from Mumbai (Bombay). This factory will be the primary production facility for Burton Décor products. The factory owner, Bob Davidson, is a local businessman who has had a close working relationship with John Smith for several years and will also act as the agent for Burton Décor.

The production cycle will be as follows:

1. Once the factory receives an order, the factory, in turn, places the orders for fabric—which takes 7 to 10 days, depending on the specific fabric used.
2. The fabric is then delivered on the 15th day from the order date, at which point the fabric is cut. Overall, the first 30 days from the order date go into procuring fabric and cutting.
3. Once the pieces are cut, they are sent for embroidery and stitching, and then sent back to the factory for final production.
4. Fabric and work quality are inspected at each stage. Sign-off samples for Burton Décor will be used for quality control.
5. Orders will require a lead time of 90 to 150 days, depending on the work and quantities involved.
6. The ICD ("Inland Container Depot") is 2 to 3 kilometers away from the factory site. Containers will be packed in the factory.
7. All customs clearance formalities will be handled at the ICD, after which the containers will be sealed for inland transportation to the port in Mumbai. From there it will be shipped to the customer. Payment will be made by letter-of-credit.



8. Transit time to the East Coast is 30 days and to the West Coast is 45 days.

Timeline

Burton Décor will enter the marketplace by developing its Christmas line for the Christmas 2003 buying season, as outlined below. Buyers typically fly to Hong Kong in October and/or January in order to buy their overseas merchandise for the Christmas season at least one year in advance.

- Spring/Summer 2002: John Smith will design the Burton Décor Christmas line
- September 2002: Burton Décor's Chicago showroom will have samples and begin bringing in buyers to introduce them to the company and the Christmas line

MARKET ANALYSIS

"Today, Christmas is part of the gift industry, part of the home décor industry and even part of the fashion industry. Christmas décor...is being reinterpreted through the same prisms of style and culture and self-expression that influence other consumer categories."

—Mary Ford, Editor, *Selling Christmas Décorations*, March 2002

Burton Décor's target markets are the Christmas and home décor departments of mass merchants. The synergy between the two is clear, as illustrated in the quote above. By targeting both markets, Burton Décor can reduce the seasonal earnings fluctuations typical of Christmas-only vendors. Both markets are fashion-driven, with buyers always looking for the next new thing—in terms of design and resources.

Today's mass merchants want to offer broader looks in their Christmas and home décor departments. They want to offer products and looks from more than one country in order to:

- Round out product selection by offering unusual, unique specialty items
- Add eye-catching products to draw in customers
- Appeal to the growing ethnic diversity of their customer base
- Stand out from competitors

Consumer tastes are becoming more sophisticated as their exposure to global influences increases. Television shows such as "Martha Stewart," "Oprah," and those on HGTV have broadened the horizons of consumers. Add to this the "bargain as fashion" message of Target stores, and you've got consumers who want high style, but at an affordable price.

The country's trend toward cocooning at home has increased the demand for decorative home accessories in rich colors and fabrics. Combine this trend with the more cost-conscious consumer and you've got the mass merchant customer who wants it all: high style at an affordable price. Buyers understand these trends and want to exploit them. They understand that accessories can change the look of a room without refurnishing—tapping into the consumer's fashion and budget demands.

Current trends demonstrate another important factor at work in the marketplace: Consumers are more ethnically diverse than ever, and they want to embrace their cultural differences. Mass merchants want sources that can tap into the ethnic diversity that is their customer base. Buyers are looking for new resources with fresh design ideas, and India is an untapped geographic resource.

Why India?

Retail merchants and their customers are increasingly demanding the handcrafted, detailed look typical of India's artisans. Trend-setting merchants such as Pottery Barn, Crate & Barrel, and Z Gallerie have been



sourcing India for the last several years. They manufacture and import their own products from their own India-based resources. These retailers have invested in their own product development departments, which allows them to successfully source new markets.

Mass merchants, however, are not able to dedicate such substantial financial resources and still maintain their low price points. They want to follow the trends and offer their customers similar looks, but at affordable prices. However, India does not have the infrastructure in place to service them. Mass merchants want to find resources ready to produce high volumes of desired items upon demand.

Below is a brief geographic analysis of the Christmas and home décor marketplace, specifically focusing on countries manufacturing cut and sewn products.

- **Philippines:** Although they do intricate, incredibly beautiful work, their prices are very high. In addition, their manufacturing is set up as a cottage industry and, as such, is too small to handle the volume mass merchants demand.
- **China:** The quality, details, and types of materials used are good, not great. They do not have the creativity and handiwork abilities that are available in India. China's strength is in setting up factories to do mass production runs. Although the prices for their product have been very low, that pricing strategy has come under increasing pressure as the Chinese government cracks down on manufacturers' "flexible" accounting, resulting in higher tax payments.
- **India:** They are known for their fabrics (silks, velvets, pashmina), and their handiwork (beading, embroidery, weaving). Currently, India has no infrastructure for large production runs. The Wal-Marts of the world don't have the time, design capabilities, know-how or ability to control the process from afar—it's too much of a headache for them to go to India, and they do not have the contacts necessary to make it work.

Burton Décor's Comparative Advantage

India is a difficult country to work with due to cultural and legal issues. There are no copyright laws in India, and while agents and manufacturers will promise almost anything, having them deliver on those promises is anything but reliable. The key to success in India is finding a resource that understands design and production requirements while also being trustworthy and reliable—difficult qualities to find in India. John Smith has developed just such a relationship, which is the key to Burton Décor's ability to service U.S.-based mass merchants. Burton Décor's agent and primary manufacturer, Bob Davidson, states, "Remember, this is India and there are no copyright laws. Business is based purely on trust, which is a very rare commodity."

Sales Strategy

Burton Décor will establish itself by building on the strong buyer relationships John Smith developed during his years at Tuppi. Based on those relationships, Burton Décor can arrange meetings with the Christmas buyers, and then leverage those relationships to arrange for meetings with home décor buyers.

The key to Burton Décor's sales strategy is showing the product lines to the right buyers. Burton Décor understands that cross-selling among the departments within a store is an overlooked, yet strategic advantage in retailing. Cross-selling will set Burton Décor apart from their competition. For example, gift bags and wire-edged ribbon are product categories sold in both Christmas and stationery/gift departments. Each department has separate buyers with different budgets. Typically, vendors only target one department's buyer, thereby missing out on sales opportunities within the same organization. Burton Décor will not let those strategic opportunities slip away.

Most vendors participate in trade shows, which can cost \$10,000 per show. However, these shows target smaller retailers. Since Burton Décor is targeting mass merchants, the company can use their marketing dollars more effectively by flying in buyers who might not otherwise come to Chicago. It is important to note that



Burton Décor will attend trade shows in order to keep abreast of the trends and competitors' product lines.

Target Markets

Burton Décor is specifically targeting high-volume retailers serving the value-conscious consumer. These retailers fall into numerous categories. Several of these categories, along with examples of specific retailers, are listed below.

- Mass Merchants: Wal-Mart, Target, Sears
- Catalogue: Spiegel, Lillian Vernon, Fingerhut
- Craft/Garden: Frank's Nursery, Garden Ridge, Michael's
- Drug/Hardware: Walgreen's, Rite Aid, Ace Hardware
- Warehouse: Sam's Club, Lowe's, Costco
- Bed/Bath: Linens 'n Things, Bed Bath & Beyond

LOCATION OF BUSINESS

Burton Décor will lease 3,000 square feet of office and showroom space (2,000 for office and 1,000 for showroom). Rent is approximately \$22/square feet annually, totaling \$66,000/year or \$5,500/month. For budgeting purposes Burton Décor is assuming an annual increase of 3 to 5 percent.

The space will be located in or near the Chicago suburbs of Lincolnwood, Skokie, or Des Plaines because they are conveniently located near O'Hare Airport and the rent is lower than in Chicago.

COMPETITION

There are literally thousands of design and manufacturing companies in the Christmas and home décor marketplace. Typically, competitors fall into one of two categories: (1) The vast majority offer a product assortment that is too broad and lacks an appealing point of view or look. The price point may be attractive, but the product is mundane and the same as what their competitors are showing, or (2) the products are designed well and offer an exciting look, but the price point is too high.

As a result, the competition for mass merchant buying dollars is not especially competitive. Vendors consistently target the high-end buyers at merchants such as department stores and specialty stores. No one is thinking both "fashion forward" and "volume," which leaves the market open for Burton Décor. An analysis of Burton Décor's four nearest competitors follows.

Competitor #1

Who They Are

Competitor #1 designs and develops Christmas-related products. They have direct import and domestic product lines. The company is based in Illinois and is privately owned by Loonis-X Corp. Competitor #1 has been in business for more than 20 years. Estimated annual revenues are \$300 million.

Products

Product categories include: lights, trees, mouth-blown glass ornaments, table linens, animation, tree skirts, stockings, ribbon and bows, wreaths and garland, and bead garland. The company imports primarily from China. Competitor #1 offers a domestic line, requiring them to warehouse inventory domestically. This allows them to sell to smaller shops and to sell smaller quantities to customers buying less than a container-load.



Strengths

- Marketing/merchandising. They put together beautiful, eye-catching presentations in showrooms located at prime addresses. They display the showroom like a high-end department store; i.e., products are not just thrown on a shelf. Detail-oriented.
- Offer better product for the price. Competitor #1 spots high-end trends and develops knock-offs at affordable prices.
- If one category is not selling well in a particular year, Competitor #1 will adapt quickly by jumping into another category to make up the dollars lost for that year.

Weaknesses

- They do not build their business from year to year. When a particular category starts doing well for a competitor, Competitor #1 changes direction and chases the business in that same category while ignoring the categories that they had been building. As in a plate spinning circus act, they let plates drop as they run to spin others.
- Inventory risk—by offering a domestic line and warehousing the product.

What Was Learned from Watching Their Operation

- The importance of presentation
- Offer a good product for the price
- Always demand more from the manufacturer—design for the high-end first and adjust manufacturing and design details affecting the price at a later stage.

Competitor #2

Who They Are

Competitor #2 designs and manufactures holiday items for six holidays: Halloween, Thanksgiving, Christmas, St. Patrick's Day, Easter, and July Fourth. They have direct import and domestic product lines. The company is based in New York and is privately owned by Alan Brown, an Israeli-born engineer. Competitor #2 has been in business for approximately 15 years. Estimated annual revenues are \$100 million.

Products

Competitor #2 designs their own fabrics. They focus primarily on wire-edged ribbons and bows, although their product line also includes glass ball ornaments. Competitor #2 has begun to enter the home décor market with products using fabric matching their ribbon, e.g., table linens, table runners, and gift bags. The company manufactures its products in Guatemala—they are the largest employer there. Until Christmas 2002, Competitor #2 has been Kmart's largest Christmas supplier (now it will be Martha Stewart).

Strengths

- Lowest price point on ribbon (because they are the manufacturer).
- Owner is very analytical; he's very good at analyzing his business.
- Year to year he knows what items are selling and helps buyers choose their assortments.

Weaknesses

- Poor people skills; inflexible and unaccommodating with buyers, resulting in lost business.



- Not creative. They offer the same looks year after year, with very similar fabrics. They do not develop "looks," so what they offer looks mundane, boring. Alan thinks the fabrics make a look when, in fact, it's the application that makes a look.
- Inventory risk—by offering a domestic line and warehousing the product.

What Was Learned from Watching Their Operation

Competitor #2 controls the design and manufacture process from beginning to end, so they are able to control costs. (However, John can accomplish the same thing with close working relationships.)

Competitor #3

Who They Are

Competitor #3 designs and manufactures Christmas and holiday items for Halloween, Christmas, Valentine's, and Easter as well as home textile products. The family-owned company is based in Mumbai, India, and has an office in New Jersey. It has been exporting its products for more than 15 years. Exports are estimated to be \$20 million annually.

Products

Product categories include: tree skirts, stockings, mantel scarves, table linens, gift bags, napkin rings, kitchen textiles, bath, bedding, and window accessories. They have been building their Christmas and holiday business for the last three years.

Strengths

- Nice looking designs, but not fine-tuned for the western market (gaudy, overdone).
- Offices, showroom, and development room in India were very impressive.
- Very impressive operation; very organized and methodical, clean (rare in India), like offices in the U.S. Their research department has everything categorized and filed. Workflow, paperwork is very organized. The division of responsibilities is very thorough so nothing falls through the cracks.

Weaknesses

- Their factory is primitive, set up as a cottage industry
- No quality control
- Poor marketing skills

Competitor #4

Who They Are

Competitor #4 is the Christmas products division of a metallic yarn manufacturer based in Mumbai, India. Competitor #4 designs and manufactures Christmas-related products. The parent company has been in business since 1962, while Competitor #4 has been in business since 1999. Exports are estimated to be \$2 million annually.

Products

Product categories include: tree skirts, stockings, wire-edged ribbon, table linens, table runners, and gift bags.

Источник бизнес-плана: <http://www.referenceforbusiness.com>



Strengths

- Incredible design talent for fabrics; great creativity.
- They have very good quality and nicely designed products, based on their samples; however, it's hard to tell whether that can be maintained in production.
- They have fabulous raw materials and know-how of handiwork techniques.

Weaknesses

- Their designs are not fully developed; they don't fully understand design concepts (creating a "look") or scale. They have no idea how to put their creativity to its best use.
- They do not have enough business to sustain a factory, so they outsource by using a cottage industry setup.
- Poor marketing skills.

What Was Learned from Watching Their Operation

They have an operation with wonderful potential. Burton Décor would like to take them over.

MANAGEMENT

History of Principals

John Smith has put together a team with years of industry-specific experience and demonstrated talent. The professionals listed below cover the four functional areas critical to Burton Décor's success:

1. design and product development
2. management
3. manufacturing
4. sales

John Smith —John is a seasoned design and retailing professional with more than 20 years of experience. His educational background includes degrees in both retail management and interior design. His professional experience includes:

- Product development for Tuppi, including design, international sourcing and production
- Department store and specialty store retailing for 10 years
- Interior design for 10 years

John's product development experience encompasses the process from start to finish, i.e., from putting the design on paper to production to packaging to putting it on a retailer's shelves. In addition, he has successfully managed a staff of 10 and regularly managed multiple time-sensitive projects simultaneously.

Bob Davidson —Bob and his family own and run three factories in Nepal and India. Their manufacturing experience dates back to 1974. Bob has substantial experience in managing both the manufacturing and exporting functions of their businesses in India, most recently for Octagon Textile Industries. Prior to that he managed production and quality control for a division of Mip Plastic Industries.

Bob's factories have been exporting garments and textiles to the U.S. since 1989. They provide in-



house product development and research facilities for their production and marketing, and they maintain consistent quality control and sound financial practices. Their factories are experienced in working with top U.S. retailers such as Wal-Mart and Kmart. All their factories meet international standards and U.S. regulations.

Bob has a bachelor's in Commerce degree from Bombay University, and spent an additional year studying Business Administration at the International University of America in San Francisco, California.

Jane Doe —Jane has more than 15 years of product design, graphic arts, and supervisory experience. Specifically, she has 15 years of computer design experience; 20 years of traditional design, rendering, and illustration experience; and 15 years of experience working with overseas vendors in Europe, Asia, and India in producing graphics and products.

Jane has built in-house product design and graphics departments for three companies. In addition, her professional experience includes:

- **Product Design:** Giftware/collectibles/decorative, tins/bath and body/pet; gifts/decorative design/seasonal and holiday items/leather (and fabric) goods, e.g., business cases, men's accessories, luggage, and gift items.
- **Graphic Design:** Graphics incorporated with product, package design, decorative design, catalog, and photography. Concept, design, and production for products, packaging, and graphics.
- **Management:** Supervised designers, retouchers, and freelancers. Managed employees, workflow, clients, and budgets for graphics/multimedia studios consisting of 12-15 employees.

PERSONNEL

Management Team

John Smith, CEO —John will oversee the sales and design functions of Burton Décor. He will work directly with the factories and the agent in India by overseeing their performance and negotiating the first cost of the products. Until a CFO can be hired, John will also handle all financial issues. Salary: \$130,000.

Bob Davidson, Agent —Bob will be Burton Décor's primary contact and agent in India, and Bob's factory will be the primary manufacturer of Burton Décor products. He will oversee production at his factory and the outside factories by monitoring and coordinating production, quality control, packaging, customs paperwork, and transportation until the release of goods at the port. Salary: Compensation will be included in Burton Décor's cost of goods sold (first cost).

Jane Doe, Vice President of Design —Jane will be responsible for all graphic design and product development, i.e., packaging, presentations to buyers, as well as the Burton Décor showroom display. Jane will handle the product lines from conception through packaging, which includes developing themes and keeping abreast of marketplace trends. Long-term, Jane will build and manage the art department, including in-house and freelance artists. Salary: \$80,000 + bonus.

Elizabeth Brown, Vice President of Sales: Elizabeth will be responsible for developing the marketing plan to meet sales objectives, as well as establishing/maintaining customer relationships. Elizabeth will make initial contact with buyers, handle day-to-day contact and follow-up with buyers, i.e., she will manage the process from the time the order is placed to the time the merchandise is off the retailer's shelves. Long-term, Elizabeth



will build and manage the sales department, including outside sales reps. Salary: \$80,000 + bonus.

Additional Personnel

Office Manager: Reports to VP of Design. Responsible for day-to-day office operations; will assist CEO and VP of Design. Must be highly organized and have the ability to multi-task. Attention to detail a must. Salary: \$50,000.

Graphic Designer: Reports to VP of Design. Responsible for designing packaging for each product as well as for private label merchandise. Must be fluent in design software for the Mac, excel in conceptual design, and have experience in marketing trends and working with overseas vendors. Experience also required in working on product/decorative design and working with printers and production files. Salary: \$40,000.

Artist: Reports to VP of Design. Responsible for conceiving, designing, and producing artwork for home décor and Christmas product lines. Must be fluent in design software for the Mac, excel in conceptual design, and have experience in marketing trends and working with overseas vendors. Experience also required in working on product/decorative design and working with printers and production files. Salary: \$30,000.

Import Manager: Reports to VP of Sales. Responsible for building product database, putting together price quotes for buyers, issuing purchase orders and following through on sales, delivery, and payment approval. Must be highly organized and have the ability to multi-task. Attention to detail a must. Salary: \$30,000.

Sales Assistant: Reports to VP of Sales. Responsible for supporting Sales Department. Must be highly organized and have the ability to multi-task. Attention to detail a must. Salary: \$28,000.

Order Expediter: Reports to Import Manager. Responsible for assisting in putting together price quotes for buyers, issuing purchase orders, and following through on sales and delivery. Must be highly organized and have the ability to multi-task. Attention to detail a must. Salary: \$25,000.

Staffing Plan

Title	Year 1*	Year 2	Year 3
CEO/President	1	1	1
VP of Design	1	1	1
VP of Sales	1	1	1
Office Manager	1	1	1
Import Manager	1	1	1
Order Expediter	0	2	4
Artist	0	1	2
Graphic Designer	0	1	2
Sales Assistant	0	2	2
Sales Representative	0	1	1
TOTAL	5	12	16

* last 6 months of 2002

Title Year 1* Year 2 Year 3

* last 6 months of 2002

CEO/President	1	1	1
VP of Design	1	1	1
VP of Sales	1	1	1
Office Manager	1	1	1
Import Manager	1	1	1
Order Expediter	0	2	4
Artist	0	1	2
Graphic Designer	0	1	2
Sales Assistant	0	2	2
Sales Representative	0	1	1



Title	Year 1*	Year 2	Year 3
TOTAL	5	12	16

Organization Chart

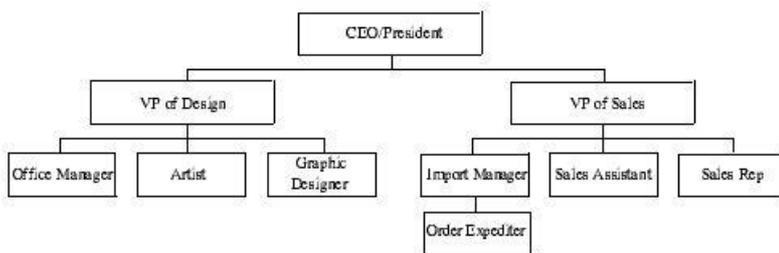
CEO/President

VP of Design VP of Sales

Office Manager Artist

Graphic Designer Import Manager Sales Assistant Sales Rep

Order Expediter



Human Resources Administration

Burton Décor will outsource the human resources administration function to a Professional Employer Organization ("PEO"). A PEO provides cost effective HR management and administration, and takes on the related employment risks of its clients. Through an operating agreement, the PEO and Burton Décor will create a co-employer relationship between them in reference to their co-employees. Thus, the PEO establishes itself as the "employer of record," responsible for administrative functions associated with the employment of co-employees, while the client is established as the "workplace employer," responsible for directing the manner in which co-employees deliver their work efforts, as well as hiring, disciplining, compensating, reviewing, and terminating such co-employees. More specifically, the PEO will:

- Pay wages, employment taxes, and benefits expenses out of its own accounts
- Report, collect, and deposit employment taxes with State and Federal authorities

In addition, the PEO will act as negotiating agent for Burton Décor in order to secure an attractive employee benefit plan, including some or all of the following benefits: medical, dental, life and long-term disability insurance, 401(k) plan, Section 125 cafeteria plan, and employee assistance plan.

By using a PEO, growing companies such as Burton Décor are able to capitalize on economies-of-scale and offer their employees significantly better benefits—typically equal to those of larger corporations, but at a price a smaller firm can afford. This is particularly important when trying to attract the most qualified and talented employees.

The end result is that a PEO removes the majority of employer-related paperwork from Burton Décor's desk, eliminates the time it takes to shop around for benefits packages, and helps reduce Burton Décor's liabilities by assuming and/or sharing some of the liabilities of being an employer.

APPLICATION & EXPECTED EFFECT OF INVESTMENT

Burton Décor is seeking a \$650,000 loan and a \$650,000 credit line. The funds will allow Burton Décor to:

1. Build its management team and personnel infrastructure
2. Design, sell, and produce its products for Burton Décor's first selling season



3. Purchase the required computer hardware, software, and office equipment
4. Set up its office and showroom space

The loan will allow Burton Décor to establish itself in its first selling season. Burton Décor is paid only when the merchant takes possession of the goods at the port in India. The sales cycle—the time from product design to the merchant taking possession—can be as long as twelve months. As such, the loan will enable Burton Décor to make the necessary up-front investment. The credit line will allow Burton Décor to pay off the loan and accommodate the sales cycle on an ongoing basis. Cash flow projections illustrate that the loan is scheduled to be repaid in the third quarter of Year 3.

FINANCIAL DATA

Sources and Uses of Funding

Sources:	
Principal's Contribution	\$10,000
Investment	1,800,000
Total Sources	\$1,810,000
Uses:	
Purchase of Assets	
Computer and Other Equipment (includes installation and support)	\$75,000
Leasehold Improvements	40,000
Furniture and Fixtures	40,000
Total Purchase of Assets	155,000
Cash Needs for first 12 months of Operations	
1st 6 months of Year 1	600,000
1st 6 months of Year 2	680,000
Total Cash Needs for first 12 months of Operations	1,280,000
Cash Reserve for contingencies	375,000
Total Uses	\$1,810,000

Sources and Uses of Funding

Sources and Uses of Funding

Sources:

Principal's Contribution	\$10,000
Investment	1,800,000
Total Sources	\$1,810,000

Uses:

Purchase of Assets

Computer and Other Equipment (includes installation and support)	\$75,000
Leasehold Improvements	40,000
Furniture and Fixtures	40,000
Total Purchase of Assets	155,000

Cash Needs for first 12 months of Operations

1st 6 months of Year 1	600,000
1st 6 months of Year 2	680,000
Total Cash Needs for first 12 months of Operations	1,280,000
Cash Reserve for contingencies	375,000
Total Uses	\$1,810,000



Computer and Other Equipment

Qty	Model	RAM	HD	Processor	Price	Ext Price	Purpose
1	Nortel Phone System				\$8,500	\$8,500	Company-wide
3	Palm M515				\$399	\$1,197	Operations
6	iMac	256MB	40GB	700 MHz	\$1,599	\$9,594	Operations
3	G4—w/17" Studio Display	1.5GB	80GB	Dual 1GHz	\$4,400	\$13,200	Design
1	G4 Server	1GB	2-80GB	Dual 1GHz	\$3,900	\$3,900	Server
1	Display—17" monitor				\$300	\$300	Server
12	AppleCare Extended Warranty				\$249	\$2,988	Company-wide
2	iBook	384MB	20GB	600 MHz	\$1,649	\$3,298	Operations/Sales
3	Adobe Design Suite				\$1,000	\$3,000	Design
3	Extensis Suitcase				\$170	\$510	Design
1	Extensis Portfolio—server/clients				\$1,200	\$1,200	Design
1	MYOB				\$230	\$230	Operations
1	Retrospect Workgroup: 20-client license				\$499	\$499	Company-wide
9	Microsoft Office				\$440	\$3,960	Company-wide
1	VXA Autoloader (1x15)				\$4,500	\$4,500	Company-wide
2	10-pk Media				\$620	\$1,240	Company-wide
3	HP Inkjet Printer				\$200	\$600	Operations
1	GCC Elite XL 20/1200, 20PPM				\$2,200	\$2,200	Design
1	HP Color Laser 4550 10/100				\$2,400	\$2,400	Company-wide
1	Nikon Coolpix 995				\$500	\$500	Design
1	Panasonic Fax Machine				\$300	\$300	Company-wide
1	Lights and Backdrop				\$200	\$200	Design
1	Netopia R9100 Router				\$430	\$430	Company-wide
1	8 port 10/100 ethernet hub				\$80	\$80	Company-wide
Equipment Subtotal					\$64,826		
Ongoing Support						\$4,500	
Labor (5 days)					\$1,000	\$5,000	
Total					\$74,326		

Computer and Other Equipment
Computer and Other Equipment

Qty	Model	RAM	HD	Processor	Price	Ext Price	Purpose
1	Nortel Phone System				\$8,500	\$8,500	Company-wide
3	Palm M515				\$399	\$1,197	Operations
6	iMac	256MB	40GB	700 MHz	\$1,599	\$9,594	Operations
3	G4—w/17" Studio Display	1.5GB	80GB	Dual 1GHz	\$4,400	\$13,200	Design
1	G4 Server	1GB	2-80GB	Dual 1GHz	\$3,900	\$3,900	Server
1	Display—17" monitor				\$300	\$300	Server
12	AppleCare Extended Warranty				\$249	\$2,988	Company-wide
2	iBook	384MB	20GB	600 MHz	\$1,649	\$3,298	Operations/Sales
3	Adobe Design Suite				\$1,000	\$3,000	Design
3	Extensis Suitcase				\$170	\$510	Design
1	Extensis Portfolio—server/clients				\$1,200	\$1,200	Design
1	MYOB				\$230	\$230	Operations
1	Retrospect Workgroup: 20-client license				\$499	\$499	Company-wide
9	Microsoft Office				\$440	\$3,960	Company-wide
1	VXA Autoloader (1x15)				\$4,500	\$4,500	Company-wide
2	10-pk Media				\$620	\$1,240	Company-wide
3	HP Inkjet Printer				\$200	\$600	Operations
1	GCC Elite XL 20/1200, 20PPM				\$2,200	\$2,200	Design
1	HP Color Laser 4550 10/100				\$2,400	\$2,400	Company-wide
1	Nikon Coolpix 995				\$500	\$500	Design
1	Panasonic Fax Machine				\$300	\$300	Company-wide
1	Lights and Backdrop				\$200	\$200	Design
1	Netopia R9100 Router				\$430	\$430	Company-wide



Qty	Model	RAM	HD	Processor	Price	Ext Price	Purpose
1	8 port 10/100 ethernet hub				\$80	\$80	Company-wide
Equipment Subtotal						\$64,826	
Ongoing Support						\$4,500	
Labor (5 days)						\$1,000	\$5,000
Total						\$74,326	

Projected Balance Sheet as of July 1, 2002

<u>Assets</u>		<u>Liabilities</u>	
Current Assets		Current Liabilities	
Cash	\$1,655,000	Accounts Payable	\$ -
Accounts Receivable (net)	-	Other	-
Prepaid Expenses ¹	10,000	Total Current Liabilities	-
Total Current Assets	\$1,665,000		
Fixed Assets		Total Long-Term Liabilities	
Computer and Other Equipment	65,000	TOTAL LIABILITIES	\$ -
Furniture and Fixtures	40,000	Stockholders' Equity	
Leasehold Improvements	40,000	Paid-in Capital	1,810,000
Total Fixed Assets	\$145,000	Total Stockholders' Equity	1,810,000
TOTAL ASSETS	\$1,810,000	TOTAL LIABILITIES AND NET WORTH	\$1,810,000

Footnotes:

¹Prepaid expenses include computer support, licenses, insurance.

Projected Balance Sheet as of July 1, 2002

Projected Balance Sheet as of July 1, 2002

Assets

Liabilities

Footnotes:

¹ Prepaid expenses include computer support, licenses, insurance.

Current Assets

Current Liabilities

Cash	\$1,655,000	Accounts Payable	\$ -
Accounts Receivable (net)	-	Other	-
Prepaid Expenses ¹	10,000	Total Current Liabilities	-
Total Current Assets	\$1,665,000		

Fixed Assets

Total Long-Term Liabilities

Computer and Other Equipment	65,000	TOTAL LIABILITIES	\$ -
Furniture and Fixtures	40,000	Stockholders' Equity	
Leasehold Improvements	40,000	Paid-in Capital	1,810,000
Total Fixed Assets	\$145,000	Total Stockholders' Equity	1,810,000
TOTAL ASSETS	\$1,810,000	TOTAL LIABILITIES AND NET WORTH	\$1,810,000



Income Projection: Five-Year Summary

	Year 1 ¹	Year 2	Year 3	Year 4	Year 5
Sales	\$ -	\$6,000,000	\$10,000,000	\$12,000,000	\$15,000,000
Cost of Goods Sold (75%)	0	4,500,000	7,500,000	9,000,000	11,250,000
Gross Margin	0	1,500,000	2,500,000	3,000,000	3,750,000
Operating Expenses					
Computer ²	2,844	5,258	5,460	6,006	6,607
Freelance Artists	83,333	200,000	208,000	220,000	242,000
HR Administration	3,450	17,222	17,885	19,674	21,641
Insurance	5,000	10,000	10,000	11,000	12,100
Legal and Accounting	5,000	10,400	10,800	11,880	13,068
Licenses	750	1,500	1,560	1,650	1,815
Maintenance and Cleaning	3,125	7,500	7,800	8,250	9,075
Office Supplies	20,540	8,000	8,320	8,800	9,680
Payroll	185,004	606,000	756,300	794,115	833,821
Payroll Taxes and Benefits	16,428	58,116	74,300	78,015	81,916
Postage/Shipping	30,000	66,000	72,600	79,860	87,846
Printing	30,000	66,000	72,600	79,860	87,846
Rent	33,000	66,000	66,000	66,000	66,000
Samples ³	10,000	20,000	20,800	22,000	24,200
Subscriptions	3,000	6,000	6,240	6,600	7,260
Telephone	10,000	22,000	24,200	26,620	29,282
Travel and Entertainment ⁴	130,000	250,000	275,000	302,500	332,750
Utilities	3,000	6,240	6,480	6,864	7,550
Miscellaneous	10,000	20,000	20,000	20,000	20,000
Total Operating Expenses	584,474	1,446,237	1,664,345	1,769,694	1,894,457
Net Income (Loss) from Operations	-584,474	53,763	835,655	1,230,307	1,855,543
Depreciation	16,000	32,000	32,000	32,000	32,000
Net Income (Loss) Before Taxes	-600,474	21,763	803,655	1,198,307	1,823,543
State Replacement Tax—1.5% ⁵	0	326	12,055	10,047	10,047
Net Income (Loss)	(\$600,474)	\$21,437	\$791,600	\$659,772	\$659,772
Cumulative Profit (Loss)	(\$600,474)	(\$579,037)	\$212,562	\$1,109,921	\$1,234,685

Footnotes:

¹Last 6 months of 2002.

²Computer includes DSL, maintenance, and prepaid support.

³Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.

⁴Travel includes FMA travel to India and buyers traveling to Chicago showroom.

⁵Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.

Income Projection: Five-Year Summary
Income Projection: Five-Year Summary

Year 1¹ Year 2 Year 3 Year 4 Year 5

Footnotes:

¹ Last 6 months of 2002.

² Computer includes DSL, maintenance, and prepaid support.

³ Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.

⁴ Travel includes FMA travel to India and buyers traveling to Chicago showroom.

⁵ Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.

Sales	\$ -	\$6,000,000	\$10,000,000	\$12,000,000	\$15,000,000
Cost of Goods Sold (75%)	0	4,500,000	7,500,000	9,000,000	11,250,000
Gross Margin	0	1,500,000	2,500,000	3,000,000	3,750,000

Operating Expenses

Computer ²	2,844	5,258	5,460	6,006	6,607
Freelance Artists	83,333	200,000	208,000	220,000	242,000
HR Administration	3,450	17,222	17,885	19,674	21,641
Insurance	5,000	10,000	10,000	11,000	12,100
Legal and Accounting	5,000	10,400	10,800	11,880	13,068
Licenses	750	1,500	1,560	1,650	1,815
Maintenance and Cleaning	3,125	7,500	7,800	8,250	9,075
Office Supplies	20,540	8,000	8,320	8,800	9,680
Payroll	185,004	606,000	756,300	794,115	833,821
Payroll Taxes and Benefits	16,428	58,116	74,300	78,015	81,916
Postage/Shipping	30,000	66,000	72,600	79,860	87,846



	Year 1 ¹	Year 2	Year 3	Year 4	Year 5
Printing	30,000	66,000	72,600	79,860	87,846
Rent	33,000	66,000	66,000	66,000	66,000
Samples ³	10,000	20,000	20,800	22,000	24,200
Subscriptions	3,000	6,000	6,240	6,600	7,260
Telephone	10,000	22,000	24,200	26,620	29,282
Travel and Entertainment ⁴	130,000	250,000	275,000	302,500	332,750
Utilities	3,000	6,240	6,480	6,864	7,550
Miscellaneous	10,000	20,000	20,000	20,000	20,000
Total Operating Expenses	584,474	1,446,237	1,664,345	1,769,694	1,894,457
Net Income (Loss) from Operations	-584,474	53,763	835,655	1,230,307	1,855,543
Depreciation	16,000	32,000	32,000	32,000	32,000
Net Income (Loss) Before Taxes	-600,474	21,763	803,655	1,198,307	1,823,543
State Replacement Tax—1.5% ⁵	0	326	12,055	10,047	10,047
Net Income (Loss)	(\$600,474)	\$21,437	\$791,600	\$659,772	\$659,772
Cumulative Profit (Loss)	(\$600,474)	(\$579,037)	\$212,562	\$1,109,921	\$1,234,685

Income Projection

Year 1 ¹ (by month)	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales	-	-	-	-	-	-	-
Cost of Goods Sold (75%)	-	-	-	-	-	-	-
Gross Profit Margin	-	-	-	-	-	-	-
Operating Expenses							
Computer ²	474	474	474	474	474	474	2,844
Freelance Artists	16,667	13,333	13,333	13,333	13,333	13,333	83,333
HR Administration	575	575	575	575	575	575	3,450
Insurance	833	833	833	833	833	833	5,000
Legal and Accounting	833	833	833	833	833	833	5,000
Licenses	125	125	125	125	125	125	750
Maintenance and Cleaning	625	500	500	500	500	500	3,125
Office Supplies ³	10,540	2,000	2,000	2,000	2,000	2,000	20,540
Payroll	30,834	30,834	30,834	30,834	30,834	30,834	185,004
Payroll Taxes and Benefits	2,738	2,738	2,738	2,738	2,738	2,738	16,428
Postage/Shipping	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Printing	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Rent	5,500	5,500	5,500	5,500	5,500	5,500	33,000
Samples ⁴	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Subscriptions and Dues	500	500	500	500	500	500	3,000
Telephone	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Travel and Entertainment ⁴	21,667	21,667	21,667	21,667	21,667	21,667	130,000
Utilities	500	500	500	500	500	500	3,000
Miscellaneous	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Total Operating Expenses	107,411	95,413	95,413	95,413	95,413	95,413	584,474
Net Income (Loss) from Operations	-107,411	-95,413	-95,413	-95,413	-95,413	-95,413	-584,474
Depreciation	2,667	2,667	2,667	2,667	2,667	2,667	16,000
Net Income (Loss) Before Taxes	-110,078	-98,079	-98,079	-98,079	-98,079	-98,079	-600,474
State Replacement Tax—1.5% ⁵	-	-	-	-	-	-	-
Net Income (Loss)	(\$110,078)	(\$98,079)	(\$98,079)	(\$98,079)	(\$98,079)	(\$98,079)	(\$600,474)
Cumulative Profit (Loss)	(\$110,078)	(\$208,157)	(\$306,236)	(\$404,316)	(\$502,395)	(\$600,474)	

Footnotes:

- ¹Last 6 months of 2002.
- ²Computer includes DSL, maintenance, and prepaid support.
- ³Office supplies include Pantone books at a cost of \$6,540.
- ⁴Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.
- ⁵Travel includes TMA travel to India and buyers traveling to Chicago showroom.
- ⁶Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.

Income Projection

Income Projection

Year 1 ¹ (by month)	Jul	Aug	Sep	Oct	Nov	Dec	Total
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Footnotes:

- ¹Last 6 months of 2002.
- ²Computer includes DSL, maintenance, and prepaid support.
- ³Office supplies include Pantone books at a cost of \$6,540.
- ⁴Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.



Year 1 ¹ (by month)	Jul	Aug	Sep	Oct	Nov	Dec	Total
⁵ Travel includes FMA travel to India and buyers traveling to Chicago showroom.							
⁶ Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.							
Sales	-	-	-	-	-	-	-
Cost of Goods Sold (75%)	-	-	-	-	-	-	-
Gross Profit Margin	-	-	-	-	-	-	-
Operating Expenses							
Computer ²	474	474	474	474	474	474	2,844
Freelance Artists	16,667	13,333	13,333	13,333	13,333	13,333	83,333
HR Administration	575	575	575	575	575	575	3,450
Insurance	833	833	833	833	833	833	5,000
Legal and Accounting	833	833	833	833	833	833	5,000
Licenses	125	125	125	125	125	125	750
Maintenance and Cleaning	625	500	500	500	500	500	3,125
Office Supplies ³	10,540	2,000	2,000	2,000	2,000	2,000	20,540
Payroll	30,834	30,834	30,834	30,834	30,834	30,834	185,004
Payroll Taxes and Benefits	2,738	2,738	2,738	2,738	2,738	2,738	16,428
Postage/Shipping	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Printing	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Rent	5,500	5,500	5,500	5,500	5,500	5,500	33,000
Samples ⁴	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Subscriptions and Dues	500	500	500	500	500	500	3,000
Telephone	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Travel and Entertainment ⁵	21,667	21,667	21,667	21,667	21,667	21,667	130,000
Utilities	500	500	500	500	500	500	3,000
Miscellaneous	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Total Operating Expenses	107,411	95,413	95,413	95,413	95,413	95,413	584,474
Net Income (Loss) from Operations	-107,411	-95,413	-95,413	-95,413	-95,413	-95,413	-584,474
Depreciation	2,667	2,667	2,667	2,667	2,667	2,667	16,000
Net Income (Loss) Before Taxes	-110,078	-98,079	-98,079	-98,079	-98,079	-98,079	-600,474
State Replacement Tax— 1.5% ⁶	-	-	-	-	-	-	-
Net Income (Loss)	(\$110,078)	(\$98,079)	(\$98,079)	(\$98,079)	(\$98,079)	(\$98,079)	(\$600,474)
Cumulative Profit (Loss)	(\$110,078)	(\$208,157)	(\$306,236)	(\$404,316)	(\$502,395)	(\$600,474)	



Income Projection: Year 2 (by quarter)

	Q1	Q2	Q3	Q4	Total	%
Sales	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$6,000,000	100.00%
Cost of Goods Sold (75%)	1,125,000	1,125,000	1,125,000	1,125,000	4,500,000	75.00%
Gross Profit Margin	375,000	375,000	375,000	375,000	1,500,000	25.00%
Operating Expenses¹						
Computer ²	1,315	1,315	1,315	1,315	5,288	0.10%
Freelance Artists	50,000	50,000	50,000	50,000	200,000	3.30%
HR Administration	4,306	4,306	4,306	4,306	17,222	0.30%
Insurance	2,500	2,500	2,500	2,500	10,000	0.20%
Legal and Accounting	2,600	2,600	2,600	2,600	10,400	0.20%
Licenses	375	375	375	375	1,500	0.00%
Maintenance and Cleaning	1,875	1,875	1,875	1,875	7,500	0.10%
Office Supplies	2,000	2,000	2,000	2,000	8,000	0.10%
Payroll	151,500	151,500	151,500	151,500	606,000	10.10%
Payroll Taxes and Benefits	14,529	14,529	14,529	14,529	58,116	1.00%
Postage/Shipping	16,500	16,500	16,500	16,500	66,000	1.10%
Printing	16,500	16,500	16,500	16,500	66,000	1.10%
Rent	16,500	16,500	16,500	16,500	66,000	1.10%
Samples ³	5,000	5,000	5,000	5,000	20,000	0.30%
Subscriptions	1,500	1,500	1,500	1,500	6,000	0.10%
Telephone	5,500	5,500	5,500	5,500	22,000	0.40%
Travel and Entertainment ⁴	62,500	62,500	62,500	62,500	250,000	4.20%
Utilities	1,560	1,560	1,560	1,560	6,240	0.10%
Miscellaneous	5,000	5,000	5,000	5,000	20,000	0.30%
Total Operating Expenses	361,539	361,539	361,539	361,539	1,446,237	24.10%
Net Income (Loss) from Operations	13,441	13,441	13,441	13,441	53,763	0.90%
Depreciation	8,000	8,000	8,000	8,000	32,000	0.50%
Net Income (Loss) Before Taxes	5,441	5,441	5,441	5,441	21,763	0.40%
State Replacement Tax—1.5% ⁵	82	82	82	82	326	0.00%
Net Income (Loss)	\$5,359	\$5,359	\$5,359	\$5,359	\$21,437	0.40%
Cumulative Profit (Loss)	(\$595,115)	(\$589,756)	(\$584,397)	(\$579,037)		

Footnotes:

¹ 4% increase from Year 1 assumed for computer, HR administration, legal/accounting, utilities; 10% increase from Year 1 based on increased sales for shipping, printing, and telephone.

² Computer includes DSL, maintenance, and prepaid support.

³ Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.

⁴ Travel includes FMA travel to India and buyers traveling to Chicago showroom.

⁵ Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.

Income Projection: Year 2 (by quarter)

Income Projection: Year 2 (by quarter)

	Q1	Q2	Q3	Q4	Total	%
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Footnotes:

¹ 4% increase from Year 1 assumed for computer, HR administration, legal/accounting, utilities; 10% increase from Year 1 based on increased sales for shipping, printing, and telephone.

² Computer includes DSL, maintenance, and prepaid support.

³ Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.

⁴ Travel includes FMA travel to India and buyers traveling to Chicago showroom.

⁵ Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.

Sales	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$6,000,000	100.00%
Cost of Goods Sold (75%)	1,125,000	1,125,000	1,125,000	1,125,000	4,500,000	75.00%
Gross Profit Margin	375,000	375,000	375,000	375,000	1,500,000	25.00%

Operating Expenses¹

Computer ²	1,315	1,315	1,315	1,315	5,288	0.10%
Freelance Artists	50,000	50,000	50,000	50,000	200,000	3.30%
HR Administration	4,306	4,306	4,306	4,306	17,222	0.30%
Insurance	2,500	2,500	2,500	2,500	10,000	0.20%
Legal and Accounting	2,600	2,600	2,600	2,600	10,400	0.20%
Licenses	375	375	375	375	1,500	0.00%
Maintenance and Cleaning	1,875	1,875	1,875	1,875	7,500	0.10%
Office Supplies	2,000	2,000	2,000	2,000	8,000	0.10%
Payroll	151,500	151,500	151,500	151,500	606,000	10.10%
Payroll Taxes and Benefits	14,529	14,529	14,529	14,529	58,116	1.00%



	Q1	Q2	Q3	Q4	Total	%
Postage/Shipping	16,500	16,500	16,500	16,500	66,000	1.10%
Printing	16,500	16,500	16,500	16,500	66,000	1.10%
Rent	16,500	16,500	16,500	16,500	66,000	1.10%
Samples ³	5,000	5,000	5,000	5,000	20,000	0.30%
Subscriptions	1,500	1,500	1,500	1,500	6,000	0.10%
Telephone	5,500	5,500	5,500	5,500	22,000	0.40%
Travel and Entertainment ⁴	62,500	62,500	62,500	62,500	250,000	4.20%
Utilities	1,560	1,560	1,560	1,560	6,240	0.10%
Miscellaneous	5,000	5,000	5,000	5,000	20,000	0.30%
Total Operating Expenses	361,559	361,559	361,559	361,559	1,446,237	24.10%
Net Income (Loss) from Operations	13,441	13,441	13,441	13,441	53,763	0.90%
Depreciation	8,000	8,000	8,000	8,000	32,000	0.50%
Net Income (Loss) Before Taxes	5,441	5,441	5,441	5,441	21,763	0.40%
State Replacement Tax—1.5% ⁵	82	82	82	82	326	0.00%
Net Income (Loss)	\$5,359	\$5,359	\$5,359	\$5,359	\$21,437	0.40%
Cumulative Profit (Loss)	(\$595,115)	(\$589,756)	(\$584,397)	(\$579,037)		

Income Projection: Year 3 (by quarter)

	Q1	Q2	Q3	Q4	Total	%
Sales	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000	100.00%
Cost of Goods Sold (75%)	1,875,000	1,875,000	1,875,000	1,875,000	7,500,000	75.00%
Gross Profit Margin	625,000	625,000	625,000	625,000	2,500,000	25.00%
Operating Expenses¹						
Computer ²	1,365	1,365	1,365	1,365	5,460	0.10%
Freelance Artists	52,000	52,000	52,000	52,000	208,000	2.10%
HR Administration	4,471	4,471	4,471	4,471	17,885	0.20%
Insurance	2,500	2,500	2,500	2,500	10,000	0.10%
Legal and Accounting	2,700	2,700	2,700	2,700	10,800	0.10%
Licenses	390	390	390	390	1,560	0.00%
Maintenance and Cleaning	1,950	1,950	1,950	1,950	7,800	0.10%
Office Supplies	2,080	2,080	2,080	2,080	8,320	0.10%
Payroll	189,075	189,075	189,075	189,075	756,300	7.60%
Payroll Taxes and Benefits	18,575	18,575	18,575	18,575	74,300	0.70%
Postage/Shipping	18,150	18,150	18,150	18,150	72,600	0.70%
Printing	18,150	18,150	18,150	18,150	72,600	0.70%
Rent	16,500	16,500	16,500	16,500	66,000	0.70%
Samples ³	5,200	5,200	5,200	5,200	20,800	0.20%
Subscriptions	1,560	1,560	1,560	1,560	6,240	0.10%
Telephone	6,050	6,050	6,050	6,050	24,200	0.20%
Travel and Entertainment ⁴	68,750	68,750	68,750	68,750	275,000	2.80%
Utilities	1,620	1,620	1,620	1,620	6,480	0.10%
Miscellaneous	5,000	5,000	5,000	5,000	20,000	0.20%
Total Operating Expenses	416,086	416,086	416,086	416,086	1,664,345	16.60%
Net Income (Loss) from Operations	208,914	208,914	208,914	208,914	835,655	8.40%
Depreciation	8,000	8,000	8,000	8,000	32,000	0.30%
Net Income (Loss) Before Taxes	200,914	200,914	200,914	200,914	803,655	8.00%
State Replacement Tax—1.5% ⁵	3,014	3,014	3,014	3,014	12,055	0.10%
Net Income (Loss)	\$197,900	\$197,900	\$197,900	\$197,900	\$791,600	7.90%
Cumulative Profit (Loss)	(\$381,137)	(\$183,237)	\$14,663	\$212,562		

Footnotes:

¹ 4% increase from Year 2 assumed for computer, freelancers, HR administration, licenses, legal/accounting, maintenance, office supplies, subscriptions, and utilities; 0% increase from Year 2 based on increased sales for shipping, printing, and travel.

² Computer includes DSL, maintenance, and prepaid support.

³ Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.

⁴ Travel includes FMA travel to India and buyer traveling to Chicago showroom.

⁵ Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.

Income Projection: Year 3 (by quarter)

Income Projection: Year 3 (by quarter)

	Q1	Q2	Q3	Q4	Total	%
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Footnotes:

¹ 4% increase from Year 2 assumed for computer, freelancers, HR administration, licenses, legal/accounting, maintenance, office supplies, subscriptions, and utilities; 0% increase from Year 2 based on increased sales for



	Q1	Q2	Q3	Q4	Total	%
shipping, printing, telephone, and travel.						
² Computer includes DSL, maintenance, and prepaid support.						
³ Samples include showroom samples, buyer samples, and items sent to India for design inspiration/clarification.						
⁴ Travel includes FMA travel to India and buyers traveling to Chicago showroom.						
⁵ Organized as LLC, which is not liable for federal and state (of Illinois) income taxes.						
Sales	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000	100.00%
Cost of Goods Sold (75%)	1,875,000	1,875,000	1,875,000	1,875,000	7,500,000	75.00%
Gross Profit Margin	625,000	625,000	625,000	625,000	2,500,000	25.00%
Operating Expenses ¹						
Computer ²	1,365	1,365	1,365	1,365	5,460	0.10%
Freelance Artists	52,000	52,000	52,000	52,000	208,000	2.10%
HR Administration	4,471	4,471	4,471	4,471	17,885	0.20%
Insurance	2,500	2,500	2,500	2,500	10,000	0.10%
Legal and Accounting	2,700	2,700	2,700	2,700	10,800	0.10%
Licenses	390	390	390	390	1,560	0.00%
Maintenance and Cleaning	1,950	1,950	1,950	1,950	7,800	0.10%
Office Supplies	2,080	2,080	2,080	2,080	8,320	0.10%
Payroll	189,075	189,075	189,075	189,075	756,300	7.60%
Payroll Taxes and Benefits	18,575	18,575	18,575	18,575	74,300	0.70%
Postage/Shipping	18,150	18,150	18,150	18,150	72,600	0.70%
Printing	18,150	18,150	18,150	18,150	72,600	0.70%
Rent	16,500	16,500	16,500	16,500	66,000	0.70%
Samples ³	5,200	5,200	5,200	5,200	20,800	0.20%
Subscriptions	1,560	1,560	1,560	1,560	6,240	0.10%
Telephone	6,050	6,050	6,050	6,050	24,200	0.20%
Travel and Entertainment ⁴	68,750	68,750	68,750	68,750	275,000	2.80%
Utilities	1,620	1,620	1,620	1,620	6,480	0.10%
Miscellaneous	5,000	5,000	5,000	5,000	20,000	0.20%
Total Operating Expenses	416,086	416,086	416,086	416,086	1,664,345	16.60%
Net Income (Loss) from Operations	208,914	208,914	208,914	208,914	835,655	8.40%
Depreciation	8,000	8,000	8,000	8,000	32,000	0.30%
Net Income (Loss) Before Taxes	200,914	200,914	200,914	200,914	803,655	8.00%
State Replacement Tax—	3,014	3,014	3,014	3,014	12,055	0.10%



	Q1	Q2	Q3	Q4	Total	%
1.5% ⁵						
Net Income (Loss)	\$197,900	\$197,900	\$197,900	\$197,900	\$791,600	7.90%
Cumulative Profit (Loss)	(\$381,137)	(\$183,237)	\$14,663	\$212,562		

Cash Flow Projection: Year 1 (by month)

	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales	-	-	-	-	-	-	-
Cost of Goods Sold (75%)	-	-	-	-	-	-	-
Gross Profit Margin	*	*	*	*	*	*	*
Operating Expenses							
Computer	4,599	99	99	99	99	99	5,094
Freelance Artists	16,667	13,333	13,333	13,333	13,333	13,333	83,333
HR Administration	575	575	575	575	575	575	3,450
Insurance	10,000	-	-	-	-	-	10,000
Legal and Accounting	833	833	833	833	833	833	5,000
Licenses	1,500	-	-	-	-	-	1,500
Maintenance and Cleaning	625	625	625	625	625	625	3,750
Office Supplies	10,540	2,000	2,000	2,000	2,000	2,000	20,540
Payroll	30,834	30,834	30,834	30,834	30,834	30,834	185,004
Payroll Taxes and Benefits	2,738	2,738	2,738	2,738	2,738	2,738	16,428
Postage/Shipping	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Printing	-	-	5,000	5,000	5,000	5,000	20,000
Rent	5,500	5,500	5,500	5,500	5,500	5,500	33,000
Samples	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Subscriptions	500	500	500	500	500	500	3,000
Telephone	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Travel and Entertainment	21,667	21,667	21,667	21,667	21,667	21,667	130,000
Utilities	500	500	500	500	500	500	3,000
Miscellaneous	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Total Operating Expenses	117,078	89,204	94,204	94,204	94,204	94,204	583,099
Net Cash Flow	(\$117,078)	(\$89,204)	(\$94,204)	(\$94,204)	(\$94,204)	(\$94,204)	(\$583,099)
Beginning Cash Balance	0	-117,078	-206,282	-300,486	-394,691	-488,895	
Projected Ending Cash Balance	-117,078	-206,282	-300,486	-394,691	-488,895	-583,099	

Cash Flow Projection: Year 1 (by month)

Cash Flow Projection: Year 1 (by month)

	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales	-	-	-	-	-	-	-
Cost of Goods Sold (75%)	-	-	-	-	-	-	-
Gross Profit Margin	-	-	-	-	-	-	-
Operating Expenses							
Computer	4,599	99	99	99	99	99	5,094
Freelance Artists	16,667	13,333	13,333	13,333	13,333	13,333	83,333
HR Administration	575	575	575	575	575	575	3,450
Insurance	10,000	-	-	-	-	-	10,000
Legal and Accounting	833	833	833	833	833	833	5,000
Licenses	1,500	-	-	-	-	-	1,500
Maintenance and Cleaning	625	625	625	625	625	625	3,750
Office Supplies	10,540	2,000	2,000	2,000	2,000	2,000	20,540
Payroll	30,834	30,834	30,834	30,834	30,834	30,834	185,004
Payroll Taxes and Benefits	2,738	2,738	2,738	2,738	2,738	2,738	16,428
Postage/Shipping	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Printing	-	-	5,000	5,000	5,000	5,000	20,000
Rent	5,500	5,500	5,500	5,500	5,500	5,500	33,000
Samples	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Subscriptions	500	500	500	500	500	500	3,000



	Jul	Aug	Sep	Oct	Nov	Dec	Total
Telephone	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Travel and Entertainment	21,667	21,667	21,667	21,667	21,667	21,667	130,000
Utilities	500	500	500	500	500	500	3,000
Miscellaneous	1,667	1,667	1,667	1,667	1,667	1,667	10,000
Total Operating Expenses	117,078	89,204	94,204	94,204	94,204	94,204	583,099
Net Cash Flow	(\$117,078)	(\$89,204)	(\$94,204)	(\$94,204)	(\$94,204)	(\$94,204)	(\$583,099)
Beginning Cash Balance	0	-117,078	-206,282	-300,486	-394,691	-488,895	
Projected Ending Cash Balance	-117,078	-206,282	-300,486	-394,691	-488,895	-583,099	

Cash Flow Projection: Year 2 (by quarter)

	Q1	Q2	Q3	Q4	Total
Sales ¹	\$ -	\$ -	\$1,500,000	\$1,500,000	\$3,000,000
Cost of Goods Sold (75%)	-	-	1,125,000	1,125,000	2,250,000
Gross Profit Margin	-	-	375,000	375,000	750,000
Operating Expenses					
Computer	1,315	1,315	1,315	1,315	5,258
Freelance Artists	50,000	50,000	50,000	50,000	200,000
HR Administration	4,306	4,306	4,306	4,306	17,222
Insurance	-	-	10,000	-	10,000
Legal and Accounting	2,600	2,600	2,600	2,600	10,400
Licenses	-	-	1,500	-	1,500
Maintenance and Cleaning	1,875	1,875	1,875	1,875	7,500
Office Supplies	2,000	2,000	2,000	2,000	8,000
Payroll	151,500	151,500	151,500	151,500	606,000
Payroll Taxes and Benefits	14,529	14,529	14,529	14,529	58,116
Postage/Shipping	16,500	16,500	16,500	16,500	66,000
Printing	16,500	16,500	16,500	16,500	66,000
Rent	16,500	16,500	16,500	16,500	66,000
Samples	5,000	5,000	5,000	5,000	20,000
Subscriptions	1,500	1,500	1,500	1,500	6,000
Telephone	5,500	5,500	5,500	5,500	22,000
Travel and Entertainment	62,500	62,500	62,500	62,500	250,000
Utilities	1,560	1,560	1,560	1,560	6,240
Miscellaneous	5,000	5,000	5,000	5,000	20,000
Total Operating Expenses	358,684	358,684	370,184	358,684	1,446,237
Net Cash Flow	(\$358,684)	(\$358,684)	\$4,816	\$16,316	(\$696,237)
Beginning Cash Balance	-583,099	-1,166,199	-1,524,883	-1,520,067	
Projected Ending Cash Balance	-1,166,199	-1,524,883	-1,520,067	-1,503,751	

Footnotes:

¹Sales based on 6 month lag from time purchase order received to the time cash is received.

Cash Flow Projection: Year 2 (by quarter)

Cash Flow Projection: Year 2 (by quarter)

	Q1	Q2	Q3	Q4	Total
Sales ¹	\$ -	\$ -	\$1,500,000	\$1,500,000	\$3,000,000
Cost of Goods Sold (75%)	-	-	1,125,000	1,125,000	2,250,000
Gross Profit Margin	-	-	375,000	375,000	750,000
Operating Expenses					
Computer	1,315	1,315	1,315	1,315	5,258
Freelance Artists	50,000	50,000	50,000	50,000	200,000
HR Administration	4,306	4,306	4,306	4,306	17,222
Insurance	-	-	10,000	-	10,000
Legal and Accounting	2,600	2,600	2,600	2,600	10,400
Licenses	-	-	1,500	-	1,500
Maintenance and Cleaning	1,875	1,875	1,875	1,875	7,500



	Q1	Q2	Q3	Q4	Total
Office Supplies	2,000	2,000	2,000	2,000	8,000
Payroll	151,500	151,500	151,500	151,500	606,000
Payroll Taxes and Benefits	14,529	14,529	14,529	14,529	58,116
Postage/Shipping	16,500	16,500	16,500	16,500	66,000
Printing	16,500	16,500	16,500	16,500	66,000
Rent	16,500	16,500	16,500	16,500	66,000
Samples	5,000	5,000	5,000	5,000	20,000
Subscriptions	1,500	1,500	1,500	1,500	6,000
Telephone	5,500	5,500	5,500	5,500	22,000
Travel and Entertainment	62,500	62,500	62,500	62,500	250,000
Utilities	1,560	1,560	1,560	1,560	6,240
Miscellaneous	5,000	5,000	5,000	5,000	20,000
Total Operating Expenses	358,684	358,684	370,184	358,684	1,446,237
Net Cash Flow	(\$358,684)	(\$358,684)	\$4,816	\$16,316	(\$696,237)
Beginning Cash Balance	-583,099	-1,166,199	-1,524,883	-1,520,067	
Projected Ending Cash Balance	-1,166,199	-1,524,883	-1,520,067	-1,503,751	

Cash Flow Projection: Year 3 (by quarter)

	Q1	Q2	Q3	Q4	Total
Sales	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000
Cost of Goods Sold (75%)	1,875,000	1,875,000	1,875,000	1,875,000	7,500,000
Gross Profit Margin	625,000	625,000	625,000	625,000	2,500,000
Operating Expenses					
Computer	1,365	1,365	1,365	1,365	5,460
Freelance Artists	52,000	52,000	52,000	52,000	208,000
HR Administration	4,471	4,471	4,471	4,471	17,885
Insurance	-	-	10,000	-	10,000
Legal and Accounting	2,700	2,700	2,700	2,700	10,800
Licenses	-	-	1,500	-	1,500
Maintenance and Cleaning	1,950	1,950	1,950	1,950	7,800
Office Supplies	2,080	2,080	2,080	2,080	8,320
Payroll	189,075	189,075	189,075	189,075	756,300
Payroll Taxes and Benefits	18,575	18,575	18,575	18,575	74,300
Postage/Shipping	18,150	18,150	18,150	18,150	72,600
Printing	18,150	18,150	18,150	18,150	72,600
Rent	16,500	16,500	16,500	16,500	66,000
Samples	5,200	5,200	5,200	5,200	20,800
Subscriptions	1,560	1,560	1,560	1,560	6,240
Telephone	6,050	6,050	6,050	6,050	24,200
Travel and Entertainment	68,750	68,750	68,750	68,750	275,000
Utilities	1,620	1,620	1,620	1,620	6,480
Miscellaneous	5,000	5,000	5,000	5,000	20,000
Total Operating Expenses	413,196	413,196	424,696	413,196	1,664,285
Net Cash Flow	\$211,804	\$211,804	\$200,304	\$211,804	\$835,715
Beginning Cash Balance	-1,503,751	-1,291,947	-1,080,144	-879,840	
Projected Ending Cash Balance	-1,291,947	-1,080,144	-879,840	-668,036	

Cash Flow Projection: Year 3 (by quarter)

	Q1	Q2	Q3	Q4	Total
Sales	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000
Cost of Goods Sold (75%)	1,875,000	1,875,000	1,875,000	1,875,000	7,500,000
Gross Profit Margin	625,000	625,000	625,000	625,000	2,500,000
Operating Expenses					
Computer	1,365	1,365	1,365	1,365	5,460
Freelance Artists	52,000	52,000	52,000	52,000	208,000
HR Administration	4,471	4,471	4,471	4,471	17,885



	Q1	Q2	Q3	Q4	Total
Insurance	-	-	10,000	-	10,000
Legal and Accounting	2,700	2,700	2,700	2,700	10,800
Licenses	-	-	1,500	-	1,500
Maintenance and Cleaning	1,950	1,950	1,950	1,950	7,800
Office Supplies	2,080	2,080	2,080	2,080	8,320
Payroll	189,075	189,075	189,075	189,075	756,300
Payroll Taxes and Benefits	18,575	18,575	18,575	18,575	74,300
Postage/Shipping	18,150	18,150	18,150	18,150	72,600
Printing	18,150	18,150	18,150	18,150	72,600
Rent	16,500	16,500	16,500	16,500	66,000
Samples	5,200	5,200	5,200	5,200	20,800
Subscriptions	1,560	1,560	1,560	1,560	6,240
Telephone	6,050	6,050	6,050	6,050	24,200
Travel and Entertainment	68,750	68,750	68,750	68,750	275,000
Utilities	1,620	1,620	1,620	1,620	6,480
Miscellaneous	5,000	5,000	5,000	5,000	20,000
Total Operating Expenses	413,196	413,196	424,696	413,196	1,664,285
Net Cash Flow	\$211,804	\$211,804	\$200,304	\$211,804	\$835,715
Beginning Cash Balance	-1,503,751	-1,291,947	-1,080,144	-879,840	
Projected Ending Cash Balance	-1,291,947	-1,080,144	-879,840	-668,036	

Projected Rates of Return for Investors

	Year 1*	Year 2	Year 3	Year 4	Year 5
Net Income (Loss) from Operations	(\$584,474)	\$53,763	\$835,655	\$1,230,307	\$1,855,543
Less: Debt Service	0	0	0	0	0
Net Cash Flow before Taxes	-584,474	53,763	835,655	1,230,307	1,855,543
Provision for Taxes					
Net Income before Taxes	-600,474	21,763	803,655	1,198,307	1,823,543
Less: NOL Provision	0	-42,763	-548,711	0	0
Add: T&E—50%	9,000	21,000	27,000	36,000	45,000
Taxable Income	-591,474	0	281,944	1,234,307	1,868,543
Income Tax Rate—Federal and State	0	0	0	0	0
Net Provision for Income Taxes	0	0	0	0	0
Add: State Replacement Tax—1.5%	0	0	4,229	18,515	28,028
Total Provision for Taxes	0	0	4,229	18,515	28,028
Net Cash Flow After Taxes	-584,474	53,763	831,426	1,211,792	1,827,515
Less: 20% of Cash Flow retained in business	0	-16,129	-249,428	-363,538	-548,254
Cash Available for Distribution	-584,474	37,634	581,998	848,254	1,279,260
Less: 1/3 to Founders/Key Employees	0	-12,545	-193,999	-282,751	-426,420
Balance of Distribution to Investors (2/3)	-584,474	25,090	387,999	565,503	852,840
Total Equity from Investors	1,810,000	1,810,000	1,810,000	1,810,000	1,810,000
Pre-Tax Rate of Return to Investors	0	1.39%	21.44%	31.24%	47.12%

*6 months

Projected Rates of Return for Investors

	Year 1*	Year 2	Year 3	Year 4	Year 5
*6 months					
Net Income (Loss) from Operations	(\$584,474)	\$53,763	\$835,655	\$1,230,307	\$1,855,543
Less: Debt Service	0	0	0	0	0
Net Cash Flow before Taxes	-584,474	53,763	835,655	1,230,307	1,855,543
Provision for Taxes					
Net Income before Taxes	-600,474	21,763	803,655	1,198,307	1,823,543



	Year 1*	Year 2	Year 3	Year 4	Year 5
Less: NOL Provision	0	-42,763	-548,711	0	0
Add: T&E—50%	9,000	21,000	27,000	36,000	45,000
Taxable Income	-591,474	0	281,944	1,234,307	1,868,543
Income Tax Rate—Federal and State	0	0	0	0	0
Net Provision for Income Taxes	0	0	0	0	0
Add: State Replacement Tax—1.5%	0	0	4,229	18,515	28,028
Total Provision for Taxes	0	0	4,229	18,515	28,028
Net Cash Flow After Taxes	-584,474	53,763	831,426	1,211,792	1,827,515
Less: 30% of Cash Flow retained in business	0	-16,129	-249,428	-363,538	-548,254
Cash Available for Distribution	-584,474	37,634	581,998	848,254	1,279,260
Less: 1/3 to Founders/Key Employees	0	-12,545	-193,999	-282,751	-426,420
Balance of Distribution to Investors (2/3)	-584,474	25,090	387,999	565,503	852,840
Total Equity from Investors	1,810,000	1,810,000	1,810,000	1,810,000	1,810,000
Pre-Tax Rate of Return to Investors	0	1.39%	21.44%	31.24%	47.12%