



Plastic Drum Company

BUSINESS PLAN RIVER CITY DRUM, INC.

300 Mansion House Center, Suite 2610 St. Louis, Missouri 63102

This industrial plastic drum company is owned by individuals with vast experience in plastic molding and packaging, as well as sales and distribution. By using competitive pricing strategies and targeting and anticipating local customers, River City Drum charts its success.

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EXECUTIVE SUMMARY

The plastic drum industry, while only 12 years old, has made great strides in recent years as technologically advanced plastic resins have made it possible for the first time to bring the benefits of plastic to the last bastion of metal container packaging.

The 55-gallon steel drum had been the standard for industrial containers for the past 50 years. While strong in structural integrity, steel drums were prone to rust, corrosion, and when recycled, required painting, dedenting, and a number of other costly and only partially effective means for extending their use beyond one trip. Plastic, on the other hand, had already made gigantic inroads into all other areas of packaging because of its ability to be molded into various shapes and sizes, its virtual imperviousness to acids and alkalies, its being totally rustproof and resistant to weather conditions, and, of course, plastic has long enjoyed widespread consumer acceptance at every level. In the late seventies, advanced polymer engineering provided the industry at long last with the high strength, high impact polyethylene resins that enabled the plastic fabricator to move into the large industrial drum arena, specifically the 55-gallon, but also the 30-gallon and the 15-gallon container.

Some of the leading U.S. container manufacturers, as well as their European counterparts, were quick to enter the market, and like all pioneers, the progress was steady but marked by obstacles and milestones. Now, some 12 years after its introduction, the polyethylene drum enjoys an ever-growing share of the market as more and more industries are accepting the benefits offered exclusively by plastic.

Chicago and Houston soon emerged as industry centers for the manufacture of the 55-gallon poly drum. The St. Louis industrial market has been serviced primarily out of Chicago and eastern seaboard facilities. Nevertheless, the demand for poly drums in St. Louis has steadily grown, keeping pace with the nation, and now St. Louis demands a manufacturing facility to support its need. It is this need that River City Drum intends

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to fill.

As this business plan will reveal, the principals and management of River City Drum are heavily experienced in plastic molding and packaging as well as sales and distribution. A market survey conducted in the fall of 1989 revealed impressive existing demand and the potential for even greater market development once a local manufacturer is on the scene.

There are certain characteristics inherent to the industrial drum business that militate against the importation of this product from beyond regional areas. First and foremost, the "just in time" philosophy that is now demanded by many industrial users is most prevalent in the large container industry because of the difficulty of storing quantities of the empty container. Users just do not like their facilities cluttered up with hundreds of drums awaiting filling.

With the closest supplier some 300 miles away, and with all the logistical problems of obtaining smooth delivery out of Chicago, our market survey quickly revealed that the St. Louis manufacturers would welcome and utilize a local manufacturer of 55-gallon plastic drums. Of further interest, a significant number of present users of steel drums would consider switching to the advantages of plastic if there were a local supplier.

Another advantage that River City Drum brings to the market is between a \$1.00 to \$1.50 delivered price advantage based on our location. This is due to the elimination of the freight out of Chicago or wherever the source. It is an axiom in the packaging business: "You're wasting money when you're shipping air," meaning empty containers. Shipping air is exactly what the existing competition is doing in serving the St. Louis market.

St. Louis is a market primed for a local supplier. River City Drum has carefully called on many of the principal buyers of industrial containers, preselling our product. We are confident that we will be welcomed as a supplier with some meaningful advantages to offer, both price and service. Our realistic projections call for us to reach sell-out position in our second 12 months of operation. We will then be preparing to expand our production capabilities.

As the above information has indicated, our careful research has revealed that the St. Louis market will readily support a local supplier. We also know that because of the relative size of the St. Louis market, estimated to be about twelfth in the nation, that it is not likely to attract a second drum manufacturer. River City Drum principals feel it is likely that once we establish our position in this market, other manufacturers will view St. Louis as not broad enough to accommodate two manufacturers, thus leaving us as the only local supplier in this region. Historically, this has been the case with steel drums and other smaller-sized plastic packaging.

In summary, River City Drum has found a need and filled it.

A modern plastic drum blowmolding facility is capital intensive. As subsequent material in this business plan will reveal, River City Drum has carefully researched how best to open an efficient and competitive factory. We have on board a top plastic drum product engineer as well as other outstanding support personnel. River City Drum has obtained a line of credit of some \$250,000 for the leasing of various support equipment. Our primary machinery, the drum blowmolder, a Bekoft 1000, which costs \$540,000, will be 80% financed by the vendor. Both principals have provided capital infusion totaling \$200,000. In order to achieve our projected manufacturing and marketing goals, River City Drum will require a line of operating credit of some \$350,000 to meet general operating expenses, contingent costs, and a variety of one-time start-up costs.

THE COMPANY— PRESENT SITUATION

River City Drum was incorporated in October of 1990 with a paid-in capital of \$100,000. All company stock is equally owned by Warren Stevenson, President, and Thomas Connors, Vice President. Mr. Connors also holds the corporate offices of Secretary and Treasurer. River City Drum was formed for the purpose of manufacturing 55-gallon and 30-gallon polyethylene industrial drums and other large plastic-molded products. The period from its inception to the present has been devoted principally to market research, preselling, and technical



planning with regard to facility selection, factory layout, equipment evaluation, vendor screening, mold design, and many other similar duties.

Early on, River City Drum retained the temporary services of two competent sales people for the purpose of market research. These people were given assignments to call on some 275 known users of industrial containers in the St. Louis region. Buyers were interviewed with respect to the following:

- Present requirements for large industrial containers, both steel and plastic.
- Present utilization of plastic drums.
- If steel is presently being used, reason for this preference.
- Would customer consider plastic if plastic were readily available and competitively priced in the St. Louis market.
- Is customer familiar with the salient features of plastic over steel in industrial containers?

The results of our survey confirmed that a present annual market of over 2,000,000 large industrial containers, both 30- and 55-gallon, exists in the St. Louis area. Presently over 90% of this market is being accommodated by steel. Significantly, some 25% of this consumption, represented by 91 users, indicated that they would consider or would likely switch to plastic if there were a reliable source available in St. Louis. Some were very openly encouraging, urging us to proceed with our manufacturing plans. These represent some 50,000 containers, fully two and one half times the projected manufacturing capacity of River City Drum.

In addition to our market survey, our company president, Warren Stevenson, made a number of preliminary sales calls to buyers of particular interest to River City Drum. These are firms and buyers with whom Mr. Stevenson has had considerable experience over his years as an industrial sales executive. We were most gratified by the reception. Some leading firms that expressed an active interest in converting to plastic along with their known consumption are listed as follows:

Petro Services	50,000 drums
Majestic Chemical	88,000 drums
K.M. Peters Paint Co	55,000 drums
Monarch Oil	40,000 drums
Total	203,000 drums

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We were, of course, very encouraged by this marketing survey. River City Drum sought and hired an outstanding young engineer to assist in the planning and implementation of our drum manufacturing facility. Donald Smyth joined our company on December 2, 1990, bringing with him broad credentials in the flourishing field of polyethylene drum manufacturing. Mr. Smyth was a pioneer with MidContinent Plastics, a leading innovator in the plastic drum industry and a major factor in the market. He was on-board from the inception in 1978 and assisted in every phase of bringing the MidCon polyethylene drum into existence. His services have thus far proved very valuable to River City Drum. He is employed under a two-year contract, with principal responsibilities to open our plant by May of 1991 and thereafter to function as Plant Manager with overall, 24-hour responsibility.

Our marketing plan calls for a multifaceted campaign. Major users will be developed and serviced by Mr. Stevenson, whose primary responsibility will be sales. At least one full-time sales person will be employed, who will be recruited from the container industry. He or she will be responsible for intensive coverage in our primary market, which will include roughly a radius of 150 miles around St. Louis. Attractive secondary markets exist in Memphis, Louisville, and Chicago and will be serviced by both stocking distributors and in truckload shipments brokered by local distributors. This matter will be treated in detail in the Marketing Strategy section of this business plan.



Our present cash position is \$66,000, remaining from initial capitalization of \$100,000. This represents capital input from our two stockholders, Mr. Stevenson and Mr. Connors, in the amount of \$50,000 each. In the case of Mr. Stevenson, the funds were withdrawn as a loan to stockholder from Stevenson & Sons, a chemical manufacturing firm headed by Mr. Stevenson. Mr. Connor's investment derived from savings.

Our principal piece of equipment, a Bekoft Blowmolder, Model 1000, has been quoted at \$540,000, which the vendor will carry at 80%. We are negotiating a line of \$250,000 with General Missouri Leasing, which will cover much of our support equipment, such as grinders, blenders, conveyors, forklift, etc.

In addition to the above, we will be seeking a primary line of credit of \$350,000 for additional equipment and set up, raw materials, salaries, and operating expenses.

OBJECTIVES

Our market research has determined that there is a need for a manufacturer of polyethylene drums in the St. Louis area. River City Drum's initial objective is to fill that need. By providing the only manufacturing facility for polyethylene drums within a radius of 150 miles, we feel we can capitalize on favorable logistics and our enhanced customer responsiveness to assure dominance of the 55- and 30-gallon polydrum market in this area. We have identified some 200,000 plastic drums currently being purchased in the St. Louis area. 70% of these drums are being shipped in from Chicago. The minimum freight, for customers buying truckload quantities, is \$1.00 per drum (approximately \$300 per run from Chicago). Because of the virtual lack of competition, the only two local stocking distributors dealing with LTL (Less Than Truckload) quantities, are charging some \$3.00 per drum in excess of LTL markets where drum manufacturing exist. These LTL users are ripe for marketing by River City Drum.

Truckload users are, however, our main market. 30- and 55-gallon drums are generally viewed as commodities by industrial buyers. Because of stringent D.O.T. (Department of Transportation) regulations, the specifications and performance capabilities of the polyethylene drums manufactured by competing companies are generally equal with little difference found from one brand to the next. Brand loyalty is therefore not normally a factor in this field. Once reliability and product specification has been established, pricing becomes a dominant influence. Because of our strategic location in this market, River City Drum will be very aggressive as we quote delivered price against Chicago competitors. The container industry has always been a regionalized or localized business. The adage of "shipping air" is often heard when FOB prices of containers are discussed. Everything being equal, the closer supplier is likely to be favored as delivered prices will be the most attractive. River City Drum is keying on this factor in our preselling, and we are confident that we will ultimately capture the lions' share of the local market.

We recognize that sales will not be automatic and will have to be earned. The big users, truckload quantity buyers, will first want their own tests run on our product. Testing could vary from one month to six months, depending on purchasing policies for respective customers. Establishing our presence as a reliable supplier will be a major activity of our first year of manufacturing. Ultimately, we expect to be the primary source of supply for most, if not all, the major drum users in our primary market. We recognize that we may first be limited to secondary sources in many cases as we earn the confidence of our customers. This is anticipated, and our initial conservative objective is to reach 44% local market penetration (88,000 drums), by the conclusion of our first manufacturing year.

Note: When drums are mentioned in this report, it may be assumed that polyethylene drums (as opposed to steel) are being referred to unless otherwise indicated.

Pursuing the existing market

Our objective for year two will be River City Drum's capture of a significant portion of the remaining 112,000 existing St. Louis drum market. Conservatively, we expect 75% penetration (150,000), optimum 90%



(180,000) by the close of year two. 180,000 drums per annum will approach sellout capacity of our Bekum blowmolder for straight-time operations.

Secondary markets

To the extent that we experience short fall in reaching sell-out in our primary market, River City Drum will be aggressively pursuing secondary markets in Memphis, Louisville, Kansas City, and Chicago. With the exception of Chicago, which is the home of 4 drums makers, the above captioned cities are presently being serviced by remote manufacturers. River City feels that we will be able to compete effectively in these markets and achieve a 25% share of market. Chicago is a vast and immensely competitive market. Some 50% of total U.S. drum use is attributable to the Chicago area. We do not view Chicago as major source of business for River City but expect to market approximately 600 to 900 drums per month through our stocking distributor.

Years three through five

By the conclusion of year two, River City Drum expects to reach near or complete sell-out capacity. At that time, we will be evaluating the acquisition of additional line capacity, which will require the purchase of a second drum blowmolding machine. Much of the existing support equipment can be utilized and only the addition of 2 production workers per shift will be required. A second line will give River City Drum manufacturing capacities (running overtime mode) of some 400,000 drums. A key factor in expansion plans will be our ability and that of the plastic drum industry in general to make additional inroads into steel drum packaging. For example, a potential new local market of some 400,000 plastic drums per annum exists in the Lube Oil field, which has been evaluating conversion to plastic for the past 18 months, and the paint industry is another potential market.

Possible buy-out of River City Drum

The history of the plastic container industry has been marked by a number of independent producers obtaining regional or local market saturation and then being acquired by major conglomerates in the industry. A similar pattern could well be anticipated in the 55 gallon polyethylene drum industry. Three major players, MidContinent Plastics, Containers America, and Van DeMeer Container, have already shown a propensity to acquire independents who have carved out a market for themselves. Industry sources report that buy-out figures, while unannounced, are believed to be 8 to 10 times earnings. We anticipate that River City Drum would be a much sought after property as we reach our fifth or sixth year. River City Drum would entertain serious discussions at such time that we would consider acquisition or merger advantageous.

MANAGEMENT

Warren Stevenson, 54, is 50% owner and President of River City Drum, Inc. His entire business career has been devoted to the field of industrial chemicals and packaging, both as a sales executive and for the past twenty years as head of several corporations. A 1958 graduate of Westfield College, with a major in chemistry and a minor in economics, Mr. Stevenson opened his career as a salesman for Phizner Chemical and subsequently moved to Thomas Haywood Chemical Company in St. Louis. In the early sixties, along with present River City Drum co-owner Thomas Connors, he founded FIPI, Inc., a food, industrial, and pharmaceutical manufacturing and packaging firm. Significantly, FIPI also pioneered in blowmolding containers in the St. Louis area. Mr. Stevenson subsequently bought out his partners and formed the firm of W. Stevenson & Sons, a leading regional manufacturer and packager of automotive chemicals. Plastic blowmolding continues to be an integral part of Stevenson & Sons and, of course, Mr. Stevenson has drawn heavily on this expertise and experience in formulating plans for River City Drum.

Thomas Connors, 54, is 50% owner and Vice President of River City Drum. He began his business career in



St. Louis in 1961 with the formation of Connors Distributing Company, a firm that specializes in janitorial and household cleaning supplies and sundry items. Connors Distributing continues on as a leader in its field and, Mr. Connors, over the years, has invested and participated in a number of unrelated business ventures, including the formation of FIPI, Inc. with Mr. Stevenson in 1964. Though not a college graduate, Connors is a seasoned businessman and he has always been a hands-on operator, both at Connors Distributing and his other entrepreneurial endeavors. These have included toy manufacturing, real estate, food service, and many others. His responsibilities at River City Drum will be primarily Vice President for Operations, with principal responsibility for manufacturing and general business management. He also holds the corporate titles of Secretary and Treasurer.

Donald Smyth, 34, was hired as project manager by River City Drum in October of 1990. He was recruited through industry sources who knew of his reputation as an integral employee in the development of polyethylene drums with his previous employer, MidContinent Containers. MidCon was one of the pioneers in the field of polyethylene drums, and Mr. Smyth brings with him a wealth of experience gained in the development of this product. Of course, proprietary information remains the exclusive purview of his previous employer, but he nonetheless plays a key role in planning our manufacturing facility. He is instrumental in site selection, plant layout, vendor screening, and many other important details. Don will assume the role of plant manager once production status is achieved. He will have 24-hour responsibility. Don is working on a two-year contract with us and is enjoying the challenge of seeing the new operation take shape. He is an energetic and ambitious young man, and his reason for leaving his previous employer in favor of River City was to enable him to work in a more pivotal role and at a higher management level than seemed likely in the Mid-Continent environment.

Jim Spencer is a plastic engineering consultant who has for many years had a close working relationship with the management team at River City Drum. Mr. Spencer's firm, Bestway Consultants, specializes in plastic blowmolding, and he personally is well versed in all phases of plastic molding plant operations. Mr. Spencer's affiliation with River City Drum personnel goes back to the early eighties when he was employed as plant manager for W. Stevenson & Sons. About two years ago, he founded Bestway Consultants and now specializes in assisting start-up blowmolding operations, as well as troubleshooting problems for existing plastic companies. Mr. Spencer is on retainer with River City and provides important additional technical depth to our human resources.

PRODUCT DESCRIPTION

In the past 25 years, the packaging industry has undergone a dramatic evolution. The development of a wide range of polymers has brought about the emergence of plastic containers of all descriptions, supplanting the traditional packaging materials of glass, steel, and cardboard fiber. A wide range of consumer and industrial products packaged in plastic now dominate their respective markets. In some industries, glass and steel are almost obsolete. Plastic has become the container of choice because of its light weight, strength, flexibility, and durability. Nonrusting, and usually considered non-breakable and nondentable, it is easily molded into distinctive and utilitarian configurations, giving packaging engineers both utility and beauty.

The industrial drum industry, both 30- and 55-gallon, began its move to plastic in 1979, with the advent of newer, tougher resins, known as high molecular weight, high density polyethylene. Prior to the development of this polymer, no plastic material available was capable of handling the heavy stacking loads of up to 800 pounds per drum. But with the perfection of the newly engineered resins, it became clear that it was now feasible to develop the plastic drum.

The principals of RCD were interested observers as the early stages of polyethylene drums evolved. Many original concepts were tried and discarded by pioneers in the field, and now a clearly defined market preference has emerged for the polyethylene industrial drum. RCD will enter with its own design, reflecting known buyer preference and innovating several new features as a result of our market research. Of particular interest is our new "Five Wide" configuration on 30-gallon drums that are taller and slimmer than the former



"squat 30's." This permits five wide by three high loading in standard and high cube trailers, thus increasing the payload some 12% in shipping truckload quantities. We will also be featuring enhanced rolling hoops, which provide for easier pick-up by conventional forklift trucks. A proprietary handling ring will also be an intricate part of the new 55- and 30-gallon River City drum, affording better gripping and the more streamlined appearance, most closely identified to steel drums. Numerous interviews with future customers have identified these features as being the most sought after by the drum buyer.

The construction and performance capabilities of our product are engineered to conform to or exceed D.O.T. Spec 34, which is a requirement for all polyethylene drums shipped in interstate commerce for the hazardous cargo trade. We, as well as all domestic manufacturers, are required to meet rigid testing requirements and manufacture to exacting specification minimums, all of which are well within our capabilities and quality control standards.

River City drum will enjoy another important competitive advantage. Our new Bekoft 1000 drum blowmolding machine is among the finest machines of its type in existence. Bekum, a world renowned machine maker, is the recognized leader in the fabrication of "large part" blowmolding equipment. RCD shopped every domestic vendor and many foreign purveyors before selection of the Bekoft 1000. Among its salient features is a guaranteed cycle time of 90 seconds for a 21-pound 55-gallon drum, which provides River City Drum the fastest production cycle in the nation. This translates to 20% savings in labor and power and a 25% increase in overall output capabilities.

Another important feature effecting the economics of drum manufacturing, the Bekoft 1000 includes a highly sophisticated 35-point programmer, which enables our operator to very precisely fine tune the exact wall thickness of our finished molded product, at 35 distinctive points, thus enabling us to insert more plastic at stress regions, and "lighten" when practical, for the most economical distribution of raw material. While many, but not all, of our competitors have programming, none have the advanced capabilities of the Bekoft 1000. This translates to manufacturing the finest quality drum with the fastest manufacturing cycle and at the most advantageous cost.

River City Drum will truly be state of the art!

MARKET ANALYSIS

As mentioned in the previous section, the plastic drum industry can trace its roots to 1979 with the advent of new higher strength polyethylene resins, which were capable, for the first time, of sustaining the heavy load bearing and impact requirements of industrial drums. Since plastic had made significant inroads into virtually all other forms of packaging, the industrial drum market was then targeted by the plastic packaging industry as ripe for conversion.

In the past eleven years, plastic's share of the market has progressed steadily to the point where 10% of the total annual market of twenty million new industrial 30- and 55-gallon drums are now plastic. The overall industrial container market is growing at some 6% per annum with industry analysts reporting a projected increased share for plastic of approximately 2% per annum for the next 3 years. (*Packaging Digest*, October 1990). Another exciting aspect of plastic's role in the industrial drum market is the anticipated conversion of the lube-oil drum from steel to plastic. All of the major refineries have been testing plastic with excellent results being reported. Among their many attributes, rust and dent free plastic drums are known to recycle much better than steel with an estimated life of 20 trips along with minimum cleanup. This compares with 3 or 4 trips maximum for steel drums, which require painting, dedenting, chaining, and other costly recycling activities. Petro-Plex of Canada, that nation's leading producer of petroleum products, has already ordered a 100% conversion to plastic and has set the trend for Canada.

This is of particular interest to River City Drum with the giant refineries of Magna Oil and U.S. Petroleum located in our immediate area. These two refineries currently use over 400,000 steel drums per annum and are currently testing plastic drums from several manufacturers. RCD has made preselling calls to both facilities and



have been assured that our product will be tested and considered for inclusion in their packaging line if conversion from steel becomes a reality. We are in an ideal strategic position to service these two accounts. There is a known "copycat" history to packaging in the oil industry. When one major company adopts a new form of packaging, others quickly follow suit. The plastic drum industry is aggressively cultivating this very important market. It should be noted that there is insufficient manufacturing capacity, both at River City Drum and industry wide to accommodate an immediate conversion by the oil companies to plastic. This volume of business would, by necessity, be phased-in as production capacities are expanded to fill the need.

While the lube-oil business presents an attractive potential for River City Drum, we do not consider it a primary focus at this time because presently this market is being accommodated by steel drums. Of much greater importance is the diversified chemical, paint and food industries of our region that are currently utilizing plastic drums shipped in from Chicago, Cincinnati, and Toledo.

Our market research has identified over 60 firms in the immediate St. Louis area presently purchasing polyethylene drums trucked in from other regions. These represent some 180,000 drums. Additionally, River City Drum has identified 91 users of steel drums that have expressed an active interest in switching to plastic once a local source of supply is established.

The market for the products of River City Drum is clearly defined. In subsequent sections, we will discuss customers in more specific terms and also define our plans for market penetration.

Customers

Intensive market research has enabled River City Drum to identify our potential customers and we have made many pre-selling calls on these firms to establish our presence. Our primary target market consists of firms presently using plastic drums shipped from other regions of the country. Some of particular interest are:

Magathon Oil, 4,000 drums, anti-freeze
Monoplazo Chemical, 20,000 drums, herbicide
P.D. Grange Paint Co., 20,000 drums, paints and lacquers
Thomas Haywood Chemical, 2,400 drums, chemicals
Best Vanilla, 4,800 drums, flavorings
Peerpoint Lacquer, 1,800 drums, lacquers and inks
Commercial Soap, 2,800 drums, cleaning compounds
Q-Tech Brand, 4,800 drums, acids
American Flavoring, 8,200 drums, flavorings and syrups
Midwest Flavoring, 8,200 drums, flavorings and preservatives
Ozark Speciality, 1,200 drums, liquid smoke
R & K Foods, 4,000 drums, barbecue sauce
Chem-point, 4,400 drums, chemicals
O'Neils Best, 6,800 drums, flavorings
Midwest Printers Ink, 2,800 drums, lacquers and inks
Proctor & Scrable, 88 drums, cleaning compounds
Apex Treatment Chemicals, 2,800 drums, acids
Archview Foods, 4,200 drums, flavorings and syrups
Fulcrum Brothers, 4,800 drums, floor soaps
Marvel Manufacturing, 8,800 drums, bleach

The above are all Dun & Bradstreet listed and rated firms and are considered by us to be prime potential users of our polyethylene drums. They represent annual drum usage of 136,000 drums, some 75% of our production capacity. They also represent a very diverse group of industries, many of whom have national markets.

Also of importance are four local firms, presently using steel drums but seriously considering conversion to plastic:



Petro Services	50,000 drums
Majestic Chemical	88,000 drums
K.M. Peters Paint Co	55,000 drums
Monument Oil	40,000 drums
Total	203,000 drums

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We have discussed in this Market Analysis the potential of the huge oil refineries to convert the lube-oil business to plastic. While this is by no means a certainty, the potential magnitude of this business is very significant and worth contemplating. The two majors in our immediate vicinity are:

Magna Oil	300,000 per annum
U.S. Petroleum	100,000 per annum

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U.S. Petroleum	100,000 per annum

Also of interest is:

Magathon Oil	60,000 per annum
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We have logistic advantage to Magathon, as well as strong ties to the buyer and chief plant executive.

Note: To accommodate buyers of this volume, River City Drum would expand its production capability beyond the single drum line contemplated in this business plan.

Secondary Markets

Some very substantial customers exist in key cities outside the immediate St. Louis market. River City Drum would have excellent positioning to service these companies and we expect to compete quite aggressively for their business. Among them are:

Brannon Laboratories	Memphis, TN	24,000 drums per yr.
American Flavors	Indianapolis, IN	18,000 drums per yr.
Farm Products Co.	Kansas City, MO	30,000 drums per yr.
Midland Farm Co-Op	St. Joseph, MO	18,000 drums per yr.

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Farm Products Co.	Kansas City, MO	30,000 drums per yr.
Midland Farm Co-Op	St. Joseph, MO	18,000 drums per yr.

River City Drum has made preselling calls on all companies listed here and on the preceding page. Except as noted, we consider these firms as active, serious prospects for our products. Many have encouraged us as they themselves would prefer a local source for polyethylene drums. We will continue to cultivate our relationship with these drum buyers as we approach our production start-up.

COMPETITION

The existing 200,000 plastic drum market in St. Louis has been served primarily from Chicago, where three major plastic drum companies have manufacturing facilities. Poly-Drum was one of the original entries into the plastic drum industry, followed closely by CA and Van DeMeer Container. Van DeMeer is a world-class drum manufacturer, dealing in steel as well as plastic. CA (Container America) a Fortune 500 company with national distribution, has 3 plastic drum manufacturing facilities in the U.S. Poly-Drum, a very successful independent,



operates from Lockwood, Illinois, and is in start-up with a second facility in Houston. MCC (MidContinent Containers) also ships drums to St. Louis from their Toledo, Ohio, facility.

All of these companies are well established firms that have made a significant impact on the plastic drum industry. Because all D.O.T. Spec 34 drums are manufactured to the same exacting specifications as predicated by government regulation, traditionally drums are regarded primarily as a commodity, with no particular brand loyalty prevailing in the industry. Price and responsiveness are considered key, and this is where River City Drum will be able to beat our competitors in the St. Louis market. It is a given in the container industry that it is uneconomical to "ship air," which is how the transportation of empty containers is frequently characterized. Freight into St. Louis from Chicago can add up to \$1.50 per drum and out of Toledo, about \$2.25 per drum. Furthermore, response time can be erratic and not nearly as reliable as the local delivery that will be the hallmark of River City Drum. We expect these two factors, advantageous pricing and more responsive "just in time" delivery, to be very big pluses as River City moves to obtain rapid market penetration.

For the many LTL (less than truckload) buyers in St. Louis, River City Drum will be at a real competitive advantage to capture the lion's share of this lucrative market. Presently these customers are serviced by stocking distributors at prices generally \$5 higher than those available in primary (manufacturing) markets. RCD will offer convenient LTL deliveries in and around the St. Louis area, affording our customers a savings, and permitting attractive profits for River City because of our manufacturing and logistic efficiencies.

None of our competitors maintain local sales people. St. Louis, being our primary market, will have saturation coverage both at the executive level, with our President, Mr. Stevenson, maintaining continual liaison with key customers, and our in-house salesperson providing ongoing intensive covering to the region. This will give us considerable advantage in securing this market for River City.

RISKS

Risks inherent in the plastic fabrication industry in general, and the industrial container industry in particular, have been carefully evaluated by the management of River City Drum. Careful planning has minimized the impact of potential untoward eventualities that may be caused by circumstances beyond the control of management. Some of these may be identified as follows:

Continuous source of supply. High molecular weight high density polyethylene (HDPE) is the raw material from which RCD will be manufacturing. There are four primary suppliers in the U.S., as well as several foreign processors importing into the U.S. River City has already initiated contact with these sources and through previous and concomitant business activities, have purchase experience with three of the major suppliers. Because of the heavy "part weight" (21.4 pounds) for the poly drum, plastic drum manufacturers are large users of HDPE, and are highly sought accounts by vendors. RCD has negotiated a primary source contract with Soltex Polymer, providing assurance of up to 4 million pounds of material at competitive market prices. This will provide sufficient material to reach sell-out capacity with our original production capability.

As an **alternative source of supply**, RCD will maintain ongoing purchase continuity with American Hoerst, who is actively soliciting business from us. This will provide us with a fallback position in the unlikely event of interruption of our primary source due to *force majeure*. We will also maintain continuing liaison with all other domestic and foreign sources to assure uninterrupted supply, regardless of unforeseen circumstances.

Cost fluctuations due to potential unstable oil prices. Polyethylene resins are closely tied to the oil market and have been known to fluctuate as a result of changes in price of crude. River City Drum believes we have planned effectively for this eventuality, both as a buyer and as a seller. History has shown that price fluctuations have been uniform throughout the industry; thus, our competitors will pay more when we pay more. Further, our contract with our primary supplier guarantees competitive pricing; Soltex will keep us competitive in our raw material cost. River City Drum has negotiated 60-day terms with our primary supplier, as compared to the industry norm of 30 days. This gives us more latitude to purchase advance stock on a rising market, as there is usually some 30 days' notice of increased pricing. Also traditional to the drum industry are



escalator and de-escalator clauses in the purchase agreements and quotations between drum manufacturer and drum buyer. River City, of course, quotes with the escalators incorporated into our bids as do our competitors. Therefore, the risks of cost fluctuations of raw materials are effectively dealt with.

Economic Influences. The diversity of the St. Louis market of River City Drum encompasses a wide array of separate industries that are not normally interdependent. In their order of importance, River City ranks our target industries as follows:

Agri-Chemical
Industrial Chemical
Food
Paint, Ink, and Varnish
Soaps and Industrial Cleaners
Lube-Oil (potential)

Due to the diversification of our target market, River City Drum feels that risks inherent of an economic downturn are blunted by the dispersion of our projected customer base.

Traditional risks. Traditional risks of fire, windstorm, burglary, and other hazards, including earthquake, will be covered by conventional insurance policies. River City Drum will maintain a \$2,000,000 liability umbrella, in addition to casualty coverage for equipment, inventory, goods in transit, and all standard risks.

MARKETING STRATEGY

River City Drum's marketing strategy consists of a three-pronged approach, headed up by our CEO, Warren Stevenson. In addition to coordinating all sales efforts, Mr. Stevenson will be responsible for the development of the larger accounts. Furthermore, he will call on selected medium accounts, where the buyer is also the owner of the company. Preselling has been an important part of our make-ready at River City, and considerable rapport has already been established with key buyers in our region.

Mr. Stevenson will also be maintaining liaison with the three major lube-oil manufacturers in our region.

In addition to the above accounts, our extensive market research has identified nearly 50 St. Louis area companies currently using plastic drums being shipped in from other locales, primarily Chicago. Also, some 91 firms that are currently using steel indicated an interest in plastic if a local source became available. To cultivate this market, River City Drum will retain the services of an experienced drum sales representative. Presently, three individuals are under active consideration, two presently employed by competitors and one a former key employee of a competitor. The person selected will move to St. Louis and work under the direct supervision of Mr. Stevenson. He or she will be provided with a company leased vehicle and a reasonable expense account. Between Mr. Stevenson and his to-be-hired associate, River City Drum will have two full-time sales executives saturating the territory. This compares to zero resident sales force by our competitors. We feel this will give us a considerable advantage in customer service, in good-will, and most importantly, in results.

We will be able to afford intensive coverage to truckload and LTL buyers alike. Taking inventory of empty drums by customers present a real space problem for many users, and our "just-in-time" local delivery service is expected to be a significant advantage in converting the small, but nonetheless lucrative user to River City.

Stocking Distributors

River City Drum has established ongoing discussions with a number of well known drum distributors in Chicago, Cincinnati, Louisville, Memphis, Kansas City, and many other locations. We will maintain our presence through stocking distributors in these areas, which we consider secondary markets to our primary activities in St. Louis. With the exception of Chicago, we will be able to compete quite well with all



competition. In Chicago, due to the multiplicity of plastic drum manufacturing in that important market, our efforts there will be less intensive but will not be neglected. This is *the* major drum market in the United States, and we intend to maintain a presence there even at reduced profits.

Pricing & Profitability

Industrial containers, including plastic drums, are considered to be commodities by most industry buyers. Rigid governmental specifications assure uniform construction and performance industry-wide. There is little brand preference or loyalty. Pricing and service are paramount. Because of logistics, River City Drum can offer St. Louis area buyers a saving of \$1.00 to \$1.50 per drum due to freight advantages, while maintaining competitive FOB prices for the drum itself. \$21.50 is the prevailing price of the 55-gallon DOT Spec 34 polyethylene drum, with \$18.50 being the price for 30-gallon drums. Given present resin prices, this will be our quote to most TL (truckload) buyers. This will also be our delivered price in the greater St. Louis trade area, a price that provides a savings of \$300 to \$450 per truckload to our customers.

We intend to use this strategic advantage to its utmost. Our market research has revealed that buyers are quite receptive to enjoying this cost advantage, plus the fast response of "just-in-time" delivery.

Similar savings will be realized by our LTL customers, with the selling price ranging from \$22.50 to \$25.50 depending on quantity.

High volume-long term contracts will be bid upon as the opportunities present themselves. Suitable escalators, based on raw material fluctuations that are normal to the industry, are always a part of contracts in excess of 90 days.

River City Drum will be purchasing resin at market prices comparable to those paid by our competitors. Energy, which makes up about 8% of the manufactured cost industry-wide, is expected to be approximately 5% due to better than average power cost by Union Electric compared to Illinois Power in the Chicago vicinity. We expect to be very competitive in labor and plant overhead as well. The manufactured cost of the River City 55-gallon drum is estimated to be \$16.07.

Resin	8.78
Bung & Gaskets	.50
Colorant	.36
Ring	2.83
Labor	.63
Power	1.05
Rep/Maintenance	.60
Factory Overhead	1.32
Total	16.07

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Bung & Gaskets	.50
Colorant	.36
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Labor	.63
Power	1.05
Rep/Maintenance	.60
Factory Overhead	1.32
Total	16.07



Break-Even Evaluation

Computed on Unit Sales		Computed on Gross Sales	
Unit of Sale	55-Gallon Drum		
Selling Price of Product	\$21.50		
Cost of Goods Sold	\$16.07	Percent Cost of Goods Sold	74.7%
Gross Profit per unit sold	\$5.43	Percent Gross Profit	25.3%
Monthly Overhead	\$23,548	Monthly Overhead	\$23,548
Monthly Unit Sales to reach break-even	4,337	Monthly Gross Sales to reach break-even	\$93,224

Computed on Unit Sales

Unit of Sale 55-Gallon Drum

For detailed derivation of these calculations, refer to Twelve-Month Proforma, Financial Projections.

Selling Price of Product \$21.50

Cost of Goods Sold \$16.07

Gross Profit per unit sold \$5.43

Monthly Overhead \$23,548

Monthly Unit Sales to reach break-even 4,337

Computed on Gross Sales

Percent Cost of Goods Sold 74.7%

Percent Gross Profit 25.3%

Monthly Overhead \$23,548

Monthly Gross Sales to reach break-even \$93,224

Advertising and Promotion

River City Drum will mark its entry into the industrial container industry with strategically placed advertisements in two major trade publications. A three-month campaign timed to coincide with our start-up production is planned for *Polymer Age*, the leading trade journal for the plastics industry. This advertising series will consist of full-color quarter-page displays, run in three consecutive months and featuring among other things a prominent focus of the River City Drum logo. We will also be appearing in *Plastic Recycling*, a trade publication of great interest to container buyers. Our advertising will be of an institutional nature designed to enhance our name recognition in the industry. Plastic drums, because of their commodity nature, have not traditionally been the subject of heavy advertising. Our advertising budget, \$13,000, a modest one half of one percent of expected first-year sales, will assure us prominent depiction in two widely read and respected trade publications.

In addition to the paid insertions defined above, River City Drum has been in touch with the editorial staff of all the industrial packaging, container, and plastic periodicals and trade journals. We have been assured of coverage of our market entry, and press releases are being prepared in-house for timely distribution.

This exposure in the print media will provide River City Drum with enhanced name recognition at a time when our marketing efforts are getting under way. Our advertising program is one of augmentation to our direct marketing efforts and is not designed to supplant direct customer contact, but to enhance it.

Once our entry to the marketplace has been announced, no long-term paid media campaign is contemplated at this time. River City Drum expects to capture and maintain a position of prominence by active participation in professional organizations and trade shows. River City is a member of the Society of the Plastic Industry and the Plastic Drum Institute, the latter being a high profile organization consisting exclusively of manufacturers and resin suppliers of the plastic drum industry. Our active participation, even as a new member, has earned River City an appointment to the Technical Committee, a prestigious subcommittee devoted to enhancing the overall quality and performance of plastic drums in general. We are represented on this committee by Don Smyth, our project engineer, and in the Plastic Drum Institute by Thomas Connors, our Vice President of Operations.

River City Drum will be participating as exhibitors in two very important upcoming trade shows, the



Petroleum Packaging Institute and the Chemical Packaging Institute. Both are once-a-year conventions, attracting virtually every major industry buyer of industrial packaging in the nation. We expect to be a regular part of these important trade expositions in the future.

Media Buy Schedule

Magazine	Circulation	Budget	Ad Description	Insertion	Readership Profile
Plastic recycling	88,000	\$2,100	1/4 Page B/W	May 199X	Pgkng & Molding Engrs/buyers
Polymer Age	105,000	\$3,600	1/4 Page 4 color	May 199X	Plastic Industry Buyers, Plant Mgrs
Polymer Age	105,000	\$3,600	1/4 Page 4 color	June 199X	Plastic Industry Buyers, Plant Mgrs
Polymer Age	105,000	\$3,600	1/4 Page 4 color	July 199X	Plastic Industry Buyers, Plant Mgrs
Totals	193,000	\$12,900			
Cost/Materials		\$0.07			

Magazine	Circulation	Budget	Ad Description	Insertion	Readership Profile
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Polymer Age	105,000	\$3,600	1/4 Page 4 color	July 199X	Plastic Industry Buyers, Plant Mgrs
Totals	193,000	\$12,900			
Cost/Materials		\$0.07			

MANUFACTURING

River City Drum has leased manufacturing and warehouse space at advantageous terms. The facility, known as the Hall Street Industrial Park, is a refurbished heavy industrial complex that was formerly General Steel Castings. Our section affords ample manufacturing and storage space with expansion capabilities, rail access, four truckloading doors, and 400 KVA power. River City has booked 20,000 square feet in three bays, one of which will be heated and will serve as the manufacturing floor. The remaining two-thirds will be cold storage warehouse and loading. A small factory office, employee lunch room, and restrooms are also included. We have a 3-year lease, with a 2-year option, with the initial 3-year period @ \$1.25/sq. ft. The option years carry an increase of 8%. There is also an insurance assessment of some \$800 per annum.

River City Drum will be operating a high-tech plastic processing facility. Raw material, known technically as high density polyethylene (HDPE), can be stored at our railside silos in quantities of up to 180,000 pounds, plus active storage in rail hopper cars if circumstances warrant. Material is suctioned in to the main Bekoft 1000 plastic molding machine, which will be outfitted with one of several River City proprietary molds which will form the plastic drum, whether, 30 gallon, 55 gallon, or some other configuration. Pigmentation is added during the molding process to produce a finished product of the desired color.

Scrap generated by the molding process, known as flashing is salvaged and fed into a grinder to form "regrind," which can be added to subsequent mix along with virgin resin. Likewise, any factory reject drums can be converted to regrind so as to salvage the raw material and colorant, thus virtually eliminating any wasted material.

Proprietary Technology

Our project engineer, in conjunction with our technical consultant, has developed a significant innovation known in the trade as post mold cooling, that we believe will enhance our manufacturing cycle time over and above the already fastest-in-the-industry molding cycle provided by the state-of-the-art Bekoft 1000.

Quality Control

Manufacturing standards adopted by River City Drum are among the most demanding in the industry but



present no obstacle owing to our superior technology and modern equipment. In order to comply with D.O.T. Spec. 34, which is required of all plastic drums manufactured for the hazardous cargo trade, a series of performance tests, and specification criteria are mandated. River City Drum has adopted its own QC standards that in most cases exceed those of Spec 34. Also required is rigid adherence to River City Drum cosmetic standards for our products.

One of these includes the creation of a humidity controlled molding environment for the purpose of eliminating mold "sweating," thus precluding unsightly "water marks" on the finished products. Our preselling has told us that this is an important plus with many buyers, and provides River City with one-upmanship over some of its competitors.

The outfitting of the River City Drum manufacturing facility is expected to cost some \$802,000 with the principal expenditure being \$540,000 for the Bekoft 1000 drum blowmolder.

Labor

The labor market in the St. Louis area presents no obstacles for the successful staffing of the River City manufacturing facility. Statistics provided by the Missouri Department of Labor indicate St. Louis unemployment at 6.3%, which is seen as moderate to high. The prevailing wage in petroleum, coal, and plastics industries in St. Louis is reportedly \$12.44 per hour. This figure is traditionally weighted towards heavy industry and is interpreted by River City to be representative of skilled operators in the plastics fabrication industry. Experience of River City management has been that an ample labor pool exists for line production laborers, trainable, and semi-skilled, at hourly rates of approximately 50% of the skilled operators.

In the plastic molding industry, the concept of around-the-clock manufacturing offers many advantages. Because of pre-heat periods, and machine fine tuning, plastic molding equipment functions best if it runs continuously. Therefore, River City Drum targets 24-hour operations as an optimum manufacturing mode and expects to achieve this level of production in approximately 6 months from start-up. Typical production staffing per shift would be as follows:

One Machine Operator/Shift Supervisor;

responsible for machinery and personnel on shift.

Two Line workers;

trainable semi-skilled workers.

(Note: Automated line runs essentially with two people. Third person provides relief and material handling.)

Day Shift only

One Quality Control/Material Handling;

Performs QT and D.O.T. testing for all shifts, operates forklift, positioning manufactured product, and also loads outbound shipments.

One Plant Clerk;

30 hours per week, maintain plant records, coordinates orders and shipments, general administrative.



Transportation

The advantage of River City Drum's geographical positioning within its target market will be hammered home with its own local delivery capabilities. River City Drum will acquire a single axle, gasoline, local delivery tractor and two used trailers, one 45-foot and one 48-foot. This equipment will enable us to easily handle our cargo requirements, due to the lightweight nature of empty polyethylene drums. Prior to establishing continuity of shipping, RCD will make use of local drainage firms at advantageous rates. Either way, we will be providing our customers with prompt, just-in-time delivery, whether truckloads, or LTL, at better than competitive prices. This is using our manufacturing position as a marketing strategy and to considerable advantage. Our preselling calls to future customers have taught us that this is a needed and desired service for the drum buyer and is not offered by present out-of-town suppliers.

Equipment Schedule

	Brand	Model	Capacity/ Rating	New/Used	Cost
Blowmolder	Bekoft	1000	35# Head	New	\$540,000
Transportation & Rigging				New	4,100
Chiller	Allied	LJ5500	30 Ton	New	36,000
Grinder	Hercules	5000	25 HP	New	5,500
Air Compressor	Borg	FG5566	20 HP	New	8,155
Blender/Material Handler	Con Air	Superior	25#	New	5,000
Case sealer	Elliott	600	600/hr	Used	12,300
Blow back system, includes \$3000 installation	Con Air		5 HP	New	10,375
Silo, includes installation & pad	Butler	AS1500	180,000#	Used	12,700
Molds - 2	Fremont	55 & 30 gal	Cast	New	80,000
Forklift	Fork Lift	JM5	5000#	Used	5,000
Piping, estimate				New	15,000
Electricity, Main Service, wiring, estimate		H5600		New	301,000
Leak detector, installed	Speciality			New	8,280
Quality Control & D.O.T. testing equipment	Various/In House			New	12,000
Post mold cooling	In House			New	18,000
Total Equipment Costs					\$802,480

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Chiller	Allied	LJ5500	30 Ton	New	36,000
Grinder	Hercules	5000	25 HP	New	5,500
Air Compressor	Borg	FG5566	20 HP	New	8,155
Blender/Material Handler	Con Air	Superior	25#	New	5,000
Case sealer	Elliott	600	600/hr	Used	12,300
Blow back system, includes \$3000 installation	Con Air		5 HP	New	10,375
Silo, includes installation & pad	Butler	AS1500	180,000#	Used	12,700
Molds - 2	Fremont	55 & 30 gal	Cast	New	80,000
Forklift	Fork Lift	JM5	5000#	Used	5,000
Piping, estimate				New	15,000
Electricity, Main Service, wiring, estimate		H5600		New	301,000
Leak detector, installed	Speciality			New	8,280
Quality Control & D.O.T. testing equipment	Various/In House			New	12,000
Post mold cooling	In House			New	18,000
Total Equipment Costs					\$802,480



SUMMARY & USE OF FUNDING

The management of River City Drum has determined that a capitalization of \$1,232,000 is required for the successful implementation of this project. These funds are to be allocated as follows:

Equipment & Fixtures	\$803,000
Installation and Make ready	125,000
Advertising & Promotion	12,900
Deposits	5,000
Equipment shake-down costs	10,000
One-time start-up costs	100,000
Contingency	25,000
Operating Reserve	100,000
Raw material inventory	51,100
Total	\$1,232,000

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Installation and Make ready	125,000
Advertising & Promotion	12,900
Deposits	5,000
Equipment shake-down costs	10,000
One-time start-up costs	100,000
Contingency	25,000
Operating Reserve	100,000
Raw material inventory	51,100
Total	\$1,232,000

Our Business Plan anticipates that capitalization will be funded as follows:

Stockholder Equity	\$200,000
Vendor Financing Blowmolder	432,000
Equipment Leasing Line of Credit	250,000
Bank Operating Line of Credit	\$350,000
Total	\$1,232,000

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Vendor Financing Blowmolder	432,000
Equipment Leasing Line of Credit	250,000
Bank Operating Line of Credit	\$350,000
Total	\$1,232,000

The stockholder's equity is divided equally between Mr. Connors and Mr. Stevenson, and derives from savings and withdrawal from another business entity, respectively.

Initial draw-downs from the operating line of credit are projected for February, 2000, and will continue over the first twelve months of operations. The Bekoft blowmolder will arrive in February and is expected to be commissioned early in April, with approximately the first month devoted to shake-down activities. Production is scheduled to begin in May 2000.

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FINANCIAL PROJECTIONS

Twelve-Month Proforma

	Month One	Month Two	Month Three	Month Four	Month Five	Month Six	Month Seven	Month Eight
Sales								
Sale of Plastic Drums	45,150	67,725	90,300	112,875	135,450	158,025	174,150	190,275
Other Sales	200	200	200	200	200	200	200	200
Total Sales	45,350	67,925	90,500	113,075	135,650	158,228	174,350	190,475
Cost of Sales	33,895	50,767	67,640	84,512	101,385	118,257	130,309	142,361
Gross Profit	11,455	17,158	22,860	28,563	34,265	39,958	44,041	48,114
Operating Expenses								
Sales & Marketing								
Advertising	1,075	1,129	1,185	1,244	1,307	1,372	1,441	1,513
Commissions	454	1,133	2,038	3,169	4,525	6,107	7,851	9,756
Entertainment	223	257	302	358	426	505	593	688
Literature	100	100	100	100	100	100	100	100
Sales Promotion	100	105	110	116	122	128	134	141
Trade Shows	417	417	417	417	417	417	417	417
Travel	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Salaries (Sales Personnel)	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333
PR Taxes & Costs, Sales	280	280	280	280	280	280	280	280
Total Selling Cost	5,981	6,753	7,765	9,017	10,509	12,242	14,148	16,226
General & Administrative								
Legal & Accounting	200	200	200	200	200	200	200	200
Amortization	0	0	0	0	0	0	0	0
Bad Debts	907	1,350	1,810	2,282	2,713	3,215	3,487	3,810
Depreciation	6,660	6,660	6,660	6,660	6,660	6,660	6,660	6,660
Insurance	250	250	250	250	250	250	250	250
Lease Equipment	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350
Licenses & Permits	100	100	100	100	100	100	100	100
Salaries	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750
PR Taxes & Costs	450	450	450	450	450	450	450	450
Taxes (Non-income taxes)	50	50	50	50	50	50	50	50
Office Expense	100	110	121	133	146	160	177	198
Rent	200	200	200	200	200	200	200	200
Telephone	350	350	350	350	350	350	350	350
Utilities	200	404	408	412	416	420	425	429
Officers Salaries	0	0	0	0	0	0	0	0
PR Taxes & Costs, Officers	0	0	0	0	0	0	0	0
Total General & Administrative Cost	17,567	18,831	18,495	18,961	19,428	19,869	20,237	20,579
Net Income Before Taxes and Interest	-12,093	-7,626	-3,400	585	4,328	7,839	9,656	11,308
Interest	4,644	4,588	4,527	4,465	4,404	4,343	4,276	4,215
Net Income	-16,737	16	231	469	784	964	1,154	1,353

	Month One	Month Two	Month Three	Month Four	Month Five	Month Six	Month Seven	Month Eight
Sales								
Sale of Plastic Drums	45,150	67,725	90,300	112,875	135,450	158,025	174,150	190,275
Other Sales	200	200	200	200	200	200	200	200
Total Sales	45,350	67,925	90,500	113,075	135,650	158,228	174,350	190,475
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Operating Expenses								
Sales & Marketing								
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Commissions	454	1,133	2,038	3,169	4,525	6,107	7,851	9,756
Entertainment	223	257	302	358	426	505	593	688
Literature	100	100	100	100	100	100	100	100
Sales Promotion	100	105	110	116	122	128	134	141
Trade Shows	417	417	417	417	417	417	417	417
Travel	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Salaries (Sales Personnel)	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333
PR Taxes & Costs, Sales	280	280	280	280	280	280	280	280
Total Selling Cost	5,981	6,753	7,765	9,017	10,509	12,242	14,148	16,226



	Month One	Month Two	Month Three	Month Four	Month Five	Month Six	Month Seven	Month Eight
Sales								
General & Administrative								
Legal & Accounting	200	200	200	200	200	200	200	200
Amortization	0	0	0	0	0	0	0	0
Bad Debts	907	1,359	1,810	2,262	2,713	3,215	3,487	3,810
Depreciation	6,660	6,660	6,660	6,660	6,660	6,660	6,660	6,660
Insurance	250	250	250	250	250	250	250	250
Lease Equipment	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350
Licenses & Permits	100	100	100	100	100	100	100	100
Salaries	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750
PR Taxes & Costs	450	450	450	450	450	450	450	450
Taxes (Non-income taxes)	50	50	50	50	50	50	50	50
Office Expense	100	110	121	133	146	160	177	195
Rent	200	200	200	200	200	200	200	200
Telephone	350	350	350	350	350	350	350	350
Utilities	200	404	408	412	416	420	425	429
Officers Salaries	0	0	0	0	0	0	0	0
PR Taxes & Costs, Officers	0	0	0	0	0	0	0	0
Total General & Administrative Cost	17,567	18,031	18,495	18,961	19,428	19,869	20,237	20,579
Net Income Before Taxes and Interest	-12,093	-7,626	-3,400	585	4,328	7,830	9,656	11,308
Interest	4,644	4,588	4,527	4,465	4,404	4,343	4,276	4,215
Net Income	-16,737	16	231	460	704	964	1,154	1,353



Month Nine	Month Ten	Month Eleven	Month Twelve	Year One	Per cent
206,400	222,528	238,650	254,775	1,896,300	100%
200	200	200	200	2,400	0%
206,600	222,725	238,850	254,975	1,898,700	
154,413	166,465	178,516	190,568	1,419,088	75%
52,187	56,260	60,334	64,407	479,612	25%

1,588	1,668	1,751	1,163	16,435	
11,822	14,049	16,437	18,987	96,326	
791	902	1,022	1,149	7,216	
100	100	100	100	1,200	
148	155	163	171	1,592	
417	417	417	417	5,000	
1,000	1,000	1,000	1,000	12,000	
2,333	2,333	2,333	2,333	27,996	
280	280	280	280	3,360	
18,478	20,904	23,503	25,600	171,124	12%

200	200	200	200	2,400	
0	0	0	0	0	
4,132	4,455	4,777	5,100	37,974	
6,660	6,660	6,660	6,660	79,926	
250	250	250	250	3,000	
4,350	4,350	4,350	4,350	52,200	
100	100	100	100	1,200	
3,750	3,750	3,750	3,750	45,000	
450	450	450	450	5,400	
50	50	50	50	600	
214	236	259	285	2,138	
200	200	200	200	2,400	
350	350	350	350	4,200	
433	437	221	223	2,537	
0	0	0	0	0	
0	0	0	0	0	

20,323	21,270	21,618	21,968	238,975	13%
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12,766	14,087	15,213	16,839	569,513	3.7%
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4,153	4,086	4,025	3,958	551,684	2.7%
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1,562	1,782	2,013	2,256	517,829	0.9%
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Month Nine	Month Ten	Month Eleven	Month Twelve	Year One	Percent
206,400	222,528	238,650	254,775	1,896,300	100%
200	200	200	200	2,400	0%
206,600	222,725	238,850	254,975	1,898,700	
154,413	166,465	178,516	190,568	1,419,088	75%
52,187	56,260	60,334	64,407	479,612	25%
1,588	1,668	1,751	1,163	16,435	
11,822	14,049	16,437	18,987	96,326	
791	902	1,022	1,149	7,216	
100	100	100	100	1,200	
148	155	163	171	1,592	
417	417	417	417	5,000	
1,000	1,000	1,000	1,000	12,000	
2,333	2,333	2,333	2,333	27,996	
280	280	280	280	3,360	
18,478	20,904	23,503	25,600	171,124	12%
200	200	200	200	2,400	
0	0	0	0	0	
4,132	4,455	4,777	5,100	37,974	
6,660	6,660	6,660	6,660	79,926	
250	250	250	250	3,000	
4,350	4,350	4,350	4,350	52,200	
100	100	100	100	1,200	
3,750	3,750	3,750	3,750	45,000	
450	450	450	450	5,400	
50	50	50	50	600	



Month Nine	Month Ten	Month Eleven	Month Twelve	Year One	Percent
214	236	259	285	2,138	
200	200	200	200	2,400	
350	350	350	350	4,200	
433	437	221	223	2,537	
0	0	0	0	0	
0	0	0	0	0	
20,323	21,270	21,618	21,968	238,975	13%
12,786	14,087	15,213	16,839	\$69,513	3.7%
4,153	4,086	4,025	3,958	\$51,684	2.7%
1,562	1,782	2,013	2,256	\$17,829	0.9%

Three-Year Projected Income Statement

Sales	Year 1		Year 2		Year 3	
Sale of Plastic Drums	1,896,300		3,195,266		3,834,319	
Other Sales	2,400		2,424		2,472	
Total Sales	1,898,700		3,197,690		3,836,791	
Cost of Goods Sold	1,419,088	74.7%	2,389,953	74.7%	2,867,618	74.7%
Gross Profit	479,612		807,736		969,173	
Selling Expense	171,124	9.0%	180,536	5.6%	190,465	5.0%
General & Administrative	238,975	12.6%	252,118	7.9%	265,985	6.9%
Net Income Before Taxes & Interest	69,513	3.7%	375,083	11.7%	512,724	13.4%
Interest	51,684	2.7%	42,201	1.3%	31,726	13.4%
Income taxes	4,457		83,220		120,249	0.8%
Net Income or Loss	13,372	0.7%	249,661	7.8%	360,748	9.4%

Sales	Year 1		Year 2		Year 3	
Sale of Plastic Drums	1,896,300		3,195,266		3,834,319	
Other Sales	2,400		2,424		2,472	
Total Sales	1,898,700		3,197,690		3,836,791	
Cost of Goods Sold	1,419,088	74.7%	2,389,953	74.7%	2,867,618	74.7%
Gross Profit	479,612		807,736		969,173	
Selling Expense	171,124	9.0%	180,536	5.6%	190,465	5.0%
General & Administrative	238,975	12.6%	252,118	7.9%	265,985	6.9%
Net Income Before Taxes & Interest	69,513	3.7%	375,083	11.7%	512,724	13.4%
Interest	51,684	2.7%	42,201	1.3%	31,726	13.4%
Income taxes	4,457		83,220		120,249	0.8%
Net Income or Loss	13,372	0.7%	249,661	7.8%	360,748	9.4%



Balance Sheet, Current and Projected

Assets	Current	Year 1	Year 2	Year 3
Current Assets				
Cash and Equivalents	146,000	3,720	233,424	539,362
Receivables from Sales	0	122,388	206,224	247,469
Other Receivables	0	0	0	0
Inventory	51,000	286,741	299,673	359,567
Prepaid Expense/Deposits	3,000	5,000	5,000	5,000
Total Current Assets	200,000	417,850	744,321	1,151,398
Fixed Assets:				
Equipment & Machinery	557,480	557,480	557,480	557,480
Less accumulated depreciation	0	79,926	159,851	23,777
Net Fixed Assets	557,480	477,554	397,629	317,303
Total Assets	757,480	895,404	1,141,949	1,469,100
Liabilities				
Current Liabilities				
Trade Payables	0	190,568	199,163	238,968
Income Tax Payable	0	4,457	83,220	120,249
Short Term Notes	0	0	0	0
Total Current Liabilities	0	195,026	282,383	359,217
Long term Liabilities				
Notes Payable, Bank	557,480	487,007	396,533	286,102
Notes Payable, Others	0	0	0	0
Other Liabilities	0	0	0	0
Total Long Term Liabilities	557,480	487,007	396,533	286,102
Total Liabilities	557,480	682,032	678,916	645,319
Stockholder's Equity				
Capital Stock	200,000	200,000	200,000	200,000
Retained Earnings	0	13,372	263,033	623,781
Total Stockholder's Equity	200,000	213,372	463,033	823,781
Total Liabilities & Stockholders Equity	757,480	895,404	1,141,949	1,469,100
Current Ratio		2.1	2.6	3.2
Quick Ratio		0.7	1.6	2.2
Debt to Equity Ratio		3.2	1.5	0.8
Return on Investment		6.3%	53.9%	43.8%

Assets	Current	Year 1	Year 2	Year 3
Current Assets				
Cash and Equivalents	146,000	3,720	233,424	539,362
Receivables from Sales	0	122,388	206,224	247,469
Other Receivables	0	0	0	0
Inventory	51,000	286,741	299,673	359,567
Prepaid Expense/Deposits	3,000	5,000	5,000	5,000
Total Current Assets	200,000	417,850	744,321	1,151,398
Fixed Assets:				
Equipment & Machinery	557,480	557,480	557,480	557,480
Less accumulated depreciation	0	79,926	159,851	23,777
Net Fixed Assets	557,480	477,554	397,629	317,303
Total Assets	757,480	895,404	1,141,949	1,469,100
Liabilities				
Current Liabilities				
Trade Payables	0	190,568	199,163	238,968
Income Tax Payable	0	4,457	83,220	120,249
Short Term Notes	0	0	0	0
Total Current Liabilities	0	195,026	282,383	359,217
Long term Liabilities				
Notes Payable, Bank	557,480	487,007	396,533	286,102
Notes Payable, Others	0	0	0	0
Other Liabilities	0	0	0	0
Total Long Term Liabilities	557,480	487,007	396,533	286,102



Assets	Current	Year 1	Year 2	Year 3
Total Liabilities	557,480	682,032	678,916	645,319
Stockholder's Equity				
Capital Stock	200,000	200,000	200,000	200,000
Retained Earnings	0	13,372	263,033	623,781
Total Stockholder's Equity	200,000	213,372	463,033	823,781
Total Liabilities & Stockholders Equity	757,480	895,404	1,141,949	1,469,100
Current Ratio		2.1	2.6	3.2
Quick Ratio		0.7	1.6	2.2
Debt to Equity Ratio		3.2	1.5	0.8
Return on Investment		6.3%	53.9%	43.8%

Cash Flow Projection

	Month One	Month Two	Month Three	Month Four	Month Five	Month Six	Month Seven	Month Eight
Beginning Cash Balance	200,000	140,848	106,685	78,748	54,796	34,587	17,880	8,528
Cash Receipts from Sales	22,675	55,731	77,854	99,978	122,101	144,225	163,123	178,926
Total Cash Available	222,675	196,578	184,539	178,726	176,897	178,812	181,003	187,453
Cash Disbursements:								
Accounts Payable, merchandise	0	33,895	50,767	67,640	84,512	101,385	118,257	130,309
Selling costs	5,981	6,753	7,765	9,017	10,509	12,242	14,148	16,226
General & Administrative	5,800	5,812	5,825	5,839	5,855	5,871	5,889	5,909
Salaries	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Total Cash Disbursements	15,981	50,659	68,557	86,696	105,076	123,698	142,494	156,645
Net Cash from Operations	206,694	145,919	115,982	92,030	71,821	55,114	38,508	30,809
Proceeds of Loans								
National Bnk, Fixtures & Equip	125,480	0	0	0	0	0	0	20,000
National Bnk, Operating Line	432,000	0	0	0	0	0	0	0
Capital Infusion								
Additional Paid in Capital	0	0	0	0	0	0	0	0
Other Disbursements								
Debt Service	11,846	11,846	11,846	11,846	11,846	11,846	11,846	11,846
Capital Disbursements								
Furniture & Fixtures	5,000	0	0	0	0	0	0	0
Equipment	552,480	0	0	0	0	0	0	0
Inventory Purchases	51,000	25,388	25,388	25,388	25,388	18,134	18,134	
Prepaid Expense/Deposits	3,000	2,000	0	0	0	0	0	0
Net Cash Balance	140,848	106,685	78,748	54,796	34,587	17,880	8,528	20,828

	Month One	Month Two	Month Three	Month Four	Month Five	Month Six	Month Seven	Month Eight
Beginning Cash Balance	200,000	140,848	106,685	78,748	54,796	34,587	17,880	8,528
Cash Receipts from Sales	22,675	55,731	77,854	99,978	122,101	144,225	163,123	178,926
Total Cash Available	222,675	196,578	184,539	178,726	176,897	178,812	181,003	187,453
Cash Disbursements:								
Accounts Payable, merchandise	0	33,895	50,767	67,640	84,512	101,385	118,257	130,309
Selling costs	5,981	6,753	7,765	9,017	10,509	12,242	14,148	16,226
General & Administrative	5,800	5,812	5,825	5,839	5,855	5,871	5,889	5,909
Salaries	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200



	Month One	Month Two	Month Three	Month Four	Month Five	Month Six	Month Seven	Month Eight
Total Cash Disbursements	15,981	50,659	68,557	86,696	105,076	123,698	142,494	156,645
Net Cash from Operations	206,694	145,919	115,982	92,030	71,821	55,114	38,508	30,809
Proceeds of Loans								
National Bnk, Fixtures & Equip	125,480	0	0	0	0	0	0	20,000
National Bnk, Operating Line	432,000	0	0	0	0	0	0	0
Capital Infusion								
Additional Paid in Capital	0	0	0	0	0	0	0	0
Other Disbursements								
Debt Service	11,846	11,846	11,846	11,846	11,846	11,846	11,846	11,846
Capital Disbursements								
Furniture & Fixtures	5,000	0	0	0	0	0	0	0
Equipment	552,480	0	0	0	0	0	0	0
Inventory Purchases	51,000	25,388	25,388	25,388	25,388	25,388	18,134	18,134
Prepaid Expense/Deposits	3,000	2,000	0	0	0	0	0	0
Net Cash Balance	140,848	106,685	78,748	54,796	34,587	17,880	8,528	20,828

Month Nine	Month Ten	Month Eleven	Month Twelve
20,828	14,606	9,685	5,890
194,728	210,531	226,333	242,136
215,556	225,136	236,018	248,025

142,361	154,413	166,465	178,516
18,478	20,904	23,503	25,600
5,931	5,955	5,980	6,008
4,200	4,200	4,200	4,200
170,970	185,471	200,148	214,324

44,586	39,665	35,870	33,701
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0	0	0	0
0	0	0	0

0	0	0	0
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11,846	11,846	11,846	11,846
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0	0	0	0
0	0	0	0

18,134	18,134	18,134	18,134
0	0	0	0
14,606	9,685	5,890	3,720

Month Nine	Month Ten	Month Eleven	Month Twelve
20,828	14,606	9,685	5,890
194,728	210,531	226,333	242,136



Month Nine	Month Ten	Month Eleven	Month Twelve
215,556	225,136	236,018	248,025
142,361	154,413	166,465	178,516
18,478	20,904	23,503	25,600
5,931	5,955	5,980	6,008
4,200	4,200	4,200	4,200
170,970	185,471	200,148	214,324
44,586	39,665	35,870	33,701
0	0	0	0
0	0	0	0
0	0	0	0
11,846	11,846	11,846	11,846
0	0	0	0
0	0	0	0
18,134	18,134	18,134	18,134
0	0	0	0
14,606	9,685	5,890	3,720