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If you want some perspective on how you or your company needs to enhance their Sales/Client Management Capabilities, please email me at [shubhanjan.saha@gmail.com](mailto:shubhanjan.saha@gmail.com)

Please Note that the Names, locations and numbers in this plan are all fictional

Deal Support Guy

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Deal Support Group

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# SC Testing, Inc.

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## 1.0 Executive Summary

SC Testing, Inc. ("SC" or the "Company") is an ambitious and innovative global professional services company with a world class track record in testing and quality assurance. SC reduces risk, cuts software development costs and dramatically improves the time to market of new systems.

With experienced management at the helm, SC intends to grow by more than forty percent (40%) per year through solid customer service, a great sales plan, proven competitive strategies and a group of people that bring dynamic energy to the Company and the sales and delivery process. SC's financials are realistic, and based on conservative figures relative to the industry as a whole.

Professional services companies need to differentiate themselves in today's flooded market of lowest cost, commodity-based, service providers. SC is unique in that our services and capabilities are all focused exclusively on quality assurance (QA) technology.

Our identity is clearly defined, and is easy for customers to understand. Customers understand and appreciate the value of, and enjoy doing business with "specialists." Our service delivery team is comprised of experienced QA specialists, skilled in the leading state-of-the-art QA technologies and techniques. SC offers the right service at the right time.

Current job insecurity, financial scrutiny, regulatory and business compliance and global terrorism, now requires the aggressive adoption of risk management strategies and actions, to ensure the success of each business-driven, technology solution.

SC's contribution to mitigating risk is significant, enabling clients to guarantee the functionality, performance, and scalability of critical business applications and supporting technology infrastructure. We educate our clients so they can be self-sufficient in these efforts, or we will execute QA activities for them, ensuring that service level and financial management objectives are achieved.

SC's "roots" have grown within the global financial services industry, which represents our largest client base and area of reference-ability. For the immediate future, this target market should remain our focus, as it will simplify and control cost of sales and delivery, in addition to leveraging our prior work.

We aspire to achieve "trusted advisor" status with each of our clients, as the associated opportunities truly allow SC to demonstrate the scope and significance of our value-add.

## 1.1 Mission

SC's mission is to provide its clients with a specialized, reliable, high-quality, sophisticated alternative to in-house resources for the development and implementation of leading QA and testing methodologies and infrastructures on an international scale. As a true alternative to in-house resources, SC must offer a very high level of practical experience, know-how, business practice sophistication, and confidentiality. Clients must know that working with SC is a more professional, less risky way to develop and implement QA and testing strategies than working

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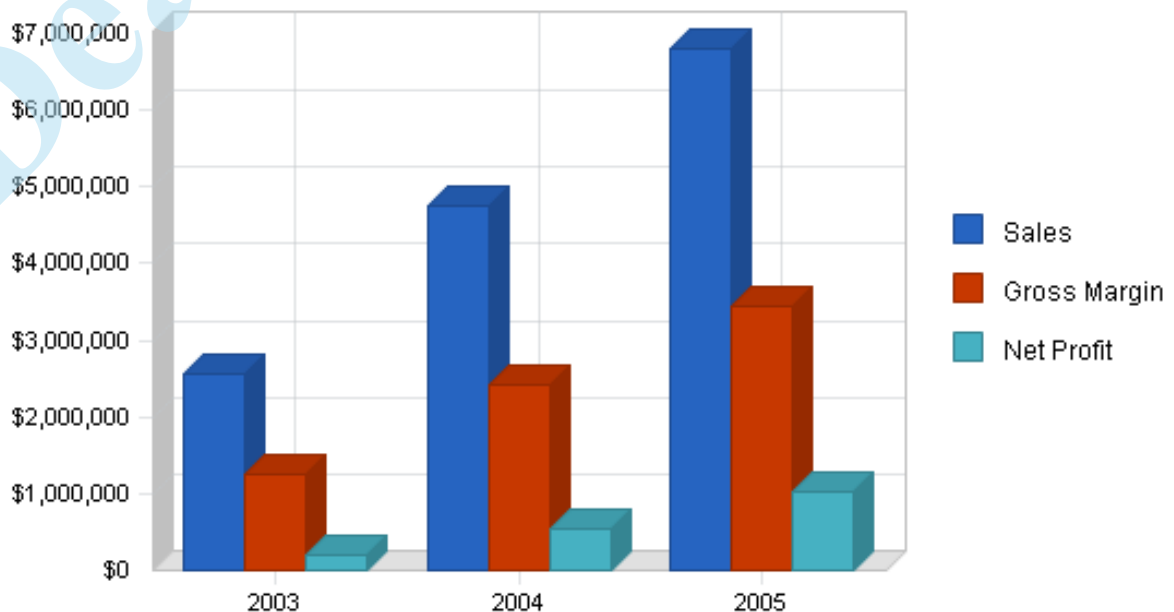
completely in-house with their own people.

SC must provide its clients with the most qualified IT solutions through QA and strategic testing services that minimize risk, improve time to market, optimize ROI and ensure the scalability and reliability of IT systems environments throughout the enterprise. SC must also maintain financial balance, charge a high value for its services, and deliver an even higher value to its clients. Initial focus will be development of the New York City market focusing on the financial services community, and providing services for European clients in the United States.

### 1.2 Objectives

1. Sustained profitability utilizing efficient operational systems to achieve a minimum gross margin of fifty percent (50%) and a corresponding net profitability after tax of nine percent (9%) to be reached by year-end 2004. Subsequent yearly levels of profitability maintained equal to or greater than that of the current leading public IT testing consultancy.
2. Gaining a strong repeat customer base to maximize growth and achieve a minimum yearly growth rate of forty percent (40%) in each of the next two (2) years and a minimum yearly growth rate of fifteen (15%) thereafter.
3. Creating an environment of stability and constant development for SC's consulting body where all the basic formal training in selected toolsets is had by end of third quarter 2003 and all consultants are SC certified in all the tools and major technologies used in SC's marketplace by end of first quarter 2004.
4. A balanced consulting team in terms of numbers, levels and expertise in SC's defined products and services by end of second quarter 2004.

Highlights



# SC Testing, Inc.

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## 1.3 Keys to Success

1. Leverage SC's positive reputation and marquis client references to close large, qualified opportunities.
2. Develop true industry specialization. This will provide both a compelling competitive advantage and service differentiation.
3. Maintain a pool of consultant resources that are SC certified in all the tools and major technologies used in SC's target marketplace.

## 2.0 Company Summary

Since 1995, the SC Group of companies have been helping global leaders in their respective industries to develop sophisticated quality assurance and testing methodologies and infrastructures. SC is recognized as enablers to achieving our clients' technical, operational, and financial objectives, through proper quality assurance and testing techniques and technologies. SC is a global services company with affiliated offices in New York, London, Dublin, and Stockholm. SC offers the skills and experience of approximately 100 QA/test professionals across the globe. SC works with some of the industry-leading testing tool software manufacturers, such as Mercury Interactive, Empirix, Rational and Compuware.

Simply stated, SC is more than a good source of testing consultants. While SC's people remain its most valuable assets, it is their skills, professionalism and personalities, combined with SC's proven success, SSTM™ (defined below), and successful global track record, that ensure service capabilities and successful projects.

## 2.1 Company Ownership

SC Testing, Inc. was incorporated as a C corporation in the State of Delaware in October 1999 and maintains its headquarters at 142 West 36th Street, Suite 601, New York, New York 10018. SC's telephone number is (212) 564-7774 and its fax number is (212) 564-6875. The Company's e-mail address is [info@SC-group.com](mailto:info@SC-group.com). SC's website is located at [www.SC-group.com](http://www.SC-group.com).

At the time of its formation, SC was a wholly-owned subsidiary of its UK parent, SC Group, Ltd. As of December 18, 2002, SC became majority owned by Dr. Samuel Waithe, the Company's CTO and the key developer of the Company's proprietary SSTM™ methodology. SC Group, Ltd. continues to hold a minority interest in the Company.

## 2.2 Company History

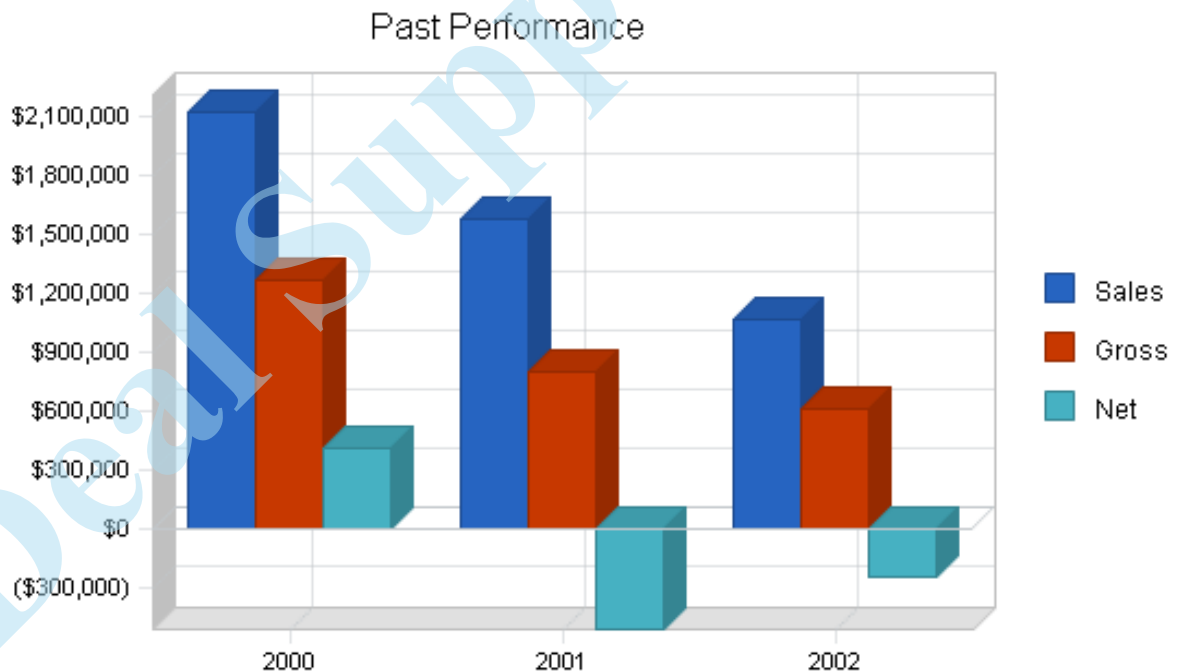
SC was founded in 1999 as a wholly-owned subsidiary of UK company SC Group, Ltd. to service the U.S. divisions of its global client base. The Company began trading in earnest in January 2000 with excellent product knowledge and delivery ability, but with limited market research and exposure to the New York and U.S. marketplace. The revenue forecast for the year

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was set at \$1 million US, requiring first quarter revenue levels of \$104,653. Actuals showed revenue of \$0. The Company's first job was sold in March 2000, representing the start of revenue earnings. Second quarter revenue forecast indicated \$206,000. Actuals showed revenue of \$490,590. At the year-end, total revenue stood at \$2,117,574.00 - an over-performance of approximately 200% against budget projections.

Following a strong start in 2001, events such as the September 11, 2001 attacks on the World Trade Center, various accounting scandals in the U.S. equity markets and a temporary shift away from using consultants, the business suffered a dramatic downturn. Business downturns continued through most of 2002, with business beginning to stabilize towards break-even towards the end of 2002. Also at the end of 2002, the CTO of SC acquired a majority interest in the U.S. entity and the former UK parent retained a sixteen percent (16%) equity stake in the Company.

The following table and chart both show how the Company is regaining its historic gross margin percentage, upon taking significant cost cutting measures and trending in the appropriate direction towards break even and then back to profitability. These trends continue into 2003 showing the Company enjoying a steady recovery from the events of September 11, 2001.





## SC Testing, Inc.

**Table: Past Performance**

Past Performance			
	2000	2001	2002
Sales	\$2,124,814	\$1,580,038	\$1,066,916
Gross Margin	\$1,267,800	\$801,474	\$612,571
Gross Margin %	59.67%	50.72%	57.42%
Operating Expenses	\$562,391	\$1,529,496	\$823,571
Collection Period (days)	136	125	71
Balance Sheet			
	2000	2001	2002
<b>Current Assets</b>			
Cash	\$173,057	\$96,198	\$152,690
Accounts Receivable	\$791,007	\$292,413	\$121,711
Other Current Assets	\$13,848	\$304,173	\$15,933
<b>Total Current Assets</b>	<b>\$977,912</b>	<b>\$692,784</b>	<b>\$290,334</b>
<b>Long-term Assets</b>			
Long-term Assets	\$70,767	\$83,570	\$92,595
Accumulated Depreciation	\$2,604	\$8,305	\$15,496
<b>Total Long-term Assets</b>	<b>\$68,163</b>	<b>\$75,265</b>	<b>\$77,099</b>
<b>Total Assets</b>	<b>\$1,046,075</b>	<b>\$768,049</b>	<b>\$367,433</b>
<b>Current Liabilities</b>			
Accounts Payable	\$138,415	\$332,970	\$58,718
Current Borrowing	\$322,772	\$385,301	\$27,515
Other Current Liabilities (interest free)	\$22,000	\$0	\$84,483
<b>Total Current Liabilities</b>	<b>\$483,187</b>	<b>\$718,271</b>	<b>\$170,716</b>
<b>Long-term Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Liabilities</b>	<b>\$483,187</b>	<b>\$718,271</b>	<b>\$170,716</b>
<b>Paid-in Capital</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$544,732</b>
<b>Retained Earnings</b>	<b>\$0</b>	<b>\$412,888</b>	<b>(\$106,521)</b>
<b>Earnings</b>	<b>\$412,888</b>	<b>(\$513,110)</b>	<b>(\$241,494)</b>
<b>Total Capital</b>	<b>\$562,888</b>	<b>\$49,778</b>	<b>\$196,717</b>
<b>Total Capital and Liabilities</b>	<b>\$1,046,075</b>	<b>\$768,049</b>	<b>\$367,433</b>
<b>Other Inputs</b>			
Payment Days	30	30	30
Sales on Credit	\$2,124,814	\$1,580,038	\$1,066,916
Receivables Turnover	2.69	5.40	8.77

### 3.0 Services

SC is a global IT services organization specialized in the construction and execution of leading QA and testing methodologies and infrastructures. Each SC engagement experiences crisp project execution, highly-skilled test professionals, and formal test analysis and reporting, all benefits derived from our proprietary Structured System Testing Methodology™ (SSTM™). SSTM™ governs the way in which SC consultants execute their testing tasks, and provides a process of repeatable testing activities and deliverables. SC prides itself in its global standard of consistency and high-quality work; and our clients have

## SC Testing, Inc.

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grown to expect, value, and appreciate the associated benefits.

SSTM™ is a specialized testing methodology that is compliant with general development methods or project management methodologies such as PRINCE 2 and compatible with The Institute of Electrical and Electronics Engineers standards.

### 3.1 Service Description

**Managed Resourcing:** SC's most important type of engagement, clients feel confident in delegating the entire QA responsibilities for a specific project to a SC-managed team of QA specialists. Generally led by a SC Principal Consultant, our team will be responsible for creation, execution, and management reporting of results and conclusions of QA activities. These types of engagements often include the creation of an enterprise-wide testing strategy that can be used repeatedly by the client.

**QA Outsourcing:** Similar to Managed Resourcing, except the client commitment extends beyond the scope and duration of a single project. Clients essentially recognize the SC team as their QA organization. SC offers these services on-site, off-site, or offshore, at the customer's preference.

**Staff Augmentation:** SC's highly-skilled QA specialists are often perceived by our clients as the "hired gun" to assist with testing activities, "fix" a project in distress, or fill a skill or competency void within their organization.

#### **Specific Engagements:**

QA Capabilities Assessment  
Disaster/Recoverability Validation  
Server Consolidation Quality Assurance  
Application Development/Migration/Integration Quality Assurance

### 3.2 Competitive Comparison

Competition comes in several forms:

1. The most significant competition is no consulting at all; that is, companies choosing to do QA and testing in-house as part of their regular business functions. Our key advantage in competition with in-house QA and testing initiatives is that managers are already overloaded with responsibilities, they don't have time for additional responsibilities in areas that tend to require a high degree of technological specification. Also, SC has the ability to bring experience gained at other client engagements that is not available to in-house resources.
2. The Big 5 and equivalent consulting firms: Accenture, Andersen, Cap Gemini/EYT, IBM Testing, etc. Generally, these competitors are comprised of professional services organizations that are international in scope and have established global business infrastructures and business lines. These are essentially generalists who take their name-brand management consulting into specialty areas. The other important weakness is the management structure that has the partners selling new jobs, and inexperienced associates delivering the work. SC competes against them as experts in our specific

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- fields, and with the guarantee that our clients will have the top-level people doing the actual work. SC has embraced the concept of "coop-etition" and views these competitors as attractive sales channels and potential consumers of SC resources. These competitors often reciprocate with a positive view on leveraging SC's independence as well as SC's specialized testing skills in their engagements.
3. The third major source of competition is regional specialists in the QA and testing space: QA Associates, Genilogix, CSA, Sky IT Group, Mondial, Ltd., etc. These companies resemble SC, however, only SC has its branded SSTM™ methodology. SC stands to continue to create differentiation from these competitors as it clearly defines its market space, acquires meaningful target industry knowledge and expertise, becoming the leading QA and testing experts in our target industries.

### 3.3 Technology

SC consultants are specialists at blending the best toolsets with the organizational strategies and requirements for testing. We work with the leading tools partners in the testing business and respective industry sectors. SC intends to develop new, and strengthen existing business partnerships and alternate sales channels, leveraging the clients, sales force, and non-competitive products and services offered by such partners.

Existing/suggested technology partners:

- Mercury Interactive
- Compuware
- Ixia
- Segue
- Rational
- @stake
- Empirix
- Radview

Existing/suggested channel partners:

- Accenture
- CS Technology
- IBM
- KPMG
- RTP Technology Corporation
- Sybase/Financial Fusion
- Various Application Manufacturers

### 3.4 Fulfillment

SC intends to develop and grow our service delivery organization in a very effective, and cost-controlled fashion. We will scale by utilizing an appropriate blend of employee and independent contractor consultants, with the latter representing approximately 60% of the service delivery organization.

In advance of customer requirements, we will recruit, and qualify prospective consultants.

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Subsequently, we will train and certify each qualified consultant in SC's services, unique methodologies, and standard procedures, to ensure that services are delivered consistently with high quality, throughout all engagements.

### 3.5 Future Services

SC intends to enhance current service offerings by strategically developing competencies in, and offering QA services related to industry-specific business applications. Initial interest is in 'market share leaders' in the financial services industry, whose applications are deployed at several, financial service companies. Market research has begun to identify qualified vendors and products for this purpose.

SC is also confident that execution of the following initiatives will significantly increase customer awareness in what is essentially a niche area of professional services. This serves to strengthen our identity and brand:

- Targeted e-mail campaigns that are tailored to recipients and their business objectives and will generate further leads.
- Public advertising campaigns targeted at CIO, CTO, CFO, as well as Compliance and Auditing Executives, will appeal to the concept of applying QA solutions to risk management objectives.
- Industry User Groups, conferences, and SC-hosted seminars will be used strategically to increase customer awareness and strengthen our brand.

Enhancing our services in this fashion increases our target market, strengthens our differentiation, minimizes competition and leverages existing resources, skills, and industry references. Finally, SC believes that offering training services in the major, industry leading toolsets is a viable off shoot of its current operations. The financials that follow include training as a line item, however, due to the fact that this will be a new initiative, the financials do not reflect any significant revenue from this source.

### 4.0 Market Analysis Summary

According to a June 25, 2002, Computer World Federal Study, software bugs cost the U.S. approximately \$59.5 billion per year. The study further showed that improvements in testing could reduce this cost by approximately \$22.5 billion per year (more than a third). These findings support the March 2001, Jupiter executive survey which noted that four out of five IT projects begin without testing and of these projects 90% undergo costly and avoidable re-work as a result. As such, it is easy to see why testing is not a luxury but a necessity.

SC will be focusing primarily on two broad categories of customers: finance, banking and insurance (FBIs) and biotech and life science companies (Pharmas). In New York City alone, there are over 175 separate financial services firms with annual revenues in excess of \$250 million and in neighboring New Jersey Pharmas dominate the landscape.

Both of these industries are highly regulated, highly competitive and require the highest standards both internally as well as with respect to the products and services they offer to the public. They do not want to waste their time or risk their money looking for bargain

## SC Testing, Inc.

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solutions or questionable expertise. As they go into initiatives looking at new opportunities, technologies and solutions, they are very sensitive to risking their company's (or personal) name and reputation. SC's strength is managing these risks through testing.

### 4.1 Market Segmentation

Automated application and system quality assurance (QA) and testing techniques have evolved beyond intellectual market acceptance into the realm of proliferation based on necessity and proven progress in quality, costs and time-to-market.

Revenue growth and market penetration of the leading testing-related software manufacturers supports this theory. Market share leader, Mercury Interactive, has experienced an average yearly revenue growth of 45%, maintains offices in 25 countries, employs over 1,600 employees and claims more than 50% of the market share with over 30,000 customers.

The tools market is expected to grow from \$700 million this year to nearly \$1.9 billion by 2005. North America is the overwhelming consumer of automated testing tools for distributed environments with more than two-thirds.

The growth in license revenue is significant, but it tells only part of the story. Many companies purchased testing products expecting a "silver bullet" that did all of the work in a turnkey fashion. In those instances, customers grossly under-invested in developing the supporting operational and organizational infrastructure to fully leverage the tools.

Operational policies, processes and procedures were not adequately developed, thereby limiting the achievable enterprise return on investment (ROI). Similarly, they under-invested in developing skills within their own staff, preventing them from fully exploiting the capabilities of the tools, again limiting achievable ROI.

The most successful organizations have appropriately invested to construct a comprehensive, highly skilled, cost-effective, QA/testing infrastructure and they continue to realize substantial financial and business benefits.

These organizations remain in the minority, however, and the potential to introduce associated benefits and efficiencies to the remaining majority, is what SC remains focused on.

Business drivers to outsource the deployment of a specialist-developed QA/testing infrastructure include:

- Buggy software costs the U.S. in excess of \$60 billion a year. Effective specialist testing can negate this cost by more than one third.
- Short-term focus on expenses is squeezing financial IS organizations as business reliance on IT continues to increase. Despite budget restraints, operational IT infrastructure will still need to anticipate and fulfill business-critical IT initiatives. Outsourcing and trusted suppliers will take more control as capital spending reduces in favor of operating budgets.
- Regulatory measures in the finance sector (such as the Basel II accord) are forcing banks into compliancy practices and processes. Testing negates risk of non-compliancy.
- Most financial IT organizations are embarking on large-scale application integration initiatives to generate business innovation and to stay abreast with technology migrations

## SC Testing, Inc.

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such as Microsoft Windows XP and industry themes STP (Straight Through Processing). The specialists in these areas are in demand to execute on them and to ensure adequate skills transfer and leave-behind.

- The automated software tools marketplace was valued at \$1.11 billion in 2001, tools (distributed segment of this marketplace) made up about 50% of this at \$610 million. The tools market grew to \$740 million in 2002, a 21.3% growth that is expected to continue and dominate the automated software tools market by 80% in the next two years.

This leaves the non-distributed services and products around these tools to share in the 20% share of a forecasted \$1 billion in 2004 and \$1.9 billion by 2005, of which North America consumes roughly two thirds, and Western Europe about a quarter.

### 4.2 Service Business Analysis

Companies are combating IT project costs by outsourcing segments of the IT project. Currently, it is estimated that 30% of project work is outsourced. There are a number of advantages to this strategy.

By outsourcing, companies can take advantage of a specialized experience base without paying the personnel price tag to retain the talent on payroll. By negotiating a price for the outsourcing, companies can also cap development cost. More importantly, as a few companies compete in the marketplace for dominance, a number of service firms will emerge to fill the demand for quality QA personnel and testers that are necessary for specific projects, much like the rest of the IT industry. It is estimated that product development in the software industry can save upwards to 30% of development costs by outsourcing key elements of the development process.

### 5.0 Strategy and Implementation Summary

Sales in our business is client service. It is repeat business. One doesn't sell a management consulting project, one develops a proposal that works for the client.

SC must always be aware of the big-company consulting phenomenon of the split between selling the job and fulfilling the job, which leads to client dissatisfaction. The job should be developed and scoped, sold, and fulfilled by the same people. Our clients should never buy a job from one consultant and have it delivered by anybody other than that same consultant.

We need to avoid the temptation to drop fees to gain jobs. When a potential client questions the cost of a project, we explain the benefits. If the budget is for less money, then we must offer less service. Billing rates are not negotiated.

## SC Testing, Inc.

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### 5.1 Sales Strategy

The sales strategy for SC is simple and straightforward: customer satisfaction. Repeat business occurs at more than 70% of SC's customers, supporting the proposition that quality service delivery has led to strong "internal reference selling."

SC plans to develop and train two additional sales people by year end 2003 and 2004. At present the primary sales contact is Mr. Paul Gallico, but this will change as revenues increase, and the Company is able to invest in human capital.

The sales approach will focus on an initial "needs analysis." Once the high level results of the analysis has been determined, a team comprised of SC personnel and customer personnel will take an opportunity to sit down and discuss specifics. At no time should this be perceived by the potential client as "pushy" or "agressive."

SC is not trying to "sell" themselves; instead, SC aspires to achieve the role of trusted advisor. The goal of this sales process is to get behind the numbers, and the business successes, to identify where the client's needs lie. Once this is mapped out, SC will decide how these problems can be best addressed, and will offer both a bid and some action points. If the client wants to use the action points to move forward on their own, this is very acceptable.

SC's research has shown that the clients that choose this path, often come back to seek additional information, and more often than not, accept the bid. This strategy differs from the course often taken by large consulting firms in that the customer is not condescended to, or treated as if the knowledge isn't right there in their own heads. Often, consulting companies will send a large ego to clean up a client's mess, and find that the strategy backfires when the client only chooses to give the consultant the chance to bid. SC's sales strategy revolves around customer service and empowerment, not condescension and sales "closers."

#### 5.1.1 Sales Forecast

The 2003 sales forecast monthly summary is included in the appendix. The annual sales projections for three years are included in the table below. It should be noted that as SC becomes more established and well known in the market that sales are projected to increase at a faster rate than the current year. This may seem like an aggressive approach at first glance, but SC is not a large company. The smaller the company, often the larger the opportunity for exponential sales growth, and especially if the firm uses sound sales and marketing strategies to take share from the larger, less nimble consultancies.

In the following Sales Forecast Table please note that "Units" represent days billed.

## SC Testing, Inc.

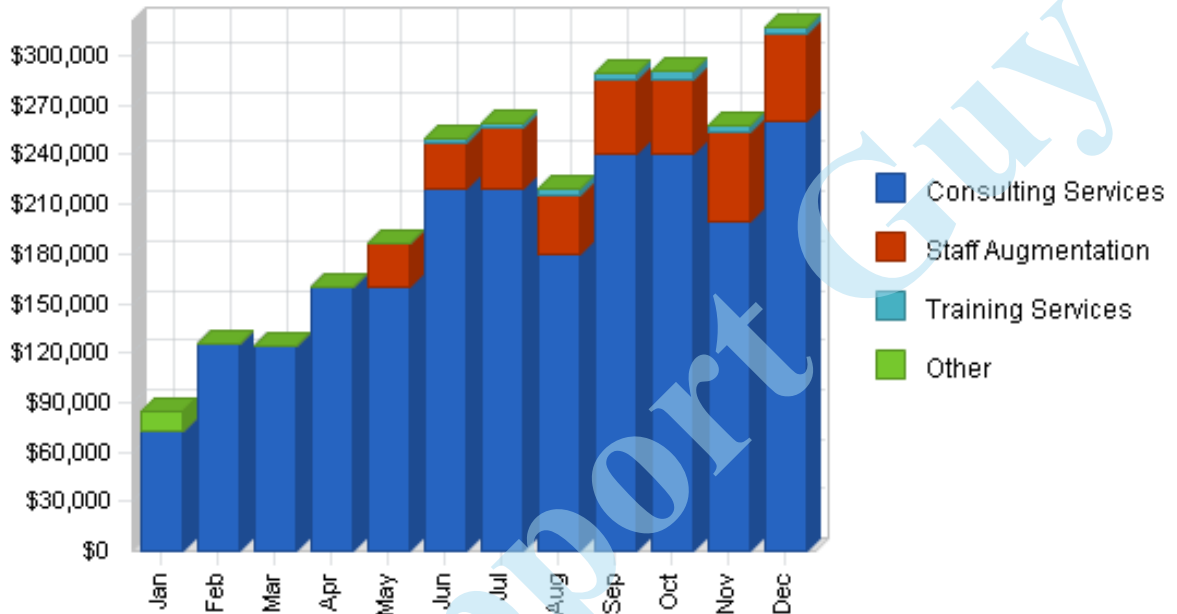
**Table: Sales Forecast**

Sales Forecast			
	2003	2004	2005
<b>Unit Sales</b>			
Consulting Services	2,333	3,400	4,360
Staff Augmentation	720	2,269	3,701
Training Services	63	180	240
Other	2	3	4
<b>Total Unit Sales</b>	<b>3,118</b>	<b>5,852</b>	<b>8,305</b>
<b>Unit Prices</b>			
	2003	2004	2005
Consulting Services	\$944.63	\$1,050.00	\$1,102.50
Staff Augmentation	\$450.00	\$472.50	\$496.13
Training Services	\$400.00	\$420.00	\$441.00
Other	\$5,497.00	\$8,250.00	\$11,000.00
<b>Sales</b>			
Consulting Services	\$2,203,813	\$3,570,000	\$4,806,900
Staff Augmentation	\$324,000	\$1,072,103	\$1,836,159
Training Services	\$25,200	\$75,600	\$105,840
Other	\$10,994	\$24,750	\$44,000
<b>Total Sales</b>	<b>\$2,564,007</b>	<b>\$4,742,453</b>	<b>\$6,792,899</b>
<b>Direct Unit Costs</b>			
	2003	2004	2005
Consulting Services	\$283.39	\$315.00	\$330.75
Staff Augmentation	\$135.00	\$141.75	\$148.84
Training Services	\$120.00	\$126.00	\$132.30
Other	\$0.00	\$0.00	\$0.00
<b>Direct Cost of Sales</b>			
Consulting Services	\$661,144	\$1,071,000	\$1,442,070
Staff Augmentation	\$97,200	\$321,631	\$550,848
Training Services	\$7,560	\$22,680	\$31,752
Other	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>	<b>\$765,904</b>	<b>\$1,415,311</b>	<b>\$2,024,670</b>

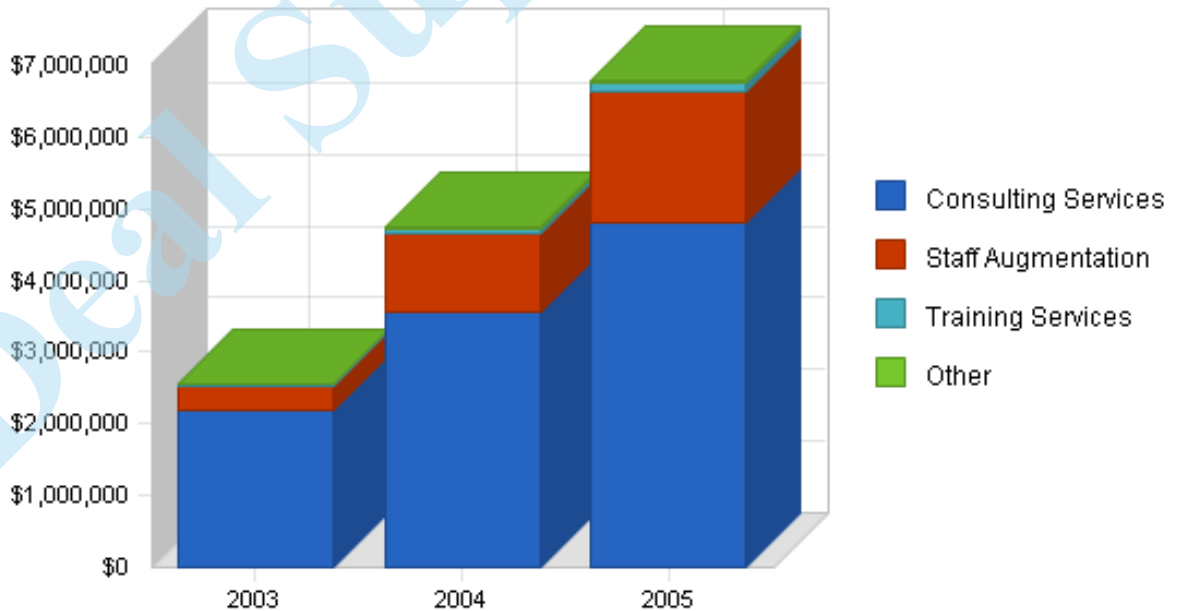


## SC Testing, Inc.

### Sales Monthly



### Sales by Year



## 6.0 Web Plan Summary

The SC website will be the virtual business card and portfolio for the company, as well as its online "home." It will showcase the technical background of the SC consultants, as well as the portfolio of all the past and current QA and testing projects done by SC. To further show off its expertise the SC website should create a resources area, offering articles, research,

## SC Testing, Inc.

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case studies and white papers to interested parties.

The key to the website strategy will be combining a very well designed front end, with a back end capable of recording leads and proposal requests as well as capturing CV's for potential additions to SC's consulting body.

### 6.1 Website Marketing Strategy

Internet marketing has evolved. It is no longer about driving traffic, it is about driving sales. Internet Marketing is a highly focused and specialized field that requires extensive knowledge of Internet technologies and online protocols as well as traditional and e-business process, marketing expertise and customer relations. SC has retained the services of Single Throw, Inc. and their highly skilled Internet marketing consultants to ensure the success of this initiative.

SC's Internet marketing campaign will be focused on a process known as "Progression Marketing" to harness the targeting power, reach and measurability of the Internet to help SC acquire customers, increase revenue and cut costs. By using the Progression Marketing methodology, SC will identify imminent buyers with purchase intent. Target these potential customers, capture their attention, convert them into clients and retain them, providing life time value. Through this approach, SC will receive the benefits of **broad visibility** within the **Internet's most widely used references**. These include a more noticeable presence, natural credibility, enhanced brand awareness, and increased **self qualified** customers...making our Internet marketing campaign a truly invaluable sales tool with long term **measurable results**.

### 6.2 Development Requirements

The SC website will be redesigned with the Single Throw experts to conform with the newly developed Internet marketing strategy. This redesign will include the following:

- Market Study to ensure that SC is fundamentally aligned with its potential customers and is "speaking the same language." This phase will take approximately two weeks.
- Identify imminent buyers with purchasing intent and redesign the website to target these specific customers. This phase will take approximately six weeks.
- Complete construction of the redesigned website to ensure favorable placement and highly targeted listings within Internet search engines organic results, as well as in directories and complimentary sites. This phase will take approximately two weeks.
- Continued refinement of the website to adapt to market and industry changes. This will be an ongoing process.

### 7.0 Management Summary

The SC management team is comprised of "seasoned" IT and management executives, competent in all facets of IT, professional services sales and delivery, finance, law and

## SC Testing, Inc.

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marketing, and with more than seventy-five combined years of related experience.

### 7.1 Management Team

#### **Timothy Boilesen, CEO**

Tim has extensive sales and business development experience from the global IT and telecommunications industries. He has held executive positions in various corporations including Alcatel-Lucent where he was CEO for the Nordics and the Baltics. He has previously served at Opera Software where he was Executive Vice President of Sales and Marketing, from 1990 to 1996. Prior to that, Lars headed the Northern Europe and Asia Pacific markets for Tandberg Data. He started his career at Lego Group.

#### **Mahi De Silva, CTO**

Mahi is regarded as one of the strongest QA and testing practitioners in the industry. He developed SC's consulting methodology, the Structured Systems Testing Methodology™ (SSTM™), and is one of the few architects capable of delivering this methodology through another of his innovations - The Enterprise Wide Testing Strategy (EWTS).

Before joining SC, Mahi was co-founder and CEO of AdMarvel, Inc., the global leader in mobile advertising platforms, Prior to AdMarvel, Mahi co-founded Frengo Corporation, a mobile social media platform. Mahi also spent 10 years at VeriSign, where he was part of the startup management team. He served as senior vice president and general manager of Wireless and Digital Content Services at VeriSign, where he built the world's leading mobile messaging and mobile entertainment business with revenues exceeding \$600M per year. Prior to VeriSign, he served in various technology leadership roles at Taligent, Apple and NCR Corporation.

#### **Erik C. Harrell, VP Finance and Administration**

Erik is a member of the Chartered Institute of Management Accountants with over nine years experience in management accounting and business process re-engineering. Most recently, Stephen led the implementation of Great Plains Dynamics software throughout the SC group of companies. Erik career began at Ernst and Young in the early 90's. He has practiced financial management with entities ranging from global corporations, to regional and independent subsidiaries in manufacturing, retail, finance and professional services.

#### **Paul Gallico, VP Sales and Business Development**

Paul is a seasoned technology professional services executive with 24 years experience in the design, development, implementation and deployment of cutting-edge IT systems and professional services. Paul joined SC in July 2002 after a successful and rewarding association with industry-leading companies including AIG, JPMorganChase, Prudential, Toys R Us and Merck Pharmaceuticals. Paul is well-regarded among the blue-chip entities with whom he has worked as a direct contributor to domestic and international business growth and profit performance. He leverages his proven track record in strategic growth planning, building and directing cost-effective, resource efficient, technology service organizations.

#### **Cuan White, U.S. Business Development and Operations**

Cuan handles packaging and publicity strategies, and supports sales campaigns around SC's professional service offerings. Cuan has led legal and IT business development initiatives into The

## SC Testing, Inc.

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Far East (Tokyo, Hong Kong, Singapore); Africa (Johannesburg, Cape Town); Europe (London, Paris, Frankfurt, Hamburg); Asia and the Nordic Region (Moscow, Stockholm); and cities throughout the U.S. and Latin America. He has completed business studies and ROI analyses for IT initiatives at CSFB, SBLI USA, GlaxoSmithKline, Ulster Bank and Bank of America. Other clients that Cuan has worked with include: Merrill Lynch, Mayfield Fund Partners, Qwest Communications, Sony Pictures Entertainment, Amtrak and PG&E.

### **Advisory Board**

To assist in rounding out its operations, sales, marketing and finance team, SC has created an Advisory Board of seasoned professionals. In addition to SC's management, the initial members of the Advisory Board include:

#### **Matthew Lombardi, President Vytex Solutions, Inc.**

Mr. Lombardi was a co-founder of Planet Technology Solutions, a wireless solutions provider, where he served as president and chief operating officer for three years. From 1983 to 1998, Mr. Lombardi served as the vice president of information technology for Toys-R-US. In this capacity, he managed more than 200 IT professionals and played a key role in developing and maintaining wide and local-area networks, point-of-sale systems, inventory management systems, Internet, and electronic commerce systems for Toys-R-US. Prior to this, Mr. Lombardi taught the computer science curriculum at the Chubb Institute and served as a consultant to AT&T during its divestiture in 1982-83. Mr. Lombardi is a graduate of Elizabethtown College, Elizabethtown, Pennsylvania, with a BS in business administration and majors in marketing and education.

#### **Rudi Valli, CEO Valmar and Associates, LLC**

Rudi is a 25-year veteran of the high-stakes communications and IT businesses. He is well-regarded among some of the industry's key players, having served various pioneering roles with professional services organizations within Accenture, Ernst & Young LLP (E&Y) and IBM. Rudi joined the SC advisory board as a strategic advisor in the sales and marketing area. His business practice is built around boardroom-level expertise in due diligence reviews and road shows for strategic and corporate financings and M&A deals.

Rudi's practice at Accenture focused in communications and media/entertainment. He was managing partner in the evaluation and development of Accenture's "emerging" broadband, digital and interactive applications. As managing partner of E&Y's Broadband Industry Team, his team returned \$75+ million in their first year. Rudi was instrumental in E&Y's participation in the Leadership Connection - A Research Initiative and Industry Dialogue to Define the Future of Global Communications, a key intellectual component of Forum 99, an International Telecommunication Union (ITU) conference in Geneva, Switzerland.

Rudi started his career at IBM in 1978, where he earned multiple Golden Circle and 100% club awards with sales that kept him in the company's top 5% of revenue earners. He is credited with pioneering IBM's indirect channels of distribution for his region, including implementation of the VAR and SSO programs. He used this expertise in an entrepreneurial venture - XL/Datacomp (XLDC - NASDAQ) - to help grow the business from \$30 million/year to \$400 million/year within five years.

## SC Testing, Inc.

### 7.2 Personnel Plan

The following table summarizes our personnel expenditures for the first three years. We believe this plan is a fair compromise between fairness and expedience, and meets the commitment of our mission statement. The detailed monthly personnel plan for the first year is included in the appendix.

Table: Personnel

Personnel Plan	2003	2004	2005
<b>Production Personnel</b>			
People	7	10	14
Average per Person	\$66,964	\$78,750	\$82,688
Subtotal	\$468,750	\$787,500	\$1,157,625
<b>Sales and Marketing Personnel</b>			
People	4	5	5
Average per Person	\$68,750	\$105,000	\$110,250
Subtotal	\$275,000	\$525,000	\$551,250
<b>General and Administrative Personnel</b>			
People	3	5	6
Average per Person	\$116,667	\$122,500	\$128,625
Subtotal	\$350,000	\$612,500	\$771,750
<b>Other Personnel</b>			
People	0	0	0
Average per Person	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0
Total People	14	20	25
Total Payroll Expenditures	\$1,093,750	\$1,925,000	\$2,480,625

## 8.0 Financial Plan

SC will finance growth with a long-term loan. We recognize that this means we will have to grow more slowly than we might like. The most important factor in our case is collection days. We can't push our clients hard on collection days, because they are in larger companies and our direct contacts will normally not have financial authority. Therefore we need to develop a permanent system of receivables financing, using one of the established accounting systems. In turn we intend to ensure that our investors are compatible with our growth plan, management style, and vision. Compatibility in this regard means:

1. A fundamental respect for giving our customers value, and for maintaining a healthy and congenial workplace.
2. Respect for realistic forecasts, conservative cash flow, and financial management.
3. Cash flow as first priority, growth second, profits third.
4. Willingness to follow the project objectives and contribute valuable input to strategy and implementation decisions.

Of these, only the last two are flexible.

## 8.1 Key Financial Indicators

We foresee major growth in sales and operating expenses, and a bump in our collection days as we spread the business during expansion. Collection days are very important. We do not want to let our average collection days get above 50 under any circumstances. This could cause a serious problem with cash flow, because our working capital situation is chronically tight. However, we recognize that we cannot control this factor easily, because of the relationship with our clients.

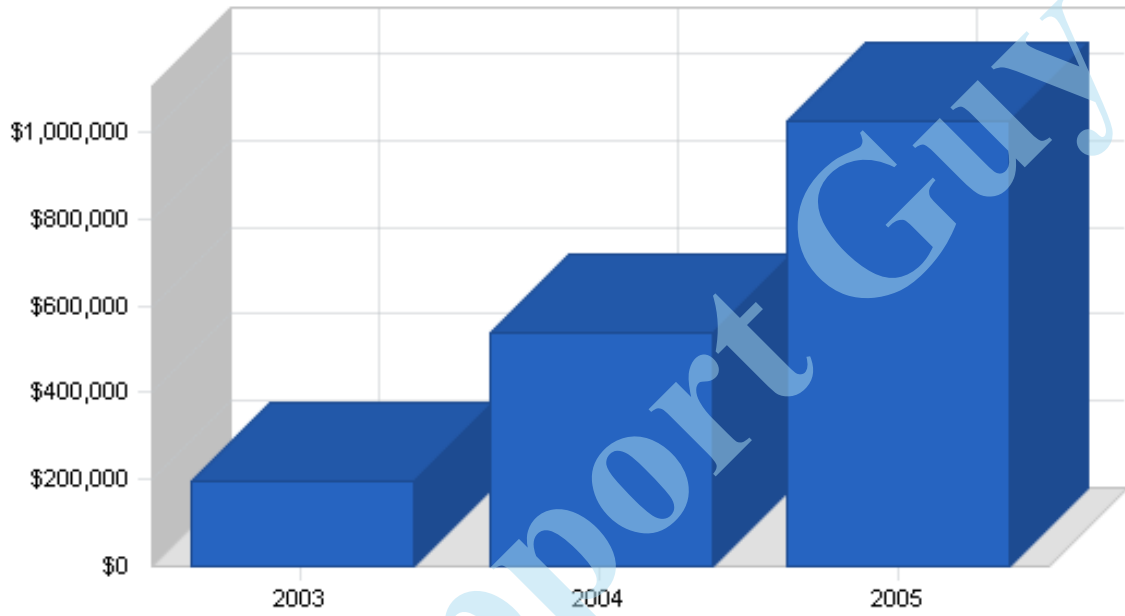
## 8.2 Projected Profit and Loss

Our projected profit and loss is shown on the following table, with sales increasing from more than \$2.5 million the first year to more than \$6.7 million the third, and profits slightly below the profit level achieved in 2000 on similar revenue. This difference in profit is attributable to pressure on rates in a competitive market as well as additional expenses incurred in building the business. We are projecting conservatively regarding cost of sales and gross margin. The detailed monthly projections are included in the appendix.

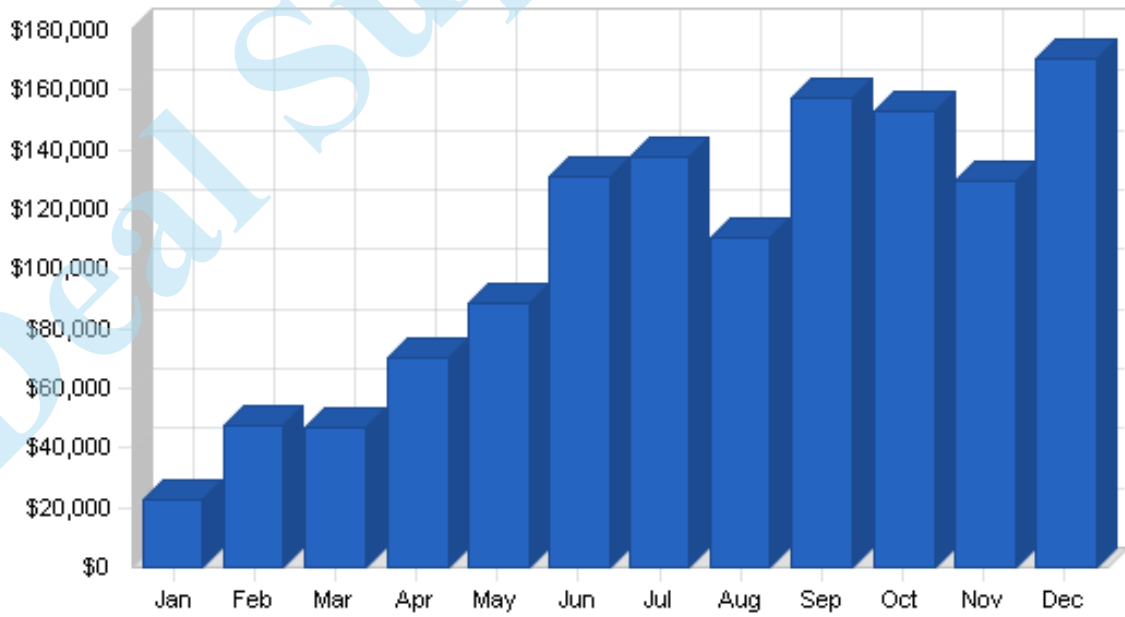
# SC Testing, Inc.

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## Profit Yearly



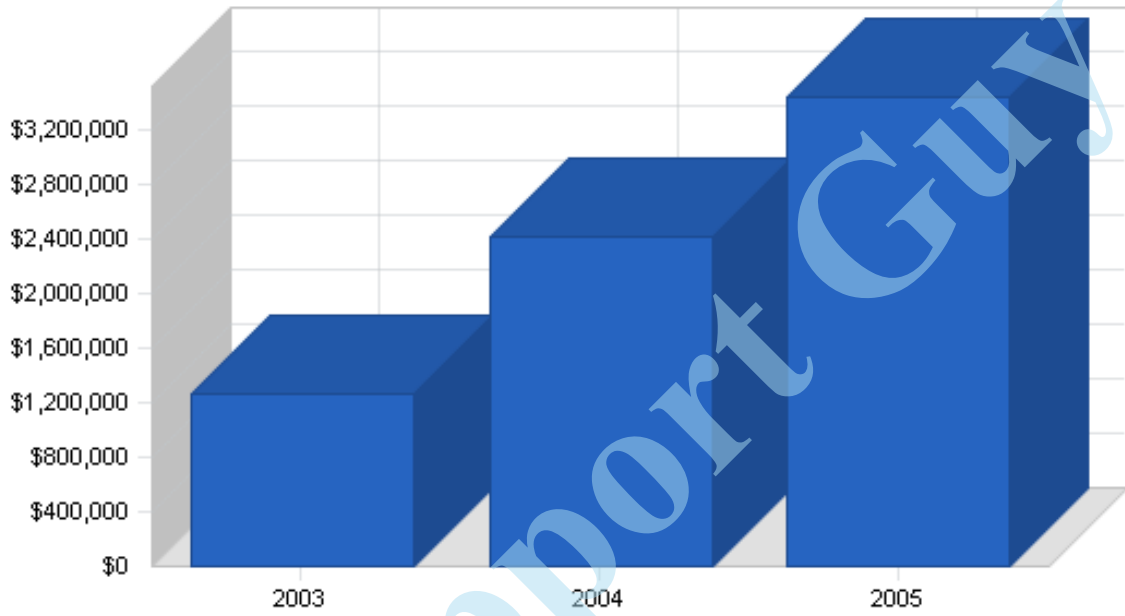
## Gross Margin Monthly



## SC Testing, Inc.

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Gross Margin Yearly



Deal Support Guy!



## SC Testing, Inc.

**Table: Profit and Loss**

Pro Forma Profit and Loss			
	2003	2004	2005
Sales	\$2,564,007	\$4,742,453	\$6,792,899
Direct Cost of Sales	\$765,904	\$1,415,311	\$2,024,670
Production Payroll	\$468,750	\$787,500	\$1,157,625
Commissions	\$64,100	\$118,561	\$169,822
Total Cost of Sales	\$1,298,754	\$2,321,372	\$3,352,117
Gross Margin	\$1,265,253	\$2,421,080	\$3,440,782
Gross Margin %	49.35%	51.05%	50.65%
Operating Expenses			
Sales and Marketing Expenses			
Sales and Marketing Payroll	\$275,000	\$525,000	\$551,250
Advertising/Promotion	\$24,000	\$25,200	\$26,460
Other Sales and Marketing Expenses	\$49,500	\$51,975	\$54,574
Total Sales and Marketing Expenses	\$348,500	\$602,175	\$632,284
Sales and Marketing %	13.59%	12.70%	9.31%
General and Administrative Expenses			
General and Administrative Payroll	\$350,000	\$612,500	\$771,750
Sales and Marketing and Other Expenses	\$0	\$0	\$0
Depreciation	\$12,000	\$12,600	\$13,230
Communications	\$18,000	\$23,500	\$24,675
Rent	\$72,000	\$125,000	\$131,250
Utilities	\$12,000	\$18,200	\$19,110
Insurance	\$24,000	\$25,200	\$26,460
Payroll Taxes	\$0	\$0	\$0
Other General and Administrative Expenses	\$84,000	\$92,400	\$97,020
Total General and Administrative Expenses	\$572,000	\$909,400	\$1,083,495
General and Administrative %	22.31%	19.18%	15.95%
Other Expenses:			
Other Payroll	\$0	\$0	\$0
Consultants	\$0	\$0	\$0
Other Other Expenses	\$0	\$0	\$0
Total Other Expenses	\$0	\$0	\$0
Other %	0.00%	0.00%	0.00%
Total Operating Expenses	\$920,500	\$1,511,575	\$1,715,779
Profit Before Interest and Taxes	\$344,753	\$909,505	\$1,725,003
EBITDA	\$356,753	\$922,105	\$1,738,233
Interest Expense	\$15,568	\$14,249	\$13,149
Taxes Incurred	\$131,674	\$358,102	\$684,741
Net Profit	\$197,511	\$537,154	\$1,027,112
Net Profit/Sales	7.70%	11.33%	15.12%

# SC Testing, Inc.

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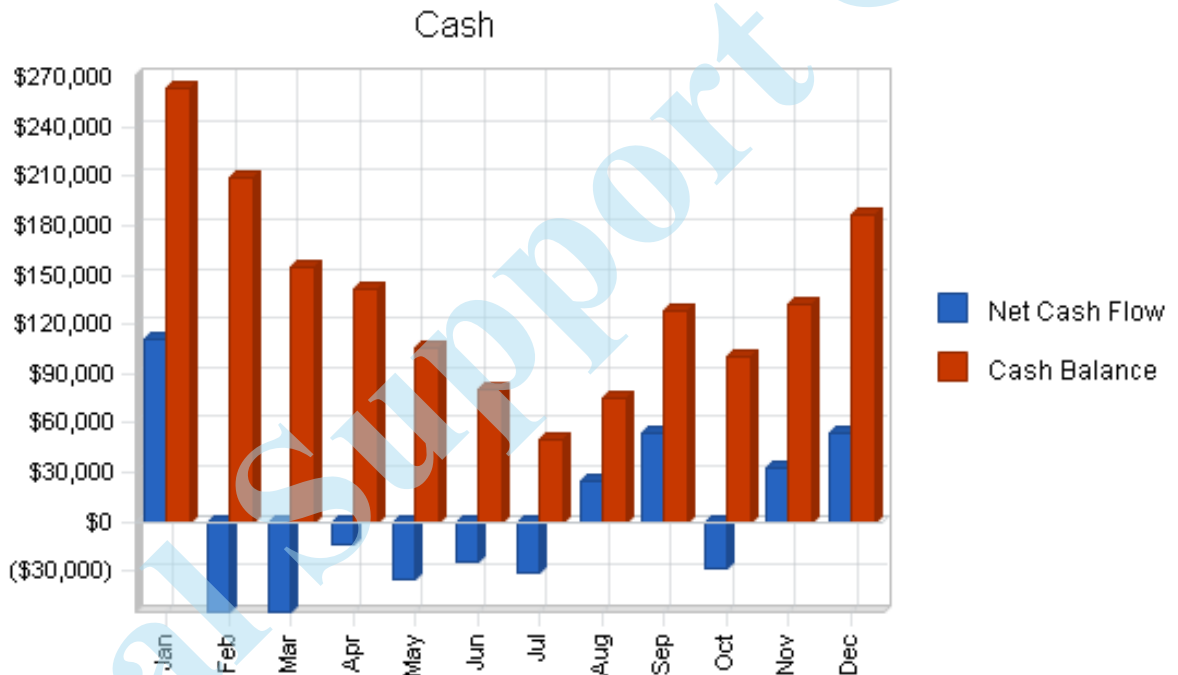
## Profit Monthly



## SC Testing, Inc.

### 8.3 Projected Cash Flow

SC has unique timing issues with respect to managing cash. Consultants are used as a means of keeping overhead down but consultants require payment in a timely manner when compared to the timing of services rendered. SC's challenge is to ensure that customer payments for such services are collected in an equally timely manner to ensure sufficient cash to sustain operations. Notwithstanding the first plan year cash struggle, once the business reaches critical mass, the positive margins achieved enable the business to become relatively "cash rich."



## SC Testing, Inc.

**Table: Cash Flow**

Pro Forma Cash Flow			
	2003	2004	2005
<b>Cash Received</b>			
Cash from Operations			
Cash Sales	\$0	\$0	\$0
Cash from Receivables	\$2,119,891	\$4,261,712	\$6,340,405
<b>Subtotal Cash from Operations</b>	<b>\$2,119,891</b>	<b>\$4,261,712</b>	<b>\$6,340,405</b>
<b>Additional Cash Received</b>			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$185,000	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
<b>Subtotal Cash Received</b>	<b>\$2,304,891</b>	<b>\$4,261,712</b>	<b>\$6,340,405</b>
<b>Expenditures</b>			
	2003	2004	2005
<b>Expenditures from Operations</b>			
Cash Spending	\$1,093,750	\$1,925,000	\$2,480,625
Bill Payments	\$1,163,308	\$2,237,469	\$3,189,392
<b>Subtotal Spent on Operations</b>	<b>\$2,257,058</b>	<b>\$4,162,469</b>	<b>\$5,670,017</b>
<b>Additional Cash Spent</b>			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$9,180	\$9,180	\$9,155
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$5,000	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
<b>Subtotal Cash Spent</b>	<b>\$2,271,238</b>	<b>\$4,171,649</b>	<b>\$5,679,172</b>
<b>Net Cash Flow</b>	<b>\$33,654</b>	<b>\$90,063</b>	<b>\$661,233</b>
<b>Cash Balance</b>	<b>\$186,344</b>	<b>\$276,407</b>	<b>\$937,640</b>

## SC Testing, Inc.

### 8.4 Projected Balance Sheet

The balance sheet in the following table shows managed but sufficient growth of net worth, and a sufficiently healthy financial position. The monthly estimates are included in the appendix.

**Table: Balance Sheet**

Pro Forma Balance Sheet			
	2003	2004	2005
<b>Assets</b>			
Current Assets			
Cash	\$186,344	\$276,407	\$937,640
Accounts Receivable	\$565,827	\$1,046,567	\$1,499,061
Other Current Assets	\$15,933	\$15,933	\$15,933
<b>Total Current Assets</b>	<b>\$768,103</b>	<b>\$1,338,907</b>	<b>\$2,452,634</b>
Long-term Assets			
Long-term Assets	\$92,595	\$92,595	\$92,595
Accumulated Depreciation	\$27,496	\$40,096	\$53,326
<b>Total Long-term Assets</b>	<b>\$65,099</b>	<b>\$52,499</b>	<b>\$39,269</b>
<b>Total Assets</b>	<b>\$833,202</b>	<b>\$1,391,406</b>	<b>\$2,491,903</b>
<b>Liabilities and Capital</b>			
	2003	2004	2005
Current Liabilities			
Accounts Payable	\$156,156	\$186,386	\$268,926
Current Borrowing	\$18,335	\$9,155	\$0
Other Current Liabilities	\$84,483	\$84,483	\$84,483
<b>Subtotal Current Liabilities</b>	<b>\$258,974</b>	<b>\$280,024</b>	<b>\$353,409</b>
Long-term Liabilities			
Long-term Liabilities	\$180,000	\$180,000	\$180,000
<b>Total Liabilities</b>	<b>\$438,974</b>	<b>\$460,024</b>	<b>\$533,409</b>
Paid-in Capital			
Paid-in Capital	\$544,732	\$544,732	\$544,732
Retained Earnings	(\$348,015)	(\$150,504)	\$386,650
Earnings	\$197,511	\$537,154	\$1,027,112
<b>Total Capital</b>	<b>\$394,228</b>	<b>\$931,382</b>	<b>\$1,958,494</b>
<b>Total Liabilities and Capital</b>	<b>\$833,202</b>	<b>\$1,391,406</b>	<b>\$2,491,903</b>
<b>Net Worth</b>	<b>\$394,228</b>	<b>\$931,382</b>	<b>\$1,958,494</b>

### 8.5 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 7371, Custom Computer Programming Industry, are shown for comparison.

Deal Support Guy

## SC Testing, Inc.

### Table: Ratios

Ratio Analysis				
	2003	2004	2005	Industry Profile
Sales Growth	140.32%	84.96%	43.24%	16.14%
Percent of Total Assets				
Accounts Receivable	67.91%	75.22%	60.16%	17.80%
Other Current Assets	1.91%	1.15%	0.64%	49.69%
Total Current Assets	92.19%	96.23%	98.42%	72.10%
Long-term Assets	7.81%	3.77%	1.58%	27.90%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	31.08%	20.13%	14.18%	36.04%
Long-term Liabilities	21.60%	12.94%	7.22%	19.42%
Total Liabilities	52.69%	33.06%	21.41%	55.46%
Net Worth	47.31%	66.94%	78.59%	44.54%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	49.35%	51.05%	50.65%	100.00%
Selling, General & Administrative Expenses	41.36%	39.59%	35.45%	76.16%
Advertising Expenses	0.94%	0.53%	0.39%	1.23%
Profit Before Interest and Taxes	13.45%	19.18%	25.39%	2.22%
Main Ratios				
Current	2.97	4.78	6.94	1.45
Quick	2.97	4.78	6.94	1.13
Total Debt to Total Assets	52.69%	33.06%	21.41%	63.01%
Pre-tax Return on Net Worth	83.50%	96.12%	87.41%	4.79%
Pre-tax Return on Assets	39.51%	64.34%	68.70%	12.96%
Additional Ratios				
	2003	2004	2005	
Net Profit Margin	7.70%	11.33%	15.12%	n.a
Return on Equity	50.10%	57.67%	52.44%	n.a
Activity Ratios				
Accounts Receivable Turnover	4.53	4.53	4.53	n.a
Collection Days	57	62	68	n.a
Accounts Payable Turnover	8.07	12.17	12.17	n.a
Payment Days	28	28	25	n.a
Total Asset Turnover	3.08	3.41	2.73	n.a
Debt Ratios				
Debt to Net Worth	1.11	0.49	0.27	n.a
Current Liab. to Liab.	0.59	0.61	0.66	n.a
Liquidity Ratios				
Net Working Capital	\$509,129	\$1,058,883	\$2,099,225	n.a
Interest Coverage	22.15	63.83	131.19	n.a
Additional Ratios				
Assets to Sales	0.32	0.29	0.37	n.a
Current Debt/Total Assets	31%	20%	14%	n.a
Acid Test	0.78	1.04	2.70	n.a
Sales/Net Worth	6.50	5.09	3.47	n.a
Dividend Payout	0.00	0.00	0.00	n.a

## Appendix

Table: Sales Forecast

Sales Forecast													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Unit Sales</b>													
Consulting Services	0%	117	167	169	160	160	220	220	180	240	240	200	260
Staff Augmentation	0%	0	0	0	0	60	60	80	80	100	100	120	120
Training Services	0%	0	0	0	0	0	6	8	8	10	15	8	8
Other	0%	1	1	0	0	0	0	0	0	0	0	0	0
<b>Total Unit Sales</b>		<b>118</b>	<b>168</b>	<b>169</b>	<b>160</b>	<b>220</b>	<b>286</b>	<b>308</b>	<b>268</b>	<b>350</b>	<b>355</b>	<b>328</b>	<b>388</b>
<b>Unit Prices</b>													
Consulting Services		\$624.00	\$756.00	\$737.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Staff Augmentation		\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00
Training Services		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00
Other		\$10,994.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Sales</b>													
Consulting Services		\$73,008	\$126,252	\$124,553	\$160,000	\$160,000	\$220,000	\$220,000	\$180,000	\$240,000	\$240,000	\$200,000	\$260,000
Staff Augmentation		\$0	\$0	\$0	\$0	\$27,000	\$27,000	\$36,000	\$36,000	\$45,000	\$45,000	\$54,000	\$54,000
Training Services		\$0	\$0	\$0	\$0	\$0	\$2,400	\$3,200	\$3,200	\$4,000	\$6,000	\$3,200	\$3,200
Other		\$10,994	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Sales</b>		<b>\$84,002</b>	<b>\$126,252</b>	<b>\$124,553</b>	<b>\$160,000</b>	<b>\$187,000</b>	<b>\$249,400</b>	<b>\$259,200</b>	<b>\$219,200</b>	<b>\$289,000</b>	<b>\$291,000</b>	<b>\$257,200</b>	<b>\$317,200</b>
<b>Direct Unit Costs</b>													
Consulting Services	30.00%	\$187.20	\$226.80	\$221.10	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00
Staff Augmentation	30.00%	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00
Training Services	30.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Other	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Direct Cost of Sales</b>													
Consulting Services		\$21,902	\$37,876	\$37,366	\$48,000	\$48,000	\$66,000	\$66,000	\$54,000	\$72,000	\$72,000	\$60,000	\$78,000
Staff Augmentation		\$0	\$0	\$0	\$0	\$8,100	\$8,100	\$10,800	\$10,800	\$13,500	\$13,500	\$16,200	\$16,200
Training Services		\$0	\$0	\$0	\$0	\$0	\$720	\$960	\$960	\$1,200	\$1,800	\$960	\$960
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>		<b>\$21,902</b>	<b>\$37,876</b>	<b>\$37,366</b>	<b>\$48,000</b>	<b>\$56,100</b>	<b>\$74,820</b>	<b>\$77,760</b>	<b>\$65,760</b>	<b>\$86,700</b>	<b>\$87,300</b>	<b>\$77,160</b>	<b>\$95,160</b>



## Appendix

Table: Personnel

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Production Personnel</b>												
People	6	6	6	6	6	6	6	6	6	7	7	7
Average per Person	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250	\$6,250
Subtotal	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$43,750	\$43,750	\$43,750
<b>Sales and Marketing Personnel</b>												
People	2	2	2	2	2	3	3	3	3	3	4	4
Average per Person	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333
Subtotal	\$16,667	\$16,667	\$16,667	\$16,667	\$16,667	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$33,333	\$33,333
<b>General and Administrative Personnel</b>												
People	2	3	3	3	3	3	3	3	3	3	3	3
Average per Person	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Subtotal	\$20,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
<b>Other Personnel</b>												
People	0	0	0	0	0	0	0	0	0	0	0	0
Average per Person	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total People</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>14</b>
<b>Total Payroll Expenditures</b>	<b>\$74,167</b>	<b>\$84,167</b>	<b>\$84,167</b>	<b>\$84,167</b>	<b>\$84,167</b>	<b>\$92,500</b>	<b>\$92,500</b>	<b>\$92,500</b>	<b>\$92,500</b>	<b>\$98,750</b>	<b>\$107,083</b>	<b>\$107,083</b>

## Appendix

Table: Profit and Loss

Pro Forma Profit and Loss												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$84,002	\$126,252	\$124,553	\$160,000	\$187,000	\$249,400	\$259,200	\$219,200	\$289,000	\$291,000	\$257,200	\$317,200
Direct Cost of Sales	\$21,902	\$37,876	\$37,366	\$48,000	\$56,100	\$74,820	\$77,760	\$65,760	\$86,700	\$87,300	\$77,160	\$95,160
Production Payroll	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$43,750	\$43,750	\$43,750
Commissions	\$2,100	\$3,156	\$3,114	\$4,000	\$4,675	\$6,235	\$6,480	\$5,480	\$7,225	\$7,275	\$6,430	\$7,930
Total Cost of Sales	\$61,502	\$78,532	\$77,980	\$89,500	\$98,275	\$118,555	\$121,740	\$108,740	\$131,425	\$138,325	\$127,340	\$146,840
Gross Margin	\$22,500	\$47,720	\$46,573	\$70,500	\$88,725	\$130,845	\$137,460	\$110,460	\$157,575	\$152,675	\$129,860	\$170,360
Gross Margin %	26.78%	37.80%	37.39%	44.06%	47.45%	52.46%	53.03%	50.39%	54.52%	52.47%	50.49%	53.71%
Operating Expenses												
Sales and Marketing Expenses												
Sales and Marketing Payroll	\$16,667	\$16,667	\$16,667	\$16,667	\$16,667	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$33,333	\$33,333
Advertising/Promotion	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Other Sales and Marketing Expenses	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$6,000	\$6,000
Total Sales and Marketing Expenses	\$21,667	\$21,667	\$21,667	\$21,667	\$21,667	\$31,500	\$31,500	\$31,500	\$31,500	\$31,500	\$41,333	\$41,333
Sales and Marketing %	25.79%	17.16%	17.40%	13.54%	11.59%	12.63%	12.15%	14.37%	10.90%	10.82%	16.07%	13.03%
General and Administrative Expenses												
General and Administrative Payroll	\$20,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Sales and Marketing and Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Communications	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Rent	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Utilities	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Insurance	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Payroll Taxes	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other General and Administrative Expenses	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Total General and Administrative Expenses	\$38,500	\$48,500	\$48,500	\$48,500	\$48,500	\$48,500	\$48,500	\$48,500	\$48,500	\$48,500	\$48,500	\$48,500
General and Administrative %	45.83%	38.42%	38.94%	30.31%	25.94%	19.45%	18.71%	22.13%	16.78%	16.67%	18.86%	15.29%
Other Expenses:												
Other Payroll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## Appendix

Consultants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Operating Expenses	\$60,167	\$70,167	\$70,167	\$70,167	\$70,167	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$89,833	\$89,833
Profit Before Interest and Taxes	(\$37,667)	(\$22,447)	(\$23,593)	\$333	\$18,558	\$50,845	\$57,460	\$30,460	\$77,575	\$72,675	\$40,027	\$80,527
EBITDA	(\$36,667)	(\$21,447)	(\$22,593)	\$1,333	\$19,558	\$51,845	\$58,460	\$31,460	\$78,575	\$73,675	\$41,027	\$81,527
Interest Expense	\$1,347	\$1,339	\$1,331	\$1,324	\$1,316	\$1,308	\$1,301	\$1,287	\$1,274	\$1,260	\$1,247	\$1,233
Taxes Incurred	(\$15,606)	(\$9,514)	(\$9,970)	(\$396)	\$6,897	\$19,815	\$22,464	\$11,669	\$30,520	\$28,566	\$15,512	\$31,717
Net Profit	(\$23,408)	(\$14,271)	(\$14,955)	(\$594)	\$10,345	\$29,722	\$33,696	\$17,504	\$45,781	\$42,849	\$23,268	\$47,576
Net Profit/Sales	-27.87%	-11.30%	-12.01%	-0.37%	5.53%	11.92%	13.00%	7.99%	15.84%	14.72%	9.05%	15.00%

## Appendix

**Table: Cash Flow**

Pro Forma Cash Flow												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Cash Received</b>												
<b>Cash from Operations</b>												
Cash Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash from Receivables	\$60,856	\$63,656	\$85,410	\$126,195	\$125,735	\$160,900	\$189,080	\$249,727	\$257,867	\$221,527	\$289,067	\$289,873
<b>Subtotal Cash from Operations</b>	<b>\$60,856</b>	<b>\$63,656</b>	<b>\$85,410</b>	<b>\$126,195</b>	<b>\$125,735</b>	<b>\$160,900</b>	<b>\$189,080</b>	<b>\$249,727</b>	<b>\$257,867</b>	<b>\$221,527</b>	<b>\$289,067</b>	<b>\$289,873</b>
<b>Additional Cash Received</b>												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$185,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Cash Received</b>	<b>\$245,856</b>	<b>\$63,656</b>	<b>\$85,410</b>	<b>\$126,195</b>	<b>\$125,735</b>	<b>\$160,900</b>	<b>\$189,080</b>	<b>\$249,727</b>	<b>\$257,867</b>	<b>\$221,527</b>	<b>\$289,067</b>	<b>\$289,873</b>
<b>Expenditures</b>												
<b>Expenditures from Operations</b>												
Cash Spending	\$74,167	\$84,167	\$84,167	\$84,167	\$84,167	\$92,500	\$92,500	\$92,500	\$92,500	\$98,750	\$107,083	\$107,083
Bill Payments	\$59,793	\$33,014	\$55,323	\$55,044	\$75,963	\$92,644	\$126,372	\$131,211	\$109,580	\$149,675	\$147,649	\$127,038
<b>Subtotal Spent on Operations</b>	<b>\$133,959</b>	<b>\$117,181</b>	<b>\$139,490</b>	<b>\$139,211</b>	<b>\$160,130</b>	<b>\$185,144</b>	<b>\$218,872</b>	<b>\$223,711</b>	<b>\$202,080</b>	<b>\$248,425</b>	<b>\$254,733</b>	<b>\$234,122</b>
<b>Additional Cash Spent</b>												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$765	\$765	\$765	\$765	\$765	\$765	\$765	\$765	\$765	\$765	\$765	\$765
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Cash Spent</b>	<b>\$134,724</b>	<b>\$117,946</b>	<b>\$140,255</b>	<b>\$139,976</b>	<b>\$160,895</b>	<b>\$185,909</b>	<b>\$219,637</b>	<b>\$225,476</b>	<b>\$203,845</b>	<b>\$250,190</b>	<b>\$256,498</b>	<b>\$235,887</b>
<b>Net Cash Flow</b>	<b>\$111,131</b>	<b>(\$54,290)</b>	<b>(\$54,844)</b>	<b>(\$13,780)</b>	<b>(\$35,160)</b>	<b>(\$25,009)</b>	<b>(\$30,557)</b>	<b>\$24,251</b>	<b>\$54,021</b>	<b>(\$28,664)</b>	<b>\$32,569</b>	<b>\$53,987</b>
<b>Cash Balance</b>	<b>\$263,821</b>	<b>\$209,531</b>	<b>\$154,687</b>	<b>\$140,906</b>	<b>\$105,746</b>	<b>\$80,737</b>	<b>\$50,180</b>	<b>\$74,431</b>	<b>\$128,452</b>	<b>\$99,788</b>	<b>\$132,357</b>	<b>\$186,344</b>

## Appendix

Table: Balance Sheet

Pro Forma Balance Sheet													
Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Current Assets</b>													
Cash	\$152,690	\$263,821	\$209,531	\$154,687	\$140,906	\$105,746	\$80,737	\$50,180	\$74,431	\$128,452	\$99,788	\$132,357	\$186,344
Accounts Receivable	\$121,711	\$144,858	\$207,454	\$246,597	\$280,401	\$341,667	\$430,167	\$500,287	\$469,760	\$500,893	\$570,367	\$538,500	\$565,827
Other Current Assets	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933	\$15,933
<b>Total Current Assets</b>	<b>\$290,334</b>	<b>\$424,612</b>	<b>\$432,918</b>	<b>\$417,216</b>	<b>\$437,241</b>	<b>\$463,346</b>	<b>\$526,837</b>	<b>\$566,399</b>	<b>\$560,124</b>	<b>\$645,278</b>	<b>\$686,088</b>	<b>\$686,790</b>	<b>\$768,103</b>
<b>Long-term Assets</b>													
Long-term Assets	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595	\$92,595
Accumulated Depreciation	\$15,496	\$16,496	\$17,496	\$18,496	\$19,496	\$20,496	\$21,496	\$22,496	\$23,496	\$24,496	\$25,496	\$26,496	\$27,496
<b>Total Long-term Assets</b>	<b>\$77,099</b>	<b>\$76,099</b>	<b>\$75,099</b>	<b>\$74,099</b>	<b>\$73,099</b>	<b>\$72,099</b>	<b>\$71,099</b>	<b>\$70,099</b>	<b>\$69,099</b>	<b>\$68,099</b>	<b>\$67,099</b>	<b>\$66,099</b>	<b>\$65,099</b>
<b>Total Assets</b>	<b>\$367,433</b>	<b>\$500,711</b>	<b>\$508,017</b>	<b>\$491,315</b>	<b>\$510,340</b>	<b>\$535,445</b>	<b>\$597,936</b>	<b>\$636,498</b>	<b>\$629,223</b>	<b>\$713,377</b>	<b>\$753,187</b>	<b>\$752,889</b>	<b>\$833,202</b>
<b>Liabilities and Capital</b>													
<b>Current Liabilities</b>													
Accounts Payable	\$58,718	\$31,169	\$53,511	\$52,530	\$72,913	\$88,438	\$121,972	\$127,604	\$104,590	\$144,729	\$143,454	\$121,654	\$156,156
Current Borrowing	\$27,515	\$26,750	\$25,985	\$25,220	\$24,455	\$23,690	\$22,925	\$22,160	\$21,395	\$20,630	\$19,865	\$19,100	\$18,335
Other Current Liabilities	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483	\$84,483
<b>Subtotal Current Liabilities</b>	<b>\$170,716</b>	<b>\$142,402</b>	<b>\$163,979</b>	<b>\$162,233</b>	<b>\$181,851</b>	<b>\$196,611</b>	<b>\$229,380</b>	<b>\$234,247</b>	<b>\$210,468</b>	<b>\$249,842</b>	<b>\$247,802</b>	<b>\$225,237</b>	<b>\$258,974</b>
<b>Long-term Liabilities</b>													
Long-term Liabilities	\$0	\$185,000	\$185,000	\$185,000	\$185,000	\$185,000	\$185,000	\$185,000	\$184,000	\$183,000	\$182,000	\$181,000	\$180,000
<b>Total Liabilities</b>	<b>\$170,716</b>	<b>\$327,402</b>	<b>\$348,979</b>	<b>\$347,233</b>	<b>\$366,851</b>	<b>\$381,611</b>	<b>\$414,380</b>	<b>\$419,247</b>	<b>\$394,468</b>	<b>\$432,842</b>	<b>\$429,802</b>	<b>\$406,237</b>	<b>\$438,974</b>
<b>Capital</b>													
Paid-in Capital	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732	\$544,732
Retained Earnings	(\$106,521)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)	(\$348,015)
Earnings	(\$241,494)	(\$23,408)	(\$37,680)	(\$52,634)	(\$53,229)	(\$42,883)	(\$13,161)	\$20,534	\$38,038	\$83,818	\$126,667	\$149,935	\$197,511
<b>Total Capital</b>	<b>\$196,717</b>	<b>\$173,309</b>	<b>\$159,037</b>	<b>\$144,083</b>	<b>\$143,488</b>	<b>\$153,834</b>	<b>\$183,556</b>	<b>\$217,251</b>	<b>\$234,755</b>	<b>\$280,535</b>	<b>\$323,384</b>	<b>\$346,652</b>	<b>\$394,228</b>
<b>Total Liabilities and Capital</b>	<b>\$367,433</b>	<b>\$500,711</b>	<b>\$508,017</b>	<b>\$491,315</b>	<b>\$510,340</b>	<b>\$535,445</b>	<b>\$597,936</b>	<b>\$636,498</b>	<b>\$629,223</b>	<b>\$713,377</b>	<b>\$753,187</b>	<b>\$752,889</b>	<b>\$833,202</b>
<b>Net Worth</b>	<b>\$196,717</b>	<b>\$173,309</b>	<b>\$159,037</b>	<b>\$144,083</b>	<b>\$143,488</b>	<b>\$153,834</b>	<b>\$183,556</b>	<b>\$217,251</b>	<b>\$234,755</b>	<b>\$280,535</b>	<b>\$323,384</b>	<b>\$346,652</b>	<b>\$394,228</b>