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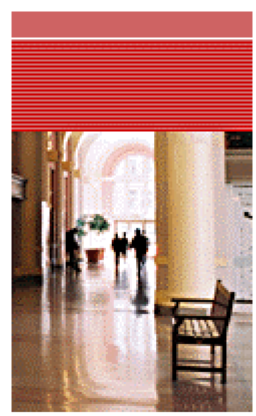
Pine of the Times Furniture

Sample Business Plan
(Manufacturing)



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Sample Plan
Business Plan for the period
Starting May 1998

Executive Summary

Business Description

Pine of the Times Furniture is a pine furniture manufacturing company located in Pine Ridge, British Columbia. The company originally specialized in "made-to-order" pine furniture but we have recently developed a unique line of brand name living room and dining room furniture to be sold through local and regional retail outlets. While we currently manufacture and sell dining room tables, coffee tables, and end tables, our product line will be expanded to include bookcases, wall units, buffets, hutches and cabinets for entertainment centers.

The design and style of our product line is unique. We offer superior quality and design at competitive prices. Our affordable designs are a modern version of popular antique pine furniture, scaled down in size to fit into today's homes, apartments, and condominiums. Our products are available in a variety of resilient finishes and colors so that customers have the flexibility to customize our furniture to theirr individual tastes. We also use superior quality hardware in a variety of popular faux antique finishes. Our furniture is made from solid Lodge Pole Pine or Western White Pine and no component parts, veneers or particle board are used. We will continue to expand and develop our existing product lines and add new product lines such as bedroom furniture. It is our goal to design and introduce 2 to 3 new products per year.

Ownership and Management

Pine of the Times Furniture was incorporated under the laws of British Columbia in 1993 and is owned and operated by two partners, Marla Maple and Barry Birch. Both partners are equally involved in its operations and management and have extensive experience in the household furniture industry. For the past 50 years, Barry Birch's family has owned a large upholstered furniture manufacturing plant in London, Ontario. Mr. Birch trained and worked at the company for 15 years. He also worked for a small wooden furniture manufacturer in Quebec for 5 years where he was instrumental in growing the business from 3 employees and $300,000 in sales to 10 employees and $1 million in sales. Marla Maple worked as a production manager for 8 years for a wooden furniture manufacturer in Laval, Quebec. She also worked for 5 years at a large national furniture retail chain as a purchaser.

Key Initiatives and Objectives

Our primary objective is to obtain a bank loan to purchase a new $80,000 Point-to-Point drilling machine. The new drilling machine will result in increased productivity, increased production volumes, and improved product quality which will enable us to increase our retail distribution and sales. Our product lines are currently sold through 5 small retailers in the Pine Ridge area, it is our goal to double our number of retailer distributors in the next year. The new drilling machine will also enable us to cost effectively expand our product lines to meet customer demand.

Marketing Opportunities

Short term demand for household furniture is driven by disposable income, interest rates, and employment levels, while housing starts and income growth drive mid to long term demand. Pine Ridge and surrounding communities will grow quickly due to the opening of a new plant. The plant will generate 600 new jobs in the area which has resulted in housing starts well above the provincial and national averages. The local Economic Development Office predicts that this trend will continue for 3 to 5 more years and then stabilize. As a result, the demand for furniture will remain strong in the area. Currently, there are not enough furniture retailers and manufacturers in the area to satisfy demand and our company is in an excellent position to capitalize on this opportunity.

Competitive Advantages

While there are two competitive furniture manufacturers in British Columbia who produce pine product lines similar to ours, neither distribute product in the Pine Ridge area. Our competitive advantages include our unique furniture design and quality, a competitive pricing strategy, strong market demand, and a strategic location close to suppliers, distributors, and consumers. Competitive production advantages include our flexible manufacturing system which enables us to cost effectively shorten production runs and the increased productivity which result from the purchase of the new drilling machine. The close proximity of our wood suppliers also gives us better control our inventory of raw materials and reduces the risk of supply shortages.

Marketing Strategy

Household furniture is sold to consumers through retail outlets. Our company's promotional strategy targets both potential retail outlets and potential consumers. We have produced a catalogue featuring our product lines and samples of our wood finishes that are distributed to targeted retailers. Retailers can use the catalogue to show potential customers any products not displayed in their showroom and to order additional product. A brochure has been developed on each product line that is distributed to interested consumers through the retailers. The wood finish samples show customers the actual finishes and stains available with our product lines.

Our products are priced competitively and take into account production costs, competitive pricing strategies and consumer price sensitivity. Our company's goal is to provide good quality furniture for a reasonable price while still maintaining healthy profit margins.

Summary of Financial Projections

With the purchase of a new drilling machine, our expanded product line and distribution, we project our revenues will be $396,000 in 1997, increasing to $584,100 in 1999. Direct cost of sales will average 59% of gross sales, including production wages at 33% and goods and materials at 25%. We project that our net income will increase from $38,645 in 1997 to $75,779 by 1999.

Confidentiality and Recognition of Risks

Confidentiality Clause

This information included in this business plan is strictly confidential and is supplied on the understanding that it will not be disclosed to third parties without the written consent of Marla Maple and Barry Birch.

Recognition of Risk

This business plan represents management's best estimate of the future potential of our business. It should be recognized that not all major risks can be predicted or avoided and few business plans are free of errors of omission or commission. Therefore investors should be aware that this business has inherent risks that should be evaluated prior to any investment.

Business Overview

Business History

Pine of the Times Furniture, founded in 1993 by Marla Maple and Barry Birch, is a pine furniture manufacturing company located in Pine Ridge, British Columbia. The company originally sold made to order pine furniture but has recently developed a unique line of brand name living room and dining room furniture sold through local and regional retail outlets.

Vision and Mission Statement

Pine of the Times Furniture is a growing and innovative home furnishings manufacturer. We offer our customers superior quality furniture and unique designs at affordable prices through a number of reputable retail outlets. We will continue to expand our product lines and introduce new designs, based on the needs of our customers.

Objectives

Our primary objectives over the next year are to:

1. Improve productivity by 5% and reduce costs 5% by purchasing a new Point-to-Point drilling machine. A bank loan for $80,000 will be obtained to buy the new drilling machine.
2. Increase sales by 27% during the next 12 months by increasing retail distribution of our new product lines.
3. Expand our product lines to meet customer demand. We will introduce three new types of products including cabinets for entertainment centers, wall units and bookcases.
4. Expand distribution of our product lines within British Columbia. Our product is sold through five small retailers in the Pine Ridge area. Over the next 12 months, our goal is to double the number of retailers carrying our product lines.

Ownership

Pine of the Times Furniture was incorporated under the laws of British Columbia in 1993 and is owned and operated by Marla Maple and Barry Birch. The two shareholders each own 50% of the business and are equally involved in its operations and management.

Location and Facilities

The Pine of the Times Furniture manufacturing plant is located 3 miles outside of Pine Ridge in a small industrial park just off the main highway. The plant is 2,500 square feet and is leased for $1,750 per month triple net. Equipment in the plant includes a spindle shaper, table saw, wide belt sander, dust collection system, sprayer for finishing, hand tools and work benches.

The location of the plant has resulted in reduced overhead, distribution and supply costs. For example, lease rates in Pine Ridge are approximately 50% less than in the Lower Mainland. There are several saw mills in the area that supply all of our materials. The close proximity of our suppliers means lower transportation and shipping costs and our distribution costs are low as we currently only distribute to local retailers.

Products and Services

Description of Products and Services

Pine of the Times Furniture manufactures and sells hand made pine furniture including dining room tables, coffee tables, and end tables. We will expand production to include bookcases, wall units, buffets, hutches and cabinets for entertainment centers to complete our lines of unique dining room and living room furniture.

Our furniture is all hand made using solid pine. The furniture is available in seven different durable finishes and stains. The consumer can have their pine furniture customized with their preferred finish or they have the option of selecting the regular finish.

Key Features of the Products and Services

The design and style of our product lines is unique. We offer superior quality and design at competitive prices. Our affordable designs are a modern version of popular antique pine furniture, scaled down in size to fit into today's homes, apartments, and condominiums. All of our products are available in a variety of resilient finishes and colors so that customers have the flexibility to customize the furniture to their individual tastes. All of our furniture is made from solid Lodge Pole Pine or Western White Pine and we use superior quality hardware in a variety of popular faux antique finishes.

Production of Products and Services

Our furniture is manufactured on site using either Lodge Pole Pine or Western White Pine which is purchased through a local wood broker from local sawmills. No component parts, veneers or particle board are used.

The components of our furniture are produced in small volumes and kept in stock. As orders are received from retailers specifying the customers desired products and finish, the parts are sprayed and assembled. The turn around time is 10 business days due to the drying time needed for the finishes and stains. Due to the wide variety of consumer preferences, approximately 50% of our product receives custom finishing. All of our finishes and stains are supplied by Williams Paints in Surrey and the hardware by Mitchell & Dunn Ltd. in Burnaby.

Future Products and Services

We will continue to expand and develop our product lines and add new product lines such as bedroom furniture. Our products, design, and finishes and stains will continue evolve based on consumer trends and demand. We obtain feedback from local retailers and attend furniture trade shows to determine what furniture trends are popular. Based on this information and local demand, it is our goal to design and introduce 2 to 3 new products per year.

Comparative Advantages in Production

Our plant uses a flexible manufacturing system that enables us to shorten our production runs and effectively fill small orders. Our plant workers are highly skilled craftsman with extensive experience in wooden furniture manufacturing. As a result, our productivity levels are high and our material wastage is minimal. This experience, combined with increased productivity resulting from the purchase of the Point-to-Point drilling machine, gives us a competitive advantage over other small wooden furniture manufacturers in the province.

The close proximity of our wood suppliers gives us better control our inventory of raw materials and reduces the risk of supply shortages. Raw materials are readily available and our suppliers can respond quickly to any specialty orders.

Industry Overview

Market Research

To analyze the market potential of pine furniture products in British Columbia we collected information from a number of sources. We talked to five small wood furniture manufacturers located throughout the province to get their perceptions of the trends and potential of the wood furniture industry in British Columbia. We also visited a number of small furniture retailers located in the Pine Ridge area to evaluate the types, styles, and quality of the competitive furniture being sold. The retail owners/managers were able to provide us with information regarding local consumer trends, level of demand and level of competition.

To determine the potential mid term demand for household furniture in the region we collected statistical information from the local Economic Development Office and Statistics British Columbia in Victoria. Additional information was obtained from the local library including industry research reports, magazine and journal articless, and newspaper clippings as well as information on the Internet.

Size of the Industry

The total size of the furniture industry, in terms of production and shipments, declined during the 1990's due to the economic recession. Demand for household furniture is very susceptible to economic conditions. Short term demand is driven by disposable income, interest rates, and employment levels, while housing starts and income growth drive mid to long term demand.

According to Industry Canada, in 1995 the Canadian household furniture industry had shipments of $1.79 billion, a slight decline from $1.8 billion in 1994. By comparison, 1995 household furniture shipments were $125 million in British Columbia, up 2% over 1994 according to Provincial statistics. While total domestic demand is projected to remain flat with an annual growth rate of 1% between 1996 and 2005, some areas of the country will experience higher demand growth. British Columbia will see demand for household furniture grow on average by 2% to 3% annually due to immigration. Inn British Columbia, immigration will remain strong, housing starts are projected to grow and unemployment rates will decrease. All of these factors will continue to drive provincial demand for household furniture.

Key Product Segments

The furniture industry consists of three sectors: household furniture (43%); office furniture (24%); and other furniture (33%) including hotel, restaurant and institutional furniture. Wooden furniture represents 62% of household furniture sector, followed by upholstered furniture (29%) and metal and plastic furniture (9%).

Dining room and living room furniture make up approximately 60% of the wooden furniture market. The remainder is comprised of bed room furniture and kitchen cabinets. Manufacturers tend to specialize in either household furniture or in kitchen cabinets. As manufacturers grow they develop new designs and product lines within their area of specialty.

Key Market Segments

The key market segments of the household furniture industry are furniture retail outlets and the consumer. Household furniture manufacturers sell to the consumer through retail outlets. There are approximately 3,800 retail stores across Canada that carry household furniture. These outlets include independent retail stores (50%), furniture chain stores (20%), and warehouse club/discount stores (20%). Discount stores are becoming increasingly popular due to underpricing of competitors.

The Chamber of Commerce reports that there are 30 retail outlets carrying furniture in the Pine Ridge area. These retail outlets include small independent retailers (80%), furniture chain stores (15%) and discount stores (5%). Our company currently sells product through 5 small independent retailers. Our production capacity is not large enough to produce the volumes needed to distribute product through the larger furniture chains or discount stores.

Purchase Process and Buying Criteria

The furniture buying process is complicated in that potential consumers buy furniture through retailers and not directly from a manufacturer. Our company considers the buying criteria of both the consumer and the retailer. Consumer purchasing decisions are typically based on style, design, perceived value, quality, and price of the furniture, the reputation of the manufacturer as well as the reputation of the retailer from whom they buy the furniture, the level of customer service provided, and financing terms.

Retailers can buy product directly from manufacturers, from agents representing manufacturers, and from large purchasing companies. The purchase criteria of the retailers varies by retailer and and their target markets. Retailers buy product that they feel will best meet the price, quality and design needs of their customers.

Description of Industry Participants

There are approximately 578 household furniture manufacturing plants in Canada employing 19,536 people. The furniture industry is highly fragmented and the majority (69%) of Canadian manufacturers employ less than 20 people. Only 6% of Canadian furniture manufacturers have more than 100 employees and only 1 or 2 have more than 500. However, it is these larger firms that account for 47% of total Canadian furniture shipments.

There are 41 wood furniture manufacturers with approximately 850 employees located throughout British Columbia, according to the British Columbia Manufacturers Directory, 1994. The industry in British Columbia consists of small manufacturers with 67% of firms employing less than 10 people. Only 2 firms in the province have more than 100 employees.

Key Industry Trends

Several trends have affected the supply and demand for household furniture in Canada and British Columbia over the last several years. The demand for household furniture is driven by consumer disposable income over the short term and by housing starts over the long term. The recession during the early 90's weakened consumer confidence and demand for household furniture. Unfortunately, consumer confidence and housing starts across Canada have not reached pre-recession levels.

While lack of domestic demand has resulted in a one third decrease in the number of domestic suppliers of household furniture, the number of foreign suppliers, primarily from the United States has increased over the last several years. According to Federal statistics, Canadian manufacturers have lost 20% of their share of the domestic market to United States imports over the last 3 years. This is partially due to the Free Trade Agreement between Canada and the United States wwhich has resulted in the elimination of tariffs on United States imports. The upholstered furniture segment of the household furniture industry has been affected the most by foreign imports.

Industry Outlook

The market outlook for household furniture in British Columbia is positive. Demand growth is generated from segments of the population that are growing such as new immigrants and immigration into the province is projected to remain strong for the next five years. New immigrants to the province buy household furniture as they establish new homes. These families are following North American furniture trends and are purchasing traditional and contemporary designed furniture.

While total domestic demand for household furniture in Canada is projected to see minimal annual growth of 1% over the next several years, product opportunities exist. For example, domestic demand for wooden furniture is growing due to changing consumer purchasing trends. Canadian consumers no longer view furniture as a once-in-a-lifetime investment. As a result, the demand for contemporary designs is increasing. Popular design and style trends include softer lighter woood tones, finer detailing, and faux aged hardware. The demand for wall units and cabinets for entertainment centers is also growing due to increased consumer demand for electronic products.

Marketing Strategy

Target Markets

Our primary target market includes small independent furniture retailers in Pine Ridge and surrounding communities. Secondary markets include independent retailers in other areas of the province. As our company grows and sales volumes increase, larger furniture chains and department stores will be targeted. Currently, our company does not have the capacity to service this market.

Our primary consumer target market is young families buying new homes. This segment of the market is growing in Pine Ridge with the opening of the new plant. The Pine Ridge Economic Development Office has forecast strong growth in population and housing starts. Unemployment rates are also forecast to decline which should increase consumer confidence and the demand for furniture.

Description of Key Competitors

There are two competitive furniture manufacturers in British Columbia who produce pine product lines similar to ours. Canadian Heritage Pine Furniture is a small manufacturer with 3 employees is located on Vancouver Island. Our other direct competitor, Conklin Furniture has 25 employees and is located in the Lower Mainland.

Canadian Heritage Pine Furniture sells product through small independent furniture retailers on Vancouver Island. They are a small operation and are not looking to expand beyond their current size. Conklin Furniture has several pine furniture product lines including living room, bedroom, dining room, and patio furniture. While their product and quality is similar to our company's, they distribute their product through larger chain furniture retailers primarily in the Lower Mainland.

Several American companies also manufacture product lines similar to our company's. These companies typically have over 300 employeess and distribute product through the department stores and discount stores.

Analysis of Competitive Position

Our company's product line has several competitive advantages over our competitors including unique deisgn and quality for a reasonable price. Our product line is flexible in that customers can choose different finishes to satisfy their style and design preferences. While other pine manufacturers offer this service, none distribute product in Pine Ridge. While our product lines are competitively priced in comparison to other furniture lines offered through local retail outlets, we offer superior quality in that we do not use veneers, particle board or fibre board, only solid pine. As a result, our customers feel that they are buying good value.

Another advantage is that Pine Ridge is growing quickly due to the opening of a new plant. Housing starts are well above the provincial and national averages. The local Economic Development Office predicts that this trend will continue for 3 to 5 more years and then stabilize. As a result, the demand for ffurniture will remain strong in the area. Currently, there are not enough furniture retailers and manufacturers in the area to satisfy demand and our company is in an excellent position to capitalize on this opportunity.

However, the furniture marketplace is highly competitive and furniture trends can change quickly. Consumers buy furniture based on design, quality and price. Consumers have very individual tastes that can change quickly. Pine furniture has been very popular for several years, but it is difficult to know how long this trend will last. However, as a smaller operation, we have the flexibility to make design and style changes to meet changing consumer tastes.

It has also become increasingly difficult to compete with large United States exporters because of their aggressive pricing policies.

Pricing Strategy

Our strategy is to price our products at a level comparable to our competitors. Our strategy takes into account production costs, competitive pricing strategies and consumer price sensitivity. The household furniture market is very competitive and the price conscious consumer market is looking for good value. Our company's goal is to provide good quality furniture for a reasonable price while still maintaining healthy profit margins. While, our company does not offer volume discounts to retailers, we do offer credit terms of 30 days.

Promotion Strategy

Our company's promotional strategy targets both potential retail outlets and potential consumers. Local independent retailers are contacted directly. As the company grows, a manufacturing agent will be hired to promote our product lines to retail outlets throughout the province. Agents typically charge a 5% to 7% commission on the wholesale price of product sold. Retailers then add a markup on the product which determines the retail price of the product.

Our company has produced a catalogue featuring our product lines and samples of our wood finishes that we distribute to targeted retailers. Retailers can use the catalogue to show potential customers any products not displayed in their showroom and to order additional product. The wood finish samples are used to show customers the finishes and stains available with our product lines.

A brochure has been developed on each product line that is distributed to interested consumers tthrough the retailers. The brochures feature pictures of each product and highlight the unique design and quality of our products.

Distribution Strategy

Our furniture is distributed through several channels depending on the needs of our retail customers. The company truck is sometimes used to ship small orders to local retailers. Larger orders are picked up by the retailer or are sent by common carrier. The channel of distribution varies by retail customer and the size of the order.

Management and Staffing

Organizational Structure

Our company is owned and operated by Marla Maple and Barry Birch. The owners/operators manage the company and share all managerial, administrative, marketing, design, layout and product development functions. The company has two full time and three part time employees who work on the shop floor manufacturing furniture. The furniture industry is very cyclical, so staffing levels fluctuate between 2 to 5 employees depending on our production needs. Part time employees will be promoted to full time as sales increase. One to two part time employees will be hired each year over the next two to three years as production volumes increase.

Management Team

The owners Barry Birch and Marla Maple both have extensive experience in the household furniture industry. For the past 50 years, Barry Birch's family has owned a large upholstered furniture manufacturing plant in London, Ontario. Mr. Birch trained and worked at the company for 15 years. He also worked for a small wooden furniture manufacturer in Quebec for 5 years where he was instrumental in growing the business from 3 employees and $300,000 in sales to 10 employees and $1 million in sales.

Marla Maple worked as a production manager for 8 years for a wooden furniture manufacturer in Laval, Quebec. She also worked for 5 years at a large national furniture retail chain as a purchaser.

Their complete resumes are included in the appendices.

Staffing

Pine of the Times Furniture employs two full time and three part time shop floor workers. All of our employees have carpentry and wood working experience. As we need additional part time staff advertisements will be placed in local newspapers and with the local unemployment office.

We hire carpenters with a minimum of 2 years furniture making experience or graduates from Joinery training programs. These 7 to 10 month programs are offered through BCIT, University College of the Cariboo and Northern Lights College. Any additional training needed will be done on the job. Wages rates range from $13.00 per hour for new employees up to $16.00.

Labour Market Issues

There is no shortage of semi-skilled and skilled labor in the Pine Ridge region. However, it may become difficult to recruit and retain employees with the opening of the new plant which will offer union wages and benefit packages. The result may be increased labor costs which will affect small manufacturers in the region.

Regulatory Issues

Intellectual Property Protection

We have put a trademark on the name of our company, Pine of the Times Furniture.

Regulatory Issues

The City of Pine Ridge and the Worker's Compensation Board have environmental regulations for manufacturing operations. To comply with these regulations, we have installed dust collection devises and an air circulation system to reduce the levels of volatile organic compound (VOC) emissions from the using solvents and paints. We also have a business licence from the City of Pine Ridge.

Risks

Market Risks

There are several factors that could affect the demand for our products. The Canadian household furniture industry is directly affected by economic conditions. While the economy of Pine Ridge is forecast to grow and remain strong over the next three to five years, this could result in increased competition. Our company will address these market risks by continuing to offer competitively priced products of superior quality. Due to the affordability of pine furniture, demand is projected to remain constant. We will track changes in consumer trends by maintaining strong relationships with our retailers. Design and product changes will be made to meet the needs of the consumer market. Small style changes are relatively inexpensive and easy to make.

Small independent retailers could lose market share to larger retailers and discount stores. It is important that our company use only reputable well known small retailers to distribute our product. Inncreasing the availability of our furniture by affiliating with retailers throughout the province should enable our company to achieve sales targets.

Demand in the furniture industry is highly cyclical. However, our flexible manufacturing system and the use of part time labor allows us to cost effectively modify production as needed.

Other Risks

The availability of labor could become a problem with the opening of the new plant. The expansion of our product lines and increased sales volume will enable our company to promote our part time employees to full time. Once we have 5 full time employees we will also be in a position to offer a more comprehensive benefits package.

Another risk would be the loss of a partner. The success of many companies is directly linked to their management team. However, both partners at Pine of the Times are involved in all aspects of company operations so the loss of one partner would not adversely affect the success or management of the company.

Implementation Plan

Implementation Activities and Dates

Within the next several months our company will undertake the following activities:

1. We are currently in the process of obtaining a loan of $80,000 for a Point-to-Point drilling machine.
2. The Point-to-Point drilling machine will be purchased in December: delivery will take approximately 4 to 6 weeks. Once the machine is installed, management and two full time employees will be trained how to operate the machine. All training will occur on site and will be conducted by Barry Birch.

3. A graphic artist and printer have been hired to develop the brochures for our product lines and the catalogue. The brochures and catalogue will be ready for distribution in January. The samples of our wood finishes and stains were done in house and will be distributed with the brochures and catalogues.

4. Next month we will hire an agent to represent our product lines. The goal is to increase the number of retailers carrying ouur product by 5 within 12 months.

Financial Plan

Discussion of Projected Net Income

Our revenue projections for 1997 are $396,000 increasing to $584,100 in 1999. We project strong growth in annual revenues of 27% in 1998 and 16% 1999 due to the opening of the new plant which will result in increased immigration, housing starts and demand for household furniture. The number of retail outlets selling our furniture will also double, from 5 to 10 in 1998 and from 10 to 15 in 1999. On average, we estimate bad debts will be 1% of sales.

Our direct cost of sales average 59% of gross sales, including production wages at 32% and goods and materials at 24%. Our sales and marketing costs range between 1% and 2% of gross sales. The plant lease rates will be $1750 per month triple net in 1997, increasing to $2,054 per month by 1999. Property and Utilities will range from 6% to 7%. Operating expenses average 1% of gross sales. Our expenses include vehicle and travel expenses for our delivery van, equipment repairs and maintenance, office ssupplies and licences and permits. Our banking and other expenses total 1% of sales, including bank charges, accounting and legal fees, and insurance. The management wages for Barry Birch and Marla Maple are $20,000 and $25,000, respectively. This does not include the portion of their wages included as cost of sales production wages.

The net income is projected to increase from $38,645 in 1997 to $75,779 in 1999. Interest includes seasonal operational loans and equipment loans. Depreciation is calculated at 30% per year. However, the new equipment was depreciated 15% in the first year. Federal and provincial income taxes are calculated at 22.84% of net income before taxes.

Discussion of Monthly Cash Flow Statement

Due to the seasonality of furniture manufacturing and our high number of collection days, we periodically take out operating loans that are supported by our accounts receivable. A second operating loan will be needed in August of 1997 which will be paid off by the following December. The monthly cash flow table is located at the end of our business plan.

Discussion of Projected Annual Cash Flow

If we meet our financial targets, we will not need to take out working capital loans in 1998 and 1999.

Discussion of Pro-Forma Balance Sheet

If we achieve our financial objectives we do not project any difficulty in meeting our long term debt obligations.

Discussion of Business Ratios

We have compared our ratios to those complied in Robert Morris Associates, Annual Statement Studies. Our Average Collection Period is high due to the seasonality of the furniture industry and the payment practices of small independent retailers. We are able to turn our inventory over monthly due to the close proximity of our suppliers.

Pine of the Times Furniture

PRO FORMA INCOME STATEMENT

for the Periods Ending Dec

	1997	1998	1999
Net Sales	396000	504900	584100
Direct Cost of Sales	233000	298000	345000
Gross Margin	163000	206900	239100
Expenses			
Sales & Marketing	4000	7500	10000
Property & Utilities	29500	31850	34200
Operations	4000	4350	4840
Banking & Other	4900	5250	5810
Other Wages & Benefits	45000	55000	65000
Interest Operating Loan	1600	0	0
Interest Term Loan	7416	6056	4555
Depreciation	16500	23550	16485
Total Expenses	112916	133556	140890
Net Income Before Taxes	50084	73344	98210
Less: Income Taxes	11439	16752	22431
Net Income	38645	56592	75779

Pine of the Times Furniture
PROJECTED CASH FLOW STATEMENT
for the Year Ending Dec, 1997

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Cash Inflows:							
Cash Receipts	62376	36336	8217	11682	18315	18612	12375
Other Sources of Funding							
Owner Investment	0	0	0	0	0	0	0
Operating Loan Advances	0	0	0	0	0	0	0
Term Loan Advances	80000	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0
Total Cash Inflows	142376	36336	8217	11682	18315	18612	12375
Cash Outflows: Payment Of:							
Cost of Sales Items	5000	5000	10000	20000	25000	10000	10000
Sales & Marketing Items	1000	500	0	0	1000	1000	0
Property & Utilities Items	2790	2790	2290	2290	2300	2300	2300
Operations Items	340	230	180	190	290	250	250
Banking & Other Items	640	430	230	240	340	450	450
Other Wages & Benefits Items	1000	1000	3000	3000	4500	4500	3000

Other Uses of Funding:							
Repayment of Shareholder Capital	0	0	0	0	0	0	0
Payment of Dividends /Earnings	0	0	0	0	0	0	0
Operating Loan Interest & Principal	1700	1700	1700	1700	1700	1700	1700
Term Loan Interest & principal	10000	10400	0	0	0	0	0
Purchase of Fixed Assets	80000	0	0	0	0	0	0
Payment of Other Assets	0	0	0	0	0	0	0
Payment of Taxes	0	0	2860	0	0	2860	0
Total Cash Outflows	102470	22050	20260	27420	35130	23060	17700
Increase/ Decrease in Cash	39906	14286	-12043	-15738	-16815	-4448	-5325
Beginning Cash Balance	5000	44906	59192	47149	31411	14596	10148
Closing Cash Balance	44906	59192	47149	31411	14596	10148	4823

	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Cash Inflows:						
Cash Receipts	11781	21978	39303	60984	87516	389475
Other Sources of Funding						
Owner Investment	0	0	0	0	0	0
Operating	40000	0	0	0	0	40000

Loan Advances						
Term Loan Advances	0	0	0	0	0	80000
Sale of Fixed Assets	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0
Total Cash Inflows	51781	21978	39303	60984	87516	509475
Cash Outflows:						
Payment Of:						
Cost of Sales Items	20000	30000	30000	30000	25000	220000
Sales & Marketing Items	0	0	0	0	500	4000
Property & Utilities Items	2290	2290	2290	2790	2780	29500
Operations Items	340	290	300	900	390	3950
Banking & Other Items	440	340	350	450	440	4800
Other Wages & Benefits Items	3000	4000	4500	6750	6750	45000
Other Uses of Funding:						
Repayment of Shareholder Capital	0	0	0	0	0	0
Payment of Dividends/Earnings	0	0	0	0	0	0
Operating Loan Interest & Principal	1700	1700	1700	1700	1700	20400
Term Loan Interest & principal	0	5000	0	20000	16200	61600
Purchase of Fixed Assets	0	0	0	0	0	80000

Payment of Other Assets	0	0	0	0	0	0
Payment of Taxes	0	2860	0	0	2859	11439
Total Cash Outflows	27770	46480	39140	62590	56619	480689
Increase/Decrease in Cash	24011	-24502	163	-1606	30897	28786
Beginning Cash Balance	4823	28834	4332	4495	2889	5000
Closing Cash Balance	28834	4332	4495	2889	33786	33786

Pine of the Times Furniture

PROJECTED ANNUAL CASH FLOW STATEMENT

for the Years Ending Dec

	1997	1998	1999
Cash Inflows:			
Cash Receipts	389475	489525	576000
Other Sources of Funding			
Owner Investment	0	0	0
Operating Loan Advances	40000	0	0
Term Loan Advances	80000	0	0
Sale of Fixed Assets	0	0	0
Other Assets	0	0	0
Total Cash Inflows	509475	489525	576000
Cash Outflows:			
Payment Of:			
Cost of Sales Items	220000	279000	325000
Sales & Marketing Items	4000	7500	10000
Property & Utilities Items	29500	31850	34200
Operations Items	3950	4400	4840
Banking & Other Items	4800	5350	5810
Other Wages & Benefits Items	45000	55000	65000
Other Uses of Funding:			
Repayment of Shareholder Capital	0	0	0
Payment of Dividends/Earnings	0	0	0

Operating Loan Interest & Principal	20400	21000	20400
Term Loan Interest & principal	61600	0	0
Purchase of Fixed Assets	80000	0	0
Payment of Other Assets	0	0	0
Payment of Taxes	11576	16752	22431
Total Cash Outflows	480826	420852	487681
Increase/Decrease in Cash	28649	68673	88319
Beginning Cash Balance	5000	33649	102322
Closing Cash Balance	33649	102322	190641

Pine of the Times Furniture
PRO FORMA BALANCE SHEET
As at Dec

	Starting Balance	1997	1998	1999
ASSETS				
Current Assets:				
Cash	5000	33649	102322	190641
Accounts Receivable	90000	96525	111900	120000
Inventory	10000	18000	19000	21000
Other Assets	0	0	0	0
Total Current Assets	105000	148174	233222	331641
Fixed Assets:				
Fixed Assets	50000	130000	130000	130000
Accumulated Depreciation	35000	51500	75050	91535
Total Fixed Assets	15000	78500	54950	38465
TOTAL ASSETS	120000	226674	288172	370106
LIABILITIES & OWNER'S EQUITY				
Liabilities:				
Accounts Payable	30000	51150	71000	93000
Taxes Payable	0	0	0	0
Operating Loans Payable	20000	0	0	0
Term Loans &	0	67016	52072	36227

Mortgages				
Total Liabilities	50000	118166	123072	129227
Owner's Equity:				
Paid-in Capital	20000	20000	20000	20000
Retained Earnings	50000	88645	145237	221016
Total Owner's Equity	70000	108645	165237	241016
TOTAL LIABILITIES & OWNER'S EQUITY	120000	226811	288309	370243

Pine of the Times Furniture
RATIO ANALYSIS
As at Dec

RATIOS	1997	1998	1999
Gross Margin	41	41	41
Net Profit Margin	12	14	16
Return on Assets	22	25	26
Average Collection Period Days	89	81	75
Inventory Turnover	12	15	16
Total Assets Turnover	1	1	1
Debt to Net Worth	1	0	0
Return on Owner's Equity	46	44	40
Times Interest Coverage	2	3	6

Note 1: Revenue Assumptions

a. Our revenue projections by product and by month for the first year are:

Year 1	Living Room	Dining Room	Specialty	Bad Debt	Total
Month 1	5000	2000	1000	-80	7920
Month 2	5000	2000	1000	-80	7920
Month 3	5000	2000	2000	-90	8910
Month 4	10000	5000	4000	-190	18810
Month 5	15000	5000	4000	-240	23760
Month 6	5000	2000	3000	-100	9900
Month 7	5000	2000	2000	-90	8910
Month 8	10000	5000	3000	-180	17820
Month 9	20000	10000	8000	-380	37620
Month 10	30000	15000	12000	-570	56430
Month 11	40000	25000	20000	-850	84150
Month 12	50000	35000	30000	-1150	113850
Total	200000	110000	90000	-4000	396000

b. Our revenue projections by product for Years 2 and 3 are:

Year 1	Living Room	Dining Room	Specialty	Bad Debt	Total
Year 2	270000	200000	40000	-5100	504900
Year 3	320000	250000	20000	-5900	584100

Note 2: Assumptions Regarding the Collection of Sales Revenue

a. We assume that the percent of our sales which are collected in the month they are made, in the month following, in the two months, and in the three months are:

Current Month	30
In the Following Month	50
In Two Months	20
In Three Months	
Total	100

b. Based on these assumptions, we have projected how much we will collect from our sales in each month. The following table also identifies any adjustments we may have made to these figures.

Year 1	Projected Collections	Adjustment	Revised Estimate
Month 1	62376		62376
Month 2	36336		36336
Month 3	8217		8217
Month 4	11682		11682
Month 5	18315		18315
Month 6	18612		18612
Month 7	12375		12375
Month 8	11781		11781
Month 9	21978		21978
Month 10	39303		39303
Month 11	60984		60984
Month 12	87516		87516
Total	389475	0	389475

c. Not all of our sales in the first year will be collected during that year. Based on the assumptions shown above, our Accounts Receivable at the end of Year 1 will be:

96525

d. We assume that our Accounts Receivable at the end of Years 2 and 3 will be:

Year 2	111900
Year 3	120000

Note 3: Cost of Sales Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Cost of Sales items listed below. These figures show up on our cash flow statements.

Year 1	Production Wages	Goods & Materials	*****	*****	Total
Month 1	2850	2150			5000
Month 2	2850	2150			5000
Month 3	5700	4300			10000
Month 4	11400	8600			20000
Month 5	14250	10750			25000
Month 6	5700	4300			10000

Month 7	5700	4300			10000
Month 8	11400	8600			20000
Month 9	17100	12900			30000
Month 10	17100	12900			30000
Month 11	17100	12900			30000
Month 12	14250	10750			25000
Total	125400	94600			220000

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Cost of Sales items listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Production Wages	Goods & Materials	*****	*****	Total
Year 2	168000	111000			279000
Year 3	200000	125000			325000

c. Some of these payments may have been to produce or purchase goods which we won''t have sold yet. We estimate the value of such goods which we will have in inventory at the end of Years 1, 2, and 3 will be:

Year	Inventory
Beginning Balance	10000
Year 1	18000
Year 2	19000
Year 3	21000

d. Apart from what we have already paid for, there may be additional Cost of Sales goods or services which we have received but we won''t have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Cost of Sales items at the end of Years 1, 2, and 3 will be:

Year	Cost of Sales Payable
Beginning Balance	30000
Year 1	51000
Year 2	71000
Year 3	93000

e. Based on these assumptions, we have calculated our Cost of Sales expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Cost of Sales	$	%
Year 1	233000	59
Year 2	298000	59
Year 3	345000	59

Note 4: Sales and Marketing Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Sales and Marketing items are listed below. These figures show up on our cash flow statements.

Year 1	Advertising	Brochure	Catalogue	Samples	Total
Month 1		500		500	1000
Month 2		500			500
Month 3					0
Month 4					0
Month 5			1000		1000
Month 6			1000		1000
Month 7					0
Month 8					0

Month 9					0
Month 10					0
Month 11					0
Month 12		500			500
Total		1500	2000	500	4000

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Sales and Marketing items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Advertising	Brochure	Catalogue	Samples	Total
Year 2	2500	2000	2500	500	7500
Year 3	3000	2500	3500	1000	10000

c. Apart from what we have already paid for, there may be additional Sales and Marketing items which we have received by we won''t have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Sales and Marketing items at the end of Years 1, 2, and 3 will be:

Year	Sales & Marketing Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Sales and Marketing expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Sales & Marketing	$	%
Year 1	4000	1
Year 2	7500	1
Year 3	10000	2

Note 5: Property and Utilities Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Property & Utilities items are listed below. These figures show up on our cash flow statements.

Year 1	Rent & Property	Utilities	Telephone	Other	Total
Month 1	1750	500	500	40	2790
Month 2	1750	500	500	40	2790
Month 3	1750	250	250	40	2290
Month 4	1750	250	250	40	2290
Month 5	1750	250	250	50	2300
Month 6	1750	250	250	50	2300
Month 7	1750	250	250	50	2300
Month 8	1750	250	250	40	2290
Month 9	1750	250	250	40	2290
Month 10	1750	250	250	40	2290
Month 11	1750	500	500	40	2790
Month 12	1750	500	500	30	2780
Total	21000	4000	4000	500	29500

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Property & Utilities items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Rent & Property	Utilities	Telephone	Other	Total
Year 2	22950	4300	4600	0	31850

Year 3	24650	4500	5050	0	34200

c. Apart from what we have already paid for, there may be additional Property & Utilities items which we have received by we won''t have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Property & Utilities items at the end of Years 1, 2, and 3 will be:

Year	Property & Utilities Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Property & Utilities expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Property and Utilities	$	%
Year 1	29500	7
Year 2	31850	6
Year 3	34200	6

Note 6: Operations Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Operations items are listed below. These figures show up on our cash flow statements.

Year 1	Supplies	Repair & Maintenance	Vehicle & Travel	Licences & Permits	Total
Month 1	40	200	100	0	340
Month 2	30	100	100	0	230
Month 3	30	50	100	0	180
Month 4	40	50	100	0	190
Month 5	40	50	200	0	290
Month 6	50	100	100	0	250
Month 7	50	100	100	0	250
Month 8	40	100	200	0	340
Month 9	40	50	200	0	290
Month 10	50	50	200	0	300
Month 11	50	50	300	500	900
Month 12	40	50	300	0	390
Total	500	950	2000	500	3950

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Operations items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Supplies	Repair & Maintenance	Vehicle & Travel	Licences & Permits	Total
Year 2	500	1100	2200	600	4400
Year 3	540	1200	2400	700	4840

c. Apart from what we have already paid for, there may be additional Operations items which we have received by we won''t have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Operations items at the end of Years 1, 2, and 3 will be:

Year	Operations Payable
Beginning Balance	0
Year 1	50
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Operations expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Operations	$	%
Year 1	4000	1
Year 2	4350	1
Year 3	4840	1

Note 7: Banking and Other Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Banking, Professional & Other items are listed below. These figures show up on our cash flow statements.

	Bank Charges	Accounting & Legal	Insurance	Other	Total
Month 1	200	200	200	40	640
Month 2	100	200	100	30	430
Month 3	50	100	50	30	230
Month 4	50	100	50	40	240
Month 5	50	200	50	40	340
Month 6	100	200	100	50	450
Month 7	100	200	100	50	450
Month 8	100	200	100	40	440
Month 9	50	200	50	40	340
Month 10	50	200	50	50	350
Month 11	50	300	50	50	450
Month 12	50	300	50	40	440
Total	950	2400	950	500	4800

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Banking, Professional & Other items are listed below. These figures show up on our annual Cash Flow Statement.

	Bank Charges	Accounting & Legal	Insurance	Other	Total
Year 2	1000	2700	1000	650	5350
Year 3	1100	2860	1100	750	5810

c. Apart from what we have already paid for, there may be additional Banking, Professional & Other items which we have received by we won''t have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Banking, Professional & Other items at the end of Years 1, 2, and 3 will be:

Year	Amount Payable
Beginning Balance	0
Year 1	100
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Banking, Professional & Other expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Banking and Other	$	%
Year 1	4900	1
Year 2	5250	1
Year 3	5810	1

Note 8: Wages and Other Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Wages & Other items are listed below. These figures show up on our cash flow statements.

Year 1	Barry Birch	Marla Maple	*****	*****	Total
Month 1	500	500	0	0	1000
Month 2	500	500	0	0	1000
Month 3	1000	2000	0	0	3000
Month 4	1000	2000	0	0	3000
Month 5	2000	2500	0	0	4500
Month 6	2000	2500	0	0	4500
Month 7	1500	1500	0	0	3000
Month 8	1000	2000	0	0	3000
Month 9	1500	2500	0	0	4000
Month 10	2250	2250	0	0	4500
Month 11	3375	3375	0	0	6750
Month 12	3375	3375	0	0	6750
Total	20000	25000	0	0	45000

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Wages & Other items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Barry Birch	Marla Maple	*****	*****	Total
Year 2	25000	30000	0	0	55000
Year 3	30000	35000	0	0	65000

c. Apart from what we have already paid for, there may be additional Wages & Other items which we have received by we won''t have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Wages & Other items at the end of Years 1, 2, and 3 will be:

Year	Wages Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Wages & Other expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Wages and Other	$	%
Year 1	45000	11
Year 2	55000	11
Year 3	65000	11

Note 9: Other Sources of Funding

a. Our assumptions regarding other sources of funding for our business in Year 1 are:

	Investment By Owners	Operating Loan Advances	Term Loan Advances	Sale of Fixed Assets	Other Assets
Month 1	0	0	80000	0	0
Month 2	0	0	0	0	0
Month 3	0	0	0	0	0
Month 4	0	0	0	0	0
Month 5	0	0	0	0	0

Month 6	0	0	0	0	0
Month 7	0	0	0	0	0
Month 8	0	40000	0	0	0
Month 9	0	0	0	0	0
Month 10	0	0	0	0	0
Month 11	0	0	0	0	0
Month 12	0	0	0	0	0
Total	0	40000	80000	0	0

b. Our assumptions regarding other sources of funding for Years 2 and 3 are:

	Investment By Owners	Operating Loan Advances	Term Loan Advances	Sale of Fixed Assets	Other Assets
Year 2	0	0	0	0	0
Year 3	0	0	0	0	0

Note 10: Other Uses of Funding

a. Our assumptions regarding payments to owners and repayment of loan principal and interest in Year 1 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnings Shareholders	Operating Loan Interest & Principal	Term Loan Interest & Principal
Month 1	0	0	10000	1700
Month 2	0	0	10400	1700
Month 3	0	0	0	1700
Month 4	0	0	0	1700
Month 5	0	0	0	1700
Month 6	0	0	0	1700
Month 7	0	0	0	1700
Month 8	0	0	0	1700
Month 9	0	0	5000	1700
Month 10	0	0	0	1700
Month 11	0	0	20000	1700
Month 12	0	0	16200	1700
Total	0	0	61600	20400

b. Our assumptions regarding payments to owners and repayment of loan principal and interest in Years 2 and 3 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnings Shareholders	Operating Loan Interest & Principal	Term Loan Interest & Principal
Year 2	0	0	0	21000
Year 3	0	0	0	20400

c. Our assumptions regarding other payments in Year 1 are:

Other Uses of Funds	Purchase of Fixed Assets	Payments for Other Assets	Payment for Income Taxes
Month 1	80000	0	0
Month 2	0	0	0
Month 3	0	0	2860
Month 4	0	0	0
Month 5	0	0	0
Month 6	0	0	2860

Month 7	0	0	0
Month 8	0	0	0
Month 9	0	0	2860
Month 10	0	0	0
Month 11	0	0	0
Month 12	0	0	2859
Total	80000	0	11439

d. Our assumptions regarding other payments in Year 2 and 3 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnings Shareholders	Operating Loan Interest & Principal
Year 2	0	0	16752
Year 3	0	0	22431