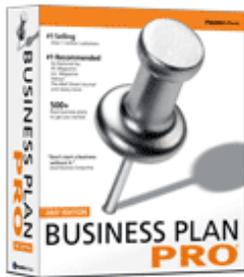




Mike's Trucking Service – Sample Plan



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Mike's Trucking Service — Sample Plan

1.0 Executive Summary

Mike's Trucking Service is a Dallas, TX based trucking company that aims to be one of the largest trucking companies in the USA. Mike's is initially focusing on the food industry with plans to diversify with new industries served. Mike's has chosen the trucking industry as the growth prospects are encouraging and stable, with trucking dominating the freight industry in this country.

Services

Mike's will offer both for-hire trucking as well as private carriers. Most of their business will be derived from the private carriers. For the private carrier segment, both truck load (TL) and less than truck load (LTL) will be offered. Mike's services will be especially attractive to the food industry, as participants in that industry typically use referrals, reputation, and customer service as purchasing variables.

Customer Segments

Mike's will serve four different market segments. The first, as mentioned earlier is the food industry. This segment is growing at an annual rate of 3% with 3000 potential customers identified. The second segment is the computer industry with a 5 % growth rate and 1500 possible customers. The retail industry is the third with a 2% growth rate and 1500 customers. The last segment is a catch all "other" segment growing at 2% and 500 customers.

Management

Mike's Trucking is lead by Mike Smith, a 15 year industry veteran. After college Mike went to work for C&F trucking as a driver for two years. Mike felt that it was instrumental to have experience within an industry at all levels. It was quickly obvious that Mike has skills beyond driving trucks and moved into management for three years. After five years at C&F it was time for a change and Mike went to Yellow to manage their Southwest region operations. It was ten years of experience at Yellow that provided Mike with the skill sets, experience, and confidence to decide to open his own trucking company business.

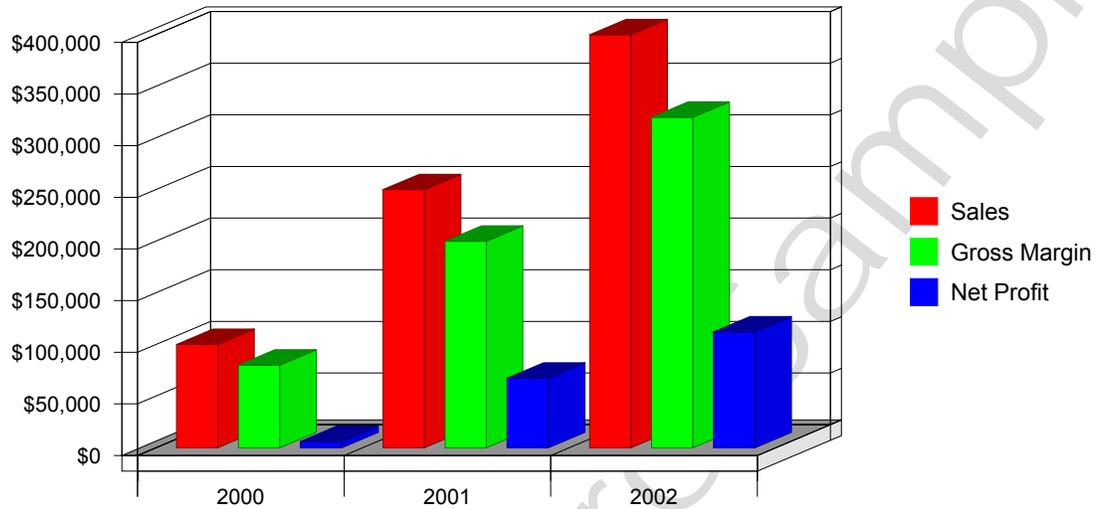
Marketing

Mike's will employ three distinct marketing efforts to raise awareness about the company and generate new customers. The first strategy is the use of promotions. This will focus on press releases and advertising using various different medias. The second effort will be the use of incentives. The incentives will be offered to existing customers. The last effort will be printed brochures. These will be distributed to new and existing customers.

Mike's Trucking Service is a customer-centric organization looking to become one of the premier trucking companies in the USA. Profitability is forecasted to occur at month three. Mike's has conservatively projected sales of \$6151 for year one and \$112,230 for year three.

Mike's Trucking Service — Sample Plan

Highlights



1.1 Mission

The mission of Mike's Trucking is to be the leading trucking company servicing the United States.

2.0 The Company

Mike's Trucking Service is a Texas LLC, with principal offices located in Dallas, Texas. Mike Smith, president and CEO, is the majority owner. He has been in the trucking business for 15 years.

Mike's Trucking Service — Sample Plan

2.1 Company History

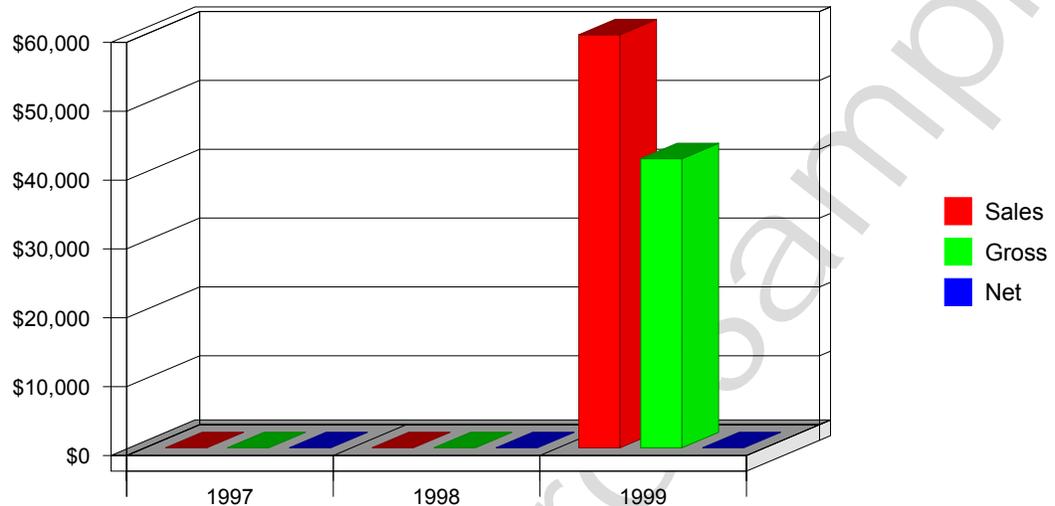
Mike's Trucking has been in business for one year. We have maintained financial stability during its first year of operation due to the extensive industry experience of our management team.

Table: Past Performance

Past Performance	1997	1998	1999
Sales	\$0	\$0	\$60,000
Gross Margin	\$0	\$0	\$42,000
Gross Margin %	0.00%	0.00%	70.00%
Operating Expenses	\$0	\$0	\$18,000
Collection Period (days)	0	0	37
Inventory Turnover	0.00	0.00	0.00
Balance Sheet			
Current Assets	1997	1998	1999
Cash	\$0	\$0	\$500
Accounts Receivable	\$0	\$0	\$10,000
Inventory	\$0	\$0	\$5,000
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$0	\$0	\$15,500
Long-term Assets			
Capital Assets	\$0	\$0	\$40,000
Accumulated Depreciation	\$0	\$0	\$4,000
Total Long-term Assets	\$0	\$0	\$36,000
Total Assets	\$0	\$0	\$51,500
Capital and Liabilities			
	1997	1998	1999
Accounts Payable	\$0	\$0	\$3,500
Current Borrowing	\$0	\$0	\$20,000
Other Current Liabilities	\$0	\$0	\$500
Subtotal Current Liabilities	\$0	\$0	\$24,000
Long-term Liabilities	\$0	\$0	\$25,000
Total Liabilities	\$0	\$0	\$49,000
Paid-in Capital	\$0	\$0	\$0
Retained Earnings	\$0	\$0	\$2,500
Earnings	\$0	\$0	\$0
Total Capital	\$0	\$0	\$2,500
Total Capital and Liabilities	\$0	\$0	\$51,500
Other Inputs			
	1997	1998	1999
Payment Days	0	0	30
Sales on Credit	\$0	\$0	\$50,000
Receivables Turnover	0.00	0.00	5.00

Mike's Trucking Service — Sample Plan

Past Performance



3.0 Services

The trucking industry provides transportation services for persons or companies looking to haul heavy things. Mike's Trucking enables someone to lease a truck, of any size, for any project that needs hauling. We will provide this service to the whole of the Dallas area, and hope to expand from this base area within the first five years of operation.

This service is provided on two bases: for-hire and private carriers. Of these two segments, Mike's Trucking will concentrate on the for-hire carriers, and, more specifically, the truckload (TL) and less-than-truckload (LTL) segments. The services offered, and the markets being targeted, are discussed throughout the following section.

4.0 Market Analysis Summary

Mike's Trucking has an opportunity to entrench its competitive position in the regional transportation market by selectively focusing its target market on the food industry. The company has already had experience in servicing such clients and it believes that there is a growing demand for reliable transportation solutions in this customer segment.

Mike's Trucking Service — Sample Plan

4.1 Market Segmentation

There are several potential customer segments that we will provide our transportation services to. Major customer segments include the food industry, PC and semiconductor manufacturers, and retailers. The chart and table below outline the current market size and growth estimates for these customer segments in Texas.

Large established companies in the afore-mentioned segments (especially in the food industry) have their own truck fleets, while smaller players outsource the transportation function. The latter vary in the scale of their operations, but have a steady demand for reliable transportation solutions. We will actively solicit such customers.

Market Analysis (Pie)

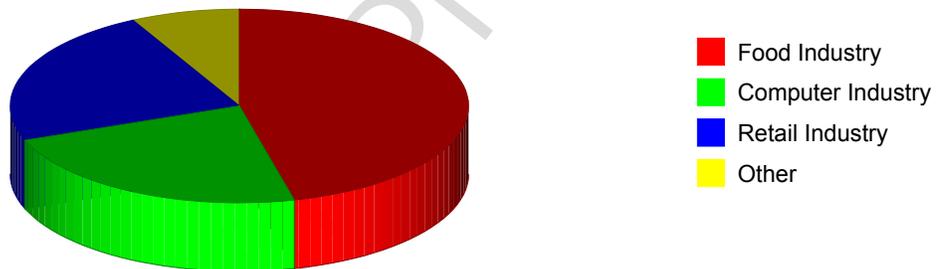


Table: Market Analysis

Market Analysis Potential Customers	Growth	2000	2001	2002	2003	2004	CAGR
Food Industry	3%	3,000	3,090	3,183	3,278	3,376	3.00%
Computer Industry	5%	1,500	1,575	1,654	1,737	1,824	5.01%
Retail Industry	2%	1,500	1,530	1,561	1,592	1,624	2.01%
Other	2%	500	510	520	530	541	1.99%
Total	3.17%	6,500	6,705	6,918	7,137	7,365	3.17%

Mike's Trucking Service — Sample Plan

4.2 Target Market Segment Strategy

Mike's Trucking will focus its marketing budget on a selected industry niche. A narrow-served market focus will help strengthen the company's reputation of a reliable transportation services provider and will generate favorable referrals.

The major customer segment the company is focusing on is the food industry. Companies in this segment have varying needs, and Mike's Trucking has already gained valuable experience serving such customers. The company management believes that by increasing its truck fleet it can capture additional clients and provide better service to existing clients.

4.3 Service Business Analysis

Market Description Industry: Trucking, except local

Establishments that are primarily engaged in furnishing "over-the-road" trucking services or trucking and storage services for freight generally weighing more than 100 pounds. Such operations are principally outside a single municipality, group of contiguous municipalities, or municipality and its suburban areas.

Market Size Statistics

Estimated number of U.S. establishments	48,117
Number of people employed in this industry	812,712
Total annual sales in this industry	\$139 million
Average employees per establishment	17
Average sales per establishment	\$3.6 million

Standard & Poor's estimates that the U.S. commercial freight transportation market had aggregate revenues of \$436 billion in 1998. In other words, five cents of every dollar of U.S. gross domestic product that year was spent on transportation.

Industry trends

While a driver shortage continues to plague the TL sector, the LTL carriers have adapted to changing market conditions in order to capitalize on growth opportunities. Intermodal shippers also stand to benefit from market trends. And the evolution of electronic commerce stands to intensify competition among all carriers.

Truckers Dominate Freight Market

Based on value of service, trucking (excluding warehousing and logistics) accounted for 79%, or some \$344 billion, of U.S. commercial freight revenues in 1998, but only 45% of total ton miles. This is because products transported by truck tend to be lightweight, manufactured goods that move short distances, rather than the heavy, long haul, bulk commodities that travel by rail and barge.

Motor carriers specialize in higher-value freight that moves 750 miles or less and for which delivery is required within three days. Some 36% of truck freight (measured by shipping cost) never crosses state lines. Examples of this type of freight are food and consumer staples delivered locally, and manufactured goods shipped between commercial establishments or delivered to consumers or retail outlets.

Mike's Trucking Service — Sample Plan

Truckers have the largest share of the freight market. Unlike railroads, pipelines, or water carriers, they don't face geographic limits caused by physical constraints, and can offer door-to-door service. They also pay relatively little to use the nation's highway system. Railroads, by contrast, must build, maintain, and police their rights-of-way.

The trucking industry consists of two broad segments: private and for hire. In turn, for-hire truckers fall into two broad categories: truckload and less-than-truckload carriers.

4.3.1 Business Participants

Trucking

With some \$344 billion in 1998 revenues, the trucking (or motor carrier) business claimed 79% of the U.S. commercial freight transportation market. This total was divided among two sectors: private carriage and for hire.

Figure 2. Commercial Freight Distribution

Transportation	Billion \$	% of Total
Trucking, Total	\$344	63.6%
Private, Interstate	\$115	21.3%
Private, Local	\$85	15.7%
Truckload	\$65	12.0%
Local For-Hire	\$40	7.4%
LTL, National	\$9	1.7%
LTL, Regional	\$11	2.0%
Package/Express (ground)	\$19	3.5%
Railroad	\$36	6.7%
Pipeline (oil and gas)	\$26	4.8%
Air Freight, Package Domestic	\$17	3.1%
Air Freight, Heavy Domestic	\$6	1.1%
Water (Great Lakes/rivers)	\$7	1.3%
Transportation Total*	\$436	80.6%
Logistics Administration	\$35	6.5%
Distribution Total	\$105	19.4%
Total*	\$541	100.0%

*Excluding \$ 5 billion in international cargo.

Sources: Standard & Poor's, Data Resources, Inc., and Cass Information Systems.

Private carriers

Although private carriers comprise the largest component of the motor-carrier industry, financial information isn't available for them. However, the industry is estimated to provide services valued at some \$200 billion annually (or 58% of motor carrier revenues in 1998).

The *American Trucking Association* (ATA) estimates that there are more than three million trucks operated by private fleets transporting 3.5 billion tons of freight annually.

For-hire carriers

Mike's Trucking Service — Sample Plan

The for-hire category generated \$144 billion in 1998, or 42% of the industry total. Of that \$144 billion, some \$105 billion (73% of the sector's business) came from truckload shipments, and \$39 billion (27%) was from less-than-truckload and package/express delivery.

- **Truckload (TL).** The national for-hire truckload segment had total revenues of \$65 billion in 1998. The TL sector has historically been mostly privately owned, with the exception of the top ten publicly-owned companies (For this reason, we focused on the LTL sector in this survey). Schneider National Carriers was the largest TL operator, with revenues of \$2.8 billion in 1998, followed by J.B. Hunt Transport Services (\$1.8 billion), and the Landstar family of truckload-carriers (\$1.3 billion). Of the 50,000 truck load carriers, perhaps 95% had annual revenues of less than \$1 million.
- **Less-than-truckload (LTL).** The ATA estimates that the less-than-truckload market garnered \$20 billion in 1998. Of this amount, the fast-growing regional segment accounted for slightly more than the national market.

The largest national LTL carrier was Roadway Express Inc., with \$2.32 billion in LTL revenues in 1998; the company's total revenue of \$2.55 billion includes TL freight. Yellow Freight System (a unit of Yellow Corporation) was close behind, with \$2.25 billion (out of \$2.46 billion total). Consolidated Freightways Corporation was third, with \$1.95 billion in LTL revenues.

In the regional LTL market, Con-Way Transportation (a unit of CNF Transportation Inc.) was the largest player, with \$1.5 billion in LTL revenue in 1998. Second place belonged to US Freightways, whose family of five carriers generated some 41.4 billion in LTL revenue. American Freightways Corporation was third, with \$928 million in less-than-truckload revenues.

4.3.2 Competition and Buying Patterns

Although there are major players in each of the commercial carrier market segments, the market remains highly fragmented. According to the Dallas Yellow Pages, there are numerous companies providing different kinds of the trucking services. Major competitors for Mike's Trucking are those companies who have comparable truck fleets and are also targeting the food industry.

Market research shows that customers in the food industry are price sensitive, and they value on-time deliveries, special handling capabilities, and less-than-truckload orders. Customer referrals and carrier's reputation are believed to strongly influence the buying decision.

4.3.3 Risks

The company recognizes that it is subject to both market and industry risks. The two primary risks to the company are:

- **Industry concentration risk.** The company is mainly focused on food industry businesses in the United States. This position is favorable since the industry is fairly stable. Any slow down in the food production would have negative repercussions for Mike's Trucking. To mitigate this risk, the company is looking at diversifying its trucking business to include other industries as well.
- **Operational risk.** Mike's Trucking recognizes the fact that there is an inherent risk in transporting cargo. Any damage to cargo may undermine the profitable of the

Mike's Trucking Service — Sample Plan

company. To reduce this risk, the company maintains all necessary insurance.

5.0 Strategy

The strategy of Mike's Trucking is to consolidate its good customer and client service by making timely deliveries, hiring the best drivers and having a competitive pricing structure. The company's goal in the next year is to become an independently-run business entity without having any contracted services. We would like to fully manage our trucking operation, from hiring drivers to sourcing business. The company's goal within the next five years is to operate a full-service trucking business with a fleet of trucks, "hot-shot" trucks, and minifloat loads. Mike's Trucking would like to be in a position to handle any job available at this stage.

Key components of our initial strategy can be summarized as follows:

- **Expand fleet of trucks.** The company is currently working to expand on its existing fleet of trucks. This will enable us to increase the number of customers we are able to serve.
- **Establish independent status.** The company is currently operating under fee sharing, but is working to become independent and manage its own operations, from sourcing to daily management.
- **Establish a complete trucking business.** The company is currently working toward becoming a complete trucking business with a fleet of trucks which includes long-haul trucks. The management of the company has identified a good customer base which it can tap into once all the necessary equipment has been acquired. This will enable the company to service areas outside its current domain and increase profit levels.

5.1 Value Propositions

Mike's Trucking offers the following advantages to customers.

- **Quality Service.** We provide our customers with courteous, prompt, and dependable service. The company has a reputation for timely deliveries and the best drivers in the industry, and intends to build upon that.
- **Competitive rates.** We will provide competitive rates for our customers because we have low cost inputs.
- **Package handling.** By maintaining dependable and safe equipment, we will ensure that there is no damage to customer's cargo.

5.2 Competitive Edge

Our major competitive advantage is the vast industry experience and solid reputation of its owner, Mike Smith. His company is also well known among its clients for going that extra mile in the customer-service department.

Mike's Trucking Service — Sample Plan

5.3 Marketing Strategy

We market our services as solutions to the many companies requiring cargo to be transported promptly and efficiently. The company's future marketing plans will be nationwide, emphasizing haulage capabilities for any cargo. The overall marketing plan for services is based on the following fundamentals:

- The segment of the market(s) planned to reach.
- Distribution channels planned to reach market segments: television, radio, sales associates, and mailings.
- Share of the market expected to capture over a fixed period of time.

5.3.1 Pricing

At the time of this writing, Mike's Trucking has a lease arrangement with various companies. The company's pricing is based on miles per thousands of pounds of cargo transported. We will be able charge competitive rates, as we have minimal overhead compared to our competition. The table below sketches out the pricing structure; for a key to this table please see asterisks at the bottom of the page.

Figure 3. The company's pricing structure.

	0-1500 lbs. FAK*	1501-6000 lbs. FAK*	6001-16000 lbs. FAK*	16001-30000 lbs. FAK*
	Hot Shot**	Stakebed**	Minifloat**	Single Axle**
Mileage:				
10	\$50	\$90	\$115	\$196
20	\$50	\$90	\$137	\$210
30	\$50	\$90	\$155	\$228
40	\$52	\$90	\$175	\$247
50	\$65	\$94	\$195	\$275
60	\$77	\$105	\$200	\$300
70	\$90	\$115	\$220	\$356
80	\$104	\$124	\$240	\$375
90	\$116	\$140	\$255	\$409
100	\$130	\$155	\$270	\$438
110	\$140	\$170	\$290	\$477
120	\$157	\$185	\$305	\$500
130	\$170	\$200	\$316	\$526
140	\$183	\$215	\$335	\$530
150	\$195	\$230	\$350	\$540
160	\$210	\$249	\$385	\$558
170	\$220	\$264	\$400	\$575
180	\$235	\$279	\$420	\$595
190	\$250	\$295	\$450	\$615
200	\$260	\$305	\$480	\$630
210	\$275	\$325	\$505	\$645
220	\$288	\$341	\$530	\$660
230	\$300	\$357	\$555	\$685
240	\$313	\$372	\$580	\$700
250	\$325	\$385	\$600	\$710
260	\$340	\$400	\$615	\$720

Mike's Trucking Service — Sample Plan

270	\$355	\$419	\$630	\$730
280	\$367	\$434	\$645	\$745

* FAK= Freight of all kinds.

** Types of trucks.

5.3.2 Marketing Plan

Market Responsibilities. Mike's Trucking is committed to an extensive promotional campaign. To accomplish initial sales goals, the company will require an extremely effective promotional campaign to accomplish two primary objectives:

1. Attract quality sales/service personnel with a desire to be successful.
2. Attract customers that will consistently look to Mike's Trucking for their hauling needs.

Promotion. In addition to standard advertisement practices, Mike's Trucking will gain considerable recognition through these additional promotional mediums:

- Press releases sent to radio stations, newspapers, and magazines.
- Radio advertising on secondary stations.
- We plan to advertise nationally, in magazines and newspapers, on television and radio, and on billboards.

Incentives. As an extra incentive for customers and potential customers to remember the name, Mike's Trucking plans to distribute coffee mugs, T-shirts, pens, and other advertising specialties with the company logo.

Brochures. The objective of a brochure is to portray the company's goals and products as an attractive functionality. Mike's Trucking will develop three brochures: one to be used to promote sales, one to announce the product in a new market, and the third to recruit sales associates.

5.4 Sales Strategy

The company will base its sales strategy on increasing the sales from its existing customers, and also to target new businesses. For the latter purpose, we will employ a part-time sales representative.

A customer survey has shown that currently Mike's Trucking is losing sales from its existing clients because the company cannot provide certain types of services. The customers have also shown interest in giving more business to Mike's Trucking once the company increases its truck fleet to handle special orders. Once the new trucks are purchased, we will notify our clientele of the new services and pitch our services to the new businesses. We will further continue our policy of only accepting jobs which can be delivered with high customer satisfaction. Orders that require outsourcing will be gradually eliminated so that we can provide total quality control over the services we render.

Mike's Trucking Service — Sample Plan

Sales Monthly

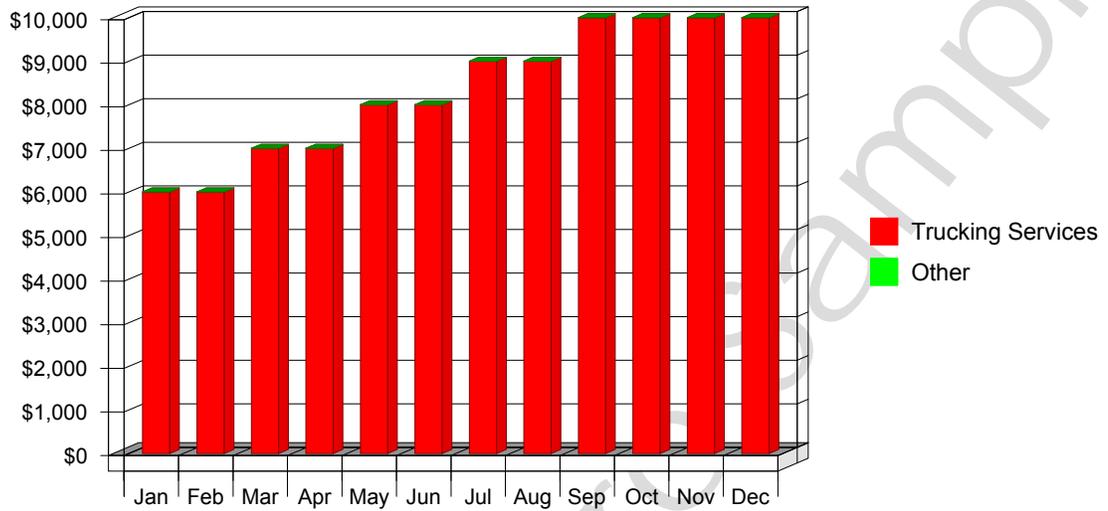


Table: Sales Forecast

Sales Forecast	2000	2001	2002
Sales			
Trucking Services	\$100,000	\$250,000	\$400,000
Other	\$0	\$0	\$0
Total Sales	\$100,000	\$250,000	\$400,000
Direct Cost of Sales			
Trucking Services	\$20,000	\$50,000	\$80,000
Other	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$20,000	\$50,000	\$80,000

Mike's Trucking Service — Sample Plan

6.0 Management Summary

The company's management is minimal in order to reduce the overhead. Mike Smith, the company owner and president, makes all executive decisions. At the moment, he also generates most of the sales leads. Joan Rose works as an executive secretary who answers phone inquiries and maintains the customer database. A part-time sales representative will be hired to solicit new business once the company acquires new trucks. In the years 2001-2002, the administrative staff is planned to increase in order to handle the higher sales volume. In the future, a sales manager will be hired to allow Mr. Smith more time to dedicate himself to company management.

Table: Personnel

Personnel Plan	2000	2001	2002
Mike Smith	\$18,000	\$20,000	\$30,000
Joan Rose	\$12,000	\$15,000	\$20,000
Other	\$0	\$15,000	\$40,000
Total People	2	3	4
Total Payroll	\$30,000	\$50,000	\$90,000

6.1 Organization

The company's management philosophy is based on responsibility and mutual respect. Mike's Trucking maintains an environment that stimulates productivity and emphasizes respect for customers and fellow employees. The company structure is linear, which lends the staff responsibilities and decision-making power.

6.2 Officers and Key Employees

The management of Mike's Trucking is highly experienced and qualified. Mike Smith, president and CEO, has been involved in the trucking industry for 15 years. He is well respected by the trucking professionals with whom he has worked. All administrative functions are performed by Joan Rose, who has worked with Mr. Smith for the last seven years. She possesses extraordinary customer service and database management skills.

Mike's Trucking Service — Sample Plan

7.0 Finance

Funding Requirements and Uses

The company is raising \$125,000 for the purpose of financing equipment purchases to meet a growing demand for its services. The company management has reason to believe that an increased truck fleet will assist the company in its effort to widen its market offering and increase sales.

7.1 Significant Assumptions

The following table highlights the important general assumptions of Mike's Trucking. Interest rates, tax rates, and personnel burden are based on conservative assumptions.

Table: General Assumptions

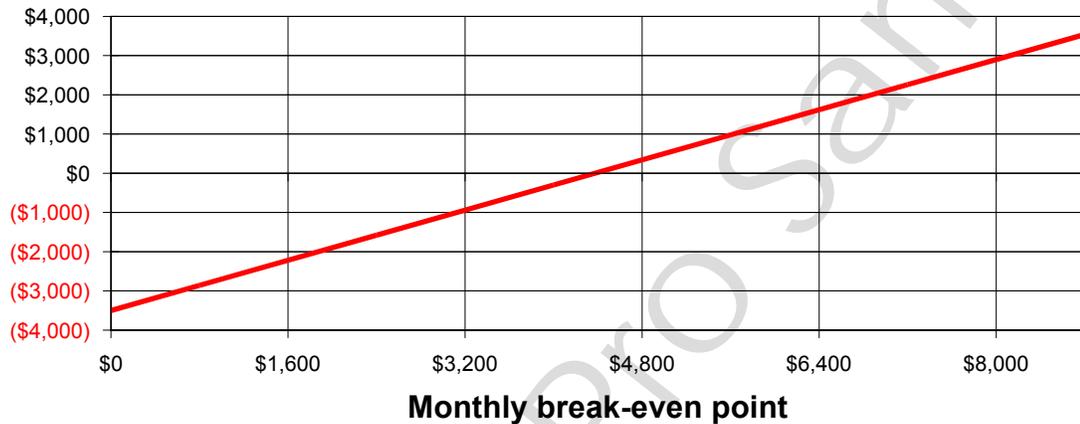
General Assumptions	2000	2001	2002
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	25.00%	25.00%	25.00%
Sales on Credit %	20.00%	20.00%	20.00%
Other	0.00%	0.00%	0.00%
Calculated Totals			
Payroll Expense	\$30,000	\$50,000	\$90,000
Sales on Credit	\$20,000	\$50,000	\$80,000
New Accounts Payable	\$71,094	\$165,676	\$264,393

Mike's Trucking Service — Sample Plan

7.2 Break-even Analysis

The break-even chart and table below indicate that 22 runs per month are necessary for the company to make enough to cover monthly expenses.

Break-even Analysis



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	22
Monthly Revenue Break-even	\$4,375
Assumptions:	
Average Per-Unit Revenue	\$200.00
Average Per-Unit Variable Cost	\$40.00
Estimated Monthly Fixed Cost	\$3,500

Mike's Trucking Service — Sample Plan

7.3 Income Statements - Projected

The table below summarizes our projected income statement for the first three years of plan implementation, fiscal years 2000, 2001, and 2002. As with the other tables, the Profit and Loss table is projected to be quite conservative. The detailed monthly projection can be found in the appendices.

Table: Profit and Loss

Pro Forma Profit and Loss

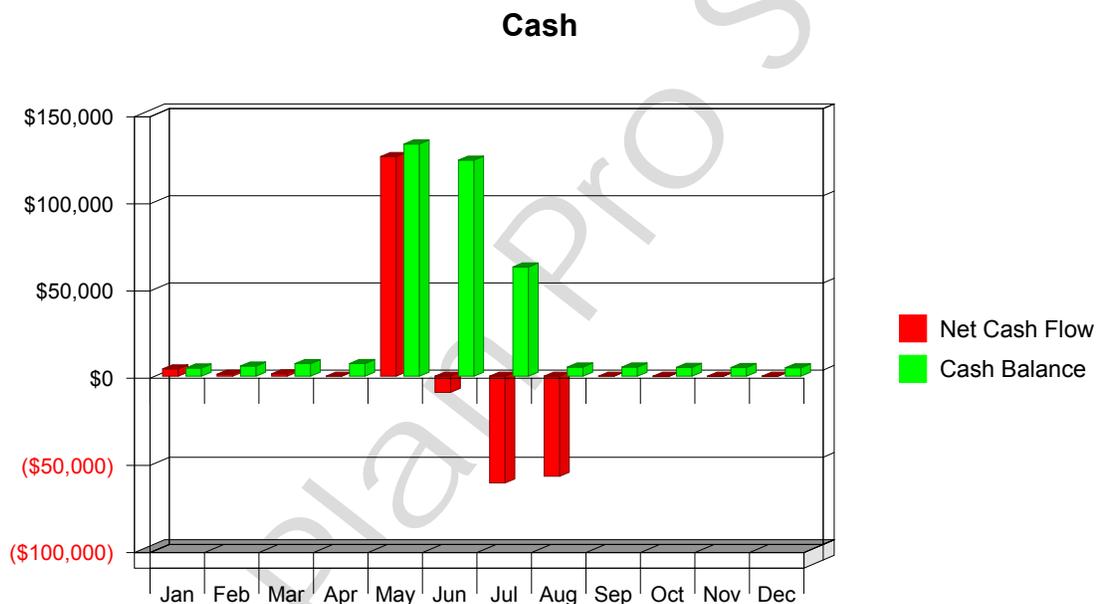
	2000	2001	2002
Sales	\$100,000	\$250,000	\$400,000
Direct Cost of Sales	\$20,000	\$50,000	\$80,000
Production Payroll	\$0	\$0	\$0
Other	\$0	\$0	\$0
	-----	-----	-----
Total Cost of Sales	\$20,000	\$50,000	\$80,000
Gross Margin	\$80,000	\$200,000	\$320,000
Gross Margin %	80.00%	80.00%	80.00%
Expenses:			
Payroll	\$30,000	\$50,000	\$90,000
Sales and Marketing and Other Expenses	\$7,080	\$13,000	\$18,500
Depreciation	\$4,800	\$5,000	\$5,500
Depreciation	\$0	\$0	\$0
Fuel & Maintenance	\$6,000	\$12,000	\$20,000
Utilities	\$2,400	\$3,000	\$3,500
Insurance	\$4,800	\$5,000	\$6,000
Payroll Taxes	\$4,500	\$7,500	\$13,500
Other	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$59,580	\$95,500	\$157,000
Profit Before Interest and Taxes	\$20,420	\$104,500	\$163,000
Interest Expense	\$12,218	\$14,760	\$13,360
Taxes Incurred	\$2,050	\$22,435	\$37,410
Net Profit	\$6,151	\$67,305	\$112,230
Net Profit/Sales	6.15%	26.92%	28.06%
Include Negative Taxes	TRUE	TRUE	TRUE

Mike's Trucking Service — Sample Plan

7.4 Projected Cash Flow

The projected cash flow is presented in the chart and table below. The long-term loan in the amount of \$125,000 is expected to be received in May, 2000, which is reflected in the increase of the long-term borrowing row for that month. The company is planning to purchase two trucks (one in June and one in August) in the first year of plan implementation, 2000; corresponding transactions are reflected in the capital expenditure rows. Monthly repayments on the \$125,000 loan will be made in the amount of \$1,500.

The monthly cash flow is presented in the illustration, with one bar representing cash flow per month, and the other the monthly balance. The annual cash flow can be found in the table below, and are in monthly detail in the appendices.



Mike's Trucking Service — Sample Plan

Table: Cash Flow

Pro Forma Cash Flow	2000	2001	2002
Cash Received			
Cash from Operations:			
Cash Sales	\$80,000	\$200,000	\$320,000
Cash from Receivables	\$27,067	\$45,600	\$75,600
Subtotal Cash from Operations	\$107,067	\$245,600	\$395,600
Additional Cash Received			
Non Operating (Other) Income	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$125,000	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$232,067	\$245,600	\$395,600
Expenditures			
Expenditures from Operations:			
Cash Spending	\$17,955	\$12,020	\$17,877
Payment of Accounts Payable	\$69,880	\$167,234	\$262,855
Subtotal Spent on Operations	\$87,835	\$179,253	\$280,732
Additional Cash Spent			
Non Operating (Other) Expense	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$3,600	\$7,000	\$5,000
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$11,300	\$8,000	\$8,000
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$125,000	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$227,735	\$194,253	\$293,732
Net Cash Flow	\$4,332	\$51,347	\$101,868
Cash Balance	\$4,832	\$56,178	\$158,046

Mike's Trucking Service — Sample Plan

7.5 Balance Sheets - Projected

The table below shows Mike's Trucking balance sheets for 2000-2002.

Table: Balance Sheet

Pro Forma Balance Sheet

Assets			
	2000	2001	2002
Current Assets			
Cash	\$4,832	\$56,178	\$158,046
Accounts Receivable	\$2,933	\$7,333	\$11,733
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$7,765	\$63,512	\$169,780
Long-term Assets			
Long-term Assets	\$165,000	\$165,000	\$165,000
Accumulated Depreciation	\$8,800	\$13,800	\$19,300
Total Long-term Assets	\$156,200	\$151,200	\$145,700
Total Assets	\$163,965	\$214,712	\$315,480
Liabilities and Capital			
	2000	2001	2002
Accounts Payable			
Accounts Payable	\$4,714	\$3,156	\$4,693
Current Borrowing			
Current Borrowing	\$16,400	\$9,400	\$4,400
Other Current Liabilities			
Other Current Liabilities	\$500	\$500	\$500
Subtotal Current Liabilities	\$21,614	\$13,056	\$9,593
Long-term Liabilities			
Long-term Liabilities	\$138,700	\$130,700	\$122,700
Total Liabilities	\$160,314	\$143,756	\$132,293
Paid-in Capital			
Paid-in Capital	\$0	\$0	\$0
Retained Earnings			
Retained Earnings	(\$2,500)	\$3,651	\$70,956
Earnings	\$6,151	\$67,305	\$112,230
Total Capital	\$3,651	\$70,956	\$183,186
Total Liabilities and Capital	\$163,965	\$214,712	\$315,480
Net Worth	\$3,651	\$70,956	\$183,186

7.6 Business Ratios

The following table includes Industry Profile statistics for the trucking industry, as determined by the Standard Industry Classification (SIC) Index. The SIC Code for this plan is 4213, and the SIC Description is Trucking except local. These statistics show a comparison of industry standards and key ratios for this plan.

Mike's Trucking Service — Sample Plan

Table: Ratios

Ratio Analysis	2000	2001	2002	Industry Profile
Sales Growth	66.67%	150.00%	60.00%	5.60%
Percent of Total Assets				
Accounts Receivable	1.79%	3.42%	3.72%	19.70%
Inventory	0.00%	0.00%	0.00%	1.00%
Other Current Assets	0.00%	0.00%	0.00%	22.30%
Total Current Assets	4.74%	29.58%	53.82%	43.00%
Long-term Assets	95.26%	70.42%	46.18%	57.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities				
Current Liabilities	0.30%	0.23%	0.16%	30.80%
Long-term Liabilities	84.59%	60.87%	38.89%	27.00%
Total Liabilities	84.59%	60.87%	38.89%	57.80%
Net Worth	15.41%	39.13%	61.11%	42.20%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	80.00%	80.00%	80.00%	100.00%
Selling, General & Administrative Expenses	73.85%	53.08%	51.94%	82.10%
Advertising Expenses	1.20%	1.20%	1.25%	0.20%
Profit Before Interest and Taxes	20.42%	41.80%	40.75%	1.10%
Main Ratios				
Current	0.36	4.86	17.70	1.32
Quick	0.36	4.86	17.70	1.07
Total Debt to Total Assets	97.77%	66.95%	41.93%	57.80%
Pre-tax Return on Net Worth	224.63%	126.47%	81.69%	2.50%
Pre-tax Return on Assets	5.00%	41.80%	47.43%	6.00%
Business Vitality Profile				
	2000	2001	2002	Industry
Sales per Employee	\$50,000	\$83,333	\$100,000	\$168,959
Survival Rate				64.85%
Additional Ratios				
	2000	2001	2002	
Net Profit Margin	6.15%	26.92%	28.06%	n.a
Return on Equity	168.47%	94.85%	61.27%	n.a
Activity Ratios				
Accounts Receivable Turnover	6.82	6.82	6.82	n.a
Collection Days	50	37	43	n.a
Inventory Turnover	0.00	0.00	0.00	n.a
Accounts Payable Turnover	15.08	52.50	56.33	n.a
Payment Days	63	104	65	
Total Asset Turnover	0.61	1.16	1.27	n.a
Debt Ratios				
Debt to Net Worth	43.91	2.03	0.72	n.a
Current Liab. to Liab.	0.13	0.09	0.07	n.a
Liquidity Ratios				
Net Working Capital	(\$13,849)	\$50,456	\$160,186	n.a
Interest Coverage	1.67	7.08	12.20	n.a
Additional Ratios				
Assets to Sales	1.64	0.86	0.79	n.a
Current Debt/Total Assets	13%	6%	3%	n.a
Acid Test	0.22	4.30	16.47	n.a
Sales/Net Worth	27.39	3.52	2.18	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix Mike's Trucking Service — Sample Plan

Appendix Table: Sales Forecast

Sales Forecast												
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Trucking Services	\$6,000	\$6,000	\$7,000	\$7,000	\$8,000	\$8,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$10,000
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales	\$6,000	\$6,000	\$7,000	\$7,000	\$8,000	\$8,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$10,000
Direct Cost of Sales												
Trucking Services	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Trucking Services	\$1,200	\$1,200	\$1,400	\$1,400	\$1,600	\$1,600	\$1,800	\$1,800	\$2,000	\$2,000	\$2,000	\$2,000
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$1,200	\$1,200	\$1,400	\$1,400	\$1,600	\$1,600	\$1,800	\$1,800	\$2,000	\$2,000	\$2,000	\$2,000

Appendix Mike's Trucking Service — Sample Plan

Appendix Table: Personnel

Personnel Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mike Smith	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Joan Rose	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total People	2	2	2	2	2	2	2	2	2	2	2	2
Total Payroll	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500

Appendix Mike's Trucking Service — Sample Plan

Appendix Table: General Assumptions

General Assumptions	Jan 1	Feb 2	Mar 3	Apr 4	May 5	Jun 6	Jul 7	Aug 8	Sep 9	Oct 10	Nov 11	Dec 12
Plan Month												
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Sales on Credit %	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
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%
Calculated Totals												
Payroll Expense	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Sales on Credit	\$1,200	\$1,200	\$1,400	\$1,400	\$1,600	\$1,600	\$1,800	\$1,800	\$2,000	\$2,000	\$2,000	\$2,000
New Accounts Payable	\$5,689	\$5,686	\$6,044	\$6,041	\$7,102	\$1,092	\$942	\$7,432	\$7,782	\$7,772	\$7,761	\$7,751

Appendix Mike's Trucking Service — Sample Plan

Appendix Table: Profit and Loss

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$6,000	\$6,000	\$7,000	\$7,000	\$8,000	\$8,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$10,000
Direct Cost of Sales	\$1,200	\$1,200	\$1,400	\$1,400	\$1,600	\$1,600	\$1,800	\$1,800	\$2,000	\$2,000	\$2,000	\$2,000
Production Payroll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$1,200	\$1,200	\$1,400	\$1,400	\$1,600	\$1,600	\$1,800	\$1,800	\$2,000	\$2,000	\$2,000	\$2,000
Gross Margin	\$4,800	\$4,800	\$5,600	\$5,600	\$6,400	\$6,400	\$7,200	\$7,200	\$8,000	\$8,000	\$8,000	\$8,000
Gross Margin %	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
Expenses:												
Payroll	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Sales and Marketing and Other Expenses	\$590	\$590	\$590	\$590	\$590	\$590	\$590	\$590	\$590	\$590	\$590	\$590
Depreciation	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fuel & Maintenance	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Utilities	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Insurance	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Payroll Taxes	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$4,965											
Profit Before Interest and Taxes	(\$165)	(\$165)	\$635	\$635	\$1,435	\$1,435	\$2,235	\$2,235	\$3,035	\$3,035	\$3,035	\$3,035
Interest Expense	\$371	\$367	\$363	\$358	\$1,398	\$1,383	\$1,368	\$1,353	\$1,338	\$1,323	\$1,308	\$1,293
Taxes Incurred	(\$134)	(\$133)	\$68	\$69	\$9	\$13	\$217	\$221	\$424	\$428	\$432	\$436
Net Profit	(\$402)	(\$399)	\$204	\$208	\$28	\$39	\$651	\$662	\$1,273	\$1,284	\$1,296	\$1,307
Net Profit/Sales	-6.70%	-6.65%	2.92%	2.96%	0.35%	0.49%	7.23%	7.35%	12.73%	12.84%	12.96%	13.07%
Include Negative Taxes												

Appendix Mike's Trucking Service — Sample Plan

Appendix Table: Cash Flow

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	\$4,800	\$4,800	\$5,600	\$5,600	\$6,400	\$6,400	\$7,200	\$7,200	\$8,000	\$8,000	\$8,000	\$8,000
Cash from Receivables	\$6,667	\$2,862	\$2,311	\$1,307	\$1,400	\$1,507	\$1,600	\$1,707	\$1,800	\$1,907	\$2,000	\$2,000
Subtotal Cash from Operations	\$11,467	\$7,662	\$7,911	\$6,907	\$7,800	\$7,907	\$8,800	\$8,907	\$9,800	\$9,907	\$10,000	\$10,000
Additional Cash Received												
Non Operating (Other) Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$125,000	\$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
Subtotal Cash Received	\$11,467	\$7,662	\$7,911	\$6,907	\$132,800	\$7,907	\$8,800	\$8,907	\$9,800	\$9,907	\$10,000	\$10,000
Expenditures												
Expenditures from Operations:												
Cash Spending	\$313	\$312	\$352	\$352	\$470	\$6,469	\$7,007	\$506	\$545	\$544	\$543	\$542
Payment of Accounts Payable	\$6,469	\$5,689	\$5,698	\$6,043	\$6,076	(\$51,098)	(\$3,746)	\$63,992	\$7,443	\$7,781	\$7,771	\$7,761
Subtotal Spent on Operations	\$6,781	\$6,001	\$6,050	\$6,395	\$6,546	(\$44,630)	\$3,261	\$64,498	\$7,989	\$8,325	\$8,314	\$8,303
Additional Cash Spent												
Non Operating (Other) Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$200	\$200	\$200	\$200	\$0	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
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	\$60,000	\$65,000	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$7,281	\$6,501	\$6,550	\$6,895	\$6,846	\$17,170	\$70,061	\$66,298	\$9,789	\$10,125	\$10,114	\$10,103
Net Cash Flow	\$4,185	\$1,161	\$1,361	\$11	\$125,954	(\$9,264)	(\$61,261)	(\$57,391)	\$11	(\$219)	(\$114)	(\$103)
Cash Balance	\$4,685	\$5,846	\$7,207	\$7,218	\$133,172	\$123,909	\$62,647	\$5,256	\$5,268	\$5,049	\$4,935	\$4,832

Appendix Mike's Trucking Service — Sample Plan

Appendix Table: Balance Sheet

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Assets													
Cash	\$500	\$4,685	\$5,846	\$7,207	\$7,218	\$133,172	\$123,909	\$62,647	\$5,256	\$5,268	\$5,049	\$4,935	\$4,832
Accounts Receivable	\$10,000	\$4,533	\$2,871	\$1,960	\$2,053	\$2,253	\$2,347	\$2,547	\$2,640	\$2,840	\$2,933	\$2,933	\$2,933
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$10,500	\$9,219	\$8,717	\$9,167	\$9,271	\$135,426	\$126,255	\$65,194	\$7,896	\$8,108	\$7,982	\$7,868	\$7,765
Long-term Assets													
Long-term Assets	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$100,000	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000
Accumulated Depreciation	\$4,000	\$4,400	\$4,800	\$5,200	\$5,600	\$6,000	\$6,400	\$6,800	\$7,200	\$7,600	\$8,000	\$8,400	\$8,800
Total Long-term Assets	\$36,000	\$35,600	\$35,200	\$34,800	\$34,400	\$34,000	\$93,600	\$158,200	\$157,800	\$157,400	\$157,000	\$156,600	\$156,200
Total Assets	\$46,500	\$44,819	\$43,917	\$43,967	\$43,671	\$169,426	\$219,855	\$223,394	\$165,696	\$165,508	\$164,982	\$164,468	\$163,965
Liabilities and Capital													
Accounts Payable	\$3,500	\$2,720	\$2,718	\$3,063	\$3,060	\$4,086	\$56,276	\$60,965	\$4,405	\$4,743	\$4,733	\$4,724	\$4,714
Current Borrowing	\$20,000	\$19,700	\$19,400	\$19,100	\$18,800	\$18,500	\$18,200	\$17,900	\$17,600	\$17,300	\$17,000	\$16,700	\$16,400
Other Current Liabilities	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Subtotal Current Liabilities	\$24,000	\$22,920	\$22,618	\$22,663	\$22,360	\$23,086	\$74,976	\$79,365	\$22,505	\$22,543	\$22,233	\$21,924	\$21,614
Long-term Liabilities	\$25,000	\$24,800	\$24,600	\$24,400	\$24,200	\$149,200	\$147,700	\$146,200	\$144,700	\$143,200	\$141,700	\$140,200	\$138,700
Total Liabilities	\$49,000	\$47,720	\$47,218	\$47,063	\$46,560	\$172,286	\$222,676	\$225,565	\$167,205	\$165,743	\$163,933	\$162,124	\$160,314
Paid-in Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retained Earnings	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Earnings	\$0	(\$402)	(\$801)	(\$596)	(\$389)	(\$361)	(\$321)	\$329	\$991	\$2,264	\$3,549	\$4,844	\$6,151
Total Capital	(\$2,500)	(\$2,902)	(\$3,301)	(\$3,096)	(\$2,889)	(\$2,861)	(\$2,821)	(\$2,171)	(\$1,509)	(\$236)	\$1,049	\$2,344	\$3,651
Total Liabilities and Capital	\$46,500	\$44,819	\$43,917	\$43,967	\$43,671	\$169,426	\$219,855	\$223,394	\$165,696	\$165,508	\$164,982	\$164,468	\$163,965
Net Worth	(\$2,500)	(\$2,902)	(\$3,301)	(\$3,096)	(\$2,889)	(\$2,861)	(\$2,821)	(\$2,171)	(\$1,509)	(\$236)	\$1,049	\$2,344	\$3,651