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\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

*This is a business plan and does not imply an offering of securities.*

# **Snap-Quick Inc.**

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## **1. Executive Summary**

Snap-Quick, Inc.'s patented product, the Snap-Quick Connector, has the potential to revolutionize the coaxial cable connector industry. The company is ready to undertake a significant market territory expansion, and is in search of a strategic partner to share in its success.

### **1.1 Business Opportunity**

Snap-Quick, Inc. designs and manufactures coaxial cable connectors for the cable TV, Internet access, broadcasting, security, and data transmission industries. The company's proprietary designs for quick-connect coaxial cable connectors have proved superior to existing products. Since their introduction in 1995, they have gained approximately one percent of the market. With the right strategic partner, Snap-Quick feels that a much larger market share can be acquired, resulting in favorable profits for both Snap-Quick and its partner.

### **1.2 Product/Service Description**

The Snap-Quick Connector allows the user to connect coaxial cable wiring rapidly, securely, and with minimal effort. Compared with traditional threaded connectors, the Snap-Quick Connector offers significant improvements. Connections can be made with one hand, resulting in a substantial convenience to installation personnel. The serrated, radiation-secure connection provides a secure attachment of all applicable equipment. The connector can be used on cable TV equipment, personal computers, and many Internet appliance devices. With a price range of only one penny more than existing products, Snap-Quick's benefits substantially outweigh its cost.

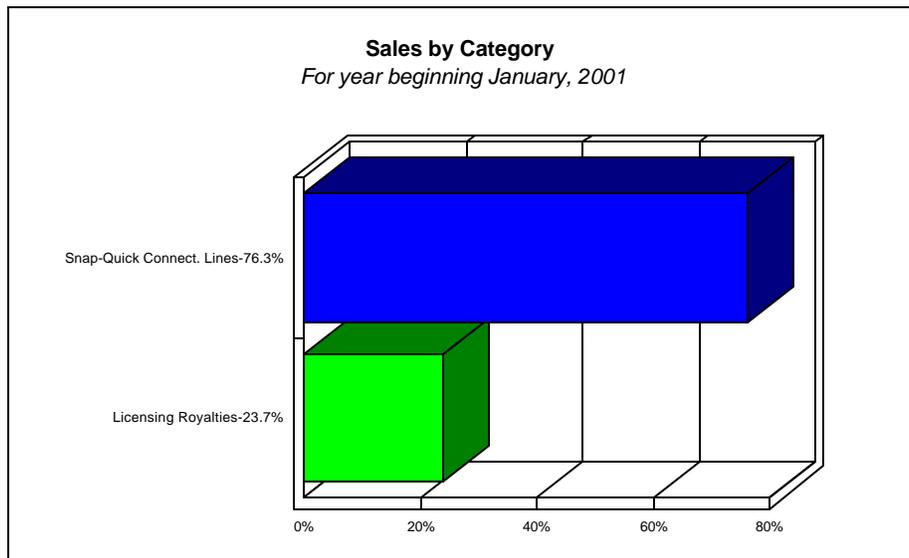
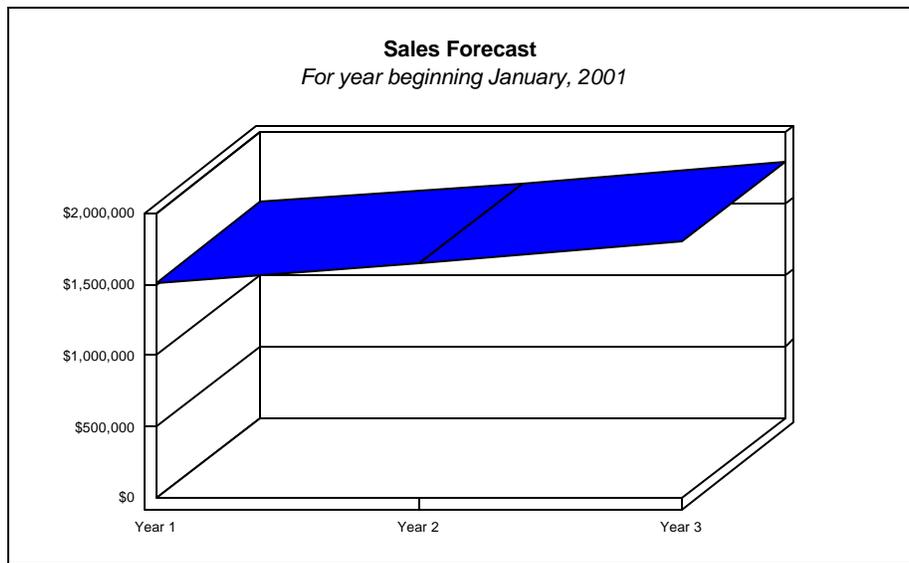
### **1.3 Current Business Position**

Snap-Quick, Inc. is a C Corporation registered in the state of Pennsylvania. Snap-Quick's 24-person employee team includes persons with more than 60 combined years of experience in connector design, light manufacturing operations, and industrial marketing.

Management feels that much larger sales gains and market share could be obtained, given the Snap-Quick's demonstrable superiority to competitive designs. However, the company's existing production and distribution capacity offer significant constraints when compared with the opportunity that exists for its product.

### **1.4 Financial Potential**

Snap-Quick expects to generate over \$1.5 million in revenues in 2001. Steady growth is expected through the three-years of projections, mirroring the expected growth in use of coaxial cable in the personal computer market. By the year 2003, annual revenues are expected to total close to \$1.8 million.



### 1.5 The Request

Snap-Quick is seeking a strategic partner to license its patented product, the Snap-Quick Connector, and assist in providing or arranging distribution to a larger market. It is anticipated that the partner will not need to invest any funds in the company, but compensate Snap-Quick via royalty payments.

The company feels the opportunity for obtaining a significantly increased market share is at hand. With a suitable strategic partner, this opportunity can be seized to the mutual benefit of Snap-Quick and its partner.

## 2. Company Background

The founders of Snap-Quick have many years of experience in the coaxial cable connectors industry. Although Snap-Quick was established in 1993, the company's roots go back to 1987, when it was formed as Pennsylvania Connectors. Paula Bench, Snap-Quick's current president, has been with the company in various roles since its inception in 1987.

### 2.1 Business Description

Snap-Quick, Inc. is a C Corporation registered in the state of Pennsylvania. The company manufactures and markets coaxial cable connectors currently used in cable TV and computer markets. While the company's previous target market was exclusively the cable TV industry, Snap-Quick intends on expanding into the computer market. The use of coaxial cable as a favorable alternative to telephone-line access to the Internet is growing exponentially, and Snap-Quick plans on taking advantage of this growth.

### 2.2 Current Position and Business Objectives

Snap-Quick's designs for quick-connect coaxial cable connectors have proven to be superior to existing products on the market. Since the Snap-Quick Connector was introduced, the company has captured a one-percent share of the market. Management feels, due to the superiority of the product, that a much larger share of the market can be obtained. Snap-Quick's mission statement follows:

*"Connecting the needs of customers, employees, suppliers, and partners quickly, efficiently, and effectively."*

To accomplish this mission, Snap-Quick is looking to form a strategic alliance with a company to license its product and assist in distribution to a larger market.

### 2.3 Ownership

Paula Bench purchased 100 percent of the stock of the company in 1993, when the previous owner retired. Ms. Bench is still the sole stockholder. The company's banking relationship is with the Security National Bank and Trust based in Philadelphia, Pennsylvania.

### 3. The Snap-Quick Connector

"The Snap-Quick Connector makes installing coaxial cable systems quick and easy. There is such an improvement over 'old-style' threaded connectors. I can't wait until the Snap-Quick is used for all connector applications." This quote is from Jack Peabody, Vice President of Operations for Midwest Cable Systems, a major cable service provider. Additional customer testimonials are included in the appendix.

#### 3.1 Product Overview

Snap-Quick's patented easy-on connectors provide cable modem companies, cable installers, and cable TV and data service access providers with a rapid, secure method for completing the numerous connections associated with a typical installation of cable service to a home or business. These connectors use a proprietary, patented, serrated-tooth, locking mechanism to achieve a solid, radiation-secure attachment, which can nevertheless be completed with one hand, a significant convenience to installation personnel.

**Below is a picture of the patented Snap-Quick Connector:**



To be maximally effective, the company's cable connections must be installed on both the coaxial cable and the device being connected to. For that reason, the company has negotiated supply contracts with several smaller cable modem manufacturers. It is hoped that the presence of a larger partner will allow the negotiation of similar arrangements with a number of the larger device manufacturers.

#### 3.2 Competitive Analysis

The Snap-Quick Connector has captured a one-percent share of the coaxial cable connector market since its introduction in 1995. No other company in the industry offers a product that compares with the Snap-Quick Connector. The company's patented product has received nothing but favorable responses from its existing customers. Its comparable price range (only one penny more than its competitors), combined with the product advantages of the Snap-Quick Connector, should easily allow the company to expand its market share.

**3.3 Suppliers and Inventory**

The company uses industry-standard production machinery in all processes. Its materials are obtained from vendors who supply its competitors--no unusual materials are used in their construction. Likewise, the company employs no proprietary processes or technologies in the manufacture of its products. Because of the standardized raw materials used in the manufacturing process, inventory is kept at a minimum. Materials are readily available, and prices of these materials have not varied by more than a few percent in the last 10 years. As a result, Snap-Quick keeps on-hand enough inventory for five days of sales.

**3.4 Research and Development**

Because Snap-Quick is in an expansionary phase of company growth, and has an existing product, no significant research and development efforts are currently being undertaken. The company plans on expanding its product line once a more significant percentage of the market is acquired. At that point, related coaxial cable products will be investigated as potential additional product lines.

## **4. The Industry, Competition and Market**

Snap-Quick, Inc. designs and manufactures coaxial cable connectors for the cable TV, Internet access, broadcasting, security, and data transmission industries. The huge growth in coaxial cable connections to the Internet presents enormous growth potential for Snap-Quick's product, the Snap-Quick connector.

### **4.1 Industry Definition**

Cable modems connect TVs to the cable TV coaxial wiring and may also attach a personal computer via a standard Ethernet connection to the cable infrastructure. Internet appliances and similar devices, a few of which are already on the market, may provide access to many users in the near future. Cable modems are sold by a number of vendors, including Bay Networks, Hewlett-Packard, Motorola, and several smaller manufacturers. Snap-Quick will provide cable modem companies, cable installers, and cable TV and data service access providers with Snap-Quick Connectors to use in their businesses.

### **4.2 Primary Competitors**

Snap-Quick's competitors include all providers of coaxial cable connectors to all industries that use coaxial cable. The company currently holds a one-percent market share of this industry. The number of companies that supply connectors is numerous; however, the patented Snap-Quick Connector's product advantages make it the preferred connector in the industry. No similar products exist at this time.

### **4.3 Market Size/Growth Potential**

Snap-Quick's opportunity is being driven by one of the fastest and most sweeping industrial and commercial revolutions in history. That revolution consists of the extremely rapid growth in the use and number of connections to the Internet. An increasing number of Internet subscribers use coaxial cable to access the network, and each one of these connections, plus many more between the user and the infrastructure, is a candidate for a Snap-Quick connector. Following are key industry statistics relating to Snap-Quick's business plan:

- 1.** World Wide Web users, estimated to number approximately 35 million at the end of 1996, will grow to approximately 200 million by 2002.
- 2.** Content of the World Wide Web is growing rapidly as well. The number of Internet hosts grew from approximately 1 million in 1992 to more than 10 million in 1996.
- 3.** The complexity of Internet content has increased to include real-time video, CD-quality audio, and high-resolution graphics.
- 4.** The Internet network infrastructure is overburdened, as evidenced by headlines such as "No Shortage of Bottlenecks on the Information Superhighway" and "Explosive Growth Clogs Internet's Backbone."

5. Cable delivery systems are capable of delivering information to millions of Internet users at rates up to 1,000 times as rapid as traditional modems operating over twisted-pair telephone networks.
6. Cable companies plan to invest about \$14 billion in equipment upgrades through the end of the decade.
7. Set-top boxes that will bring cable-delivered Internet services as well as movies on demand, on-screen program guides and other services are expected to be within the range of \$300 to \$400 per subscriber.
8. Cable infrastructure already passes 97 percent of American homes, meaning the cable industry has an edge in becoming the Internet access provider of the next century.
9. The number of Internet domains, or hosts, is also growing extremely rapidly, as is evidenced by the following graph based on a twice-yearly survey.

As a well-established supplier of connectors to the cable TV and data transmission industry, Snap-Quick is positioned to take maximum advantage of the explosive growth potential in coaxial cable connector supply.

#### **4.4 Customer Profile**

Snap-Quick's targeted customers include companies that use specific coaxial cable connectors in cable systems and related equipment. The goal is to have the Snap-Quick Connector included as part of product specifications on equipment manufactured in this industry. Cable system operators have been identified as target customers as well. Operators will ideally use Snap-Quick Connectors when installing new cable TV systems and in their back office operations.

## **5. Marketing Plan**

The intent with manufacturers is to obtain the specification of Snap-Quick connectors for new devices to be connected to the cable infrastructure. Installers are approached in the same fashion, with the goal of having Snap-Quick connectors specified for new installations and retrofit projects. Cable system operators are invited to use Snap-Quick connectors in their back-office operations, as well as to specify them for use by installers and end-user device manufacturers.

### **5.1 Competitive Advantage**

Snap-Quick's marketing plan revolves around presenting the advantages of its fastening system to large cable operators, cable system installers, and equipment manufacturers. Snap-Quick's patented easy-on connectors provide cable modem companies, cable installers, and cable TV and data service access providers with a rapid, secure method for completing the numerous connections associated with a typical installation of cable service to a home or business. These connectors use a proprietary, patented, serrated-tooth, locking mechanism to achieve a solid, radiation-secure attachment, which can be completed with one hand, a significant convenience to installation personnel.

### **5.2 Pricing**

In addition to offering significant improvement in functionality compared with traditional threaded connectors, Snap-Quick's cable connectors are cost-competitive. When purchased in volume, the company's connectors are priced in the range of 5 cents to 7 cents per connection. Competing designs are priced at 4 cents to 6 cents. The price difference, when compared with the increase in usability and efficiency, has not proved sufficient to inhibit customer purchases to date, and the company sees no reason why it should.

### **5.3 Distribution Channels**

Snap-Quick's primary marketing method consists of personal sales calls to engineers, network architects, designers, maintenance managers, and others responsible for specifying the use of coaxial connectors in cable systems and devices.

The company has experienced considerable success with this approach. It has exclusive supplier agreements with four of the top six cable system operators in Pennsylvania and three of the top five installation companies. In addition, the company has made solid progress in presenting the advantages of the Snap-Quick Connector to manufacturers of end-user devices, including set-top boxes and cable modems, and anticipates announcing a major new contract in this area shortly.

One of Snap-Quick's exclusive supplier contracts is with NetCable, a Philadelphia provider of cable modem Internet access. NetCable has grown rapidly and promises to become one of the industry's premier providers. After less than two years of commercial operation, NetCable now serves approximately 127,000 cable modem subscribers across the Northeast, an increase of 53 percent from late 1998. Since the beginning of 1998, NetCable's cable modem subscriber

base has nearly tripled.

Given that the cable industry is moving strongly toward standardization of all aspects of plant, equipment, and operation, many other service providers can be expected to follow NetCable's lead. As a result, Snap-Quick anticipates further agreements with other leading operators will be concluded during the coming year.

#### **5.4 Feedback**

While Snap-Quick feels that its product advantages will more than satisfy customers' wants and needs, the company recognizes the importance of feedback mechanisms. Feedback will be generated primarily through informal communications with the company's customers. Specifically, the 'hands-on' users of the Snap-Quick Connector will be contacted, including engineers and cable system installers.

## **6. Operating Plan**

Snap-Quick, Inc. manufactures its products at its headquarters located in Philadelphia, Pennsylvania. The company has all the equipment it needs for the proposal outlined in this business plan. Plant operations are managed by David Stone, who has served as Vice President of Operations since 1994.

### **6.1 Location**

Snap-Quick is located in a commercial district in south Philadelphia, Pennsylvania. The physical address is 16901 Rising Sun Avenue, Philadelphia, PA, 19111. Its operation meets all city zoning requirements, and has been recognized as a "green" company by the Environmental Association of Pennsylvania. Snap-Quick is located next to a major interchange, allowing easy truck access for shipments to and from the company.

### **6.2 Facility**

Snap-Quick operates out of a 10,000 square foot manufacturing and headquarters space in Philadelphia. The company owns the building and land. Various machines, including drill presses, metal stampers, extruding machines, and packing equipment, are also owned or leased by the company.

### **6.3 Operating Equipment**

The company uses industry-standard production machinery in all processes. Its materials are obtained from vendors who supply its competitors--no unusual materials are used in connector construction. Likewise, the company employs no proprietary processes or technologies in the manufacture of its products.

The company's current production capacity amounts to approximately 1.5 million connectors monthly. Snap-Quick is rapidly approaching that capacity, and the 36-month projections include the assumption of licensing the product to a strategic partner for production and distribution efforts, which are beyond the company's current capabilities. Management believes additional sales could be procured if service, especially turnaround time on orders, were improved.

### **6.4 Suppliers and Vendors**

As previously stated, no unusual materials are used in the manufacture of Snap-Quick Connectors. A number of suppliers of raw materials exist in the state of Pennsylvania, so prices are kept competitive. Industry standard terms of 2/10 Net 30 are taken advantage of by Snap-Quick for the majority of purchases.

### **6.5 Personnel Plan**

Snap-Quick currently employs 24 people, who bring more than 60 combined years of experience to the company in areas such as connector design, light manufacturing operations, and industrial marketing. Salaries are kept competitive with other companies in the Philadelphia industrial industry. As the business plan proposes a strategic alliance to aid in company growth,

no additional employees are expected to be hired.

### **6.6 General Operations**

The Snap-Quick facility maintains a standard forty-hour, Monday through Friday work week. The company is compliant with all governmental regulations, including OSHA guidelines, handicapped accessibility, and environmental laws.

## **7. Management, Organization and Ownership**

Snap-Quick's owner and managers have extensive experience in the fields of light manufacturing, engineering, and industrial marketing. The majority of the management team has been with the company since Ms. Bench purchased it in 1993, and thus has seen the development, introduction, and growth of the Snap-Quick Connector product line.

### **7.1 Management/Principals**

The core of Snap-Quick's management team consists of four key individuals. Their combined term at the company exceeds 25 years. Each is considered in an irreplaceable asset and has contributed to Snap-Quick's exceptional growth.

#### **Paula Bench, President**

Paula Bench has served as president of Snap-Quick since 1993. She previously was employed at the company, then known as Pennsylvania Connectors, in a variety of capacities, until the founder's retirement in 1993. Ms. Bench, then working as General Manager, purchased the company from the founder and has served as sole owner and President since that time. Ms. Bench is past President of the Pennsylvania-Area Small Business Conclave. She is a 1985 graduate of Pennsylvania State University with a degree in engineering.

#### **Peter August, Chief Financial Officer**

Peter August has served as Chief Financial Officer of Snap-Quick since 1996. Prior to that time, he served in various capacities as treasurer, controller, and bookkeeper. He is a 1990 graduate of the University of Indiana.

#### **David Stone, Operations Vice President**

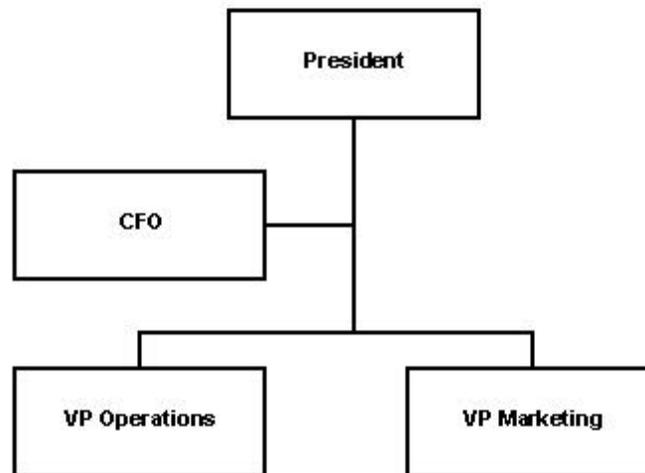
David Stone has served as Vice President of Operations of Snap-Quick since 1994. Prior to joining Snap-Quick, he was employed as manufacturing supervisor for Cable Manufacturing in Blue Bell, Pennsylvania. He is a 1983 graduate of Rensselaer Polytechnic Institute.

#### **Diane Paterson, Vice President of Marketing**

Diane Paterson has served as Vice President of Marketing of Snap-Quick since 1992. Ms. Peterson previously owned and operated a private marketing and advertising firm in Jackson City, Wisconsin, which she sold in 1991. She is a 1983 graduate of University of Notre Dame.

### **7.2 Organizational Structure**

Below is Snap-Quick's organizational chart:



Ms. Bench's (President) responsibilities include overseeing new product development, setting long-range strategy, and building and maintaining relationships with key customers and suppliers.

Mr. August's (CFO) responsibilities include overseeing the financial operation of Snap-Quick, working with suppliers and vendors to establish favorable terms, and ensuring the company remains on-track with its business goals.

Mr. Stone's (VP Operations) responsibilities include overseeing the manufacturability of new Snap-Quick product designs, setting up and running manufacturing operations, specifying new equipment purchase and installation, overseeing maintenance of the company's fleet of vehicles, and other duties relating to the manufacture and delivery of the company's products.

Ms. Paterson's (VP Marketing) duties include setting marketing strategy, pricing, product design, customer communications, staffing the sales function and other marketing-related duties.

### **7.3 Professional Consultants**

Snap-Quick will retain the professional services of two outside consultants. Mr. Roger Hobbs, a Philadelphia attorney, will handle the company's legal matters. The regional accounting firm of Smith, Jones & Holten, LLC, will provide any accounting services needed, as determined by the company's CFO, Mr. Peter August. Snap-Quick's business insurance is handled by North Central United Insurance of Philadelphia.

## **8. Goals and Strategies**

Snap-Quick recognizes the opportunity for obtaining a significantly increased market share in the coaxial cable connector market is at hand. With the right strategic partner, this opportunity can be seized to the mutual benefit of both Snap-Quick and its partner. This section will outline the specific goals of the company, as well as where it wants to be in the future.

### **8.1 Business Goals**

Snap-Quick has established revenue goals of approximately \$1.52 million in 2001, \$1.64 million in 2002, and \$1.80 million in 2003. It is anticipated that profit margins will improve as volume improves (economies of scale). Net income (as a percent of gross sales) targets have been set at 14.3% in 2001, 17.6% in 2002, and 20.8% in 2003. Peter August, the company's CFO, is confident that these margins can be attained.

### **8.2 Keys to Success**

Snap-Quick has identified four key items that are critical for the success of the venture. First, the successful marketing of the product to the company's target market is essential. In order to attain the sales volume necessary to achieve the forecasted profit margins, Snap-Quick Connectors must be included in product specifications by manufacturers of cable systems and devices.

Second, although the manufacturing process is not unusual in nature, the ability to supply the connectors to purchasers in a timely manner is essential. For this reason, Snap-Quick must form a strategic alliance with a manufacturer that has the capabilities to efficiently produce and assist in the distribution of the connectors.

Third is being able to meet order demand, in light of new competition. Snap-Quick's strategy regarding competitors is to establish itself as the innovative market leader, creating barriers to entry for new companies. As stated above, Snap-Quick understands the importance of teaming up with the best manufacturing partner available, in order to mitigate the risk of inadequate supply of its products.

Fourth, and the most significant key to success, is being able to align Snap-Quick with a strong partner that has excess production capabilities and well-established distribution channels.

### **8.3 Future Plans**

The company plans on expanding its product line once a more significant percentage of the market is acquired. At that point, related coaxial cable products will be investigated as potential additional product lines. Currently, however, the company will expend its efforts on marketing the current Snap-Quick Connector product line.

## 9. Financial Assumptions

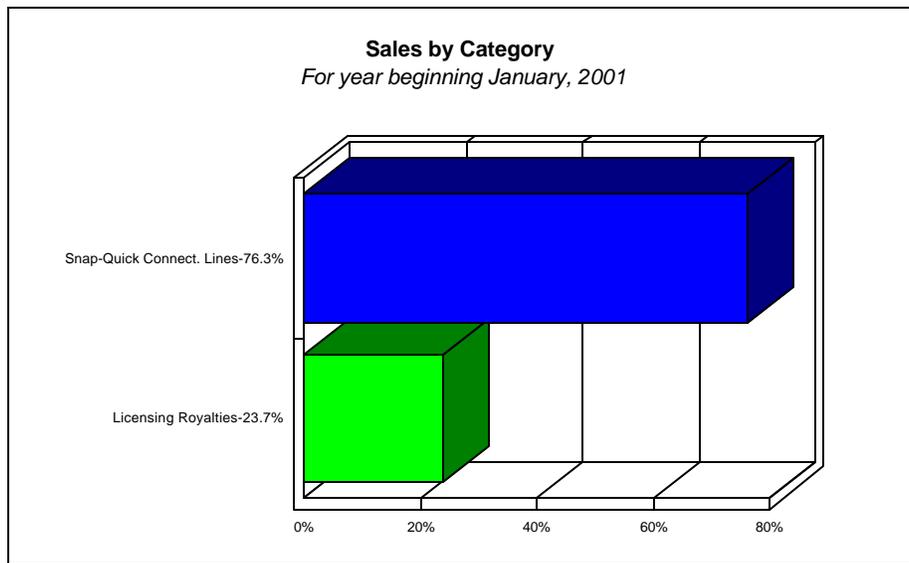
The financials found in the appendix are based on several assumptions. They assume that Snap-Quick will be able to license its product line to a manufacturing company. Revenue growth forecasts are based on this partnership, as are all of the financial projections.

The following pages summarize the assumptions used to forecast the next 36 months of Snap-Quick, Inc.'s planned operations.

### 9.1 Profit & Loss

<b>Profit &amp; Loss Statement</b>			
<i>For year beginning January, 2001</i>			
	Year 1	Year 2	Year 3
Sales	1,516,200	1,644,300	1,795,500
Less cost of sales:			
Material	472,500	472,500	472,500
Labor/benefits/taxes	315,000	315,000	315,000
Total cost of sales	<u>787,500</u>	<u>787,500</u>	<u>787,500</u>
Gross profit	<u>728,700</u>	<u>856,800</u>	<u>1,008,000</u>
Operating expenses:			
Salaries & Wages	180,000	195,000	210,000
Sales Commissions	86,288	97,515	112,145
Maintenance	20,400	21,300	21,900
Equipment Rental	7,200	7,200	7,200
Insurance	2,952	3,432	3,912
Utilities	19,284	20,248	21,260
Office Supplies	8,225	8,634	9,067
Marketing & Advertising	20,366	22,200	24,198
Travel	6,734	7,743	8,904
Bad debts	12,130	13,154	14,364
Depreciation	27,929	27,929	27,929
Total operating expenses	<u>391,507</u>	<u>424,356</u>	<u>460,879</u>
Operating income	337,193	432,444	547,121
Interest expense	<u>26,824</u>	<u>20,145</u>	<u>14,259</u>
Net income before taxes	310,368	412,299	532,862
Estimated taxes	<u>93,111</u>	<u>123,690</u>	<u>159,858</u>
Net income	<u>217,258</u>	<u>288,610</u>	<u>373,003</u>

Sales - Assumptions are based on volume sales of the Snap-Quick Connector product line, at a price range of five to seven cents per item. Historical revenues were used as a starting point, with steady growth forecasts applied to these figures. Sales are assumed to grow by 10,000 units per month in 2001, and by 15,000 units per month in both 2002 and 2003. In addition, it is assumed that Snap-Quick is able to license its product line and receive royalty payments from their sale.



Cost of Sales - Material costs for the product Snap-Quick directly manufactures are anticipated to be 37.5% of sales, while labor costs are expected to be 20% of sales (plus taxes/benefits). Per unit costs are not believed to be an accurate projection basis, due to the fractional cent cost of each unit. Royalty payments have no cost of sales.

Salaries & Wages - Comprised of the four-person management team, as well as two administrative assistants and the sales staff's minimum base salaries.

Sales Commissions - The company will continue with its historical policy of commissions of five percent of revenues generated by the sales staff. Included in this account are the related payroll/benefit taxes.

Marketing & Advertising - Primarily consists of mailers targeted to appropriate cable systems staff, as well as sample products, telephone sales calls, and related marketing costs.

Travel - Assumed to consist of initial in-person sales calls to prospective clients, typically identified as potential large quantity purchasers. Once a customer has been established, follow-up in-person calls are not expected to be necessary.

Bad Debts - Assumed to remain consistent with historical figures, which average around 1% of sales.

Interest Expense - Calculated on loans transferred into the company as follows: Equipment Notes with a balance of \$99,762 and an 11.0% APR, with 36 months remaining; and a Real Estate Mortgage loan with a balance of \$186,249 and a 9.0% APR, with 84 months remaining. Also includes interest paid on Snap-Quick's line of credit of \$55,000 at 14.0% APR. Activity on the line of credit can be seen on the Cash Plan report.

Estimated Taxes - Calculated based on a 30.0% corporate tax rate on net income before taxes.

Net Income - Net income (as a percent of gross sales) targets have been set at 14.3% in 2001, 17.6% in 2002, and 20.8% in 2003. Peter August, the company's CFO, is confident that these margins can be attained.

## 9.2 Balance Sheet

<b>Balance Sheet</b>			
<i>For year beginning January, 2001</i>			
	Year 1	Year 2	Year 3
<b>Assets:</b>			
Current assets:			
Cash	130,187	381,739	711,800
Accounts receivable (net)	103,118	113,098	123,077
Inventory	6,563	6,563	6,563
Total current assets	<u>239,868</u>	<u>501,400</u>	<u>841,439</u>
Land	125,000	125,000	125,000
PPE (net)	216,333	188,403	160,474
Total assets	<u>581,200</u>	<u>814,803</u>	<u>1,126,913</u>
<b>Liabilities and equity:</b>			
Current liabilities:			
Accounts payable	39,375	39,375	39,375
Line of credit	0	0	0
Notes payable	0	36,954	0
Current maturities	55,007	23,938	26,184
Total current liabilities	<u>94,382</u>	<u>100,268</u>	<u>65,559</u>
Long-term liabilities (net)	181,309	120,417	94,233
Total liabilities	<u>275,691</u>	<u>220,684</u>	<u>159,792</u>
Equity	305,509	594,119	967,122
Total liabilities and equity	<u>581,200</u>	<u>814,803</u>	<u>1,126,913</u>

Accounts Receivable (net) - Snap-Quick will be extending sales credit terms of Net 30. This is the anticipated amount of uncollected cash the company is owed at the end of each month.

Inventory - Snap-Quick plans on minimizing its' inventory on-hand at all times to 5 days' worth. This is the amount the company will have on-hand at the end of each month.

PPE (net) - This is the value of Snap-Quick's Office & Manufacturing Equipment, as well as the Building, net of depreciation.

Accounts Payable - This is the amount Snap-Quick owes its suppliers, based on supplier terms of Net 30 days.

Line of Credit - Assumes the company's existing line of credit in the amount of \$55,000 remains in place for the next 36 months. See the Cash Plan report for credit line activity.

Current Maturities/Long-Term Liabilities - Based on loans transferred into the company as follows: Equipment Notes with a balance of \$99,762 and an 11.0% APR, with 36 months remaining; and a Real Estate Mortgage loan with a balance of \$186,249 and a 9.0% APR, with 84 months remaining.

### 9.3 Cash Plan

<b>Cash Plan</b>			
<i>For year beginning January, 2001</i>			
	Year 1	Year 2	Year 3
Cash receipts	1,400,952	1,621,166	1,771,157
Operating cash expenses:			
Inventory purchases	439,688	472,500	472,500
Other costs of sales	315,000	315,000	315,000
Other expenses	351,449	383,272	418,586
Estimated taxes	93,111	123,690	159,858
Total operating cash exp.	1,199,247	1,294,462	1,365,944
Cash from operations	201,705	326,705	405,212
Debt activities:			
Principal payments	(49,695)	(55,007)	(60,893)
Interest payments	(26,824)	(20,145)	(14,259)
Total debt activities	(76,519)	(75,152)	(75,152)
Net cash after debt service	125,187	251,553	330,061
Change in cash	125,187	251,553	330,061
Beginning cash	5,000	130,187	381,739
Cash before borrowing	130,187	381,739	711,800
Line of credit activity	0	0	0
Ending cash	130,187	381,739	711,800

Cash Receipts - Sales to customers will be made on Net 30 credit terms. The forecast assumes that cash will be received in the month following the sale. A 1% bad debt expense is expected, which follows historical data.

Inventory Purchases - Assumes that Snap-Quick will have five days' worth of inventory on hand at all times. Supplier credit terms are anticipated to be on a Net 30 basis. As the product line uses very easily attainable raw materials, inventory is expected to be managed tightly for cash flow purposes.

Other Costs of Sales - Manufacture of the Snap-Quick product line will result in production labor costs expected to amount to 20% of sales (plus taxes/benefits).

Other Expenses - Consist of operating expenses, not including depreciation expenses.

Estimated Taxes - Calculated based on a 30.0% corporate tax rate on net income before taxes.

Principal Payments/Interest Payments - Payments made on the equipment & real estate loans that already exist on the company's books, plus interest costs on the \$55,000 line of credit.

## **10. Appendix**

This section contains the following information and supporting documentation:

- Beginning Balance Sheet
- Profit & Loss (2001-2003)
- Balance Sheet (2001-2003)
- Cash Plan (2001-2003)
- Financial Ratios (2001-2003)
- Customer Testimonials
- Proposed License Agreement
- Product Brochure