

Sugarcane Log Turning Ltd.

Business Plan



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EXECUTIVE SUMMARY

Sugarcane Log Turning (SCLT) is a unique business joint-venture, developed between the University of British Columbia - Alex Fraser Research Forest (UBC AFRF), and the Williams Lake Indian Band (WLIB) near Williams Lake, British Columbia. This business opportunity arose as a result of UBC AFRF's need to utilize slow-grown, small-diameter Douglas-fir trees that they are obligated to harvest for various reasons. Also, the WLIB currently operates a small sawmill, but has been seeking opportunities to expand their business to create greater employment within local communities. This business venture takes advantage of both groups' desires by updating the current mill to create a new secondary wood product: high quality Douglas-fir spindles.

SCLT will provide both custom-designed and blank spindles of varying lengths and widths, as well as a number of side-products such as utensil handles, lamp posts and salt and pepper shakers. Stair railings are another product that will result from this venture, which will complement a number of spindle styles to be chosen by the customer. SCLT's products will be marketed to both local consumers in the Williams Lake area and to those in the Whistler and Greater Vancouver areas. The latter market has been chosen in response to the housing start boom initiated by Vancouver's winning bid for the 2010 Winter Olympics. SCLT's customers will be interested in a high-quality product that will enhance the rustic aesthetics of many types of homes; for example, log homes inspired by the Olympic Games, and other homes that will complement the natural look of our rich Douglas-fir material.

Management of the mill will be guided by a board of directors, composed of both AFRF and WLIB representatives, as well as third-party business advisors. This will ensure that the mill is in extremely capable hands, and SCLT will therefore be able to successfully grow and evolve as a business over time. SCLT believes that through working together with both the WLIB and AFRF, a prosperous partnership can develop to meet the needs of both the Williams Lake communities and the consumers of BC.

Competitors both locally and in Vancouver are spindle producers of similar size and structure to SCLT. Although the nature of the product is similar between us and the competitors, we feel that we have several competitive advantages that will set us apart from other spindle producers. We incorporate a unique and attractive wood species that is new to the spindle market, our operations are highly adaptable to consumer demands, and our harvesting methods are environmentally sensitive and create habitat for the local Mule Deer. Our sound environmental practices along with a high quality product ensure that consumers will be willing to pay a premium price for our products. In addition, our business will provide more employment for local communities and will be run in favour of the WLIB, which will generate extensive community support for SCLT in the Williams Lake area.



Financial projections have shown SCLT to be a viable and profitable business opportunity. The start-up costs are determined to be approximately \$1,500,000, the majority of which will go towards the purchase of new equipment for the mill with additional small start-up fees and office supply costs. We expect that our average monthly profit will be \$3,450, with a total profit of \$41,400 by the end of year one. This is based on \$2,140,000 in sales for the first year, or approximately 455,000 units of average price sold. Profits are expected to increase over the long term, as SCLT becomes more established in the marketplace and continues to pay off debts. This will be ensured through sound management, adaptability to consumer demands, and a competitive marketing strategy.

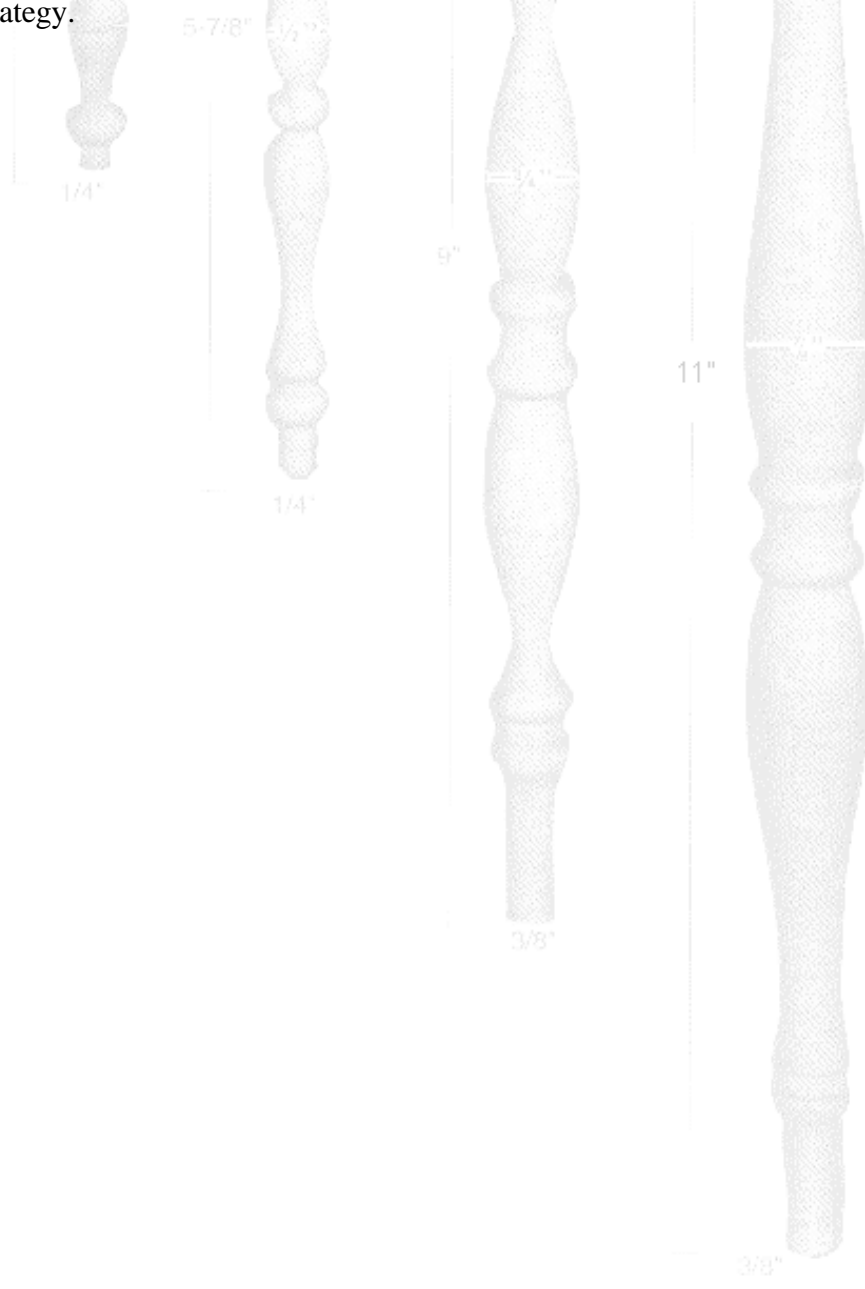
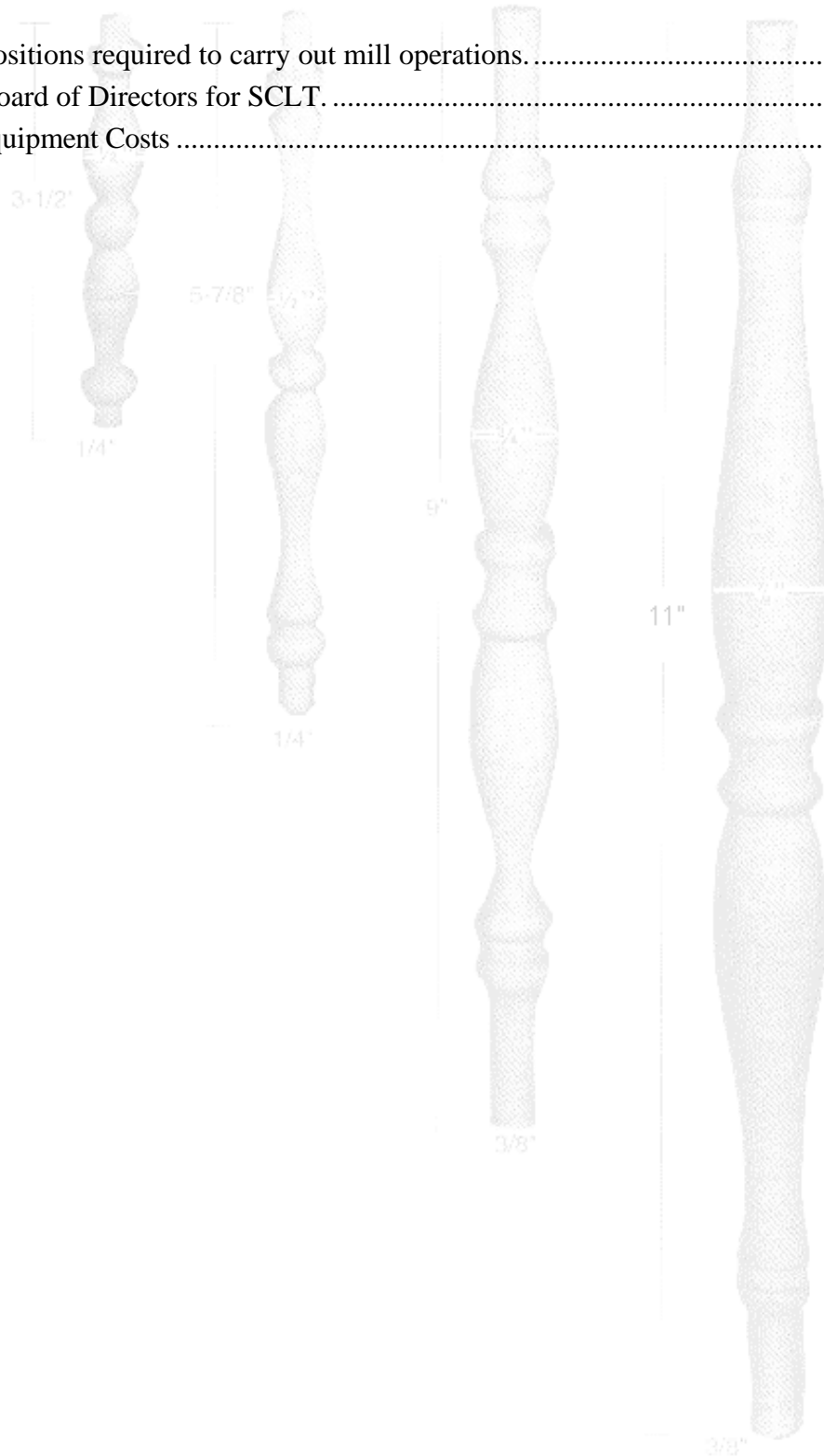


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1.0 COMPANY DESCRIPTION

1.1 *Business Background*

Sugarcane Log Turning Ltd. (SCLT) is a small diameter wood products processing company specializing in the utilization of slow grown, high quality Douglas-fir sawlogs. The company is a joint venture between the University of British Columbia's Alex Fraser Research Forest (UBC AFRF) and the Williams Lake Indian Band (WLIB). The joint venture is a 51/49 split in ownership in favour of the WLIB. This business plan is provided to meet a unique business opportunity.

Small diameter Douglas-fir trees are being harvested from the UBC AFRF at present in a program called "commercial thinning." The purpose of this harvesting program is two-fold: to provide a high-quality timber resource for the research forest, and to enhance the natural forest ecosystem structure. The forest structure in discussion is typified by regular intervals of fire disturbance. A lack of fire presence over the past century due to fire suppression has changed the forest structure and function from what would have naturally occurred without human interference.

A change in the forest structure has changed the growing conditions of the area. The forest structure of the past consisted of large, old Douglas-fir trees as the tallest individuals on the landscape, followed by a shorter forest stand of Douglas-fir and lodgepole pine trees. With fire disturbance, these shorter individuals would be killed

whereas the taller trees would persist. Without disturbance, competition occurs between the two tree layers, reducing the overall tree vigour and wood qualities in the forest.

Mule deer (*Odocoileus hemionus*), a predominate wildlife species of the UBC AFRF and the area in general, depend on the forest structure created by fire disturbance for their winter habitat. Management for the mule deer's winter habitat, or 'range,' is underway by the UBC AFRF in coordination with provincial government initiatives.

As a result of this required habitat management and forest structure alteration, timber is being harvested from the UBC AFRF without a profitable resulting product in mind. As stated, this material is of small diameter and thus is not appropriate for the primary processing industry (*i.e.* dimensional lumber for residential construction) – the typical product created from wood products processing in BC. However, the material is a desirable species and of high quality; thus this business proposition is presented for this reason. The WLIB has shown interest in diversifying their community economy, specifically in the value-added wood products sector (WLIB 2003), as well as increasing development on band lands (see Appendix 2). The UBC AFRF is interested in further solidifying their business relationship with the WLIB through innovative initiatives (K. Day, personal communication, March 8, 2004).

1.2 Location and Facilities

SCLT will be based out of the WLIB's Sugarcane Reserve (Williams Lake Indian Reserve #1), approximately twelve kilometres south of the city of Williams Lake, British

Columbia, along Highway 97 (WLIB 2003). The city of Williams Lake is in the Cariboo region of BC's interior. A manufacturing facility currently exists on the Sugarcane Reserve site, owned and operated by the WLIB producing pallet lumber as a primary product ("Sugarcane Wood Products"). SCLT is interested in expanding their facilities and increasing its value by adding to the existing physical capital present, and providing a greater economic return to the site based on the increased activity from our business. Appendix 3 provides an illustration to the location of the City of Williams Lake in relation to the province of BC, as well as the Sugarcane Reserve site.

1.3 Business Philosophy

1.3.1 Mission Statement

Provide opportunity for First Nations of the Williams Lake area to become more involved in the value-added sector of the Cariboo forest industry. This opportunity will increase certainty for non-aboriginals conducting forest management on traditional territories, but incorporate a style of ecosystem management that incorporates a First Nations' perspective of sustainable forest management.

1.3.2 Vision Statement

To lead by example in the Canadian forest industry as:

- A successful First Nations' joint venture with the forest industry and research institutions
- Producers of high quality products that will meet a variety of consumer needs
- A sustainable forest management model – where we are managing for what we are leaving behind, rather than what we are removing.

- A provider for local community support encouraging prosperity and growth.
- Continued growth and adaptability over time.

1.3.3 Value Statement

Provided for guidance of all employees and associates of SCLT:

SCLT believes in the values of:

- Respect
- Integrity
- Equality
- Honesty
- Safety

with all employees and in all business relationships.

A balance of interests is central to our business's viability, where a mutual benefit must be drawn from:

- Aboriginal and non-Aboriginal members of the business
- Environmental conservation and sustainable development of resources

Community stability and company success through:

- Requiring a profit be made from our operation; without this, success is only qualitative.
- Open communication in business endeavours and day-to-day operations.
- Being innovative in our processing, looking to move out of the primary processing-dominated culture of the area and into the value-added sector.
- Maintaining a company philosophy of adaptive management and continuous improvement throughout all of our activities.

1.4 Objectives

Many objectives for establishing a joint venture between the UBC AFRF and the WLIB have been identified. These include:

- Increasing utilization of small diameter, tight grain Douglas-fir logs that may otherwise not have their value optimized.
- Receiving a larger return on investment to the Sugarcane Wood Products mill, accomplished by increasing its use, adding more machinery and labour on site, and providing the necessary renovations to the building for its continuing use.
- Providing a means for the WLIB to be involved with the planning and management of timber resources in their traditional use areas, in a manner which is more consistent with their traditional management (i.e. partial cutting in low volumes of small pieces, as compared to the conventional clearcutting methodology) (K. Day, personal communication, March 8, 2004).
- Supporting the long-term sustainable management of the dry forests by the UBC AFRF and the WLIB through a management program which more closely mimics the natural disturbance history and ecology of the area.
- Promoting educational opportunities for WLIB members in various facets of forestry, to enable them to take advantage of job opportunities arising from forestry activity in the area, and a promising value-added sector more specifically.
- Providing the foundation for a self reliant community, by creating long term employment opportunities, and enhancing the quality of life for WLIB members.
- Improve the quality of mule deer winter range habitat on the UBC AFRF.
- Providing a secure and stable flow of value added products to log home manufacturers of the BC interior.
- Providing a means of conflict resolution between the native community and the forest industry.

1.5 Primary Products

- Tight-grained, slow-grown, Douglas-fir spindle blanks, 36" length
- Tight-grained, slow-grown, Douglas-fir profiled spindles, 36" length
- Upper and lower railings for a complete railing set
- Profiled lamp bases, utensil handles, and other turned goods

Our products will be developed in accordance with market trends and customer demand. The height and diameter of the standard spindle blanks that we offer are consistent with those produced by our competition. However, we are capable of producing different diameter spindles for custom orders. Our line of custom spindles will be developed from the ideas of our customers. This can also be said about our other product lines of turned goods. The key to our products is the level of custom ability that we can offer our customers. Our process is capable of producing most any designed profile for spindles that architects and designers can create. An advantage of using the tight-grained Douglas-fir is that better finishes can be applied to complex profiles. This trait will give our product an advantage over the competition. A further advantage is the consistency and quality of the wood. This will result in fewer rejected units, subsequent waste produced and lost production time.

A detailed discussion of our products is provided in Section 2.3.

1.6 Management Strategy

SCLT will be a reasonably small company operating in a less established forestry sector, and with a unique business relationship. Thus, the organizational structure designated for this proposal will be “flat;” where the many levels of management typical of organizations have been reduced or eliminated. This will provide for better communication between the venture’s managers and employees producing our turned products. We have established a Board of Directors, discussed in Section 4.0 that will provide guidance as to how we should steer our activities and grow into the future.

1.7 Legal Information

SCLT will be conducted as a limited partnership between the UBC AFRF and the WLIB. As stated, the share structure will consist of 51% ownership by the WLIB, with the remaining 49% held by the UBC AFRF. UBC AFRF will never be able to hold more than 49% of company shares, in order to keep the business majority owned by First Nations. The WLIB, however, will have the opportunity to increase their share holdings over time if desired.

2.0 INDUSTRY, MARKETS AND SALES

2.1 Target Markets

Our primary target market includes a variety of customer groups since our product will be used in conjunction with other similar home products. Our small-scale customers will be primarily based in the Williams Lake and surrounding area; our large-scale customers will be based in the Sea-to-Sky area (primarily Whistler) and Greater Vancouver. See Appendix 4 for map of general market location. Markets in the Whistler and Vancouver areas will include a variety of homes in size and quality, of which we plan to market to all. Our current projected capacity only allows us to focus on small to medium size demand at present. We plan to expand our target market base through western Canada and the Pacific Northwest as our company expands.

Our primary target market includes those who are looking to build or renovate a new home with a natural appearance: wood furniture and architecture. SCLT will look to

build partnerships with intermediaries to facilitate repeat business and our product use in key construction projects. Intermediaries include, but are not limited to, interior designers, architects, millwork carpenters, home manufacturers and retailers.

2.2 The Industry

Our strategy of including Vancouver and Whistler in our target market is based on economic information regarding housing start booms in the Lower Mainland and Sea to Sky region in the next six years in preparation for the 2010 Olympic Games held in the area. As O'Brien (2003) stated, "When Vancouver was awarded the 2010 Winter Olympics it came amidst one of the strongest real estate booms in the province of British Columbia."

Our strategy of focusing on a range of housing qualities and sizes is to not limit our market potential. However, we believe the products of SCLT will be more prevalently used within high end, mid-size homes, as supported by a report by Canada Mortgage and Housing (CMHC 2002). Canada Mortgage and Housing (CMHC 2002) states that the average house price for the target market will triple to approximately three million dollars by 2010. This would facilitate the demand for high-end housing starts and renovation projects in the Sea to Sky region.

2.3 Marketing Mix Breakdown

2.3.1 Product

The main product of SCLT is high-quality Douglas-fir spindles, produced in a range of lengths as either blanks or designed. All spindle products incorporate a contemporary feel, designed to accentuate the tight end grain that is found exclusively in our wood source. By offering a wide range of designs in addition to our blank spindle, SCLT can incorporate a variety of other turned products into our production line, including:

- Stair railing posts
- Chair backs
- Table legs
- Headboard posts
- Lamp posts
- Salt and Pepper shakers
- Utensil handles
- Porch posts

Further to the spindle line, SCLT will be producing a complementary railing line. These two products, when combined, form a perfect staircase package, which is readily installable in any home. Our spindle blanks will come in one standard size, with the option of variable length through our custom orders. Four designs for profiled spindles are illustrated in Appendix 5; further customization is possible at request.

2.3.2 Place

SCLT's channel of responsibility includes operations beginning with timber harvest on the UBC AFRF to the final product distribution to our customers. Our primary target market will be intermediaries. Such intermediaries include, but are not limited to:

- Local Log Home Manufacturers
 - There is potential to enter into strategic alliances with commercial log and timber frame home manufacturers. There are several such businesses located in the Williams Lake area, the Cariboo region, and BC's interior. Through offering our local product, differentiated from current spindle blanks, we can enhance their product mix which is mutually beneficial to both partners. Further, two manufacturers lease land from the WLIB currently, which makes them the first target customers of our business.
- Millwork Carpenters
 - Personal sales have been identified as the most effective method for reaching local carpenters based around the Cariboo region; by interacting in this way, we could ensure the carpenter would handle our quality product before a competitor's. We are interested in creating partnerships with carpenters, ensuring a consistent supply of our unique Douglas-fir spindles.
- Architects/Interior Designers
 - For our markets outside of the Williams Lake area, our best intermediary customers would be architects and interior designers based out of the Greater Vancouver area. In order to gain initial contact with these intermediaries, we will showcase our products through product displays at trade shows; sample product packages may be further mailed out to potential designers throughout the Greater Vancouver and Sea-to-Sky areas. These intermediaries are key to our success, which we will reach through our aggressive and effective marketing strategy.
- Retailers
 - We plan to place our secondary turned products, such as the lamp posts and utensil handles in local, as well as chain-based retailers. We will initiate this relationship with these suppliers through personal sales, product displays in-store at their permission, and providing samples for the store and their customers. Home and garden shows open to the public will be a location at which we will make our product available to the end-user, creating a demand for our products and thus generating a "market pull" for these products.

2.3.3 Pricing Strategy

Our pricing strategy for spindles consists of a benchmark of current spindle prices at major retailers plus a premium for our differentiated material (see Section 5.1 for a further discussion). Our pricing strategy reflects the fact that we can command a high



price because of our unique product, high quality, and environmentally-sound forest management practices. We believe our target markets will pay our premium in light of these considerations. Appendix 7 illustrates some example product pricing methods.

2.3.4 Promotion Strategy

Initial communication and promotion of our products will rely on establishing contacts through personal sales (*e.g.* mail samples, telephone calls) and trade show appearances. Specific buyers we will be seeking include those indicated in Section 2.3.2 above.

Communication avenues will be created and strengthened further by initiatives such as:

- Delivering presentations at surrounding log home manufacturers.
- Developing an e-mail network by which we will notify our markets of product developments and new opportunities for customers.
- Becoming part of the local community and having relationships with local primary and secondary wood producers and construction organizations.

These target customers will also help the company with further promotion by providing opportunities for repeat business, long-term growth and financial stability. Initially our web presence will be minimal; we will seek to create a basic website that provides a brief product outline, company history, and contact information.

The year of 2004 is marking the 75th Anniversary for the City of Williams Lake in addition to the 15th Anniversary of the UBC AFRF. Moreover, the City of Williams Lake has been designated the Forestry Capital of BC by the Association for BC Forest Professionals (the guiding organization for professional foresters) (The City of Williams Lake 2004). SCLT strongly believes with the extra attention focused in the area during

2004, there would be no better time to showcase a new First Nations forestry joint-venture to the province, receiving some initial advertising and publicity free-of-charge.

2.3.5 Distribution Strategy

The potential market is large and geographically dispersed; therefore, it can absorb a variety of smaller scale component manufacturing plants such as SCLT. Small business buyers, such as architects and log home builders, are accustomed to buying from vendors who visit their offices. Therefore in order to reach our intermediaries we will initially have to visit their office to make initial contact and build much needed business relationships for future sales.

2.4 The Competition

Known competitors in the Williams Lake and Greater Vancouver/Whistler areas are mainly small businesses of similar size to SCLT, which specialize in a number of secondary wood products. A list of these competitors is provided in Appendix 9. Of this list of competitors, there are few who focus their production on spindles and railings alone; rather, most are involved in other ventures as primary products, with spindles as a secondary product. In Northern BC, the only competitors appear to be log home manufacturers who produce railings to complement their log homes; for example, Bowron Valley Log Homes in Prince George (BVLH 2003). These competitors utilize species more common in secondary wood products, such as hemlock and pine, whereas SCLT utilizes the unique slow-grown Douglas-fir. There are no known producers in the Williams Lake area who specialize in profiled spindles.

Other competitors in BC may be producers of substitutes for our product, such as aluminum and iron railing manufacturers. These producers are not considered a large threat to SCLT, as our target market includes consumers who are interested in the quality and aesthetics of wooden spindles, rather than in their function alone. A “Strengths, Weaknesses, Opportunities and Threats (SWOT)” analysis of our business is displayed below, in order to further analyze SCLT’s position in the marketplace.

Strengths:

- High-quality product that brings a new wood species into the spindle market
- Skilled labour force and strong management team
- Unlimited supply of raw material
- Community support for joint-venture with WLIB and increased employment
- Little direct competition in the Williams Lake area
- Close proximity to Williams Lake market (*e.g.* log home manufacturers)
- Equipment is highly adaptable to changes in consumer demand, with option to customize spindle profiles

Weaknesses:

- Distance from the Greater Vancouver/Whistler market
- High marketing costs to reach markets outside of Williams Lake
- Aggressive expectations for initial sales

Opportunities:

- Increased market due to housing start boom for the 2010 Winter Olympics
- Potential for market penetration into housing starts for 2010 Winter Olympics through UBC AFRF’s already-established relationship with “Durfield Log Homes” in Whistler
- Potential to become major supplier for local “Pioneer Log Homes” in Williams Lake
- Environmentally-sound harvesting methods will garner support from environmentally-conscious consumers
- Look to expanding into new markets in the future

Threats:

- Several competitors in Greater Vancouver, who have closer proximity to the 2010 Olympic Games market
- High harvesting costs
- Higher unit price than competitors
- Presence of lower-cost substitutes for our products in the marketplace

SCLT believes that the weaknesses and threats listed above can be lessened through intense initial marketing strategies, sound management and vigorous quality control. We feel that although our pricing and costs are slightly higher than some competitors, our target customers will be willing to pay the higher price for our unique and appealing high-quality products.

3.0 OPERATIONS MANAGEMENT

3.1 *Harvesting Overview*

The cost of harvesting the small diameter Douglas-fir logs from the UBC AFRF has been estimated at \$46/m³ (K. Day, personal communication, March 12, 2004). This cost can be broken down as follows:

- Logging to roadside \$33/m³
- Loading and hauling to the Sugarcane Reserve \$8/m³
- Layout and Administration \$4.75/m³
- Stumpage \$0.25/m³

The joint venture is set with the UBC AFRF as a fibre supply; no further options for fibre supply have been analysed in this plan, as the UBC AFRF has informed us they would be able to provide SCLT with the raw material we require over time. Fibre supply is agreed

to be provided free of charge from the UBC AFRF with the provision that SCLT will cover the harvesting costs provided above.

3.2 Facility Layout

The existing mill at the Sugarcane Reserve will be expanded to facilitate SCLT's production. Thus, a significant proportion of the infrastructure required is already in place, and property will not have to be found for purchase. The existing inventory system will be utilized, but upgrading and expansion will be required in the storage facilities, computer systems, and communications systems to fit our business. See Appendix 6 for the proposed revision to the mill's layout.

3.3 Manufacturing Plan

The existing mill is assumed to have machines in place that our business can employ; however, purchase of new machinery has been adequately considered in our financial projections in the case that existing machinery does not suffice. With the purchase of further physical capital, our proposed products will be set for manufacturing. See Appendix 6 for the facility layout, and the accompanying description of our manufacturing process.

3.4 Order Fulfillment and Customer Service

We will encourage our customers to take advantage of our profiled spindles, and our ability to suit their desires in custom design. In order to fulfill such a request, architectural drawing and the associated knives will have to be produced; associated costs will be incorporated into the contract rate. Custom spindle designs will not be



reproduced for sale to other customers. This ensures our company maintains a standard of high service and support, as well as a strong relationship-building philosophy. Time required to produce custom orders will depend on spindle design complexity, and will be estimated at the time of contract authorization.

3.5 *Transport and Distribution Strategy*

The costs of transporting our Douglas-fir stems are incorporated into the harvesting costs. The cost of transporting finished products will be charged to the buyer; costs may be shared by SCLT depending on the relationship between the purchaser and our company, and the contract size. Local selling and specialty orders will be shipped via trucks. For large orders, our product will be shipped to Williams Lake by truck, and then loaded onto trains. Train transport will save costs over long distances. Potential overseas shipping will be conducted out of Vancouver. Several companies that we are considering for trucking employment include: Mercury Express Ltd., T&P Trucking Ltd., Pannu Bros. Trucking Ltd., and West Rim Express Lines Ltd (TruckFlix 2004). Rail transport from Williams Lake will be provided by BC Rail or its subsequent buyer.

4.0 MANAGEMENT AND ORGANIZATION

SCLT will be managed as a “flat” organization, which means that there will not be a complex hierarchy of management positions. One manager will be employed, who will supervise operations and also see to office work (*e.g.* customer orders). Other employees will have specific positions in the mill, but no one will have managerial power over another. This lack of hierarchical structure will allow high levels of communication

between management and labourers, and thus more efficient use of time and resources. A list of positions and employees required is provided in Table 1 below. A minimum of 50% of these positions will be filled by members of the WLIB; other employees may be hired from the Williams Lake community as well as other bands under the Cariboo Tribal Council. We look to offer training to inexperienced applicants; however, this will depend on the financial status of the company at the time of hiring. Two part-time clean-up positions will be filled by local youth in order to further support the WLIB community.

Position	Number of Employees
Manager/office clerk	1
Sawfeller	1
Electrician (incl. quality control)	1
Maintenance (incl. quality control)	1
Forklift Operator	1
General Labour	10
Clean-up (part-time)	2
<i>Total Employment:</i>	<i>15 full-time, 2 part-time</i>

Table 1. Positions required to carry out mill operations.

A Board of Directors will be established to voice concerns and provide advice for the improvement of our business strategies. A list of Board members is displayed in Table 2, which includes each member's background and what they will be able to contribute to the Board in terms of knowledge and experience. These members were chosen in order to represent both the WLIB and the UBC AFRF, as well as provide a third-party/business perspective. There will be equal representation of aboriginal and non-aboriginal Board members, which will prevent either group from being a minority in Board discussions.

Board Member	Background	Contribution to the Board
Paul Thony	Masters degree candidate in “Supply Chain Management”; Faculty of Forestry, UBC.	<ul style="list-style-type: none"> • Log home specific market trends • Strategic direction advice in log home industry • Contact information
Rob Kozak	Associate Professor; Faculty of Forestry, UBC; Department of Wood Science.	<ul style="list-style-type: none"> • Outside perspective • Current market knowledge • Business advice
Ken Day	M.F., RPF; Manager of the UBC Alex Fraser Research Forest.	<ul style="list-style-type: none"> • Represents AFRF • Knowledge of forest resource • Provide desired future directions for the joint venture
Jason Gordon	General Manager, Northern Shuswap Development Corporation	<ul style="list-style-type: none"> • Represents Sugar Cane Wood Products (current mill under WLIB) • Knowledge of WLIB • Provide desired future directions for the joint venture
TBA (volunteer position)	WLIB Council Member	<ul style="list-style-type: none"> • Provide WLIB social perspective • Other contributions depend on which area of specialty the volunteering member is involved with on the Council.
TBA (volunteer position)	Community Support Director; WLIB Social Development Department	<ul style="list-style-type: none"> • Provide a WLIB employment interest perspective

Table 2. Board of Directors for SCLT.

5.0 FINANCIAL PLAN

5.1 Pricing Methods

By conducting some market research we found that custom spindles are selling on average at \$6 for un-primed 1-5/8” pine spindles and \$12 for equivalent oak spindles at major retailers. We strongly feel that the tight-grained Douglas-fir spindles that we will

be producing can warrant a price higher than the pine. We will produce our custom small diameter spindles for a price of \$4, which would suggest a retail price of approximately \$8 to \$9. Since bulk spindles will be our flagship product, we have developed a formula based on this price, which will be used to price our other products. Our pricing methods take into account seven main factors:

- raw material (R)
- labour (L)
- harvesting (H)
- marketing (M)
- energy (E)
- emergency fund (S)
- profit (P).

The formula also factors in the size of the product, diameter (d) and height (h), as well as a custom factor (c), which depends on the complexity of the production of the product.

$$(dh/144)(R+H+E)+c(P+M+L)+S=Price$$

Several examples of pricing can be seen in Appendix 7.

5.2 Use and Source of Funds

Although the WLIB maintains an adequate infrastructure at the current mill site, additional funding will be required to start this business. It is estimated that a total of \$1,500,000 will be required to put our business into action. We have researched several loans which would be applicable to our business, funding physical capital purchase, training programs, and consultant fees for instance. These include The First Nations Forestry Program, Aboriginal Workforce Initiative Program, Industry Canada, the First

Citizen's Fund, and the Procurement Strategy for Aboriginal Business (Bull 2004, Government of Canada *et al.* 2001); variable amounts are available. Small business bank loans through Van City and Royal Bank of Canada can provide up to \$250,000 each, and do not require personal assets to be held as collateral (appropriate as assets are typically held communally by First Nations)(Van City 2004_b, RBC 2004). Additionally, SCLT will be able to attain "green loans" (made available through banks such as Van City) for environmentally-sound business ventures, as our business has an environmental aspect (Van City 2004_a).

Initially most of the profit made on our product will be directed to pay off the loan. Profit will also contribute to paying for insurance. We expect to be able to pay off this loan within five years. At this time, we will use our profit to reinvest into the company through expansion, new products and increased capacity.

5.3 Equipment and Start-up Costs

Table 3 indicates which equipment SCLT must purchase in order to produce spindle blanks and other turned products, and which equipment the WLIB owns that we can use.

New Equipment

Cost of Equipment	Qty	New/Used	Unit Cost	Total Cost
Kiln	1	n	\$350,000	\$350,000 ¹
Lathe	1	n	\$250,000	\$250,000
Peeler	1	n	\$500,000	\$500,000
Stepfeeder	1	u	\$5,000	\$5,000 ²
Bandmill	1	n	\$75,000	\$75,000
Rail Carts	12	u	\$500	\$6,000 ²
Strapper	1	n	\$15,000	\$15,000
Conveyor	2	u	\$2,000	\$4,000 ²
Rollcase	1	u	\$3,000	\$3,000 ²
Filling Equip	1	u	\$25,000	\$25,000 ²
Grappler	1	u	\$10,000	\$10,000 ²
Misc	1	n	\$50,000	\$50,000
TOTAL				\$1,293,000

Existing Equipment

ChopSaw	2		\$5,000	\$10,000
Forklift	1		\$10,000	\$10,000
TOTAL				\$20,000

Table 3: Equipment Costs

¹ D. Johnson, personal communication, March 17, 2004.

² Used Sawmill Equipment 2001.

Financial projections are available in Appendix 8. Projections include the above machinery costs, as well as other purchases including office supplies, installation fees, and insurance; all of these costs are considered raw materials. We will require funds available to maintain equipment, pay bank charges, and other costs associated with the required paperwork. We plan on having an aggressive marketing and advertising campaign; thus, we will invest a part of each sale back into marketing. An emergency fund will also be created, and used if and when unexpected costs arise. The start-up costs may be financed through those options provided in Section 5.2.

5.4 Break-even Analysis

Two break-even analyses have been conducted for our mill, as the products we will produce will vary greatly in cost; one for our primary generic product (2" spindle blank) and one for a specialty product (utensil holder). The former would require a total monthly sales volume of 44,000 units, while the latter would only require 16,000 units in order to break-even at the end of year one.

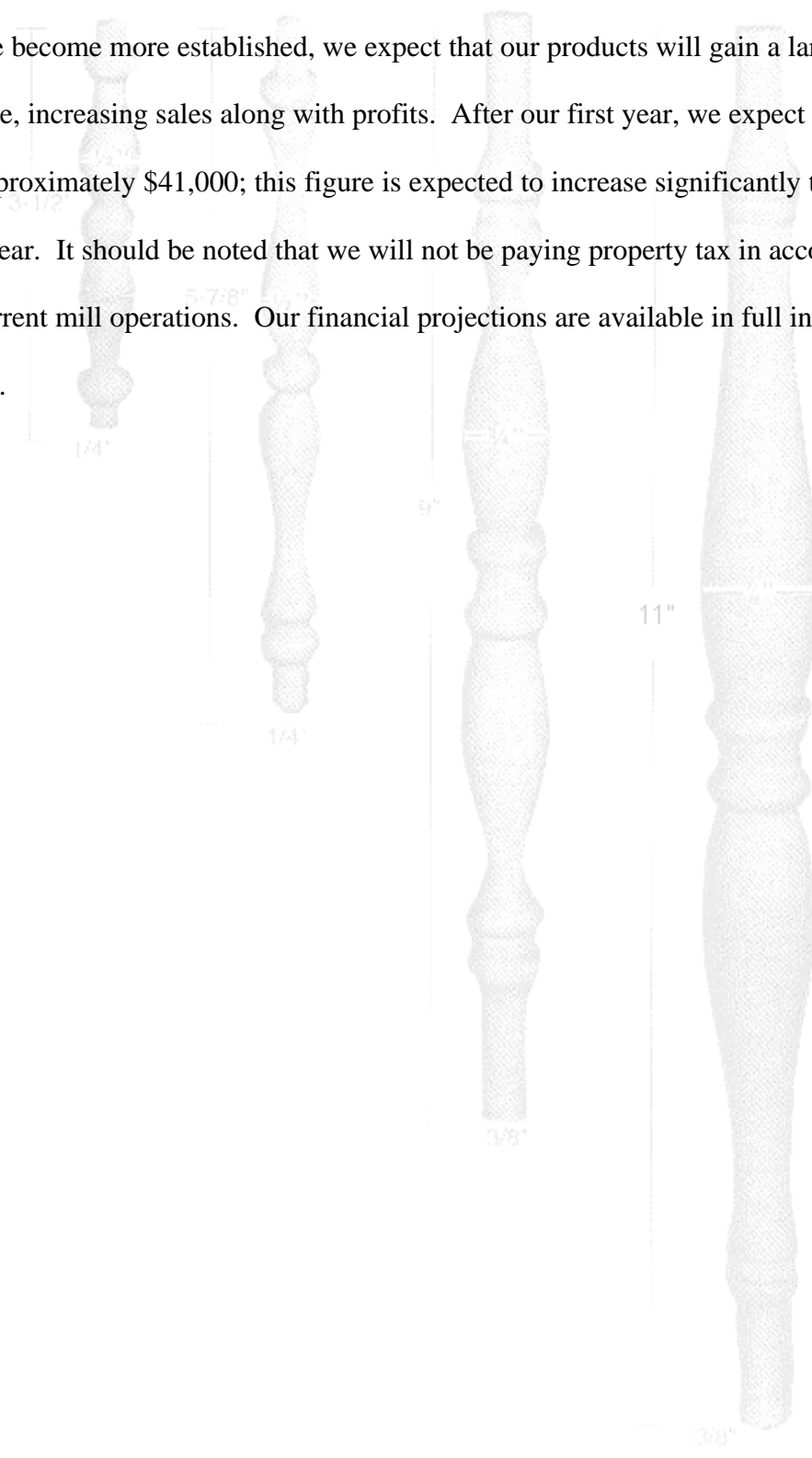
5.5 Estimated Sales

We have set up our business to easily accommodate our customers, and are therefore able to meet custom orders quickly. Our company is capable of producing up to 2500, 2" diameter by 36" length spindles per 8-hour shift. We feel that our sales will match the seasonal trends of the new home industry, so we will be able to produce other turned products such as lamp bases and utensil handles during the slower winter months. We predict that we can sell 35,000-40,000 units per month at an average value of \$170,000-190,000 a month.

5.6 Cash Flow

A financial projection has been produced through our research. We have taken into account all of our potential costs including but not limited to taxes, insurance, wages, inventory, loan payments, and marketing. By reviewing market trends, we were able to develop a conservative estimate as to how much of a market share we could obtain and the associated income available from sales. We expect to begin to turn a profit in the summer months when housing starts are at a yearly high. For this reason, it is logical for

us to start initial operations in these months so that we do not begin by receiving a large loss. As we become more established, we expect that our products will gain a larger market share, increasing sales along with profits. After our first year, we expect to earn a profit of approximately \$41,000; this figure is expected to increase significantly the following year. It should be noted that we will not be paying property tax in accordance with the current mill operations. Our financial projections are available in full in Appendix 8.



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7.0 APPENDICES

APPENDIX 1: Assumptions made by business plan proposal team in order to deliver a concise document in the time constraint provided.

APPENDIX 2: News Release from the WLIB. Provided by Ken Day, UBC AFRF Manager via e-mail, March 25, 2004.

APPENDIX 3: Location of the City of Williams Lake in BC.

APPENDIX 4: Illustration of product market areas, and the distance between them (MetroTown Info 2004).

APPENDIX 5: Proposed Products Drawing.

APPENDIX 6: Proposed Plant Layout.

APPENDIX 7: Product pricing examples.

APPENDIX 8: Financial Projections for our first year of operation.

APPENDIX 9: List of SCLT's Competitors Within BC (Wilson and Stennes 2001).

APPENDIX 1: Assumptions made by business plan proposal team in order to deliver a concise document in the time constraint provided.

List of Assumptions

- Sugarcane Wood Products, the operation currently underway at the mill owned and operated by the WLIB, will be interested in providing us with the mill (*i.e.* discontinue their pallet operations), or be interested in sharing their space to fully accommodate our requests.
- Fibre supply will be provided free of charge to SCLT under the terms of the joint venture providing SCLT will cover the costs of harvesting.
- There is land available to expand mill site for our venture's purposes.
- We are not responsible for paying off any existing debt of the WLIB in general or the mill in specific.
- Existing equipment we are relying on is present and in adequate condition (chopsaw and forklift).
- The approximate values of our equipment we will require will not fluctuate significantly in price.
- We are not obligated to pay property tax on the mill site, to either the provincial government or a self-government system within the WLIB.

APPENDIX 2: News Release from the WLIB. Provided by Ken Day, UBC AFRF Manager via e-mail, March 25, 2004.

PRESS RELEASE

Williams Lake Band Votes YES to Development

March 25, 2004

The Williams Lake Band voted an overwhelming YES to the land designation vote held on March 24, 2004. The vote involved the freeing up of three parcels of land along the highway 97 corridor and within the boundaries of the City of Williams Lake. In total the land encompasses nearly 300 acres of prime development land. 80% of the voters from the Band voted yes and more than half of the eligible voter participated. While participation of the off reserve membership was low the 85% of the on reserve membership participated.

What this means is that the Williams Lake Indian Band can now offer secure and legal leases to its own Band Corporations and third parties, including Band Members. These federal leases will be similar to the ones offered by Kamloops, West Bank and Osoyoos Bands. Chief Willie Alphonse Jr. says: "It's like opening a whole new book for our community. Benefits from this vote will not only flow within our community but as well the surrounding communities, especially the City of Williams Lake."

Jason Gordon, Manager of the Sugar Cane Development Corporation says; "because we are dealing with Reserve Land it takes 2 to 3 years to do something that take only 2 to 3 months on private or provincial land. The amount of time, money and energy that has to go into navigating the bureaucracy of Indian Affairs is frustrating but we are now in a position to do business at the speed of business as opposed to the speed of Government."

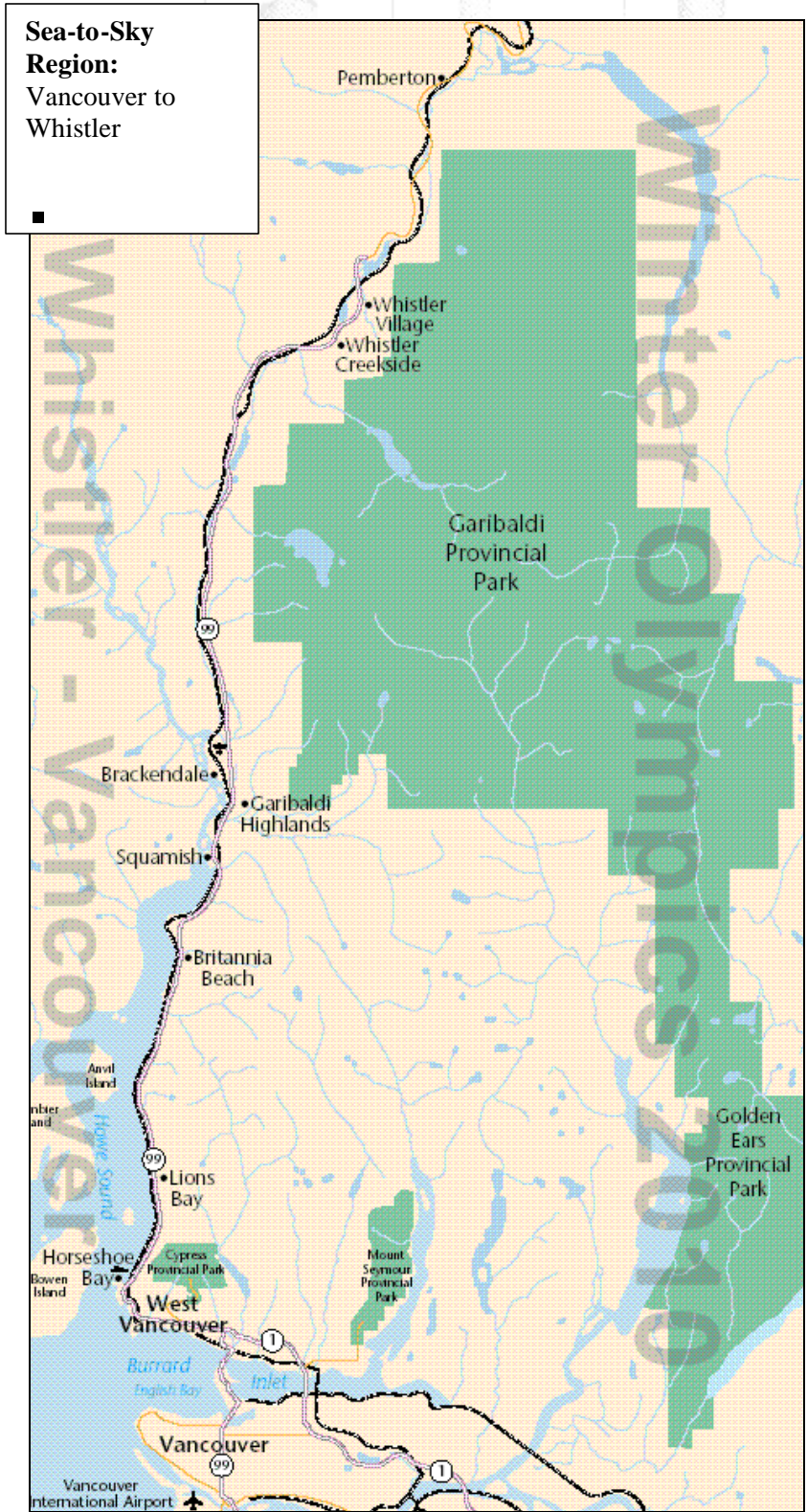
The Band has tried to get this land designation several times over the last ten years. The vote signals the final step in process. The designation will now go before the Minister of Indian Affairs to be signed off by Order in Council.

APPENDIX 3: Location of the City of Williams Lake in BC.

Illustration of the province of British Columbia. Inset provides a close-up to the location of the City of Williams Lake in the province, and the location of the Williams Lake Indian Band (*i.e.* their Sugarcane Reserve site)(WLIB 2003, Mapquest 2004).

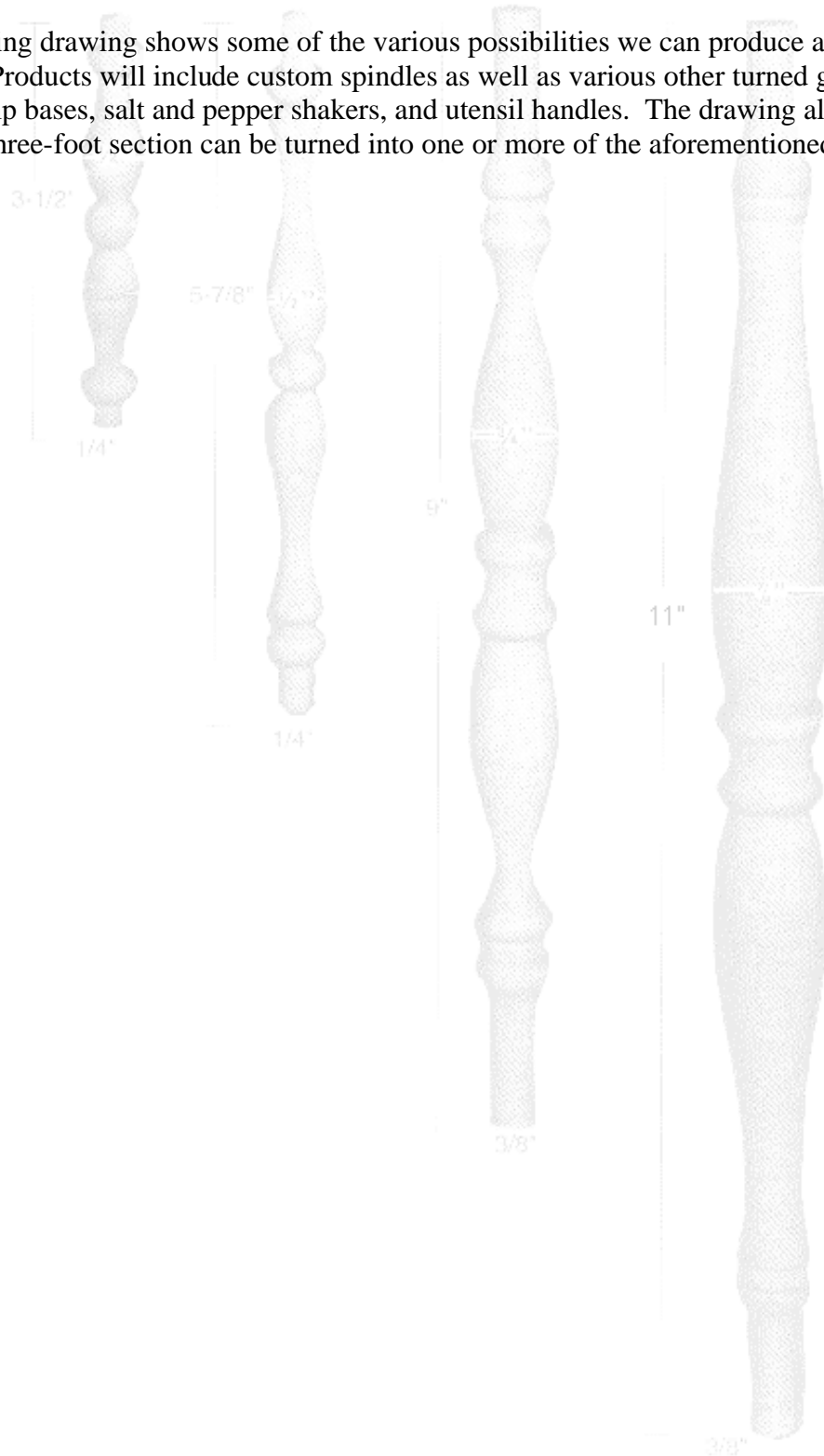


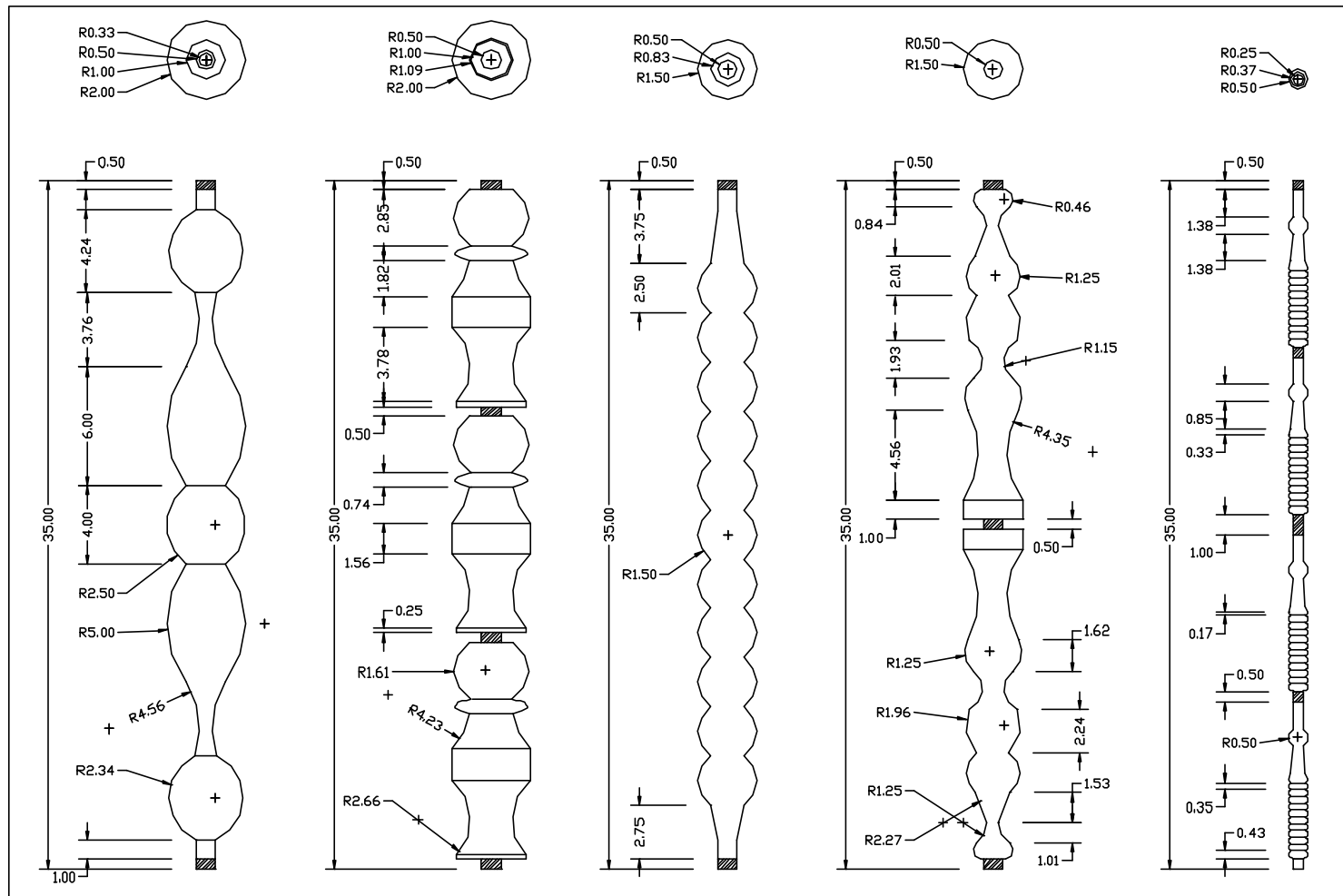
APPENDIX 4: Illustration of product market areas, and the distance between them (MetroTown Info 2004).



APPENDIX 5: Proposed Products Drawing.

The following drawing shows some of the various possibilities we can produce as products. Products will include custom spindles as well as various other turned goods such as lamp bases, salt and pepper shakers, and utensil handles. The drawing also shows how each three-foot section can be turned into one or more of the aforementioned products.





Title: Potential Product Layout

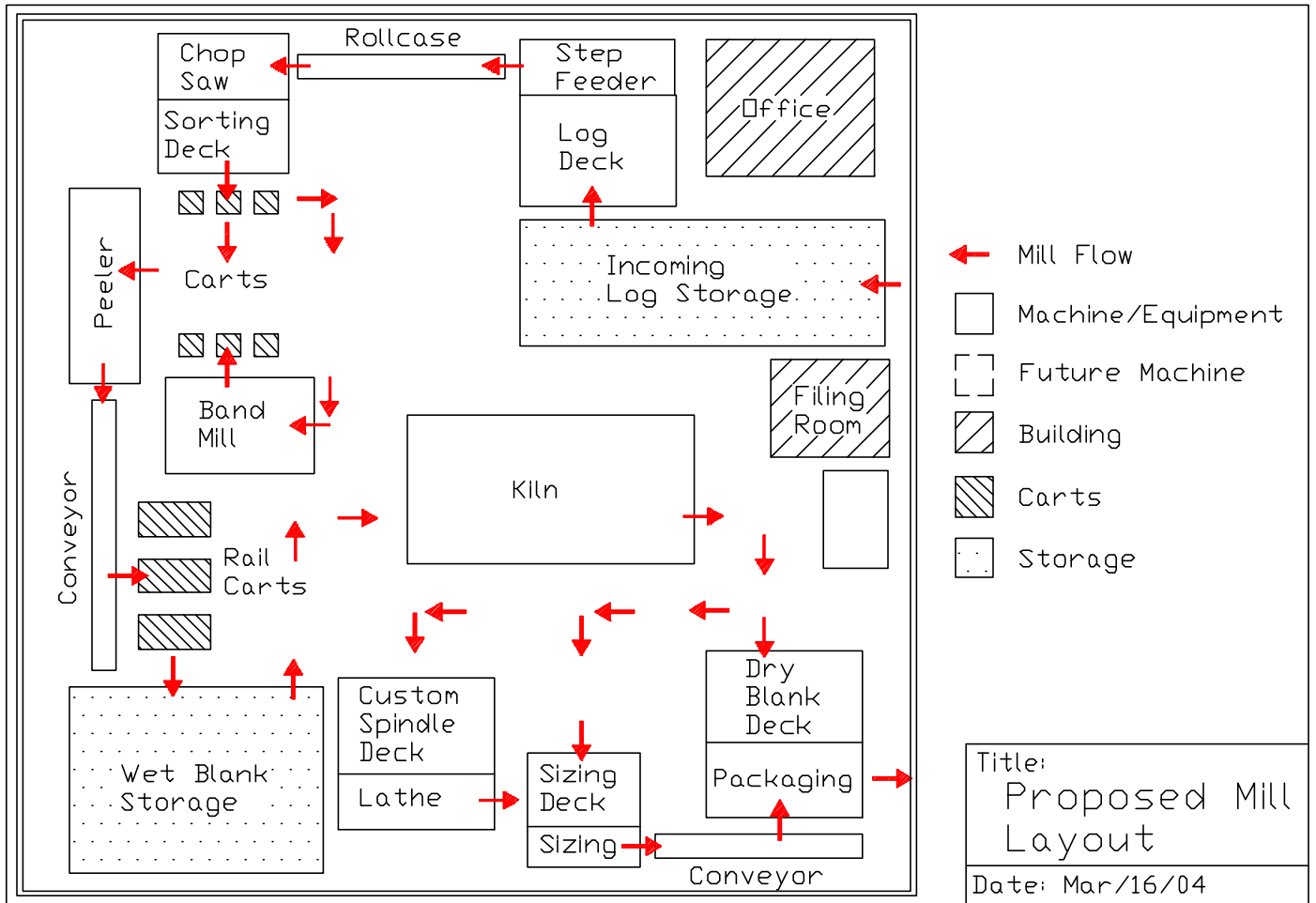
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Date: Mar/16/04



APPENDIX 6: Proposed Plant Layout

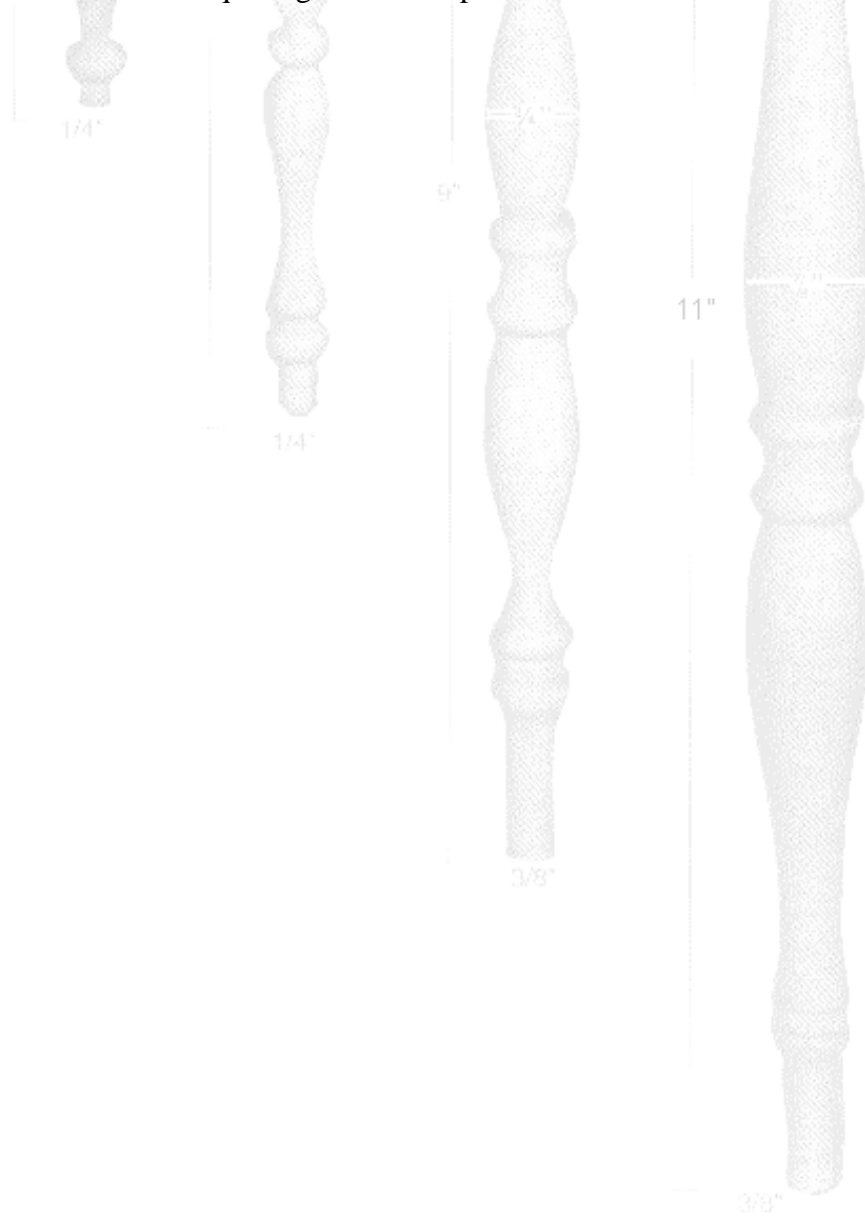
The proposed layout shows where the equipment and buildings will be situated at the current WLIB mill site. It also illustrates the steps of turning the raw material into finished turned goods. The layout is a continuous production, which will prevent the downtime of certain areas from hindering the process both before and after any given station. Following the diagram is an explanation of how stems will be pushed through the mill, the manufacturing plan.



Manufacturing Plan Step-by-Step Process:

Stems will enter the mill and then be stored until it is time to process them (top right of diagram). From the storage site, stems will be loaded onto the log deck and then transported to the chop saw where they will be bucked into 6' logs. The logs will continue down the line where they will be sorted according to their minimum diameters. Over-sized logs will be taken to a band mill where they will be ripped into quarters. These quarter logs will be sorted again according to the maximum size spindle that they

can yield. Once a stock of sorted logs reaches a volume quota (according to their diameter), they will be loaded onto the peeler deck, and then machined to get an even rough diameter. From here these wet spindle blanks will be stacked on rail carts and then stored until they are ready to be conditioned in the kiln. Upon exiting the kiln, the dry spindles will be sized, stacked and packaged or continue on to the custom lathe. At the custom lathe, various profiles can be turned according to the types of orders from customers. After the dry blanks have been customized at the lathe, they will continue down the line to be machined to a final length and then packaged. After packaging, the finished products will be stored until they are ready to be shipped. The mill layout is designed to accommodate future expansion. It can easily be adapted to incorporate railing production as well as squaring off round spindle ends.



APPENDIX 7: Product pricing examples.

		Product							
		Spindle Blank (4"dia)	Spindle Blank (2"dia)	Spindle Cust (4"dia)	Spindle Cust (2"dia)	Lamp Base (4"x18")	Lamp Base (4"x12")	Lamp Base (2"x12")	Utensil Handles (2"dia)
Cost	Constant	Values	Values	Values	Values	Values	Values	Values	Values
Raw Mats	R	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Labour	L	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Harvesting	H	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Marketing	M	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Energy	E	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Emergency	S	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Profit	P	1	1	1	1	1	1	1	1
	Variable	Values	Values	Values	Values	Values	Values	Values	Values
Custom	c	0.5	0.5	1	1	1.25	1.25	1.25	1.25
Diameter	d	4	2	4	2	4	4	2	2
Height	h	36	36	36	36	18	12	12	8
TOTAL		\$5.55	\$2.55	\$7.00	\$4.00	\$5.73	\$5.06	\$4.06	\$3.95

APPENDIX 8: Financial Projections for our first year of operation.

	January		February		March	
	Predicted	Actual	Predicted	Actual	Predicted	Actual
CASH RECEIVED						
Cash Sales	\$170,000		\$170,000		\$170,000	
Sale of Fixed Assets	\$0		\$0		\$0	
TOTAL CASH RECEIVED	\$170,000		\$170,000		\$170,000	
CASH PAID OUT						
Inventory	\$2,500		\$2,500		\$2,500	
Wages	\$56,000		\$56,000		\$56,000	
Loan Payment	\$30,000		\$30,000		\$30,000	
Utilities	\$9,000		\$9,000		\$9,000	
Equipment	\$2,000		\$2,000		\$2,000	
Travel	\$1,000		\$1,000		\$1,000	
Office Equipment	\$50		\$50		\$50	
Office Supplies	\$50		\$50		\$50	
Insurance Equipment	\$500		\$500		\$500	
Vehicles	\$100		\$100		\$100	
Property	\$500		\$500		\$500	
Small Supplies	\$100		\$100		\$100	
Advertising	\$35,000		\$35,000		\$35,000	
Licenses	\$500		\$500		\$500	
Bank Charges	\$100		\$100		\$100	
Maintenance Equipment	\$500		\$500		\$500	
Vehicles	\$200		\$200		\$200	
Phone/Internet	\$200		\$200		\$200	
Tax Property*	\$0		\$0		\$0	
Income	\$30,000		\$30,000		\$30,000	
Other Expenses	\$5,000		\$5,000		\$5,000	
TOTAL CASH OUT	\$173,300		\$173,300		\$173,300	
SUMMARY						
Opening Cash Balance	\$200,000		\$196,700		\$193,400	
Total Cash Received	\$170,000		\$170,000		\$170,000	
Total Cash Out	\$173,300		\$173,300		\$173,300	
Cash Over (Profit)	-\$3,300		-\$3,300		-\$3,300	
Cumulative Cash Total	\$196,700		\$193,400		\$190,100	



	April		May		June	
	Predicted	Actual	Predicted	Actual	Predicted	Actual
CASH RECEIVED						
Cash Sales	\$170,000		\$190,000		\$190,000	
Sale of Fixed Assets	\$0		\$0		\$0	
TOTAL CASH RECEIVED	\$170,000		\$190,000		\$190,000	
CASH PAID OUT						
Inventory	\$2,500		\$2,800		\$2,800	
Wages	\$56,000		\$56,000		\$56,000	
Loan Payment	\$30,000		\$30,000		\$30,000	
Utilities	\$9,000		\$9,000		\$9,000	
Equipment	\$2,000		\$2,000		\$2,000	
Travel	\$1,000		\$1,000		\$1,000	
Office Equipment	\$50		\$50		\$50	
Office Supplies	\$50		\$50		\$50	
Insurance Equipment	\$500		\$500		\$500	
Vehicles	\$100		\$100		\$100	
Property	\$500		\$500		\$500	
Small Supplies	\$100		\$100		\$100	
Advertising	\$35,000		\$35,000		\$35,000	
Licenses	\$500		\$500		\$500	
Bank Charges	\$100		\$100		\$100	
Maintenance Equipment	\$500		\$500		\$500	
Vehicles	\$200		\$200		\$200	
Phone/Internet	\$200		\$200		\$200	
Tax Property*	\$0		\$0		\$0	
Income	\$30,000		\$33,500		\$33,500	
Other Expenses	\$5,000		\$5,000		\$5,000	
TOTAL CASH OUT	\$173,300		\$177,100		\$177,100	
SUMMARY						
Opening Cash Balance	\$0		-\$3,300		\$9,600	
Total Cash Received	\$170,000		\$190,000		\$190,000	
Total Cash Out	\$173,300		\$177,100		\$177,100	
Cash Over (Profit)	-\$3,300		\$12,900		\$12,900	
Cumulative Cash Total	-\$3,300		\$9,600		\$22,500	

	July		August		September	
	Predicted	Actual	Predicted	Actual	Predicted	Actual
CASH RECEIVED						
Cash Sales	\$190,000		\$190,000		\$170,000	
Sale of Fixed Assets	\$0		\$0		\$0	
TOTAL CASH RECEIVED	\$190,000		\$190,000		\$170,000	
CASH PAID OUT						
Inventory	\$2,800		\$2,800		\$2,500	
Wages	\$56,000		\$56,000		\$56,000	
Loan Payment	\$30,000		\$30,000		\$30,000	
Utilities	\$9,000		\$9,000		\$9,000	
Equipment	\$2,000		\$2,000		\$2,000	
Travel	\$1,000		\$1,000		\$1,000	
Office Equipment	\$50		\$50		\$50	
Office Supplies	\$50		\$50		\$50	
Insurance Equipment	\$500		\$500		\$500	
Vehicles	\$100		\$100		\$100	
Property	\$500		\$500		\$500	
Small Supplies	\$100		\$100		\$100	
Advertising	\$35,000		\$35,000		\$35,000	
Licenses	\$500		\$500		\$500	
Bank Charges	\$100		\$100		\$100	
Maintenance Equipment	\$500		\$500		\$500	
Vehicles	\$200		\$200		\$200	
Phone/Internet	\$200		\$200		\$200	
Tax Property*	\$0		\$0		\$0	
Income	\$33,500		\$33,500		\$30,000	
Other Expenses	\$5,000		\$5,000		\$5,000	
TOTAL CASH OUT	\$177,100		\$177,100		\$173,300	
SUMMARY						
Opening Cash Balance	\$0		\$12,900		\$25,800	
Total Cash Received	\$190,000		\$190,000		\$170,000	
Total Cash Out	\$177,100		\$177,100		\$173,300	
Cash Over (Profit)	\$12,900		\$12,900		-\$3,300	
Cumulative Cash Total	\$12,900		\$25,800		\$22,500	

	October		November		December	
	Predicted	Actual	Predicted	Actual	Predicted	Actual
CASH RECEIVED						
Cash Sales	\$170,000		\$170,000		\$190,000	
Sale of Fixed Assets	\$0		\$0		\$0	
TOTAL CASH RECEIVED	\$170,000		\$170,000		\$190,000	
CASH PAID OUT						
Inventory	\$2,500		\$2,500		\$2,800	
Wages	\$56,000		\$56,000		\$56,000	
Loan Payment	\$30,000		\$30,000		\$30,000	
Utilities	\$9,000		\$9,000		\$9,000	
Equipment	\$2,000		\$2,000		\$2,000	
Travel	\$1,000		\$1,000		\$1,000	
Office Equipment	\$50		\$50		\$50	
Office Supplies	\$50		\$50		\$50	
Insurance Equipment	\$500		\$500		\$500	
Vehicles	\$100		\$100		\$100	
Property	\$500		\$500		\$500	
Small Supplies	\$100		\$100		\$100	
Advertising	\$35,000		\$35,000		\$35,000	
Licenses	\$500		\$500		\$500	
Bank Charges	\$100		\$100		\$100	
Maintenance Equipment	\$500		\$500		\$500	
Vehicles	\$200		\$200		\$200	
Phone/Internet	\$200		\$200		\$200	
Tax Property*	\$0		\$0		\$0	
Income	\$30,000		\$30,000		\$33,500	
Other Expenses	\$5,000		\$5,000		\$5,000	
TOTAL CASH OUT	\$173,300		\$173,300		\$177,100	
SUMMARY						
Opening Cash Balance	\$0		-\$3,300		-\$6,600	
Total Cash Received	\$170,000		\$170,000		\$190,000	
Total Cash Out	\$173,300		\$173,300		\$177,100	
Cash Over (Profit)	-\$3,300		-\$3,300		\$12,900	
Cumulative Cash Total	-\$3,300		-\$6,600		\$6,300	

Year End Totals

	Predicted	Actual
CASH RECEIVED		
Cash Sales	\$2,140,000	\$0
Sale of Fixed Assets	\$0	\$0
TOTAL CASH RECEIVED	\$2,140,000	\$0
CASH PAID OUT		
Inventory	\$31,500	\$0
Wages	\$672,000	\$0
Loan Payment	\$360,000	\$0
Utilities	\$108,000	\$0
Equipment	\$24,000	\$0
Travel	\$12,000	\$0
Office Equipment	\$600	\$0
Office Supplies	\$600	\$0
Insurance Equipment	\$6,000	\$0
Vehicles	\$1,200	\$0
Property	\$6,000	\$0
Small Supplies	\$1,200	\$0
Advertising	\$420,000	\$0
Licenses	\$6,000	\$0
Bank Charges	\$1,200	\$0
Maintenance Equipment	\$6,000	\$0
Vehicles	\$2,400	\$0
Phone/Internet	\$2,400	\$0
Tax Property*	\$0	\$0
Income	\$377,500	\$0
Other Expenses	\$60,000	\$0
TOTAL CASH OUT	\$2,098,600	\$0
SUMMARY		
Opening Cash Balance	\$200,000	\$0
Total Cash Received	\$2,140,000	\$0
Total Cash Out	\$2,098,600	\$0
Cash Over (Profit)	\$41,400	\$0
Cumulative Cash Total	\$241,400	\$0



