

Confidential

Business Plan



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사업계획서의 작성요령 및 유의사항

◆ 계획서는 살아있어야 한다.

사업계획서는 한번 만들면 그만인 것이 아니라 (설령 그것이 엄청난 노력을 통해 탄생된 것이라 할 지라도) 상황에 따라서 새로운 요소가 발견되면 그때 그때 고쳐서 써야 한다. 그리고 계획사업에 잠재되어있는 문제점에 대해 항상 열린 마음을 가지고 점검, 작성되어야 한다.

◆ 정직하게 사실을 기술해야 한다.

벤처캐피탈은 제출된 사업계획서를 검증하기 위해 다양한 방법을 사용한다. 사업계획서에서 의도된 거짓이 발견되면 투자검토는 즉시 중단된다.

◆ 쓸데없이 전문용어를 많이 사용하지 말 것.

어쩔 수 없이 기술적인 용어나 약어를 사용할 경우에는 반드시 별도로 설명을 해야한다. 벤처캐피탈이 용어집을 뒤적이면서까지 투자하는 경우는 없다.

◆ 제품보다 시장에 초점을 두어야 한다.

흔히 하는 실수는 제품의 우수성을 강조하다가 시장을 무시하는 우를 범하는 것이다. 제품자체보다 그 제품이 시장에서 어떻게 받아들여 질것인지에 대해 설명하여야 한다. 고객의 반응이나 진행되고 있는 계약등을 동원하여 시장 침투능력을 제시해야 한다.

◆ 기업에 투자결정을 내리는 투자자의 입장에서 사업계획서를 작성해야 한다.

벤처캐피탈의 투자를 유지하기 위해서 사업계획서를 작성할 때는 기업을 경영하는 내부자의 입장에서가 아니라 기업에 투자결정을 내리는 투자자의 입장에서 사업계획서를 작성해야 한다. 아무리 두터운 사업계획서도 투자자의 궁금증을 풀어주지 못한다면 의미가 없다.

◆ 사업계획서는 자신감을 바탕으로 작성되어야 한다.

창업자 자신이 가지고 있는 목표 아이템을 제3자에게 설득력있게 납득시키는 것이 사업계획서의 제1의 목표이다.

◆ 객관성이 결여되어서는 안된다.

자신감이 너무 지나쳐 자만심이 되거나 자신의 의견에 몰입되어 갇혀버린다면 사업계획서의 신뢰성에 큰 타격을 미칠 수 있다. 사업계획서는 정확한 자료에 의거한 객관적인 것이어야 한다.

◆ 핵심내용을 강조, 부각시켜야 하며 전문용어의 사용을 피하고 보편적으로 설득력있게 작성되어야 한다.

남들과는 다른 자신의 아이템의 핵심을 중점 부각시키고 그것이 기술적 내용일 경우라도 투자자 및 관련 당사자가 알기 쉽게 작성되어야 한다.

◆ 자금조달 운용계획은 정확하고 실현가능성이 있어야 한다.

사업계획서 작성시 가정을 배제해야 한다. '이렇게되면 자금조달은 순조로울 것이다.' '무엇이 어떻게 된다면 판매에는 아무 문제가 없을 것이다.' 라는 식의 가정을 바탕으로 작성되어서는 안된다. 특히 자금조달 및 운용부분에 있어서는 더욱 그 원칙이 중요하다.

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1.0 Executive Summary00

※ 사업계획서 요약은 사업계획서의 가장 중요한 부분중의 하나이다. 투자자를 포함한 이해

당사자는 이 요약을 보고 전체 사업내용 및 회사의 상황, 성공여부등을 판단한다.

요약은 마지막에 작성하도록 한다.

1.1 회사소개00

※귀사는 누구에 의해 설립되었는지와 회사를 소개하세요.

1.2 사업의 설명00

※귀사의 사업에 대해 설명

1.3 생산제품의 특수성00

※귀사의 생산제품의 특수한 점, 유일한 특징을 가진 차별화된 기능에 대해 설명

1.4 시장설명 및 수요시장전망00

※귀사의 시장은 무엇인가 대한 정의, 어떤 산업인가?

5년후,10년 후에는 규모가 얼마나 될까? 그시장의 추세 변화흐름에 대한 설명

1.5 목표시장진입 및 시장확대전략00

※귀사의 목표시장은 어디인가? 구체적으로 설명 또한 어떠한 전략으로 진입할 것이며 향후 어떻게 시장을 확대해 나갈 것인가 대해설명, 점유율은 어느정도 차지할 것인가? 만약 진입장벽 있다면 언급하되 극복방안은 무엇인가?

1.6 경쟁적 우세00

※귀사가 경쟁사보다 시장에서 경쟁적으로 우세한점에 대해 설명

1.7 관리팀00

※경영의 주요임원의 이력과 그들은 본사업과 관련하여 업무책임은 무엇이며

그들이 가진 인적배경과 과거경력 및 경험에 대해설명

경영진이 열정을 가지고 목표를 향해 매진할 것이라는 확신줄수 있도록 설명

1.8 소요금액 및 사용계획00

※귀사가 필요로하는 소요자금과 사용계획에 관하여 설명

1.9 이익성장 / 상환계획00

※자입하거나 투자에 관하여 어떻게 탈출할 수 있는지 대해 표로 작성하고

년간 투자금액에 대비 몇%를 가져가는가 설명

-투자조달할것인지 차입으로 조달할것인지 아니면 복합적으로 할것인지 설명

-자금원에서 제안하고자 하는 매력적인 요소가 있다면 설명

2.0 The Company.....00

※귀하의 회사와 관련한 설명을 간략하게 아래에 전체내용을 요약 (약 3 줄~4 정도)

- 읽는 사람이 지겹지 않고 너무 장엄하게 설명하지 않도록 유의
- 읽는 사람위주로 고려하여 보다쉽게 작성
- 전문적인 기술적용어 작성하지 말고 일반적인 용어표현

2.1 회사의 소개.....00

※귀사에 대해 소개설명

2.2 회사목적 및 비전.....00

※귀사가 이루고자 하는 목적과 비전을 제시할 수 있도록 설명

2.1 회사의 연혁.....00

※회사설립, 자본금 증감, 상호변경, 자산증감, 업종변경, 특별한 실적등의 귀사가 지나온
과거실적 및 지난배경

2.1 회사의 시설현황.....00

※귀사의 현재 시설물과 관련한 내용을 설명(장비, 사무실, 공장)

2.1 주주현황.....00

※자본금 및 액면가

주주 구성 및 지분을 그리고 대표자와의 관계등을 기입

2.3 기회와 전략.....00

※ 사업을 하는데 있어 기회는 무엇이며 전략은 어떠한가에 대해 설명

3.0 Products00

※귀사와 **제품과** 관련한 설명을 간략하게 아래에 전체내용을 요약 (약 3 줄~4 정도)

-읽는 사람이 지겹지 않고 너무 장엄하게 설명하지 않도록 유의

-읽는 사람위주로 고려하여 보다쉽게 작성

-전문적인 **기술적용어** 작성하지 말고 일반적인 용어표현

3.1 생산제품의 특수성00

※귀사의 생산제품의 특수한 점, 유일한 특징을 가진 차별화된 기능에 대해 설명

시제품이나 프로토타입에 대해 여부

제품 및 기술성 분석에 대한 내용은 가급적 전문적인 용어의 사용을 피하고,

단순하고도 보편적인 내용으로 구성한다.

3.2 SWOT 분석.....00

※귀사의 생산제품의 강점, 약점, 기회, 위협요인에 대해 설명

3.3 고객에게 주는 혜택.....00

※귀사의 생산제품이 고객 또는 최종소비자에게 주는 혜택에 대해 설명

3.4 경쟁적 우세.....00

※귀사의 생산제품의 경쟁적으로 타제품과 우세한 특징에 대해설명

3.5 지적소유권.....00

※귀사의 특허 보유하였거나 현재 출원중인 상황을 리스트로 작성

유사품 대비 기술적 우위성 , 대체기술 출현 가능성, 기술 특허현황, 기술도입 가능성

기술변화 등에 설명

4.0 The Market Analysis00

※귀사의 **시장**과 관련한 설명을 간략하게 아래에 전체내용을 요약 (약 3 줄~4 정도)

-읽는 사람이 지겹지 않고 너무 장엄하게 설명하지 않도록 유의

-읽는 사람위주로 고려하여 보다쉽게 작성

-전문적인 **기술적용어** 작성하지 말고 일반적인 용어표현

4.1 시장설명00

※귀사의 시장은 무엇인가 대한 정의, 현황

- 어떤 산업인가?

4.2 시장규모 및 추세00

※총체적인 시장규모(크기)에 설명과 귀사에서 창출되는 시장의 규모에 대해설명

그시장의 추세 변화흐름에 대한 설명

- 이 산업의 시장 규모는 얼마인가?, 5년후,10년 후에는 규모가 얼마나 될까?

- 출처를 작성(제목, 날일, 출처기관)

4.3 고객(소비자)분석00

※귀사의 고객(소비자)는 누구이며 그들은 무엇을 원하고 있고 성향은 어떠한지 설명

- 누가 이 제품 (서비스) 를 살 것인가?

- 소비자는 왜 다른 것을 사지 않고 이 제품을 살 것인가?

- 출처를 작성(제목, 날일, 출처기관)

4.5 목표시장00

※귀사의 목표로 하는 시장은 어디이며 그 목표시장 대상에 대해 설명

너무 허황된 수치를 제시하게 되면 오히려 투자자 나 이해당사자로 하여금

신뢰성을 잃을 수가 있다.

-귀사의 계획제품의 구매고객중 가장 큰고객은 누구인가?

4.4 수요시장전망00

※앞으로 수요가 있을 시장에 대해 설명, 현재시장과의 어떠한 흐름으로 전개될지의

방향 귀사가 어떻게 준비할지에 대해 설명

4.6 시장의 경쟁자00

※귀사의 시장경쟁자는 누구이며 그들과의 경쟁적우세/차별점은 무엇인가

그리고 성장률, 가격책정, 시장점유율, 원가구조, 생산라인, 고객에 대한 서비스, 유통채널 등 동업계 현황 및 경쟁제품을 자사와 비교 장.단점을 분석해야 하고 , 진출하고자 하는 업계의 경쟁강도를 분석

4.7 시장점유00

※귀사와 경쟁사간 시장점유율을 파이(PIE)로 표현

-현재에서 미래시장점유 추정

5.0 Marketing Strategy.....00

※귀사의 **마케팅전략**과 관련한 설명을 간략하게 아래에 전체내용을 요약 (약 3 줄~4 정도)

-읽는 사람이 지겹지 않고 너무 장엄하게 설명하지 않도록 유의

-읽는 사람위주로 고려하여 보다쉽게 작성

-전문적인 **기술적용어** 작성하지 말고 일반적인 용어표현

5.1 목표시장진입 및 시장확대전략.....00

※귀사의 목표시장을 위해 어떠한 전략으로 진입할 것이며 향후 어떻게 시장을 확대해 나갈 것인가 대해 작성, 진입장벽 있다면 언급하되 극복방안은 무엇인가?

5.2 가격정책.....00

※판매가격, 가격경쟁력우위,

5.3 유통경로.....00

※유통과정, 유통협력사, 주문발주에서 판매까지의 기간

5.4 판매촉진.....00

※촉진방법, 촉진전략, 촉진도구, 촉진수단, 광고

6.0 Operational Plan00

※공장의 **운영과** 관련한 설명을 간략하게 아래에 전체내용을 요약 (약 3 줄~4 정도)

-읽는 사람이 지겹지 않고 너무 장엄하게 설명하지 않도록 유의

-읽는 사람위주로 고려하여 보다쉽게 작성

-전문적인 **기술적용어** 작성하지 말고 일반적인 용어표현

6.1 시설.....00

6.1.1 위치 및 주위환경.....00

※기존장소 및 새로 건립하는 장소에서 생산시설을 확장하거나 이전하고자 하는
타당한 이유와 주위환경에 대해 설명

6.1.2 설비시설.....00

※생산에 필요한 시설 및 설비(임대/구매), 소요자금,
-공장건설 : 설비 구입 및 LAYOUT, 공사일정, 설비계약관련 사항

6.2 생산.....00

6.2.1 생산계획.....00

※년간 추정판매 그래프 및 도표 설명

-년차별 가동운영 계획

-생산형태 : 양산 가능성, 생산용량등

6.2.2 생산공정도.....00

※생산공정도 도표로 설명

-생산과정 : 제품별 생산 공정도 및 공정 설명

6.2.3 생산능력.....00

-생산능력 : 기술 및 생산인력 보유, 원부자재 조달 능력, 품질관리, 재고관리,
유지보수계획등

-원가추정 : 원단위 산출, 원가의 유동상태등

7.0 Management.....00

※귀사의 **관리팀과** 관련한 설명을 간략하게 아래에 전체내용을 요약 (약 3 줄~4 정도)

- 읽는 사람이 지겹지 않고 너무 장엄하게 설명하지 않도록 유의
- 읽는 사람위주로 고려하여 보다쉽게 작성
- 전문적인 **기술적용어** 작성하지 말고 일반적인 용어표현
- 경영진 이력사항, 경력사항, 회사업무역할

7.1 조직구조.....00

※조직구조를 그래프로 작성

7.2 주요임원 이력 및 업무책임.....00

※경영의 주요임원의 이력과 그들은 본사업과 관련하여 업무책임은 무엇이며

- 그들이 가진 인적배경과 과거경력 및 경험에 대해설명
- 경영진에 대해서 설명할 때 회사의 미래에 중요한 역할을 할 사람들의 열정,경쟁력, 강조해야 한다.
- 귀사에 자문을 해주는 사람에 대해서 언급.
- 경영진이 열정을 가지고 목표를 향해 매진할 것이라는 확신줄수 있도록 설명.

7.3 고용계획.....00

※앞으로 회사에 중요한 역할을 할 사람에 있어 그사람을 고용할 계획이 있다면 그사람을 고용하기 위한 이유를 설명.

8.0 Financial Plan.....00

※사업의 추정재무와 관련한 설명을 간략하게 아래에 전체내용을 요약 (약 3 줄~4 정도)

-읽는 사람이 지겹지 않고 너무 장엄하게 설명하지 않도록 유의

-읽는 사람위주로 고려하여 보다쉽게 작성

-전문적인 기술적용어 작성하지 말고 일반적인 용어표현

8.1 소요자금/사용계획.....00

※귀사가 필요로하는 소요자금과 사용계획에 관하여 표로 작성

-금액 단위가 큰 계정항목이 있다면 세부 계정항목을 설명

8.2 추정대차대조표.....00

※기존의 회사라면 지난 3년간 재무재표를 포함하여 추정재무재표를 작성

-새로 시작하는 회사라면 향후 3~5년 동안 예상되는 추정 대차대조표 작성하되

탈출년도까지 작성

8.3 추정손익분기.....00

※기존의 회사라면 지난 3년간 재무재표를 포함하여 추정재무재표를 작성

-새로 시작하는 회사라면 향후 3~5년 동안 예상되는 추정 손익분기 작성하되

탈출년도까지 작성

※ break-even point breakdown

-한 기간의 매출액이 당해기간의 총비용과 일치하는 점을 그래프 표로 설명

8.4 추정현금흐름표.....00

※기존의 회사라면 지난 3년간 재무재표를 포함하여 추정재무재표를 작성

-새로 시작하는 회사라면 향후 3~5년 동안 예상되는 추정 현금흐름표 작성하되

탈출년도까지 작성

8.5 차입금/투자금 상환계획.....00

※차입하거나 투자에 관하여 어떻게 탈출할 수 있는지 대해 표로 작성하고

-년간 투자금액에 대비 몇%를 가져가는가 설명

-투자로 조달할것인지 차입으로 조달할것인지 아니면 복합적으로 할것인지 설명

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- 법인인감증명서 사본
- 주식등변동상황명세서
- 각종 인증서(ISO, INNO-BIZ외, 상장)
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- 귀사의 생산제품 이미지
- 현재 생산시설 이미지
- 계획 공장설계도면, 이미지
- 생산주문서, 계약서, 협정서, 의향서 사본(매출/판매관련 입증서류)
- 사업과 관련된 각종 계약서
- 귀사와 관련한 기사, 인터뷰 광고자료
- 실험보고서, 기술소개서, 임상실험보고서
- 시장 리서치 조사보고서
- 본문에서 추가적으로 설명해야될 보충자료가 있다면 첨부
- 기타 사업과 관련한 자료

Generico, Inc. An Example of a Complete Business Plan

The following document is an example of a business plan. The plan is provided as a guide only. The plan which you create will require information specific to your industry and your company and should be based on real market information and your best-estimate projections.

GENERICO, INC.

SEPTEMBER 1999

Control Copy Number _____

Issued to: _____

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Generico, Inc. An Example of a Complete Business Plan

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EXECUTIVE SUMMARY

Company

Generico, Inc. was formed in April 1999 to develop, manufacture and market a flexible product line of highly cost effective assembly robots. Generico's initial product, the Automaton 10, will be directed specifically at printed circuit board manufacturers. While a prototype has yet to be built, the design and specifications of the product are substantially complete.

Products

Generico's robotics products, whether addressing the electronics industry or other light assembly manufacturing applications, all share a common goal: production flexibility and cost reduction for end users. Current and future Generico products encompass proprietary designs which yield substantial benefits over competitive products as follows:

- ❑ Simplicity – Manifested in ease of use and maintenance in addition to lower cost of manufacture
- ❑ Performance Capacity – Six axis movement ranging from 30 inches per second (IPS) at 30 grams or less to 20 IPS at four kilograms maximum capacity (in the Automaton 10)
- ❑ Precision – Limitless repetition to an accuracy of .001 inch
- ❑ Flexibility – Smaller size reduces space requirements and allows either permanent (ceiling or floor) mounting or portable applications
- ❑ Price/Performance – Significant savings to end users through state-of-the-art performance at highly competitive price-performance ratios

Market

As domestic labor costs continue to increase and the logistics of foreign production become ever more burdensome, the demand for robotics solutions to these problems becomes more and more evident. The robotics market has grown substantially, from a base of approximately \$20 million in 1988 to an estimated \$320 million in 1998. Both DATAASK and the Rebel Group predict the domestic market to reach \$1.7 billion by 2000. As foreign labor costs continue their inevitable rise, the global market for robotics is expected to approach \$3.5 billion by 2000. Generico believes it can realistically capture 3% of the domestic market, or \$54 million by its fifth year of operations.

Underlying the phenomenal growth anticipated for the robotics industry is an equal or faster growth in competition among manufacturers of a wide range of products requiring a flexible process as products change. These manufacturers must find ways to achieve manufacturing flexibility while containing costs. Generico's products address this issue by incorporating reprogrammability which reduces the need for additional capital equipment and worker retraining. To the extent the assembly process is labor intensive, as labor costs rise, Generico's products can also reduce the average hourly cost of assembly.

Financial

Generico is seeking \$2.5 million in first-round financing. The funding will enable the company to build its product line, to implement aggressive sales and marketing plans, and to establish an initial manufacturing facility. The company anticipates that the initial round will be sufficient to carry it to profitability and to allow building assets to a level where outside debt financing can be obtained to fund further growth.

Initial revenues are expected in the second half of 2000. The company is anticipated to become profitable during 2001. Revenue and profit information for the first five years is summarized below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue (millions)	\$0.7	\$8.2	\$18.4	\$36.2	\$54.0
Net Income (millions)	(1.0)	0.4	1.2	3.8	6.1

Management

The ultimate success of Generico will depend upon management's ability to develop an innovative product line and to cost-effectively deliver the line to a large and receptive market. Generico's founding executives comprise the following high calibre professionals whose experience will create immense synergy for the company.

Vincent Losciallo, CEO – Former CEO and founder of MIME, Inc., a multimillion dollar manufacturer of robot welders and painters acquired by Major Motors in 1997.

Stephen Daniels, V.P. of Marketing – Twelve years of industrial marketing experience culminating as a divisional marketing director for a Fortune 500 manufacturer of capital equipment.

Harold Ginjeans, V.P. of Engineering – Former design engineer at MIME, Inc., Ginjeans was a major contributor to the "MIME EME," the company's largest selling product to date.

Priscilla Sproviero, Controller – Seven years of "Big Five" accounting experience, the last two of which were consulting to start up businesses; Stanford MBA.

George Forrester, Director of Manufacturing – Former director of manufacturing at Acme, Inc., a \$100 million producer of audio visual equipment and microwave ovens.

Each of the founders has contributed substantially to the company in the form of sweat equity and capital. Management believes that it is addressing a market destined to grow substantially with a well-conceived line of products. It is confident that both market share and revenue projections will, at a minimum, be achieved in the projected time frame.

THE COMPANY

Generico, Inc. was founded in the spring of 1999 to address one of the major problems facing manufacturers of electronic components and systems today: achieving flexible manufacturing while containing costs.

As competition within the electronic component, peripheral, and system markets continues to flourish, pricing pressures push margins lower and lower. Ultimately, only those companies manufacturing at the peak of efficiency will survive. Generico has been formed by a team of experienced executives to design a line of products whose sole purpose is to provide manufacturing flexibility and cost efficiency by:

- ❑ Providing reprogrammability for assembly tasks
- ❑ Increasing manufacturing productivity
- ❑ Enhancing accuracy
- ❑ Reducing supervisory and other indirect labor costs
- ❑ Substantially converting what was previously a variable cost (labor) into a fixed cost (capital equipment), thus increasing profit margins at volume production and allowing process changes to be made without adding new or additional capital equipment

During its first two years of operation, Generico will focus only on U.S. and Canadian markets. Beginning with its third year, the company will pursue foreign markets, concentrating on European users. Potential major customers with whom Generico's marketing and product design personnel have already spoken include MBI, Inc., Board Technologies, Pace Computers, Inc., Hillhatch Peripherals, and Fullsiz Computer Corp. (The aggregate revenues of these five companies surpass \$15 billion.) The response to the design summaries has been extremely positive.

Generico's guiding corporate philosophy will encompass high quality, innovative products, unparalleled service, and competitive prices.

THE MARKET

Two years ago, assembly robotics manufacturers were seen as some of the most attractive prospects by the investment community. Unfortunately, the market growth projections have not materialized in the earlier anticipated time frame.

Notwithstanding the disappointing performance over the short term, Generico management remains convinced that the commodity-priced nature of the electronics industry makes achieving manufacturing flexibility while containing costs the key issue in the management of such companies. Coupling that with growing trade protectionism, foreign instability, currency exposure, and other business risks endemic to foreign production leads to the conclusion that robotics assembly of products will become increasingly more important in the future. Thus, the growth curve has not flattened, but merely been pushed out on the time axis by two to three years.

According to Robots on Parade (ROP), a major trade group, the total domestic market for robotics products grew from \$63 million in 1996 to \$320 million in 1998, a compounded growth rate of greater than 50%. Using the same figure and extrapolating to 2004 results in an annual domestic market of over \$2 billion. Industry and trade group estimates on growth rates for the industry are for a compounded growth rate of 30%-35% for the period from 1997-2000.

Table 1 below shows actual domestic growth within the industry for the past eight years and projected growth to 2000.

Table 1
U.S. ROBOTICS MARKET
(DATAASK, 1998)

Year	Units	ASP	Sales (MM)	Percent Increase in Sales
1991	650	\$55,000	\$ 36	N/A
1992	1,050	60,000	63	75%
1993	1,850	63,000	117	86%
1994	2,075	62,000	129	10%
1995	2,760	63,000	175	36%
1996	5,120	63,000	320	83%
1997	7,000	66,000	465	45%
1998	9,500	61,000	580	25%
1999	13,300	60,000	800	38%
2000	17,600	59,000	1,040	30%
2001	23,000	59,000	1,350	30%
2002	30,000	58,000	1,750	30%

Industry Trends

As competitive pressures from both domestic and international sources continue to rise, managers are being forced to closely scrutinize their product cost. The problems are particularly acute in the electronics industry where volume production and heated competition have resulted in extremely thin-margined commodity pricing.

Industry managers are now compelled to increase productivity, maintain or improve quality, and reduce labor costs. Otherwise, they will suffer the same consequences U.S. manufacturers of televisions did in the 1960's and 1970's - i.e., slowly wither away as a result of foreign competition.

Many industrial experts, including Wanda Fleming of the Industrial Group, Inc. and George Davis of McBan & Co., a major industry consultant, feel the competitive realities facing U.S. manufacturers of electronic products will result in near-explosive growth in the domestic assembly robotics market during the next decade. The reason for the expected growth is that robotics address the competition head on by allowing manufacturers to:

- ❑ Increase productivity while maintaining or improving quality
- ❑ Tie in with long-term strategies to out-perform foreign competitors
- ❑ Cost effectively utilize the innovations within the industry
- ❑ Reduce labor costs

Supporting the data above is the unavoidable fact that the growth rate of U.S. industrial productivity in both heavy and light industries has decreased substantially over the past decade. The year-to-year increase in 1986 was 4.2%. In 1998, it was .8%. The most alarming aspect of the figures is that increases in foreign productivity have been astronomical over the same period (Japan, for instance, went from 2.8% to 5.3%).

At the same time, U.S. producers of automobiles and electronic products have yielded a substantial domestic market share to foreign competition as evidenced by the following table.

Table 2
PRODUCERS' MARKET SHARE
(DATAASK, 1996)

	1982	1988	1996
Autos			
Domestic	87%	79%	63%
Foreign	13%	21%	37%
Non-consumer Electronic			
Domestic	97%	91%	82%
Foreign	3%	9%	18%
Consumer Electronic			
Domestic	89%	72%	57%
Foreign	11%	28%	43%

In 1998, Japan had 50,000 industrial robots in place in a work force of approximately 10 million. The U.S., however, had about 15,500 robots in place out of its workforce of about 19.5 million. Perhaps more importantly, some 85% of U.S. robots were applied in heavier utilization (welding, painting, etc.). In Japan, the split between heavy and light applications (i.e. electronic assembly) was approximately 50-50. Clearly, Japan, the number one competitor for U.S. market share of electronic products, has established robotics production as a priority in its long-term strategy.

Market Segments

The domestic market for robotics spreads across five major and distinct industries. The automotive industry has been by far the largest consumer of robotics products, using them primarily in painting and welding operations. The other industries include foundry and heavy manufacturing, aerospace and defense, electronic assembly, consumer products, and other. While the automotive industry has shown the most impressive growth in robotics applications to date, it is the electronics assembly market that will be the growth sector of the future. This is the market which Generico will be addressing.

Electronic American, in its 1998 issue featuring robotics products by market segment, projected the installed base of robotics products in the U.S. to be as follows:

Table 3
PROJECTED INSTALLED BASE BY INDUSTRY

	1997	1999	2001	2003
Auto	12,000	18,000	25,000	35,000
Foundry	3,000	5,000	7,000	7,000
Aerospace and defense	2,000	6,000	8,500	10,500
Consumer products	3,000	6,000	7,000	11,000
Electronics assembly	8,500	14,500	23,000	40,000
Other	2,500	5,500	6,500	7,500
Total installed base (units)	<u><u>31,000</u></u>	<u><u>55,000</u></u>	<u><u>77,000</u></u>	<u><u>111,000</u></u>

As the U.S. economy continues to move away from smokestack industries, it becomes apparent that the exciting growth will occur in industry areas where substantially higher value is added through both technical product design and state of the art production methods. As clearly evident in the previous table, electronics (including aerospace), automotives and consumer products will experience high growth.

Generico’s target market, then, is demand driven. The company’s products will fill an urgent and dissatisfied need within the market.

The Competition

Currently, there is a wide spectrum of roughly 30 companies addressing the robotics market. They range from the multibillion dollar MBI, Inc. to the four or five startups concentrated on the West Coast.

As Generico’s strategy is to address the light manufacturing and electronics markets, this plan does not address manufacturers focusing on other markets. In addition, Generico management is convinced that those companies addressing the automobile and foundry industries (such as Muscle Machines, Inc., Ergoarms Corp., Koniyoki Heavy Industries, and Veblen, Ltd.) do not represent a competitive threat to the company.

Approximately 20 manufacturers focus on the same markets as Generico and shared the \$320 million market in 1996 in the following distribution (Rebel Group statistics):

	Percent	Robotics Revenues (in 000’s)	Net Income (in 000’s)
Mississippi Micron	32%	\$102,000	\$8,300
Digitizer Corp.	25%	80,000	5,700
Robox, Inc.	16%	50,000	N/A
Manoforms Corp.	9%	29,500	N/A
Smartarms, Inc.	9%	29,000	N/A
MBI, Inc. (Robotics only)	3%	10,000	250
Other	6%	19,000	N/A

The following is Generico's analysis of each company's strengths and weaknesses:

❑ **Mississippi Micron Inc. (MMI)**

A publicly traded company based in Natchez, Mississippi, MMI is the "granddaddy" of the robotics industry, having installed its first product in a foundry application in 1953. MMI's reputation in heavy industry robotics is unparalleled. However, its attempts to enter the light manufacturing markets have been met with lukewarm reviews. The company is continuing to experience excessive product downtime, accuracy problems, and service demands it has been unable to meet. Notwithstanding the difficulties, MMI has the potential to be formidable in the light assembly market.

- ❑ **Pros:**
 - ◆ well-capitalized
 - ◆ strong name awareness
 - ◆ good design team
- ❑ **Cons:**
 - ◆ unreliable products in this market
 - ◆ ineffective service support (contracted service)

❑ **Digitizer Corp.**

Second in Generico's target market, this publicly traded Boston company has established a reputation for quality and reliability for its robots. Over the past seven years, Digitizer has grown to roughly \$80 million in sales in 1998. However, the company's product line is not perceived as a future market force due to the utilization of an archaic operating system at the controller level, making re-programming the robots extremely difficult.

- ❑ **Pros:**
 - ◆ strong quality reputation in hardware
 - ◆ particularly successful marketing
 - ◆ fast and accurate robotics arms
- ❑ **Cons:**
 - ◆ expensive – at the market's top end
 - ◆ weak software – a current problem, but it can be overcome
 - ◆ limited 4-axis movement
 - ◆ complex components

❑ **Robox, Inc.**

This privately held start up was formed in late 1993 in Milpitas, California. Its founders came from MBI, where they had been directly involved in the development of its robotics line. Little is known of Robox except that its first product has been well received in the market and it was funded by Viewridge Ventures, a mid-level venture firm located in Seattle.

- ❑ **Pros:**
 - ◆ highly skilled design team
- ❑ **Cons:**
 - ◆ products may be late to market

❑ **Manoforms, Inc.**

Privately held, based in Wheatridge, Illinois, Manoforms is about four years old and has enjoyed reasonable success in its market niche of disk drive assembly. It has apparently been somewhat restricted in its marketing efforts by Tendon Corp., a major disk drive manufacturer and shareholder in the company.

- ❑ **Pros:**
- ◆ relationship with Tendon Corp.
 - ◆ well-capitalized
 - ◆ relatively strong product acceptance

- ❑ **Cons:**
- ◆ relationship with Tendon Corp.
 - ◆ narrow market focus
 - ◆ expensive
 - ◆ weak price/performance measures

❑ **Smartarms, Inc.**

Private, two-year old company based in Seattle, Washington. Smartarms is, potentially, Generico's strongest competitor. Both companies have developed low weight, 6 axis robotics products and are expected to be priced similarly. Smartarms is not particularly well-funded, so its major weakness is vulnerability to development/production delays.

- ❑ **Pros:**
- ◆ strong hardware and software design
 - ◆ good price/performance grades
 - ◆ competitively priced (anticipated)
 - ◆ experienced marketing team

- ❑ **Cons:**
- ◆ cash shortages
 - ◆ reliance on Cantel 700177 microprocessor could easily result in production delays

□ **MBI, Inc.**

New York based, publicly traded firm with approximately \$7 billion in revenues.

- **Pros:**
 - ◆ extremely well capitalized
 - ◆ captive market of MBI plants
 - ◆ premium sales team
 - ◆ strong management
 - ◆ strong service support

- **Cons:**
 - ◆ perceived as inflexible to external market needs
 - ◆ low strength to weight ratios in product line
 - ◆ limited 4-axis flexibility of arm

A price/performance matrix is shown below comparing Generico's Automaton 10 to its primary competition:

Company	Unit	Accuracy	Speed*	Movement	Load	Software	System
	Price (in 000's)			Axis	Capacity	Simplicity	Weight (in lb's)
Generico	\$40	.001	18 IPS	6	8 lbs	easy	125
MMI	\$40	.001	20 IPS	4	6 lbs	moderate	250
Digitizer	\$46	.001	20 IPS	5	10 lbs	difficult	170
Robox	\$38	.001	17 IPS	5	8 lbs	moderate	500
Smartarms	\$34	.001	17 IPS	6	8 lbs	easy	150
MBI	\$41	.001	19 IPS	4	9 lbs	moderate	250

* With load weight of 56 grams

Generico management has developed exhaustive files on its publicly traded competition, but has had difficulty in gathering details relating to non-traded companies. Conversations with end users of competing products, product brochures, industry publications, and trade associations have been the primary source for intelligence on the latter group of companies.

Generico management believes that none of its competitors enjoy a broad enough installed base to establish insurmountable loyalty. By interviewing manufacturing managers and purchasing directors at six potential customers who are current users of robotics products, Generico has determined that purchasing decisions are currently based, in descending order, on the following factors:

- Product reliability
- Ease of operation
- Performance specifications
- Price

Generico is convinced that the noted purchase factors will ultimately determine which suppliers enjoy the most success within the market.

The Customers

Generico's initial target customer list is highlighted below. Generico's design and marketing personnel have met with representatives from those companies.

Table 4
TARGET CUSTOMER LIST
(abbreviated)

Company	Revenues	Manufacturing Director	Purchasing Director
Stewart Industries	\$2.4BB	A.W. Davies	W.H. Harrison
Pace Computers	1.0BB	Allan Fischer	Galen Mercer
Board Technologies	250MM	A.M. Dresser	George Spate
Fullsiz Computer	125MM	Richard Payson	Don Griffin
Cantel	750MM	- unknown -	Steve Polson
Informedics	75MM	Phil Upham	Phil Upham
Northwest Digital	110MM	Tom Burch	Mo Sembler
Fletcher Disks	225MM	Randy Church	Tom Jensen
Indiana Instruments	630MM	Ellen Meevwsen	Dave May
Davis Designs	70MM	Ravi O'Leary	- unknown -
Avitar Avconics	300MM	Sheeta Gierhart	Hal Deterich
Acme Electric	25MM	Dan Acme	Don Acme

For each prospective customer, Generico maintains an in-depth profile covering products, labor force, capital equipment in use, operating statistics (as available), other key decision makers, and other information as appropriate.

MARKETING AND SALES

Marketing Strategy

Generico's marketing strategy encompasses an early stage focus on 15 to 30 major manufacturers of electronic products (see target customer list above). Each target customer is known for its innovative management, relatively high labor costs, and eroding market share over recent years to foreign competitors.

Product design will follow a stated objective of addressing quality (as manifested in accuracy, simplicity, speed, and reliability), innovation, service (second to none by Generico field service engineers, not outside contractors), and price. Generico management firmly believes that providing quality products is its first and foremost task in achieving its targeted market share. Innovation and service are actually subsets of quality and, as a result, substantial management attention will be focused in those areas.

To help foster innovation and to maintain close communication with users, Generico has established a technical analysis group which will convene monthly to discuss manufacturing needs. The group will be chaired by Generico's Director of Manufacturing, co-chaired by its Vice Presidents of Marketing and Engineering and have five outside manufacturing members from Stewart Industries, Pace Computers, Northwest Digital, Davis Designs, and Informedics (each company has already committed its participation). The group will meet in Generico's headquarters in Sequim, Oregon.

While Generico management feels that pricing will be the least important variable in a purchase decision, the company will price its products at the middle of the market – approximately \$40,000 per unit. Potential mid-range price hesitancy on the part of customers will be met head on with specification sheets comparing Generico product performance with competitors' and on-site product demonstrations. Generico's innovative designs result in greater flexibility with potentially lower manufacturing costs than competitors' products. This will allow the company to have standard margins above the industry average in spite of mid-range pricing. Multiple unit order discounts of up to 13% will be available to quantity buyers (units purchased within a sixty-day period will qualify for quantity discounts reduced by 25%). It will be company policy to require a 15% cash deposit on all orders, with the balance due within 45 days of installation.

Generico's standard warranty (full parts and labor) will be 90 days, the industry standard. The company's service contract, however, will diverge from the market substantially in that it will be priced on a tiered basis, depending on the service contract period. Generico's modular approach to product design, coupled with the products' engineering simplicity, will allow the company to guarantee maximum down time of twelve hours to its customers. An innovative insurance policy, underwritten by Boyd's of Boston, will provide business interruption liability insurance in the amount of \$2 million per site per occurrence lasting in excess of the 12 hours.

Sales Plan

Generico will use only in-house sales personnel with impeccable credentials and extensive product training. Emphasis will be continuously focused on the needs of the customer.

During the first twelve months, both the chief executive officer and vice president of marketing will play key roles in establishing contact with target customers. All sales in the first year will be made by home office based personnel. As installed bases dictate, satellite sales and service offices will be established in eight predetermined regions of the U.S. At this time, it is expected that an installed unit base of 25 to 35 will justify opening a regional office.

Sales personnel will be compensated with a relatively standard base salary and a "bonus" payable quarterly based on collected payments on sales made in the preceding three months. Bonus schedules will begin at 2% of ex-factory sales price (excluding freight) and will increase to a maximum of 7% with no upward dollar limit.

Sales personnel will be expected to turn in weekly call reports outlining initial contacts, follow ups, and projected bookings on a rolling three-month basis. Written, semi-annual objectives by all sales personnel will be submitted by the second and seventh month of each year, and the preceding period's actual-to-budget will be reviewed at the same time.

Professionalism in both appearance and approach will be the guiding principle for the Generico sales force. Thorough knowledge of customer needs, Generico's products, and competitors' products will be reinforced with monthly sales meetings conducted by the chief executive officer and director of marketing and sales.

PRODUCTS

Automaton 10

Generico's initial product, the Automaton 10, is a lightweight (125 lbs), high performance (up to 30 inches per second at repetitive accuracy of 1/1000th of an inch), two servo-motor robotics arm designed specifically for light electronic assembly applications. The Automaton 10 operates on six separate axes, allowing it to be configured to virtually any light assembly operations (competitive products are available with six axis movement, but most existing installations are four and five axis machines). The Automaton 10 has a maximum reach of seven feet, six inches and a maximum load capacity of eight pounds, though at higher weights some speed is sacrificed. The arm is controlled by two Cantel 11940 16-bit micro-processors at each motor. They, in turn, are controlled by a HAL personal computer with a minimum RAM capacity of 512 kilobytes. While not necessary, fixed storage capacity of 10 megabytes is recommended for the PC controller.

One of Generico's strongest selling points is the flexibility of its proprietary resident software (written in BASIC). The software is a plain English, menu-driven format allowing for rapid adjustment of speed, pick and place loci (to within 1/1000th of an inch – ideal for circuit board stuffing), travel routes, interval timing, and product weight.

Hardware is configured using the industry standard IEEE 422 Multi-Purpose Interface Bus. The bill of materials for raw materials and components making up the Automaton 10 amounts to 137 separate items. The single most expensive component is the HAL personal computer controller. The arm motors are commonly available from seven different sources. Electrical circuitry, including the Cantel 11940 microprocessors, is expected to remain in abundant supply according to industry sources. The remaining components include industry standard hydraulic arms, silicon gasketry, and fasteners (bolts, nuts, etc.). The only custom-produced items in the bill of materials are the forged aluminum three-point mounting base and the molded plastic unit cowling.

As noted earlier, the Automaton 10 will be priced at \$40,000 per unit. The unit price is ex-factory, less shipping, and includes resident software, the HAL PC controller, and one-day installation and training. Complete documentation and an easy-to-read user's manual are also in the package.

Future Products

Generico's intentions are to develop a full line of robotics products to meet market needs in light manufacturing industries. To that end, designs are in process for the company's second product, the Automaton 20, a two arm robotics assembler. The Automaton 20 will function in a similar fashion as the Automaton 10, but with two six-axis arms which will allow more detailed assembly tasks to be performed (screwing, unscrewing, spot soldering, etc.). Generico expects to be production-ready with the Automaton 20 by the beginning of the fourth quarter of year one.

The company's third product, now well into the design stage, is the Automaton Brain, an upscale version of the Automaton 10, which incorporates automated test capabilities into the arm. Generico envisions applying the Brain in pre and post burn-in tests and other quality control scenarios. Flexible programming will allow the Brain to function simultaneously in both assembly and test configurations.

Generico's remaining product on the drawing board is expected to be an add-on to existing robotics products – vision capability. Using a proven laser-based light source, and artificial intelligence software, the company is hopeful of having robotics vision market-ready by the first quarter of year three.

Since the company's marketing strategy encompasses innovation as a major component, future product development will be of key concern to management. In the first three years, substantial resources will go into research and development. As the company revenues grow, management expects to commit from 7% to 13% annually to product development.

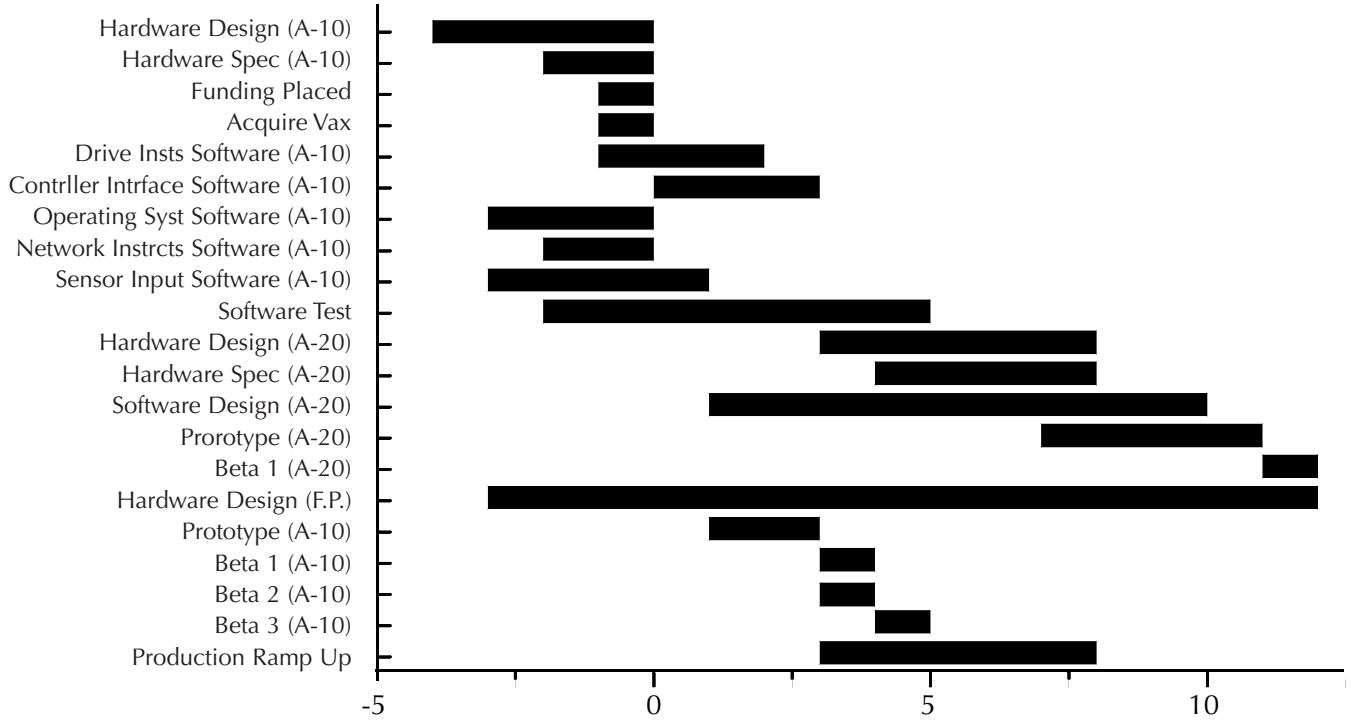
DEVELOPMENT PLAN

While operating and manufacturing specifications for the Automaton 10 are substantially finalized, software development must be completed and tested prior to beta site installation. Software development clearly poses the most formidable obstacle to Generico in moving the Automaton 10 into production on schedule. To mitigate this exposure, the development process has been divided into five segments (drive, controller interface, operating system, networking, and sensor input) for simultaneous development. Each segment will be the responsibility of a specified design engineer. A project engineer will be responsible for the overall coordination of the development. He, in turn, will report to the vice president of engineering. The target date for software completion is three months from funding.

The aggressive development plan will require the addition of three skilled software designers to accomplish the task within the time frame allotted. Five candidates have been identified and interviewed by Generico's chief executive officer and vice president of engineering. Each is prepared to commit upon successful funding of the company.

A development time line is shown below:

Table 5
YEAR ONE PRODUCT DEVELOPMENT CYCLE

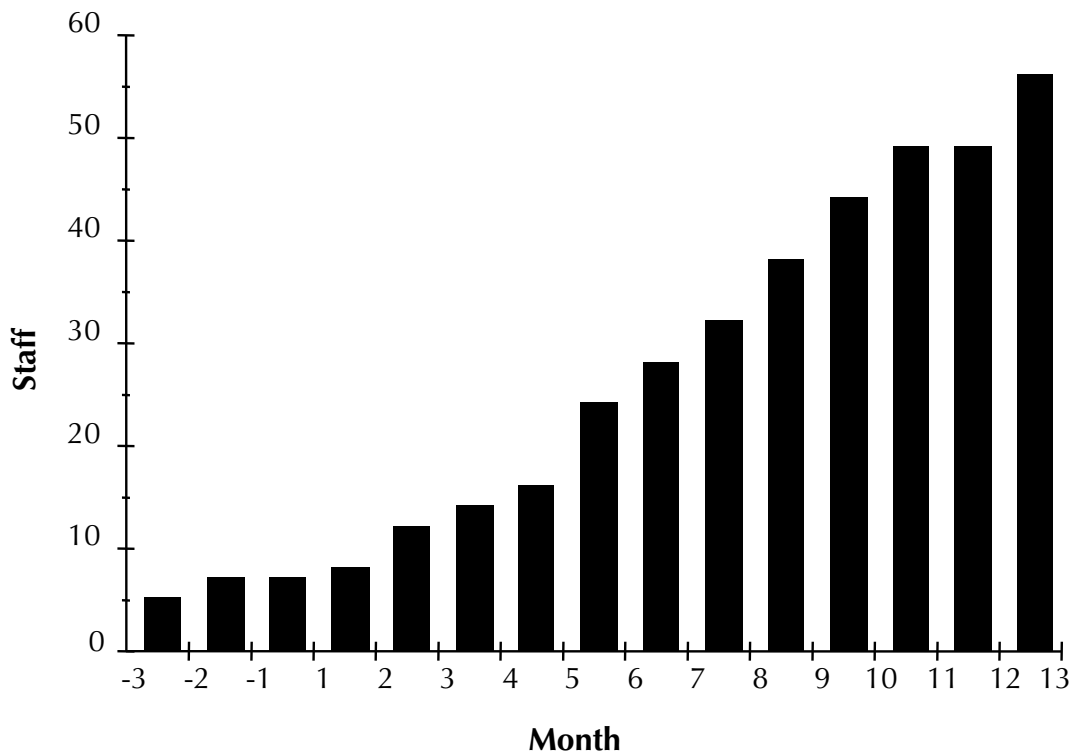


Notes: A-10 is the Automaton 10
A-20 is the Automaton 20
F.P. are Future Products
Month 0 is the month of funding

Generico management anticipates having three beta sites installed by the end of month six (month of funding being zero). Production ramp up will start at the end of month six. Supplier contracts for both the servo-motors and the PC controllers have been negotiated on terms favorable to Generico. The company is multi-sourcing its servo-motors (Mighty Motors, Inc., Hydraulic Manufacturers Corp., and Hester Corp.). HAL Computers has locked in its supplies over the long-term by exchanging six-month purchase terms for a modest (1.17%) equity position in Generico.

Without question, one of the more pervasive problems facing Generico is staffing, particularly in the design and manufacturing areas. Generico currently has one hardware designer/engineer and two software engineers, each of whom brings strong skills to the company. It is management's intent to selectively exploit its contacts within the industry by offering attractive incentive packages to proven technicians. Building the right team will be one of the most costly components of Generico's startup phase. A hiring schedule (company wide) is shown below.

Table 6
YEAR ONE PROJECTED STAFFING LEVELS
COMPANY WIDE



IMPLEMENTATION PLAN

In an effort to reduce the development stage risk inherent in a startup and to minimize financing needs, Generico's manufacturing will be done by subcontractors in the first 12 to 18 months. While a certain degree of control is sacrificed in a subcontracting scenario, management feels that its past experience and industry contacts will allow it to cost-effectively manage the flow of subcontracted material to Generico's plant.

Specific contracts with subcontractors have not yet been executed but a most-likely list of companies (chosen based on reputation for quality, proximity, reliability, and price) has been assembled:

- Westridge Tool and Die
- Forest Grove Metal
- Custom Fabrication, Inc.
- Propolyn Molding
- Daisy Designs
- Montooth Corp.

Generico management has direct past experience with each of the companies and is confident of their individual capabilities and willingness to meet demanding delivery schedules. No materials, with the exception of the HAL PC and Cantel 11940 microprocessor, will be sole-sourced. Company purchasing philosophy, however, will not be to play one supplier off another. Generico will expect quality service and will willingly pay a fair price for it.

Generico's manufacturing, then, will be more of an assembly and test operation. Aside from substantially reducing early-stage capital requirements, the assembly operation will reduce labor costs of the company by being staffed with less-skilled workers. Nonetheless, Generico will maintain full control over quality through a vigorous, multi-phased test process at four assembly stages and culminating with a 12-hour, hostile environment burn-in procedure.

Inventory

Inventory control will be a major area of management attention and will demand close cooperation between marketing, sales, manufacturing, and purchasing.

The largest dollar inventory item will be HAL PC's because the quickest delivery HAL will commit to is 90 days after the receipt of an order. Management has set a target maximum days in inventory of 45 days for the PC's during its first year. It is expected to be lowered in subsequent years as order forecasting becomes more stabilized.

The next slowest turning inventory components will be mounting bases and custom molded cowling. However, using multiple supply sources, Generico believes it can turn these inventory components monthly in its first year.

Servo-motors and hardware are available virtually off the shelf from "neighborhood" suppliers. Generico will maintain a base inventory equal to one week's production and will request drop shipments to meet excess production demand.

During its first month, Generico's director of finance will be responsible for implementing a micro-based software system encompassing a sophisticated inventory control package which will generate inventory reports on an as-needed basis.

Staffing Requirements

Generico begins its operations with seven employees, all of whom are skilled technicians. During its first six months of operations, the company will increase in size to 32 people, 18 of whom will be engineers. At the end of the year one, Generico will employ 63 people: 30 in engineering, 20 in marketing, 10 in manufacturing and 3 in general/administration.

Facilities

Generico is currently housed in a 5,000 square foot office in Cambridge, Massachusetts. The company has an option through its current landlord on an additional 20,000 square feet of contiguous space which will carry it through its second full year of operations.

MANAGEMENT

Generico's five key members of management bring unique and tested skills to his or her functional areas. Detailed resumes and references are available. Presented below are highlights of prior experience and functional responsibilities at Generico:

- **Vincent Losciallo**, 43, Chairman and Chief Executive Officer – co-founded MIME, Inc., a manufacturer of industrial robotics, in 1990. As Chief Operating Officer, he took the company to \$39 million in sales by 1997 and negotiated its sale to Major Motors, Inc. in the same year.

Losciallo will have overall responsibility for operations of the company, but will concentrate on sales and operations in the first two years. On an interim basis, he will handle the chief financial officer's responsibilities.

References – Joel McMenamie, CEO, Major Motors
(503) 555-2249

David Womanvock, Partner, Valued Ventures
(212) 555-1000

- **Stephen Daniels**, 36, Vice President, Marketing – former Divisional Director of Marketing at Masepequa, Inc. Charged with charting market strategies for a \$35,000 to \$75,000 product line of capital equipment. During his seven-year tenure, sales grew at a compounded annual growth rate of 23% to \$175 million.

Daniels will be charged with overall marketing strategies for the company including positioning, pricing, advertising, and establishing internal communications with sales, engineering and manufacturing.

References – John Sells, Vice President, Marketing, Massapequa, Inc.
(803) 555-1212

Henry Simonson, President, Massapequa Inc.
(803) 555-1212

- **Harold Ginjeans**, 40, Vice President, Engineering – former Chief Design Engineer at MIME, Inc. where he was responsible for development of four key products including the “MIME EME.” Ginjeans will manage all product development (hardware and software), establish development PERT charts, staff the engineering department in year one and oversee design and specification processes.

References – Doug Guttentag, Professor of Engineering, Carnegie Tech
(703) 269-1121

Charlie Emmerson, Director of Engineering, Flossback, Inc.
(614) 594-1702

- **George Forrester**, 39, Director of Manufacturing – seventeen years with Acme, Inc., culminating as Vice President of Manufacturing. Forrester supervised the installation of one of the first assembly robotics plants in the U.S.

Forrester will be responsible for establishing Generico’s assembly operations and negotiating subcontracts and maintaining subcontractor relationships. Additionally, Forrester will chair the potential users of Generico products.

References – Esteban Rafael, Vice President, Finance, MBI, Corp.
(912) 795-1795

Alan Herzog, Vice President, Finance, Acme, Inc.
(301) 295-5000

- **Priscilla Sproviero**, 30, Controller – former Senior Consulting Manager with Reed Hawick. Seven additional years of audit and accounting experience with a Big 5 accounting firm. Sproviero will establish all accounting and financial control systems.

References – Jerry Groft, Partner, Reed Hawick
(503) 771-2095

Dalim Stevequist, President, OGS, Inc.
(503) 971-0011

During an interim period of approximately three to six months, Daniels will serve as Director of Sales. The company has interviewed four prospective candidates to fill the position, but has not found a good match. Management is continuing its search primarily by using industry contacts. If the position has not been filled by the end of month two, a management recruiter specializing in sales and marketing will be hired for the search.

As noted, Losciallo will serve as interim Chief Financial Officer until that position is filled (expected by month five).

Ownership

All officers and employees of Generico will be afforded equity positions in the company. Currently, there are no outside investors. An ownership breakdown is as follows:

Vincent Losciallo	45%
Stephen Daniels	14%
Harold Ginjeans	14%
George Forrester	14%
Priscilla Sproviero	8%
Other employees	5%

FINANCIAL

Management believes that the initial funding of \$2.5 million will be adequate to carry the company through initial profitability. It is anticipated that receivables and inventory financing from commercial bank sources will be available beginning in the second quarter of year two.

The company anticipates being able to sustain a gross margin in the 40% range, which exceeds the industry average of 33-36%. Beginning in its third year, Generico will have a bottom line net income of approximately 9% to 11% of sales.

Management has taken what it believes to be a reasonable approach in formulating its pro forma financials – no additional financing is shown until year two and lease financing is not proposed as an option.

Assumptions underlying financial projections:

- ❑ Founders contribute \$70,000 cash to Generico in month one (accomplished).
- ❑ Founders defer salaries and out-of-pocket expenses of \$42,500 indefinitely (accomplished).
- ❑ Depreciation is calculated on all fixed and capital assets assuming five-year lives and straight line computation.
- ❑ Receivables are 30 days in duration (industry standard is 30 days).
- ❑ Payables are 30 days (industry standard is 50-60 days), do not begin until month thirteen, and equal only 50% of inventory costs during the period (trade support is expected much sooner).
- ❑ Inventories turn an average of seven times per year (on top of a fixed base of \$40,000).
- ❑ Salaries through month 18 are approximately 50% to 75% of industry standard (higher at lower personnel levels in the company).
- ❑ Interest is earned at 8% per annum.
- ❑ Interest is paid at 13% per annum.
- ❑ Cash purchases are the sum of the previous period's payable, 50% of inventory purchases for the period, and current period capital acquisitions.
- ❑ Minimum cash on hand is \$20,000 (under bank line when cash flow is negative for the period).

Detailed budgets underling the financials are available for further review and discussion.

Generico, Inc.
 Projected Balance Sheet by the Month
 Year One
 (Not Reviewed by Independent Accountants)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Assets						
Cash/Investments	\$2,311,206	\$2,260,889	\$2,214,766	\$2,159,669	\$2,059,251	\$1,955,552
Receivables	--	--	--	--	--	--
Inventory	40,000	40,000	40,000	40,000	40,000	40,000
Total Current Assets	<u>\$2,351,206</u>	<u>\$2,300,889</u>	<u>\$2,254,766</u>	<u>\$2,199,669</u>	<u>\$2,099,251</u>	<u>\$1,995,552</u>
Fixed Assets	196,000	206,000	211,000	216,000	239,000	250,000
Less: Accum. Depreciation	<u>(3,267)</u>	<u>(6,700)</u>	<u>(10,217)</u>	<u>(13,817)</u>	<u>(17,800)</u>	<u>(21,967)</u>
Net Fixed Assets	<u>192,733</u>	<u>199,300</u>	<u>200,783</u>	<u>202,183</u>	<u>221,200</u>	<u>228,033</u>
	<u>\$2,543,939</u>	<u>\$2,500,189</u>	<u>\$2,455,549</u>	<u>\$2,401,852</u>	<u>\$2,320,451</u>	<u>\$2,223,585</u>
Liabilities and Stockholders' Equity						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accruals	42,500	42,500	42,500	42,500	42,500	42,500
Other Payables	--	--	--	--	--	--
Total Current Liabilities	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>
Term Debt	--	--	--	--	--	--
Leases	--	--	--	--	--	--
Paid in Capital	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000
Retained Earnings	<u>(68,561)</u>	<u>(112,311)</u>	<u>(156,951)</u>	<u>(210,648)</u>	<u>(292,049)</u>	<u>(388,915)</u>
Total Equity	<u>2,501,439</u>	<u>2,457,689</u>	<u>2,413,049</u>	<u>2,359,352</u>	<u>2,277,951</u>	<u>2,181,085</u>
	<u>\$2,543,939</u>	<u>\$2,500,189</u>	<u>\$2,455,549</u>	<u>\$2,401,852</u>	<u>\$2,320,451</u>	<u>\$2,223,585</u>

Generico, Inc.
Projected Balance Sheet By Month (Continued)
Year One
(Not Reviewed By Independent Accountants)

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets						
Cash/Investments	\$1,740,668	\$1,608,344	\$1,369,820	\$1,130,309	\$828,729	\$701,525
Receivables	<u>40,000</u>	<u>40,000</u>	<u>80,000</u>	<u>120,000</u>	<u>200,000</u>	<u>200,000</u>
Inventory	<u>108,571</u>	<u>108,571</u>	<u>177,143</u>	<u>245,714</u>	<u>382,857</u>	<u>382,857</u>
Total Current Assets	<u>1,889,239</u>	<u>1,756,915</u>	<u>1,626,963</u>	<u>1,496,023</u>	<u>1,411,586</u>	<u>1,284,382</u>
Fixed Assets	260,000	278,000	296,000	309,500	309,500	328,000
Less: Accum. Depreciation	<u>(26,300)</u>	<u>(30,933)</u>	<u>(35,867)</u>	<u>(41,025)</u>	<u>(46,183)</u>	<u>(51,650)</u>
Net Fixed Assets	<u>233,700</u>	<u>247,067</u>	<u>260,133</u>	<u>268,475</u>	<u>263,317</u>	<u>276,350</u>
	<u><u>\$2,122,939</u></u>	<u><u>\$2,003,982</u></u>	<u><u>\$1,887,096</u></u>	<u><u>\$1,764,498</u></u>	<u><u>\$1,674,903</u></u>	<u><u>\$1,560,732</u></u>
Liabilities and Stockholders' Equity						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accruals	42,500	42,500	42,500	42,500	42,500	42,500
Other Payables	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Current Liabilities	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>
Term Debt	--	--	--	--	--	--
Leases	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Paid in Capital	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000
Retained Earnings	<u>(489,561)</u>	<u>(608,518)</u>	<u>(725,404)</u>	<u>(848,002)</u>	<u>(937,597)</u>	<u>(1,051,768)</u>
Total Equity	<u>2,080,439</u>	<u>1,961,482</u>	<u>1,844,596</u>	<u>1,721,998</u>	<u>1,632,403</u>	<u>1,518,232</u>
	<u><u>\$2,122,939</u></u>	<u><u>\$2,003,982</u></u>	<u><u>\$1,887,096</u></u>	<u><u>\$1,764,498</u></u>	<u><u>\$1,674,903</u></u>	<u><u>\$1,560,732</u></u>

Generico, Inc.
Monthly Statement of Projected Income
Year One
(Not Reviewed By Independent Accountants)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Net Sales	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Less:						
Cost of Goods Sold	--	--	--	--	--	--
Gross Margin	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Gross Margin %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Expenses						
Marketing	\$ 5,618	\$ 9,934	\$ 9,934	\$ 9,933	\$ 22,883	\$ 31,516
Finance and Administration	9,163	9,163	9,747	9,747	9,747	9,747
Engineering/R&D	21,603	34,643	34,643	43,337	52,030	56,377
Manufacturing	4,983	4,983	4,983	4,983	10,378	12,177
Total Operating Expense	<u>41,367</u>	<u>58,723</u>	<u>59,307</u>	<u>68,000</u>	<u>95,038</u>	<u>109,817</u>
Lease Int. Expense (Engr)	--	--	--	--	--	--
Other Interest Expense	--	--	--	--	--	--
Other Income (Interest)	<u>15,306</u>	<u>14,973</u>	<u>14,667</u>	<u>14,303</u>	<u>13,637</u>	<u>12,951</u>
Pre-Tax Income	<u>(26,061)</u>	<u>(43,750)</u>	<u>(44,640)</u>	<u>(53,697)</u>	<u>(81,401)</u>	<u>(96,866)</u>
Provision for Tax	--	--	--	--	--	--
Net Income (Loss)	<u><u>\$(26,061)</u></u>	<u><u>\$(43,750)</u></u>	<u><u>\$(44,640)</u></u>	<u><u>\$(53,697)</u></u>	<u><u>\$(81,401)</u></u>	<u><u>\$(96,866)</u></u>

Generico, Inc.
Monthly Statement of Projected Income (continued)
Year One
(Not Reviewed By Independent Accountants)

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Net Sales	\$ 40,000	\$40,000	\$80,000	\$120,000	\$200,000	\$200,000
Less:						
Cost of Goods Sold	<u>25,000</u>	<u>24,000</u>	<u>46,000</u>	<u>71,000</u>	<u>116,000</u>	<u>116,000</u>
Gross Margin	<u>15,000</u>	<u>16,000</u>	<u>34,000</u>	<u>49,000</u>	<u>84,000</u>	<u>84,000</u>
Gross Margin %	37.50%	40.00%	42.50%	40.83%	42.00%	42.00%
Operating Expenses						
Marketing	\$ 35,833	\$ 35,833	\$ 40,150	\$ 48,783	\$ 48,783	\$ 61,734
Finance and Administration	9,747	9,747	10,038	10,038	10,038	10,330
Engineering/R&D	69,417	82,457	86,803	95,497	95,497	104,190
Manufacturing	<u>12,177</u>	<u>17,572</u>	<u>22,967</u>	<u>24,765</u>	<u>24,765</u>	<u>26,563</u>
Total Operating Expense	<u>127,174</u>	<u>145,609</u>	<u>159,958</u>	<u>179,083</u>	<u>179,083</u>	<u>202,817</u>
Lease Int. Expense (Engr)	--	--	--	--	--	--
Other Interest Expense	--	--	--	--	--	--
Other Income (Interest)	<u>11,527</u>	<u>10,651</u>	<u>9,072</u>	<u>7,485</u>	<u>5,488</u>	<u>4,646</u>
Pre-Tax Income	<u>(100,647)</u>	<u>(118,958)</u>	<u>(116,886)</u>	<u>(122,598)</u>	<u>(89,595)</u>	<u>(114,171)</u>
Provision for Tax	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Income (Loss)	<u><u>\$(100,647)</u></u>	<u><u>\$(118,958)</u></u>	<u><u>\$(116,886)</u></u>	<u><u>\$(122,598)</u></u>	<u><u>\$(89,595)</u></u>	<u><u>\$(114,171)</u></u>

Generico, Inc.
Cash Budget Month
Year One
 (Not Reviewed By Independent Accountants)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Beginning Cash	\$ 70,000	\$2,311,206	\$2,260,889	\$2,214,766	\$2,159,669	\$2,059,251
Plus:						
Cash Receipts	2,500,000	--	--	--	--	--
Other	--	--	--	--	--	--
Interest	15,306	14,973	14,667	14,303	13,637	12,951
Cash Available	<u>2,585,306</u>	<u>2,326,179</u>	<u>2,275,556</u>	<u>2,229,069</u>	<u>2,173,306</u>	<u>2,072,202</u>
Cash Purchases	236,000	10,000	5,000	5,000	23,000	11,000
Cash Operating Costs	38,100	55,290	55,790	64,400	91,055	105,650
Lease Payments	--	--	--	--	--	--
Interest Costs	--	--	--	--	--	--
Total Disbursements	<u>274,100</u>	<u>65,290</u>	<u>60,790</u>	<u>69,400</u>	<u>114,055</u>	<u>116,650</u>
Net Cash Available	<u><u>\$2,311,206</u></u>	<u><u>\$2,260,889</u></u>	<u><u>\$2,214,766</u></u>	<u><u>\$2,159,669</u></u>	<u><u>\$2,059,251</u></u>	<u><u>\$1,955,552</u></u>

Generico, Inc.
Cash Budget By Month (Continued)
Year One
(Not Reviewed By Independent Accountants)

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Beginning Cash	\$1,955,552	\$1,740,668	\$1,608,344	\$1,369,820	\$1,130,309	\$828,729
Plus:						
Cash Receipts	--	40,000	40,000	80,000	120,000	200,000
Other	--	--	--	--	--	--
Interest	11,527	10,651	9,072	7,485	5,488	4,646
Cash Available	<u>1,967,079</u>	<u>1,791,319</u>	<u>1,657,416</u>	<u>1,457,305</u>	<u>1,255,797</u>	<u>1,033,375</u>
Cash Purchases	103,571	42,000	132,571	153,070	253,143	134,500
Cash Operating Costs	122,840	140,975	155,025	173,926	173,925	197,350
Lease Payments	--	--	--	--	--	--
Interest Costs	--	--	--	--	--	--
Total Disbursements	<u>226,411</u>	<u>182,975</u>	<u>287,596</u>	<u>326,996</u>	<u>427,068</u>	<u>331,850</u>
Net Cash Available	<u>\$1,740,668</u>	<u>\$1,608,344</u>	<u>\$1,369,820</u>	<u>\$1,130,309</u>	<u>\$828,729</u>	<u>\$ 701,525</u>

Generico, Inc.
Year End Balance Sheet By The Month
Year Two
(Not Reviewed By Independent Accountants)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Assets						
Cash/Investments	\$ 635,693	\$2,834,082	\$2,685,647	\$2,505,758	\$2,520,000	\$2,520,000
Receivables	240,000	360,000	400,000	480,000	560,000	680,000
Inventory	451,429	657,143	725,714	862,857	1,000,000	1,205,715
Total Current Assets	<u>1,327,122</u>	<u>3,851,225</u>	<u>3,811,361</u>	<u>3,848,615</u>	<u>4,080,000</u>	<u>4,405,715</u>
Fixed Assets	353,500	353,500	359,500	362,000	362,000	370,500
Less: Accum. Depreciation	(57,542)	(63,433)	(69,425)	(75,458)	(81,492)	(87,667)
Net Fixed Assets	<u>295,958</u>	<u>290,067</u>	<u>290,075</u>	<u>286,542</u>	<u>280,508</u>	<u>282,833</u>
	<u>\$1,623,080</u>	<u>\$4,141,292</u>	<u>\$4,101,436</u>	<u>\$4,135,157</u>	<u>\$4,360,508</u>	<u>\$4,688,548</u>
Liabilities and Stockholders' Equity						
Accounts Payable	\$ 205,715	\$ 308,571	\$ 342,857	\$ 411,428	\$ 480,000	\$ 582,858
Accruals	42,500	42,500	42,500	42,500	42,500	42,500
Other Payables	--	--	--	--	177,309	369,345
Total Current Liabilities	<u>248,215</u>	<u>351,071</u>	<u>385,357</u>	<u>453,928</u>	<u>699,809</u>	<u>994,703</u>
Term Debt	--	--	--	--	--	--
Leases	--	--	--	--	--	--
Paid in Capital	2,570,000	5,070,000	5,070,000	5,070,000	5,070,000	5,070,000
Retained Earnings	(1,195,135)	(1,279,779)	(1,353,921)	(1,388,771)	(1,409,301)	(1,376,155)
Total Equity	<u>1,374,865</u>	<u>3,790,221</u>	<u>3,716,079</u>	<u>3,681,229</u>	<u>3,660,699</u>	<u>3,693,845</u>
	<u>\$1,623,080</u>	<u>\$4,141,292</u>	<u>\$4,101,436</u>	<u>\$4,135,157</u>	<u>\$4,360,508</u>	<u>\$4,688,548</u>

Generico, Inc.
Projected Balance Sheet By The Month (Continued)
Year Two
(Not Reviewed By Independent Accountants)

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets						
Cash/Investments	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000
Receivables	760,000	800,000	880,000	920,000	1,000,000	1,080,000
Inventory	<u>1,342,857</u>	<u>1,411,429</u>	<u>1,548,571</u>	<u>1,617,143</u>	<u>1,754,286</u>	<u>1,891,428</u>
Total Current Assets	<u>4,622,857</u>	<u>4,731,429</u>	<u>4,948,571</u>	<u>5,057,143</u>	<u>5,274,286</u>	<u>5,491,428</u>
Fixed Assets	370,500	375,500	381,500	386,500	398,500	398,500
Less: Accum. Depreciation	(93,842)	(100,100)	(106,458)	(112,900)	(119,542)	(126,183)
Net Fixed Assets	<u>276,658</u>	<u>275,400</u>	<u>275,042</u>	<u>273,600</u>	<u>278,958</u>	<u>272,317</u>
	<u><u>\$4,899,515</u></u>	<u><u>\$5,006,829</u></u>	<u><u>\$5,223,613</u></u>	<u><u>\$5,330,743</u></u>	<u><u>\$5,553,244</u></u>	<u><u>\$5,763,745</u></u>
Liabilities and Stockholders' Equity						
Accounts Payable	\$ 651,429	\$ 685,715	\$ 754,286	\$ 788,572	\$ 857,143	\$ 925,714
Accruals	42,500	42,500	42,500	42,500	42,500	42,500
Other Payables	<u>433,280</u>	<u>450,586</u>	<u>469,075</u>	<u>419,558</u>	<u>395,671</u>	<u>339,987</u>
Total Current Liabilities	<u>1,127,209</u>	<u>1,178,801</u>	<u>1,265,861</u>	<u>1,250,630</u>	<u>1,295,314</u>	<u>1,308,201</u>
Term Debt	--	--	--	--	--	--
Leases	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Paid in Capital	5,070,000	5,070,000	5,070,000	5,070,000	5,070,000	5,070,000
Retained Earnings	<u>(1,297,694)</u>	<u>(1,241,972)</u>	<u>(1,112,248)</u>	<u>(989,887)</u>	<u>(812,070)</u>	<u>(614,456)</u>
Total Equity	<u>3,772,306</u>	<u>3,828,028</u>	<u>3,957,752</u>	<u>4,080,113</u>	<u>4,257,930</u>	<u>4,455,544</u>
	<u><u>\$4,899,515</u></u>	<u><u>\$5,006,829</u></u>	<u><u>\$5,223,613</u></u>	<u><u>\$5,330,743</u></u>	<u><u>\$5,553,244</u></u>	<u><u>\$5,763,745</u></u>

Generico, Inc.
Monthly Statement of Projected Income
Year Two
(Not Reviewed By Independent Accountants)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Net Sales	\$240,000	\$360,000	\$400,000	\$480,000	\$560,000	\$680,000
Less:						
Cost of Goods Sold	<u>139,200</u>	<u>201,600</u>	<u>224,000</u>	<u>259,200</u>	<u>313,600</u>	<u>353,600</u>
Gross Margin	<u>100,800</u>	<u>158,400</u>	<u>176,000</u>	<u>220,800</u>	<u>246,400</u>	<u>326,400</u>
Gross Margin %	42.00%	44.00%	44.00%	46.00%	44.00%	48.00%
Operating Expenses						
Marketing	\$ 70,367	\$ 70,367	\$ 74,683	\$ 79,000	\$ 79,650	\$ 95,223
Finance and Administration	28,822	25,702	25,702	25,701	26,091	26,967
Engineering/R&D	117,230	117,230	117,230	117,230	125,745	129,515
Manufacturing	<u>31,958</u>	<u>31,958</u>	<u>33,757</u>	<u>33,757</u>	<u>33,757</u>	<u>37,805</u>
Total Operating Expenses	<u>248,377</u>	<u>245,257</u>	<u>251,372</u>	<u>255,688</u>	<u>265,243</u>	<u>289,510</u>
Lease Int. Expense (Engr.)	--	--	--	--	--	--
Other Interest Expense	--	--	--	--	--	--
Other Income (Interest)	4,210	2,213	1,230	38	--	--
Pre-Tax Income	<u>(143,367)</u>	<u>(84,644)</u>	<u>(74,142)</u>	<u>(34,850)</u>	<u>(18,843)</u>	<u>36,890</u>
Provision for Tax	--	--	--	--	--	--
Net Income (Loss)	<u><u>(\$143,367)</u></u>	<u><u>(\$84,644)</u></u>	<u><u>(\$74,142)</u></u>	<u><u>(\$34,850)</u></u>	<u><u>(\$18,843)</u></u>	<u><u>\$ 36,890</u></u>

Generico, Inc.
Cash Budget By The Month
Year Two
 (Not Reviewed By Independent Accountants)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Beginning Cash	\$701,525	\$635,693	\$2,834,082	\$2,685,647	\$2,505,758	\$2,520,000
Plus:						
Cash Receipts	200,000	240,000	360,000	400,000	480,000	560,000
Other	--	2,500,000	--	--	--	--
Interest	4,210	2,213	1,230	38	--	--
Cash Available	<u>905,735</u>	<u>3,377,906</u>	<u>3,195,312</u>	<u>3,085,685</u>	<u>2,985,758</u>	<u>3,080,000</u>
Cash Purchases	27,557	305,459	264,285	330,272	382,171	464,957
Cash Operating Costs	242,485	238,365	245,380	249,655	83,587	95,043
Lease Payments	--	--	--	--	--	--
Interest Costs	--	--	--	--	--	--
Total Disbursements	<u>270,042</u>	<u>543,824</u>	<u>509,665</u>	<u>579,927</u>	<u>465,758</u>	<u>560,000</u>
Net Cash Available	<u>\$635,693</u>	<u>\$2,834,082</u>	<u>\$2,685,647</u>	<u>\$2,505,758</u>	<u>\$2,520,000</u>	<u>\$2,520,000</u>

Generico, Inc.
Cash Budget By Month (Continued)
Year Two
(Not Reviewed By Independent Accountants)

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Beginning Cash	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000
Plus:						
Cash Receipts	680,000	760,000	800,000	880,000	920,000	1,000,000
Other	--	--	--	--	--	--
Interest	--	--	--	--	--	--
Cash Available	<u>3,200,000</u>	<u>3,280,000</u>	<u>3,320,000</u>	<u>3,400,000</u>	<u>3,440,000</u>	<u>3,520,000</u>
Cash Purchases	456,171	480,086	514,571	517,686	570,572	619,372
Cash Operating Costs	223,829	279,914	285,429	362,314	349,428	380,628
Lease Payments	--	--	--	--	--	--
Interest Costs	--	--	--	--	--	--
Total Disbursements	<u>680,000</u>	<u>760,000</u>	<u>800,000</u>	<u>880,000</u>	<u>920,000</u>	<u>1,000,000</u>
Net Cash Available	<u><u>\$2,520,000</u></u>	<u><u>\$2,520,000</u></u>	<u><u>\$2,520,000</u></u>	<u><u>\$2,520,000</u></u>	<u><u>\$2,520,000</u></u>	<u><u>\$2,520,000</u></u>

Generico, Inc.
Annual Statement of Projected Income
Years One through Five
(Not Reviewed By Independent Accountants)

	Year 1	Year 2	Year 3	Year 4	Year 5
Net Sales	\$ 680,000	\$8,160,000	\$18,400,000	\$36,200,000	\$54,000,000
Less:					
Cost of Goods Sold	<u>398,000</u>	<u>4,278,800</u>	<u>9,384,000</u>	<u>18,462,000</u>	<u>27,540,000</u>
Gross Margin	<u>282,000</u>	<u>3,881,200</u>	<u>9,016,000</u>	<u>17,738,000</u>	<u>26,460,000</u>
Gross Margin %	41.47%	47.56%	49.00%	49.00%	49.00%
Operating Expenses					
Marketing	\$ 360,933	\$1,135,840	\$2,651,580	\$3,913,440	\$4,906,940
Finance and Administration	117,252	351,809	960,416	1,186,207	1,382,108
Engineering/R&D	776,493	1,515,720	2,445,380	3,518,300	5,696,600
Manufacturing	<u>171,297</u>	<u>445,208</u>	<u>1,064,100</u>	<u>1,502,880</u>	<u>2,370,280</u>
Total Operating Expense	<u>1,425,975</u>	<u>3,448,577</u>	<u>7,121,476</u>	<u>10,120,827</u>	<u>14,355,928</u>
Lease Int. Expense (Engr)	--	--	--	--	--
Other Interest Expense	--	--	--	--	--
Other Income (Interest)	134,706	7,691	--	--	14,863
Pre-Tax Income	<u>(1,009,269)</u>	<u>440,314</u>	<u>1,894,524</u>	<u>7,617,173</u>	<u>12,118,935</u>
Provision for Tax	<u>--</u>	<u>--</u>	<u>669,069</u>	<u>3,808,586</u>	<u>6,059,467</u>
Net Income (Loss)	<u><u>(\$1,009,269)</u></u>	<u><u>\$440,314</u></u>	<u><u>\$1,225,455</u></u>	<u><u>\$3,808,587</u></u>	<u><u>\$6,059,468</u></u>

Generico, Inc.
Monthly Statement of Projected Income (Continued)
Year Two
(Not Reviewed By Independent Accountants)

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Net Sales	\$760,000	\$800,000	\$880,000	\$920,000	\$1,000,000	\$1,080,000
Less:						
Cost of Goods Sold	<u>387,600</u>	<u>440,800</u>	<u>440,000</u>	<u>478,400</u>	<u>490,000</u>	<u>550,800</u>
Gross Margin	<u>372,400</u>	<u>359,200</u>	<u>440,000</u>	<u>441,600</u>	<u>510,000</u>	<u>529,200</u>
Gross Margin %	49.00%	44.90%	50.00%	48.00%	51.00%	49.00%
Operating Expenses						
Marketing	\$ 95,223	\$104,576	\$109,253	\$113,930	\$123,283	\$ 95,283
Finance and Administration	26,967	26,967	26,967	26,967	26,967	26,967
Engineering/R&D	129,515	129,515	129,515	134,332	134,332	134,332
Manufacturing	<u>37,805</u>	<u>37,805</u>	<u>39,728</u>	<u>39,728</u>	<u>43,575</u>	<u>43,575</u>
Total Operating Expenses	<u>289,510</u>	<u>298,863</u>	<u>305,463</u>	<u>314,957</u>	<u>328,157</u>	<u>300,157</u>
Lease Int. Expense (Engr.)	--	--	--	--	--	--
Other Interest Expense	--	--	--	--	--	--
Other Income (Interest)	--	--	--	--	--	--
Pre-Tax Income	<u>82,890</u>	<u>60,337</u>	<u>134,537</u>	<u>126,643</u>	<u>181,843</u>	<u>229,043</u>
Provision for Tax	--	--	--	--	--	--
Net Income (Loss)	<u><u>\$ 82,890</u></u>	<u><u>\$ 60,337</u></u>	<u><u>\$134,537</u></u>	<u><u>\$126,643</u></u>	<u><u>\$181,843</u></u>	<u><u>\$229,043</u></u>

Generico, Inc.
 Year End Balance Sheet
 Year One through Five
 (Not Reviewed By Independent Accountants)

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Cash/Investments	\$ 701,525	\$2,520,000	\$2,520,000	\$2,520,000	\$4,744,294
Receivables	200,000	1,080,000	1,840,000	3,620,000	5,400,000
Inventory	382,857	1,891,428	2,668,571	5,211,428	7,754,285
Total Current Assets	<u>1,284,382</u>	<u>5,491,428</u>	<u>7,028,571</u>	<u>11,351,428</u>	<u>17,898,579</u>
Fixed Assets	328,000	398,500	691,000	1,601,000	2,528,500
Less: Accum. Depreciation	(51,650)	(126,183)	(257,383)	(545,383)	(1,008,383)
Net Fixed Assets	<u>276,350</u>	<u>272,317</u>	<u>433,617</u>	<u>1,055,617</u>	<u>1,520,117</u>
	<u>\$1,560,732</u>	<u>\$5,763,745</u>	<u>\$7,462,188</u>	<u>\$12,407,045</u>	<u>\$19,418,696</u>
Liabilities and Stockholders' Equity					
Accounts Payable	\$ --	\$ 925,714	\$1,314,286	\$ 2,585,714	\$ 3,857,143
Accruals	42,500	42,500	42,500	42,500	42,500
Other Payables	--	339,987	454,403	319,245	--
Total Current Liabilities	<u>42,500</u>	<u>1,308,201</u>	<u>1,811,189</u>	<u>2,947,459</u>	<u>3,899,643</u>
Term Debt	--	--	--	--	--
Leases	--	--	--	--	--
Paid in Capital	2,570,000	5,070,000	5,070,000	5,070,000	5,070,000
Retained Earnings	(1,051,768)	(614,456)	580,999	4,389,586	10,449,053
Total Equity	<u>1,518,232</u>	<u>4,455,544</u>	<u>5,650,999</u>	<u>9,459,586</u>	<u>15,519,053</u>
	<u>\$1,560,732</u>	<u>\$5,763,745</u>	<u>\$7,462,188</u>	<u>\$12,407,045</u>	<u>\$19,418,696</u>