

# **Identity**

Identity Studio Inc.

Daniel Ra

206.972.3378

## Confidentiality Agreement

The undersigned reader acknowledges that the information provided by Identity Studio Inc. in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of Daniel Ra.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader may cause serious harm or damage to Identity Studio Inc.

Upon request, this document is to be immediately returned to Daniel Ra.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (typed or printed)

\_\_\_\_\_  
Date

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

---

## Table of Contents

---

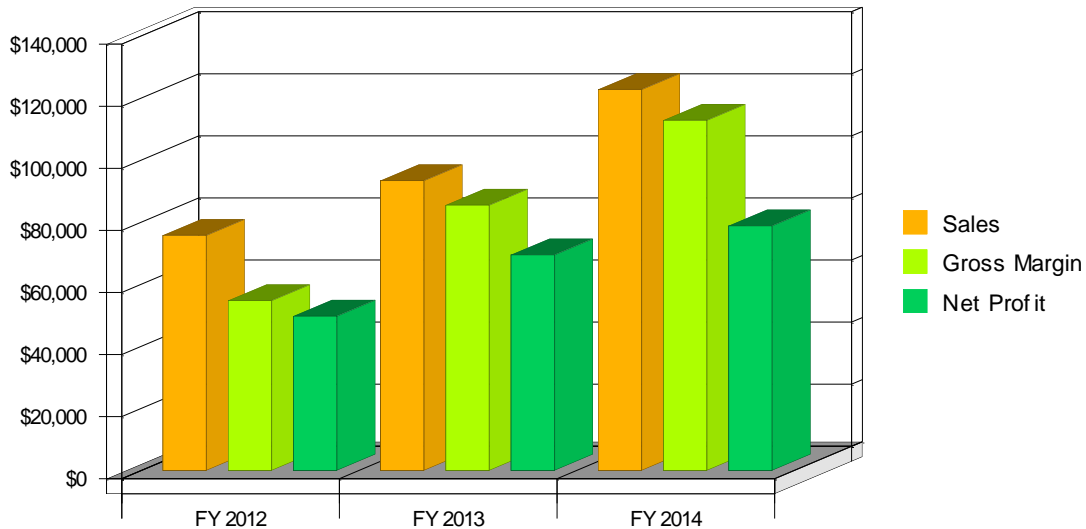
1. Executive Summary .....	4
1.1. Objectives .....	4
1.2. Mission .....	5
1.3. Keys to Success .....	5
2. Company Summary .....	6
2.1. Company Ownership .....	7
2.2. Start-up Summary .....	7
3. Products and Services .....	10
4. Market Analysis Summary .....	11
4.1. Market Segmentation Strategy .....	12
4.2. Service Business Analysis .....	13
4.2.1. Competition and Buying Patterns .....	14
5. Web Plan Summary .....	14
5.1. Website Marketing Strategy .....	15
5.2. Development Requirements .....	16
6. Strategy and Implementation Summary .....	16
6.1. SWOT Analysis .....	17
6.1.1. Strengths .....	17
6.1.2. Weaknesses .....	18
6.1.3. Opportunities .....	18
6.1.4. Threats .....	19
6.2. Competitive Edge .....	20
6.3. Marketing Strategy .....	20
6.4. Sales Strategy .....	22
6.4.1. Sales Forecast .....	23
6.5. Milestones .....	25
7. Management Summary .....	27
7.1. Personnel Plan .....	28
8. Financial Plan .....	29
8.1. Start-up Funding .....	29
8.2. Important Assumptions .....	30
8.3. Break-even Analysis .....	31
8.4. Projected Profit and Loss .....	32
8.5. Projected Cash Flow .....	34
8.6. Projected Cash Balance .....	36
8.7. Business Ratios .....	37

---

## 1. Executive Summary

Identity Studio Inc. is the name of our company. Our company has two branches and its headquarters is located in Seattle, WA. Identity studio is an online design firm which connects local clients with outsourced designers from across the globe. This ensures a lower cost of productivity and an overall a higher level of service. All studio designers are hand selected by our team, and are sure to meet Identity standards. The Identity Shop is a Seattle, WA based street wear company; we are primarily focused on the demographic age group of 10-25, and tend to key in on niches surrounding extreme sports; such as surfing, skateboarding, and break-dancing. The purpose of this plan is to inform potential investors about Identity Studio Inc. and its operations.

### Highlights



### 1.1. Objectives

#### Identity Studio Objectives

- To spread our influence: We will not only be offering our services to large corporations, but also to the general public, and or local and subsidized businesses
- To broaden our horizons: We will continue to recruit additional high-end designers, while consistently honing the skills of our current ones
- To build our reputation: We will strive to be consistent in both the aesthetics and products that we offer

#### Identity Shop Objectives:

- For the first 3-4 months while we are developing our line; the gross margin is set at a 1:2 ratio (cost of manufacturing to profit made from individual sales). We plan on gradually raising the net profit of each item till the ratio nears 1:4. We will obtain this by ordering in higher quantities, outsourcing to foreign countries; and therefore lowering manufacturing costs
  - For the first few months while we are building our line, we want to sell out of every new batch we print (which is about a minimum order of 36 per design)
- Attend a minimum of 6 events every season, events range from Gaming expos, Car shows, and Break-dancing events
- Get known in Seattle and build a reputation which is based off of the quality and aesthetics of our products
- Release new designs and products seasonally (minimum of at least 3 new items)

## 1.2. Mission

### Identity Studio:

The competition in this day and age between companies is so intense that often times getting ahead lies in such things as presentation. Identity Studio understands your needs for sophisticated designs at a value price. We will strive to offer you the highest quality services regardless of your budget.

### Identity Shop:

As the global economy continues to depreciate the value of apparel; Identity will remain true. Identity's mission is to always ensure that our customers receive the highest level of satisfaction from their purchases. We will strive to maintain consistency in both the quality and aesthetics of our products.

### Identity Motto (applies to both studio and shop):

Identity: Create to recreate.

### Translation:

The process of innovating/creating new life or freshness.

## 1.3. Keys to Success

### Identity Studio:

- The professional studio must have private clients. Studios are often paranoid that one of his or her clients will discover that he or she could have saved thousands of dollars by dealing directly with the individual designer. This must be prevented at all costs, the studio must always act as the middle man between client and designer

## Identity Studio Inc.

---

- Clients who can afford to hire a Design studio tend to be very demanding; studios are always under a lot of pressure. The Client needs to feel that his studio considers him to be the most important person in the world. Any action that might indicate that the studio might be busy with other design work, such as failing to return phone calls promptly, must be avoided
- The studio must be true to its word. The services rendered must be executed exactly in accordance to the brief, when it is promised, and at the agreed upon prices. The ability of the studio to communicate effectively with its designers is key to the studio's expansion, as well as success and efficiency
- The studio must always keep up to date with the latest trends, and styles. This means that all currently employed designers of the studio must always be on tippy-toes with their abilities and must continuously hone their skills in order to compete with an ever evolving market
- The studio must always search for expansion and must never limit itself to one style, but rather must seek to appease the masses, and ultimately become a jack of all trades

### Identity Shop:

- Making sure that inventory and supplies are always accurately documented
- Keeping track of all exported and imported goods
- Setting quality control as a priority under all circumstances
- Consistently promoting Identity merchandise and sales
- Shipping products in an orderly fashion, presentation is key
- Always staying up to date with our apparel designs and making sure that they fit our target audience/demographic

## **2. Company Summary**

### Identity Studio:

Identity Studio Inc. is a Graphic Design Studio located in Seattle, Washington. The studio is engaged in the creation of designs ranging from, web layouts, digital illustrations, branding, as well as programming. Identity studio is composed of a group of very well-known and talented designers from across the globe. The studio acts as a middleman between local clients and designers making its revenue from commissions earned from redirecting jobs.

### Identity Shop:

The Identity Shop was created as a backbone branch in order to help stimulate the studio progression. However, the shop now holds more potential for generating revenue as opposed to the studio. Therefore, the shop now takes priority over the studio. Identity Shop is a Seattle, WA based clothing label focused on the development of high quality street wear apparel. The apparel designs of the Identity Shop have the technicalities to match those of major mainstream brands such as Kid Robot and Bape. The objective of the Identity Shop is to offer high

quality, aesthetically appealing designs, at a fraction of the cost, therefore establishing a renowned reputation amongst its competitors.

## **2.1. Company Ownership**

### Identity Studio is an S Corp.

We are a profit based startup, focused on Graphic Design, and apparel distribution. The company has six shareholders, but two initial Founders/Owners. Daniel Ra owns the controlling interest of Identity Studio Inc.; he controls 80% of the interest and shares (equity), and is also a Founder, Joe Lee controls 2% and is also a founder, Burt Shin controls 5%, Danny Jung controls 3%, Neil Hanvey controls 5%, and Chunneath Kravannah controls 5%. The liability and responsibilities of the corporation are solely divided amongst those who hold shares (equity). In this case, Daniel Ra, Burt Shin, Joe Lee, Danny Jung, Neil Hanvey, and Chunneath Kravannah. The controlling interest has the final say on all matters, pertaining to the company. The controlling interest (%) of each shareholder cannot be taken away by means of majority rule or any other internal or external forces, unless directly authorized by the individual who owns those shares (this applies to shareholders who have met the 24 month vesting period requirement). All shareholders excluding the Founders must vest a period of 24months prior to legally obtaining full rights to their shares, in addition to a 24 month vesting period, all shareholders excluding the Founders will also not be paid a salary for the first 12 months of their vesting period.

## **2.2. Start-up Summary**

### Identity Studio:

The Identity Studio preceded the Identity Shop. The studio branch did not require any additional funding besides the costs associated with webhosting and domains. The studio site and forum was coded and designed by the Identity team. The only currently tangible asset Identity Studio has, are business cards. The Identity business cards are outsourced to a third party manufacturer in China, thus the productions costs are fairly low. As far as communications go, we have created a specific Google voice phone number for the Identity Studio. This Google voice number call forwards clients to both our senior designers, in which case only one is needed to answer the call, acting as a fail-safe. Since this is the case there are no additional costs associated with cellphone bills and etc. The Identity Studio does not have a physical location. Therefore, rent, utilities, parking, and other costs associated with a physical location do not apply.

The bulk of the studio expenditures will go to the paying of wages for our senior designers. The Identity Studio has no employees other than the two senior designers who oversee the branch. The remaining pools of designers are all sub-contracted freelancers who do not have a salary or hourly fixed rate. They are disposable and easily replaceable due to the large network of designers our senior designers are a part of. In order for Identity Studio to function efficiently, there must be a minimum of at least two senior designers moderating the incoming and

## Identity Studio Inc.

---

outgoing flow of client work. These senior designers must act as the middleman between the client and the sub-contracted designer. They must also act as a buffer for the quality control of services rendered.

The Identity Studio has a total capital of \$250. Following the initial drafting of Identity Studio, it underwent a three week beta testing period; during this time, it was able to gross over \$600, the net however was roughly around \$260. Thus the Identity Studio broke even during its first three weeks of operations. Through the beta testing, we were able to analyze data and tweak our systems. As of this time the Identity Studio has halted its operations. This is due to the lack of senior designers overseeing the branch, and also in part to the lack of capital required to make additional recruitments.

### Identity Shop:

The bulk of the capital spent on Identity Studio Inc. was geared towards the Identity Shop (mainly the manufacturing of products). As far as minor tangible assets goes (stickers, hangtags, business cards, envelopes, and mailers), we were able to significantly lower the manufacturing costs by outsourcing to third party vendors in China.

The designers chosen for the Identity Shop have no direct ties with the designers from the studio. In fact these batches of designers were hand selected to be a part of the Identity Shop. Since our capital was substantially low, the only way for us to obtain high quality designs without paying upfront was to establish a royalty system with the designers. Thus, the designer of the apparel we print will earn a fixed % of income per item sold, which indefinitely caps out at \$1,000.

The Identity Shop launched a three week beta testing following the initial \$800 equity investment. The Identity Shop attended two local events and grossed over \$400 in sales. The remaining merchandise was either sold at a wholesale price or stored for future use (for the official launch). The beta testing allowed us to obtain valuable data which could then be analyzed to give a better understanding of our target market and approval ratings. We used this data to fix flaws in our marketing strategies, enhance our product quality as well as revamp the structure for efficiency.

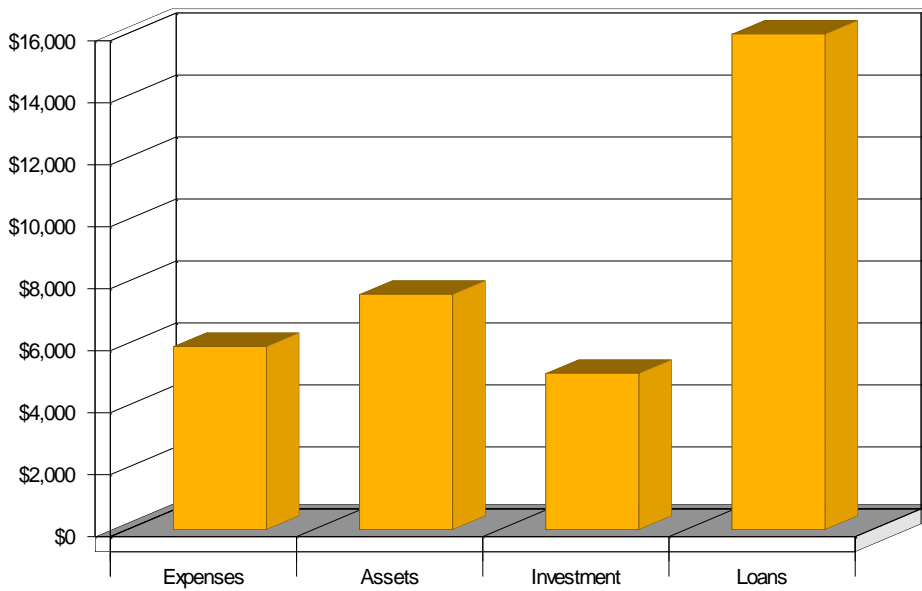
Identity Studio Inc. and its branches had a total capital of \$6,200. This seed money was raised from various sources, mainly from family and friends. Since this is the case there are not many strings attached to the capital invested into the company. The forecast created within this plan is a projection of what sales would be, with an additional capital boost of \$13,000.



# Identity Studio Inc.

<b>Start-up</b>	
<b>Requirements</b>	
<b>Start-up Expenses</b>	
Apparel Designs (6 new designs)	\$500
Manufacturing cost of stickers	\$1,600
Shopify Third Party Online Store Application	\$300
Hang Tag Manufacturing Fees	\$500
Sewn Tag Manufacturing Fees	\$1,518
Advertising Campaign	\$1,500
N/A	\$0
<b>Total Start-up Expenses</b>	<b>\$5,918</b>
<b>Start-up Assets</b>	
Cash Required	\$1,000
Start-up Inventory	\$6,500
Other Current Assets	\$0
Long-term Assets	\$100
<b>Total Assets</b>	<b>\$7,600</b>
<b>Total Requirements</b>	<b>\$13,518</b>

## Start-up



## 3. Products and Services

### Identity Studio Services:

- Print
- Web Design
- Branding
- Digital Painting
- Vector Illustration
- Apparel Design
- Motion Graphics
- Mixed Media
- Programming (PHP/JavaScript/MySQL)

Identity Studio Inc. only provides the design files to its clients. It does not partake in the actual manufacturing of products. There are relatively few sourcing costs, because the studio does not directly provide for materials. Since Identity Studio Inc. reaches out to so many different groups, the two most important aspects of production are quality and efficiency. Each client has a tremendous ripple effect upon our reputation. Therefore if the studio does not produce the necessary items with the required specifications, when it is requested, the loss of future revenue from a client can be significant.

### Identity Shop Products:

- Graphic Tees
- Shirts
- Posters
- Stickers
- Plush Toys
- Jackets
- Sweaters
- Umbrellas

The Identity Studio designers are not directly related in any way to the Identity shop. The Identity Shop designers are an elite group of designers hand-picked by our lead designer to work alongside us throughout this project. Each new product is custom designed by us from ground up. The brainstorming process starts off with our marketing team, it then goes off to our creative director and then finally to our designer. Each new design goes through a heavy screening process; the designs must make logical sense, must be aesthetically appealing, must be dynamically relevant, and must fit our target audience. Following the designing process we go to our

manufactures to determine what printing method to use, what fabric to print on, and what extras to include. This process is repeated in every new product we release.

#### **4. Market Analysis Summary**

##### Identity Studio:

According to the U.S. Department of Commerce, Specialized design services garnered \$45,870, Advertising, public relations and related services \$43,540, Newspaper, periodical, book, and directory publishers \$36,910, and Printing, and related support activities \$36,100. This means that the United States which is Identity Studio's primary target, consists of 1.6 million dollars in annual costs generated from Graphic Design related revenues. Work generated via the higher echelons of designers requires a higher level of quality. This work is also less price-sensitive. This is where we come in; Identity Studio has the ability to match the quality of these top echelons of design, at a fraction of the cost. Therefore, opening our doors to a larger target market, such as small business that do not have the capital to access higher level designs. By expanding Identity Studio's image through advertising and networking within YouTube, Facebook, and Google; the potential market will expand from its present localized boundaries to international borders.

According to the U.S. Department of Commerce, the lowest end of entry level designers averaged anywhere from \$15-\$20,000 annually, while the highest top 10%, averaged \$80,000 annually. As a startup business, we can only hope to achieve a minimum average salary. However, this statistic only estimates how much an individual designer makes locally, and not internationally, but since Identity Studio Inc. is equally international as it is national and has an unlimited amount of sub-contracted designers working under us, the potential revenue and growth will be unprecedented.

In the city of Seattle, there are three different types of clients which we will be reaching out to. The publicly owned major corporations, the privately own subsidized corporations, and the small and misc. family projects. Within Seattle alone, our estimated revenues from these sources are listed as followed (of 100%) 15% Major corporations, 35% smaller subsidized corporations, and finally 50% misc. and family related projects. Our main focus will be on the small corporations. Small business require the same advertisement promotional and design work as larger corporations, but the reality is, that Small corporations do not have the extended capital to spend as much as large corporations. Thus, by offering quality services at an affordable price, Identity Studio fulfills the needs of the small businesses.

##### Identity Shop:

The US retail clothing industry includes about 40,000 companies that operate 80,000 stores with combined annual revenue of \$130 billion. The industry is at the same time highly fragmented and heavily concentrated at the top: the 120 largest companies operate 40,000 stores and account for 65% of industry revenue. Large companies include Gap, Limited, Talbot's, and Abercrombie & Fitch. Most companies operate just one store, but 1,000 companies operate more than two. Although about 20,000 clothing stores sell products for all members of the family, most specialize in men's, women's, or children's clothing. The typical store has \$1 million in annual

sales and ten employees, but 3,000 stores have annual sales over \$5 million. Within their specialty, stores typically sell a full range of items including regular clothes, outerwear, and underwear. Many stores also sell shoes, handbags, jewelry, make-up, and perfumes. During the 2000-02 recessions, same-store sales fell 20 percent at Abercrombie and Gap. Profitability depends heavily on correct merchandising (the selection of products) and marketing. Small stores can compete very effectively with large ones by targeting their products at different customers. In addition to traditional competition from department stores, new competition in recent years has come from discounters like Wal-Mart and from catalog and Internet retailers.

The Identity Shop will focus mainly on the urban street wear retail segment of the apparel industry. Our major competitors will be those who share similar interests, brands such as Kid Robot and Bape. For the first 1-2 years we plan on establishing our brand through the quality and aesthetics of our Graphic Tees as well as various other types of shirts such as polo's and v necks. In addition to our shirts, we also plan on releasing various forms of print collateral ranging from posters to stickers. Following afterwards we plan on branching out towards other forms of outerwear such as jackets and hoodies.

We are primarily focused on the demographic age group of 10-25, and tend to key in on niches surrounding extreme sports; such as surfing, skateboarding, and break-dancing. We plan on chain retailing our products into local boutique and department stores, such as zumiez, goods, and eqypt. We will later expand to a more mature audience by releasing plain tees and polo's. With the limited amount of funding/capital we have as of right now, we will not be competing with the 120 largest stores, but rather with the smaller indie clothing companies/retailers (which accounts for roughly 35% of the sector), the Little Big Horn strategy so to speak. As the company becomes more established, funding will rise. When this happens we will expand our target sector to include the other 65%.

### **4.1. Market Segmentation Strategy**

#### Identity Studio:

Our target market is segmented into three categories, misc. and family (50%). large corporations (15%), and small and subsidized companies (35%). The misc. and family sector contains family and relatives expanding from our networks. In this sector we are generally targeting mom and pop shops. They will come to us, because they know us and prefer to work with people they know. For each job we complete in this sector, our reputation will grow. We are targeting this segment, because out of the three, they are the most accessible. The second target segment involves the small and subsidized companies. Now if our first segment did well, our second segment should have benefited from it. We are targeting small and subsidized businesses, because these people tend to pursue top quality commercial designs with low financial reserves. We can take advantage of this by promoting ourselves as those who offer high end design services at a value budget. Last but not least are the large corporations; now these are the high-end clients, their projects will almost always take top priority. These large corporations will be attracted to us because of our quality and prices. After all, we are experiencing a rather slow economic growth. Everyone is trying to lower their costs. Why bother spending more money for the same quality of design? Until Identity Studio builds enough reputation and capital we will primarily be situated within Seattle,

WA. Thus, being pressured to stay within a small domestic location, it is reasonable for us to dominate our area, prior to expanding into unknown markets.

### Identity Shop:

The Identity Shop will primarily be focused on the demographic age group of 10-25 and will tend to key in on niches surrounding extreme sports; such as surfing, skateboarding, and break-dancing. Within this demographic will consist of predominantly Caucasian, Asian, Hispanic, and African American ethnicities. Identity Shop will be focusing on male/unisex apparel distribution. The majority of our target audiences are students ranging in educational backgrounds from middle school to college. Following our establishment within WA State, we plan on expanding to other states such as California and New York, by means of retail distribution. As of this time we do not plan on expanding beyond the U. S. and Canada. Our services and products will still be available to other countries. However, we will not go out of our ways to specifically cater to their needs.

## **4.2. Service Business Analysis**

### Identity Studio:

The Graphic Design industry is closely related with that of the advertisement and marketing industry. Everything ranging from bottle caps to candy wrappers is graphically designed. The Graphic Design industry works in a very straight forward manner. Clients come to designer in need of their services. The designers then delivers visualizations based off a written brief. The difference between a studio and a freelancer comes down to proficiency. The fees associated with a studio are often times higher than those of an individual designer. However, the overall quality of the services rendered is significantly higher. This is due in part to the strict quality control maintained by the creative directors. Consistency, proficiency, and efficiency are the major reasons as to why corporations choose studios over individual freelancers.

### Identity Shop:

Street-wear has become a luxury category of apparel. Thus, prices are significantly higher (shirts alone ranging from \$40-80) than those of your everyday brands (American eagle, GAP). Since the Identity Shop is an up and coming clothing label, we will help stimulate brand recognition by marketing ourselves as a luxury brand at an affordable price. Some of these street wear companies tend to operate their own sweatshops to lower production costs. However, places like Johnny cupcakes purchases blank stocks in bulk from a third party manufacturer such as HANES. This is what we plan on doing. As far as sales goes, we plan on taking the more conservative approach, focusing entirely on a system centered on web based operations; which generally cuts unnecessary costs which may stem from operating a physical location.

#### **4.2.1. Competition and Buying Patterns**

##### Identity Studio:

The Graphic Design industry is heavily reliant on reputation and quality. However, based on the three sectors, all weigh quality and reputation on a different scale. Misc. and family do not care so much about the quality of the work as opposed to whether or not it fulfills its purpose. Overall they hire us, because they need to get a small job done and would prefer to work with someone they know. Next up is the small businesses; they hire us because they prefer to get the most bang for their buck. Now comes the large corporations, these catches are fewer in number, however they are ultimately the finest. This sector bases their choice of designer in terms of quality, in accordance to the industries best designers. Price is not a problem for these big fish. Now the smaller and subsidized companies, this sector takes quality in lesser consideration, and rather tries to kill as many birds as possible with one stone.

##### Identity Shop:

The Street wear segment of the apparel retail industry is usually based on hip designs with strong endorsements. People purchase more so not because of the quality of the products, but rather by who wears them. Hype is everything, buzz needs to be generated, and the clothing must resemble a trend currently present. Now of course quality, price, and various other factors play a role in the customer loyalty and duration of the brand. However, in order to establish recognition, the brand must be endorsed and marketed heavily. The difference between a timeless brand and a hyped brand is that a hyped brand dies out and is unrightfully bolstered by endorsements. A timeless brand lives up to its age through the quality of both the products it sells and the people it sponsors.

### **5. Web Plan Summary**

##### Identity Studio:

The studio website consists of six pages. The home page is composed of an event log, twitter feed, "like" button for our fanpage, and an option to subscribe to our newsletter. It also consists of a optional flash video pertaining to what Identity is. Optional being key, as it takes some time to load, and not every user may have the connection or time to view it. The about us pages consists of information pertaining to the founding of the studio as well as a list of services that we currently offer. The portfolio page consists of a showcase of our most admirable client works. The contacts page lists the contacts of the Identity management team and also consists of a fill out form for quick inquiries. The shop tab on our navigation hyperlinks out to our shop site, where people may purchase additional Identity related products. Finally the networks page consists of the various affiliates and or sponsors that Identity has, users may click the buttons to view their sites. The current Alexa web ranking for the studio site is set at 644,208.

##### Identity Shop:

The Identity shop consists of four core pages in the top navigation. The home page consists of three rotating headers (anything ranging from promotional to general announcements). The center is composed of three generalized categories which also include a "freebies" section, which users may click on to obtain free digital media, such as wallpapers and music. Towards the bottom of the home page you will also find a rotating banner slider (banners pertaining to ongoing events sponsored by Identity). The lower navigation which is the same for every page lists the various social networking sites for Identity, as well as our FAQ, Shipping Policies and etc. These are optional pages in which consumers make click on to get additional information pertaining to their purchases. These optional pages will also display ads on the bottom right hand columns. Ad spaces are expandable upwards to six placements. Ad space offers by Identity Shop will be heavily censored and custom designed upon approval, essentially adopting a more strict policy on the Facebook sensation of "smart ads". The Identity Shop site will be both professional and resource information based. The shop page lists specific categories in which consumers may click to be redirected to their niche of choosing. The blog page consists of an event log for all Identity related news and events. The Identity shop is hosted through Shopify and its main payment gateway is PayPal, which is generally a very well noted third party for handling online transactions. We will also encrypt our shop with an SSL certificate; this enables us to offer direct online transactions via credit/debit cards from our website

### 5.1. Website Marketing Strategy

#### Identity Studio:

**Phase 1:** Word of mouth, 2 founders, 6 officers, and our 20 sub-contracted designers in 11 different countries have been going around preaching of the upcoming launch of Identity Studio Inc.

**Phase 2:** Business cards, 1800 business cards are being shipped off to 11 different countries, and are being spread locally as well (with a specific emphasis on those who are owners of companies).

**Phase 3:** Once that is up, we plan on advertising through our 10+ social networking sites, constantly updating, and networking ourselves through live feeds.

**Phase 4:** Promote ourselves via forums and other sites we visit online, this will ensure a continuous steady flow of hits on our site. This will also help us a lot with Google ad sense and other advertisement based options.

**Phase 5:** Affiliation program we have going on with various other high traffic sites. In exchange for having our logo on their sites, they can have their logos on our sites. This includes trade work affiliations between bands and local artists.

**Phase 7:** Last but not least, we will utilize Google, deviant art, the daily, Facebook, YouTube, Behance, Artician, ads to convey our brand to the world.

#### Identity Shop:

**Phase 1:** Starting the third week of August in preparation for our new line, we will spend \$100 on Facebook advertisements (\$20 a day, for 5 consecutive days).

**Phase 2:** We will go to an advertisement auctioning websites and auction off ad spaces within our shop.

**Phase 3:** Newsletters, we will start distributing quarterly newsletters

**Phase 4:** Post up our products for review on Google reviews

**Phase 5:** Send our products off to various fashion critics so that they can review our products and help generate a buzz and establish credibility

**Phase 6:** Post our websites and previews of our products on various underground hip hop forums such as Sol's

**Phase 7:** Start sponsoring various YouTube Celebrities and underground musicians, namely those who we are already closely affiliated with.

**Phase 8:** Start distributing our merchandise to retail stores locally around WA.

**Phase 9:** Utilize social media and various other online marketing tools used for the studio

## 5.2. Development Requirements

### Identity Studio:

Tim our previous shareholder and webmaster quit the team following the completion of the Studio and Shop site. We have made several small and large modifications since then, the last major modification will be the implementation of the new Home Page for the Studio. Our current Webmaster Taylor will have this coded in about 1.5 months.

### Identity Shop:

The Identity shop site is currently using third party software for the backend of the site. This means we must pay a monthly fee of \$25-50 for the usage of this platform. We have started the coding process for the creation of the backend (so that we may become independent of this third party software which ultimately bleeds us of capital). Other than that, the general design is still undergoing some changes, but for the most part finished.

## 6. Strategy and Implementation Summary

### Identity Studio:

- Focus on customer service
- Always maintain the efficiency and proficiency within all ongoing operations
- Always maintain a higher ratio of services as opposed to costs
- Remain consistent in both the services we offer and the quality of our designs

### Identity Shop:

- Maintain a rigorous screening process for all designs approved for printing
- Always be price cautious and consistent in the quality of our merchandise
- Focus on the efficiency pertaining to the management



## 6.1. SWOT Analysis

### Identity Studio:

**Strengths:** Our youth, our professional websites, our experience, our track record, our understanding of the internet, our prices, and our ability to be proficient in a wide range of services.

**Weakness:** Our lack of a qualified management team, our weak communication links via the internet, our funding, our lack of senior designers overseeing operations.

**Opportunities:** Our networks give us a chance to progress at a rapid rate, this is because within our network includes various popular icons which may be endorsed to further speed up development within the company, not only that, but it raises our chances of running into a bigger corporation.

**Threats:** Other international design studios that have been around several years prior to us.

### Identity Shop:

**Strengths:** Our youth, our understanding of our market and the internet, our professional websites, our designers, our ability to offer a wide range of quality products at a fraction of the retail value.

**Weakness:** Our lack of a qualified management team, our weak communication links via the internet, our funding.

**Opportunities:** Our networks give us a chance to progress at a rapid rate, this is because within our network includes various popular icons which may be endorsed to further speed up development within the company.

**Threats:** Capital seems to be our major concern; until we get an investment we cannot maximize profits due to high manufacturing costs.

### 6.1.1. Strengths

#### Identity Studio:

One our greatest assets is our age, we are young, we have experience, and we have plenty of time to grow. Another important aspect of our strength comes from the quality of our designers, these are not just random everyday designers that you can find in the city, we dug deep, and far to bring our clients designers from all across the globe who meet our standards. The most important factor we have that other design studio's do not have is our pricing. Larger studios cannot afford to offer such high quality services at low prices. However, the Identity team can do so by outsourcing the bulk of its design projects to foreign designers. The key player within this branch is Daniel Ra; he not only has a personal relationship with every designer on the team, but he himself is a great designer. The studio webpage is also a plus to our viewers, because it showcases our works on a silver platter.

#### Identity Shop:

One of our key strengths is that our monthly deductibles are low. We do not need to pay rent, housing, utilities or any of that sorts that you would find most common with a physical location. This is because the bulk of Identity

operations are based online, thus it eliminates the need for costly rentals. What distinguish us from other small indie startups are our designs. Our designs are unique and 100% original. These designs are created by our designers which are exclusive to us. The greatest attribute the Identity shop has is our quality, the quality of our designs; packaging, presentation, and fabric all play a significant role in keeping consumers happy. Once more we offer a quality which is virtually unheard of at the prices we offer them at. The Identity Shop site mixes resourcefulness with professionalism, our web site loading speed, layout, and presentation are all exquisitely proficient. Consumers will feel a heightened sense of security when viewing our site.

### **6.1.2. Weaknesses**

#### Identity Studio:

The major concern within the studio branches operations is that we do not have the human resources to execute the full potential of our operations. The core Identity team which oversees all operations pertaining to the business lacks design knowledge and education to bring about the studio's full potential. As a primarily design oriented company, a shortage of high quality designers is a major setback. High quality designers are required in order to quality control the designs which are currently being worked on. The Identity team only has one such designer, and he alone cannot operate both shop and studio at the same time. A simple fix would be to hire more senior leveled designers to oversee projects within the studio; the only major problem is that since Identity Studio is a startup, we lack the financial capital to make these new additions to the team.

#### Identity Shop:

The Identity Shop shares many similar weaknesses with the studio. Again we see a lack of designers on our team, but this time not for the services we offer, but rather for the company itself. Lack of senior level designers for creating web banners, icons, newsletters, and to consistently quality control all designs which are being processed. The greatest weakness however, lies within our lack of capital. All current and previous Identity Studio Inc. operations have been funded primarily through seed funding. We have done well with an investment of only \$5,800. However, in order to make marginal profit we need funding for such things as marketing. Our lack of capital also hurts us when it comes to manufacturing, this is because without funding, the company cannot order merchandise in bulk. Thus, the manufacturing costs are significantly higher.

### **6.1.3. Opportunities**

#### Identity Studio:

One of the key opportunities to the studio (as mentioned within our strengths) is our sheer quality and wide array of services. This is an opportunity because quite frankly, Seattle/Washington is not known for outstanding design and has a very limited set of services they offer, not only that but the pricing for such services are exponentially higher. Identity Studio runs on the principle of being the middleman connecting world class designers from all

across the globe with clients situated locally. Thus, we are able to offer high quality designs at a fraction of the cost. Since our studio runs the bulk of its operations online, it also acts as a gateway for international and national clients. Another great opportunity lies within our networks. Since the Identity team is predominantly of Asian American descent, it opens up a large pool of untapped clientele (seeing as an overwhelmingly amount of Asian Americans situated in America run small businesses) for us to work with (also since there is a language barrier amongst this segment, not many Design studios are able to work with them, thus giving us the upper hand.).

### Identity Shop:

The Identity Shop's key opportunity lies in its networks. The management team has a very extensive network, thus making it easier to get a popular icon to endorse our products. We also have many lesser known artists and talents which we will endorse in the meantime to build up our reputation locally. As far as the capital issue goes, there are several angel investors and investor firms who are quite interested in the progression of the company, by selling small amounts of equity to these investors; we plan on raising the necessary capital for expansion. Another good thing about having such an extensive network and working online is that it makes it easier for us to expand our reach and include more demographics into our target market.

### **6.1.4. Threats**

#### Identity Studio:

A major threat to our studio lies in the off chance that our designers will try and make direct contact with the clients, and furthermore sever the need of the studio. We must stop this at all costs; we must always maintain the status as the connector which links the designer to the client. We have already stated these terms within our contracts. However, like all things in life there are loopholes and it is because of these shortcomings that we still make this of utmost importance. Another concern is the quality of our services; it is true that we pay a lot of attention to the quality of our services. However, we must understand that not all designs rendered will always meet the standards of our clients, this is also largely in due part to our lack of human resources.

#### Identity Shop:

There are several different concerns in relation to the shop branch. Firstly, our designers; in the off chance that another competing clothing label finds their information online and tries to contact them, we may lose one of our designers. However, this problem can easily be solved by offering our designers an incentive to stay with us, namely by paying them upfront for their services as opposed to working long term with royalties. Secondly, our capital is another great problem, because without the capital we are limited to only making back roughly 2.5 times our manufacturing costs; when in reality we could have made back around 6 times. Another threat is theft of intellectual property. Due to our shortage of funds, we are not currently able to file trademarks to protect our assets.

## **6.2. Competitive Edge**

### Identity Studio:

Identity Studio's competitive edge comes from our youth, our experience, our raw talent, as well as our versatility. Unlike most graphic design firms located within the United States. Identity Studio specializes in multiple trades and displays exemplary skill in all fields. Identity Studio also offers quality design at a fraction of the price. Since Identity Studio has a virtually unlimited source of sub-contracted designers working under it, we are able to handle several times the workload of an average design firm. Since our operations are predominantly based online, we have no limit to our reach.

### Identity Shop:

The Shop branch has many positive attributes to it. Many indie clothing labels in this day in age have great concepts but poor execution (in terms of design) and vice versa. However, the Identity Shop combines both great concepts and designs in our products. Many indie clothing labels also rely too heavily on "hype" and endorsements to market themselves, because of this their overall product quality and packaging are not on par with their prices. The Identity Shop however, takes great pride in showcasing our consideration for consumers by, customizing all tags, packaging, and stickers in a unique and memorable way. Another great aspect of our competitive edge comes from the pricing of our products. We are in a market where high quality graphic tees sell for \$80 or more, and are able to offer the same standard at 1/4th the price.

## **6.3. Marketing Strategy**

### 1. Advertising

One of the most reliable sources of media representation in this day and age is newspapers. The UW Daily for example, a quarterly (3 months) placed ad on the Daily ranges from \$140-150. This is a great way for us to advertise locally seeing as how the management team is all alumni or current students of the University of Washington. Another valuable advertising strategy would be to target the social networking sites, such as Facebook, MySpace, and Deviant Art. These social networking sites all have some type of pay per impressions ad system which allows us to spend a limited amount of capital and target the people that we need to target. The average pricing for these ads are about \$0.50 an impression. Thus, spending as low as even \$20 a day on these ads would generate great traffic towards our websites. Identity is also being promoted locally via business cards and stickers, which will we be strategically placed all across the world, starting with the 4 major cities located in Washington. 1800 cards are being shipped off to 20 designers in 11 different countries.

### 2. Joining, National Design Organizations and Entrepreneurship networks

Another method of boosting our reputation would be to join nationally renowned organizations centered on design. Such big communities such as AIGA and various Novato related sub forums would be a great opportunity for us to

expand our reputation on an international and national level. AIGA membership in particular costs about \$120 annually. We should also be looking into joining smaller organizations and gatherings locally. Such programs as the Seattle Green drinks allow us to expand our networks by connecting with other entrepreneurs and venture capitalists locally.

### 3. Competitions

From now on Identity Studio will be continuously participating in national and regional competitions. This includes all online competitions being featured in all sites ranging from Deviant Art to Behance, and Artician. Our goal is to practice our collaborative skills and at the same time promote Identity. Our mission is to not win competitions, but rather to place into the semifinals for every competition we enter, thus displaying our talents not only to the competitors and the general public, but also to the judges of those competitions (who play a role in the creative direction of many large corporations).

### 4. Endorsements

We plan on sponsoring certain highly subscribed individuals on YouTube with free gear in exchange for promoting our brand. We plan on endorsing smaller localized musicians as well as ones in other states using the same method. Our endorsements will be heavily catered towards up and coming musicians and artists within the underground society. Since Identity has strong ties with the people we endorse (most of which being closely related to us), we are able to work out more lenient deals. We are always looking for new ways to branch out by scouting out potentially successful organizations/artists to promote.

### 5. Affiliations:

We plan on affiliating ourselves with several different online websites and communities (forums). We plan on doing this by exchanging banners on corresponding affiliation spaces. Thus, increasing the number of linked sites to Identity, which inevitably increases our traffic. We have affiliations/ad spaces on both studio and shop sites for this purpose.

### 6. Product Reviews:

Since Identity Studio and Shop are both relatively new, there is not much reputation established at this point. This being the case it would only be logical for us to try and get featured within reliable fashion and art blogs as well as magazines. We will get featured on these sites by either offering them free services or by sending in free samples of our products.

### 7. Social Networks:

Social networking sites such as Facebook, Twitter, and YouTube are our greatest outlets for marketing. This is because they are not only free but also websites with high traffic. We will garner a fan base within these sites by offering people free promotional, tutorials, interviews, and live feeds for Identity sponsored events.

## 6.4. Sales Strategy

### Identity Studio:

#### *The Designer:*

The Identity Studio sales strategy is remarkably simple, clients come to us with a project and we match them accordingly with a designer that best suits their needs. The designer who is in charge of the client's project receives all the collateral earned from it, after paying Identity Studio 20% finder's fee. The finder's fee is cut down in 2% increments until a cap off is reached at 10%, thus rewarding designers for long term relations. Designers are sub-contracted to Identity Studio, thus they are not paid hourly or any sort of salary, their wage is strictly commission based. We are appealing to designers online, because we offer them opportunities which are not available within their countries.

#### *The Client:*

All projects accepted by Identity Studio require a 50% deposit at the start of the project. The client then has 7 days following the initial order to cancel his project. If the client does not cancel his project within the timeframe, he/she will be entitled to paying the studio a 25% servicing fee (which will be deducted from the initial 50% deposit). All payment for accepted projects are broken down into two installments. A 50% deposit at the start of the project and a final 50% deposit at the end of the project (prior to Identity Studio giving the client his/her final project files).

#### *Pricing/Compensation:*

The compensation for our designers will be determined by how long they have been in service to the company (6 month term per authorized contract). The longer you have been with Identity Studio, the more money you get to keep per project you design. As far as the clients go, the goal of Identity Studio is to always offer high end services at an affordable price (based on our competitors).

### Identity Shop:

#### *The Consumer:*

The consumer is always right. We optimize our products in order to make sure that they appeal to the target audience of our choice. Marketing gives our customers the urge to purchase our products. However sales are finalized through the presentation. For example, depending on the design of the shirt a customer purchases his packaging will vary. I.E. Panda design comes with a panda hang tag + panda sticker etc. This shows our consumer that we value their experience. The Identity Shop closes sales through the value of its products and promotes them through endorsements.

#### **6.4.1. Sales Forecast**

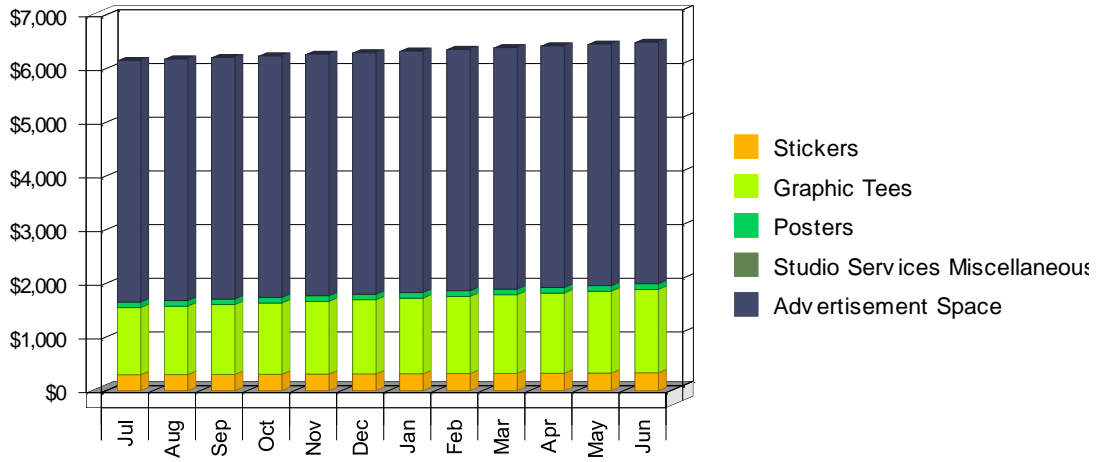
The first few months will be slow in terms of sales, due to lack of awareness. However, as time passes we will use celebrity endorsements and marketing strategies to raise awareness. Depending on the season, revenue will dip or spike. In the months of fall and summer, sales will spike due to the number of events the Identity team will attend. Also within the later years, general sales revenues will increase as ID obtains a physical location. The first year gross revenue will not be spectacular, but we do plan on breaking even. The reason why we have a 50% growth rate, is because we plan on retailing our products within department stores in various cities. This increases the quantity of our products and our outreach, while at the same time lowering our production costs. This forecast was centered around the belief that Identity does not currently have the reputation to sell on its own. Therefore, we have concluded that for the first few quarters we will price our products in wholesale value to distribute them locally within boutique and department stores. The actual forecast for the future (which includes higher retail prices/wholesale prices and lowered manufacturing costs) should be 3-4 times that of the current projections established within this plan. This forecast is a modest prediction in comparison to what the actual forecast might be (given mentorship, funding and various other growth factors). For the meantime, we plan on continuing to spend money on advertisements, but as time passes we hope the amount spent on viral marketing will be smaller in relation to our total capital.

# Identity Studio Inc.

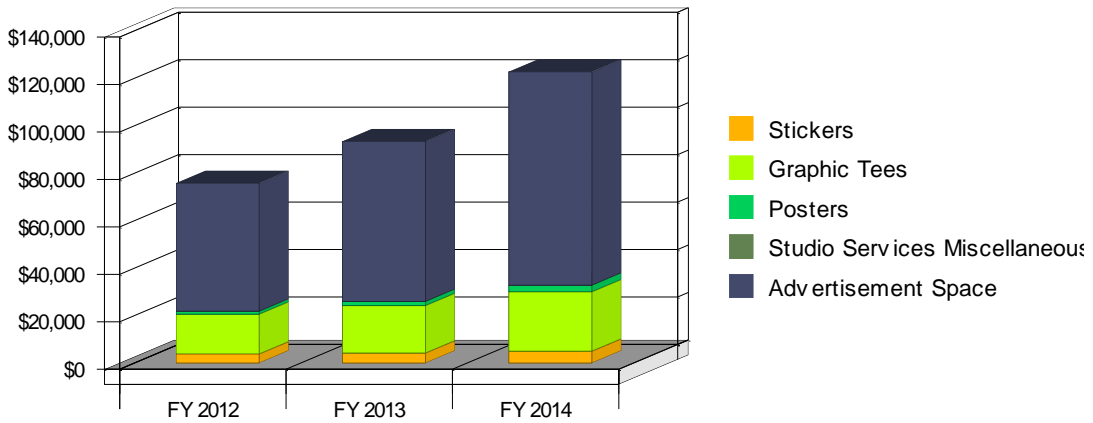
<b>Sales Forecast</b>			
	FY 2012	FY 2013	FY 2014
<b>Unit Sales</b>			
Stickers	1,902	2,100	2,500
Graphic Tees	671	800	1,000
Posters	180	250	400
Studio Services Miscellaneous	0	6,000	14,000
Advertisement Space	1,200	1,500	2,000
<b>Total Unit Sales</b>	<b>3,953</b>	<b>10,650</b>	<b>19,900</b>
<b>Unit Prices</b>			
	FY 2012	FY 2013	FY 2014
Stickers	\$2.00	\$2.00	\$2.00
Graphic Tees	\$25.00	\$25.00	\$25.00
Posters	\$7.00	\$7.00	\$7.00
Studio Services Miscellaneous	\$0.00	\$0.00	\$0.00
Advertisement Space	\$45.00	\$45.00	\$45.00
<b>Sales</b>			
Stickers	\$3,805	\$4,200	\$5,000
Graphic Tees	\$16,765	\$20,000	\$25,000
Posters	\$1,260	\$1,750	\$2,800
Studio Services Miscellaneous	\$0	\$0	\$0
Advertisement Space	\$54,000	\$67,500	\$90,000
<b>Total Sales</b>	<b>\$75,830</b>	<b>\$93,450</b>	<b>\$122,800</b>
<b>Direct Unit Costs</b>			
	FY 2012	FY 2013	FY 2014
Stickers	\$0.36	\$0.20	\$0.15
Graphic Tees	\$8.75	\$8.75	\$8.75
Posters	\$1.96	\$1.96	\$1.96
Studio Services Miscellaneous	\$0.00	\$0.00	\$0.00
Advertisement Space	\$0.00	\$0.00	\$0.00
<b>Direct Cost of Sales</b>			
Stickers	\$685	\$420	\$375
Graphic Tees	\$5,868	\$7,000	\$8,750
Posters	\$353	\$490	\$784
Studio Services Miscellaneous	\$0	\$0	\$0
Advertisement Space	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>	<b>\$6,905</b>	<b>\$7,910</b>	<b>\$9,909</b>



**Sales Monthly**



**Sales by Year**



**6.5. Milestones**

SlashtThree Exhibition # 19:

The Identity team is closely related to SlashThree. S3 is a non-profit online digital art exposition that releases exhibitions quarterly. On average they get about 1 million unique views per release, they have been world acclaimed and have an Alexa ranking of 188,000. They have recently attended the OFFF international design conference as a guest speaker. By co-sponsoring one of their exhibitions, the Identity website traffic for both studio and shop sites should see a significant spike.

### UW Hip Hop Fashion Show:

The UW Hip Hop Fashion Show is an ASUW sponsored event that occurs annually. It is hosted in Mary Gates hall. This is predominantly an underground hip hop fashion show for small and local indie clothing companies. The Identity team is closely affiliated with the people who sponsor this event and was invited to the spring 2011 show.

### Comicon 2012:

The Identity team knew about this event a week too late (In 2011). However, for spring 2012 we have already started making plans to attend this event. We plan on using this event to bolster our reputation and spread our name by expanding in terms of target audiences. The comicon has a lot of anime and cartoon fans, and since our designs are most predominantly based off cartoons, we feel that we will be extremely successful as a vendor.

### North West Claw Outs 2012:

The Identity team is closely affiliated with the people who sponsor this event. It is an annual breakdancing event that is pretty big throughout the northwest. In our first debut, we were on par with some of the best local clothing companies around. 2012's Claws Out event will be a milestone for the Identity team, as we plan on expanding further dominance to Washington's street wear market.

### Ave Annual Street Fair 2012:

The annual street fair is a community sponsored festival with a wide range of demographics. It is not a fashion based event. However, many indie clothing lines still do vendor there. Registrations for this event start approximately one year prior to the event. The Identity team plans to use this event to bolster our image within the UW campus life segment of our target market audience.

### 35th North Annual Summer Local Sale:

The 35<sup>th</sup> north skate shop is a locally known retailer of street wear goods. Every year towards the summer, 35<sup>th</sup> north opens up their first floor (one week duration) to local indie companies. The Identity team plans on utilizing this event to help build brand awareness and recognition locally, and to also clearance out older products.

# Identity Studio Inc.

<i>Milestones</i>					
Milestone	Start Date	End Date	Budget	Manager	Department
<b>SlashTHREE Exhibition 19</b>	2/24/2012	2/30/12	\$0	Daniel/Danny	Marketing
<b>UW Hip Hop Fashion Show</b>	3/31/2012	3/31/2012	\$0	Danny/Burt	Marketing/Public Relations
<b>Comicon 2012</b>	4/20/2012	4/24/2012	\$100	Burt/Joe	Public Relations/Marketing
<b>NorthWest Claws Out 2012</b>	4/30/2012	4/30/2012	\$50	Burt/Joe	Public Relations/Marketing
<b>Ave Annual Steet Fair 2012</b>	5/3/2012	5/3/2012	\$100	Burt/Joe/Danny	Public Relations/Marketing
35th North Summer Local Sale	6/10/2011	6/20/2012	\$0	Danny/Burt	Marketing/Retail Sales

## 7. Management Summary

Identity Studio Inc. has two branches. It has seven members who oversee all operations. These seven are the only employees of Identity Studio Inc. However, there are in addition to the seven, 20 sub-contracted designers working under the studio. For all other minor tasks, the team outsources to third party affiliates (reducing costs). Daniel Ra and Joseph Lee are the only founders of Identity Studio Inc. Burt Shin, Chunneath Kravannah, Danny Jung, Neil Hanvey, and Wendy Rau are officers. The major concern within the company is the shortage of senior level designers who oversee the project as a whole as well as the lack of funding.

### Postions/Titles:

#### **Daniel Ra/Founder/President:**

- Coordinate meetings, assigning tasks to other offices
- Writes all legal work and paperwork related to the company (includes newsletters and general representation of the company in written form)
- Purchases inventory
- Only senior level designer on the team
- Quality controls all Identity designs and products
- Handles all company design work
- Everything else

#### **Joseph Lee/Founder/Product Advisor/Public Relations:**

- Product coordinator and packaging
- Assistant to the president
- Deliveries and pick ups

- Represents Identity by attending all events

### **Burt Shin/Shipping/Sales agent:**

- Handles shipping for all ID related transactions
- Endorses sales of Identity products to local retailers and department stores

### **Wendy Rau/Chief Editor:**

- Edits all legal work, paperwork, online documentations prewritten by Daniel Ra
- Updates all social networking sites
- Writes blog entries

### **Chunneath Kravannah/Financial Officer:**

- Maintains the Identity bank accounts
- Keeping track of all transactions both outgoing and incoming
- Files tax reports quarterly
- Handles all financial related paperwork

### **Neil Hanvey/Main Apparel designer:**

- Works alongside the senior designer to create apparel which fits our target audience

### **Danny Jung/Marketing Director:**

- Coordinates all marketing tasks related to the company
- Supervises other departments (public relations and sales)

## **7.1. Personnel Plan**

There are currently six active shareholders to the company. However, seeing as not everyone has contributed significantly to the cause, there are terms to the entitlement of these equity stakes. Everyone except the two Founders (Daniel Ra, Joseph Lee), must vest a period of 24 months prior to obtaining legal entitlements to their shares. Of those 24 months, the first 12 months they will not be paid salary. Following which, salaries will be negotiated.

## Identity Studio Inc.

---

<b>Personnel Plan</b>			
	FY 2012	FY 2013	FY 2014
<b>President</b>	\$0	\$0	\$0
<b>Marketing Director</b>	\$0	\$0	\$0
<b>Chief Editor</b>	\$0	\$0	\$0
<b>Accountant</b>	\$0	\$0	\$0
<b>Lead Designer</b>	\$0	\$0	\$0
<b>Product Advisor</b>	\$0	\$0	\$0
<b>Public Relations</b>	\$0	\$0	\$0
<b>Total People</b>	0	0	0
<b>Total Payroll</b>	\$0	\$0	\$0

### 8. Financial Plan

As of right now, Identity Studio Inc. has used a total of \$6,200. There are no solid assumptions for our forecast, because we have not borrowed any money from banks or external investors. Thus, we can assume that any amount of investment will act as a capital booster (at this time), further stimulating the companies progression. As mentioned earlier, the numbers inputted to generate the forecast were calculated by the worst case scenario (the actual and potential values would be 3-4x greater, these numbers assume that we sell our merchandise at a very low wholesale value). The Net profit in sales is about 65% of the total gross revenue. On a monthly basis, the break-even point is set at \$458. Estimated payment of bills would be around \$1,595 (given the table).

The balance sheet table shows a good net worth growth rate. As mentioned earlier within the plan, Identity Studio will be temporarily shut down; thus, there will be no revenue generated from it. Identity Studio will continue its operations in the beginning of 2012. By this time, services will be provided to produce revenue. It is estimated that the first year will produce about \$6,000 (gross), and in the 2nd year \$14,000 (this takes into account the shortage of senior designers and lack of funds, so it's not accurate to the potential).

#### 8.1. Start-up Funding

As you can see from the start-up chart, Identity Studio Inc. has a total capital of \$6,200 (during the initial 500 day start-up phase). The blunt realities of our operating costs have been severely lessened by the efforts of Daniel Ra. The entire net worth of Identity Studio Inc. is estimated at around \$40-55,000. \$2,000 (of the total capital) is composed of long-term loans from friends and family (seed money). Luckily for us there is only a 2.5% interest rate tacked on to these loans (0.201% interest occurring monthly for a 12 month duration), so the costs of borrowing them are slim in comparison to the potential gain.

## Identity Studio Inc.

<b>Start-up Funding</b>	
<b>Start-up Expenses to Fund</b>	\$5,918
<b>Start-up Assets to Fund</b>	\$7,600
<b>Total Funding Required</b>	\$13,518
<b>Assets</b>	
<b>Non-cash Assets from Start-up</b>	\$6,600
<b>Cash Requirements from Start-up</b>	\$1,000
<b>Additional Cash Raised</b>	\$7,532
<b>Cash Balance on Starting Date</b>	\$8,532
<b>Total Assets</b>	\$15,132
<b>Liabilities and Capital</b>	
<b>Liabilities</b>	
<b>Current Borrowing</b>	\$1,000
<b>Long-term Liabilities</b>	\$15,000
<b>Accounts Payable (Outstanding Bills)</b>	\$0
<b>Other Current Liabilities (interest-free)</b>	\$0
<b>Total Liabilities</b>	\$16,000
<b>Capital</b>	
<b>Planned Investment</b>	
<b>Owner</b>	\$50
<b>Investor</b>	\$5,000
<b>Additional Investment Requirement</b>	\$0
<b>Total Planned Investment</b>	\$5,050
<b>Loss at Start-up (Start-up Expenses)</b>	(\$5,918)
<b>Total Capital</b>	(\$868)
<b>Total Capital and Liabilities</b>	\$15,132
<b>Total Funding</b>	\$21,050

### 8.2. Important Assumptions

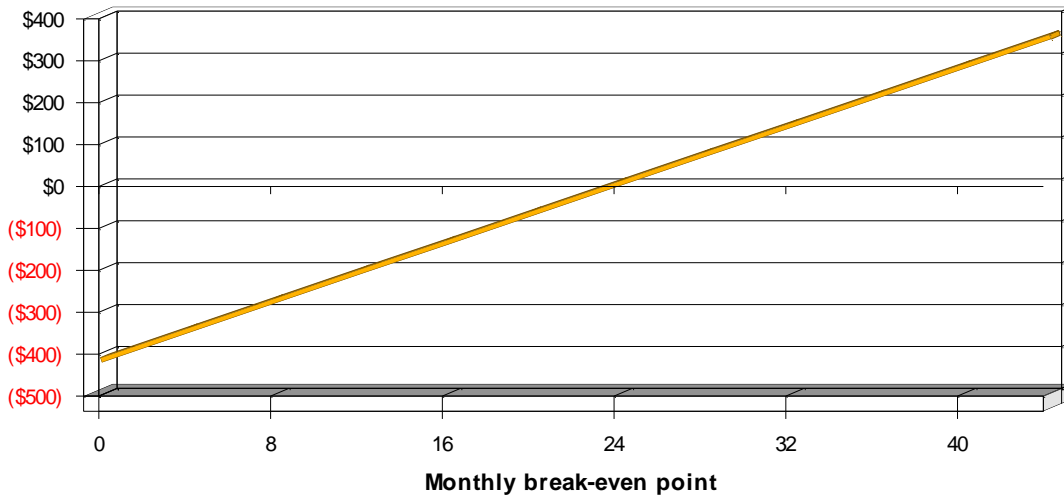
There are no solid assumptions for our forecast, because we have not borrowed money from banks or external investors. The company's capital is virtually all composed of seed money without strings attached.

### 8.3. Break-even Analysis

On a monthly basis, the break-even point or revenue is set at \$458. The amount of units needed to break even would be 24. With the assumption that the average per-unit revenue is \$19.18 (with an average variable cost of \$1.75). Estimated monthly fixed cost is set at \$417. Currently things such as payroll or utilities do not affect the break-even point. As far as Identity Studio goes, the break-even point has already been met (during the three week beta testing phase). There is no potential loss for the studio as of this point, but there will be a potential loss of opportunity during its downtime.

<i>Break-even Analysis</i>	
<b>Monthly Units Break-even</b>	24
<b>Monthly Revenue Break-even</b>	\$458
<b>Assumptions:</b>	
<b>Average Per-Unit Revenue</b>	\$19.18
<b>Average Per-Unit Variable Cost</b>	\$1.75
<b>Estimated Monthly Fixed Cost</b>	\$417

#### Break-even Analysis



Break-even point = where line intersects with 0

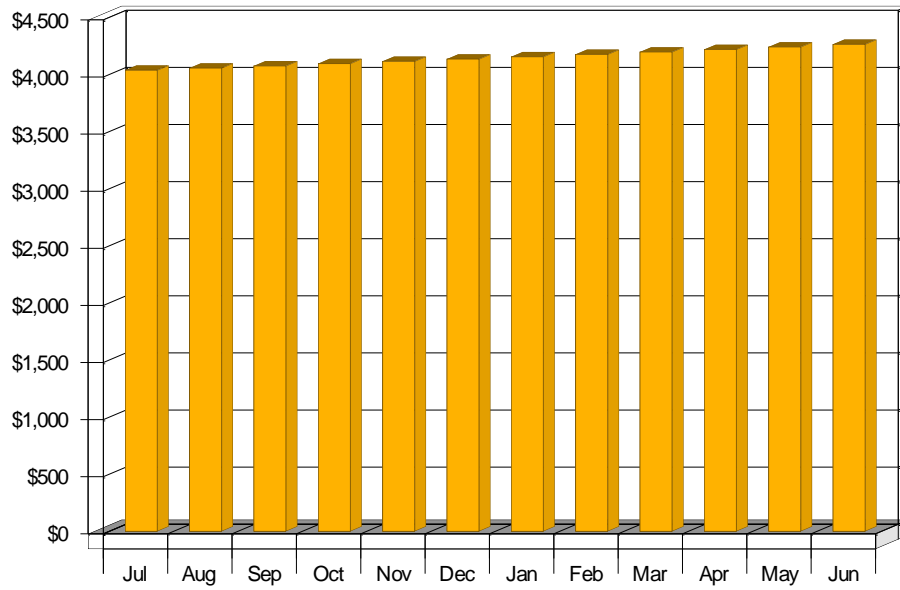
## 8.4. Projected Profit and Loss

With the numbers inputted, the table shows that each month's direct costs are about \$6,000 or more, and the other cost of goods to be about \$1,700 (every month for the first year). However, the included variable costs would differ depending on what is needed to supply the goods. Each month would have a gross margin of \$4,400 or more, with an estimated gross margin of 72%. As mentioned previously, there is no sustainable payroll as of this time. Marketing expenses are estimated to be at about \$417 (recurring monthly for the first year). Currently there are no depreciation expenses, operating expenses, interest expenses or taxes incurred. Net profit in sales is about 65% of the total gross revenue. Since Identity Studio will not be in operation for the first year, there is no profit or loss. However, it is projected to gross \$6,000 or more in the year of 2012-2013 and \$14,000 or more in the year of 2013-2014 (these numbers may vary depending on the services offered).

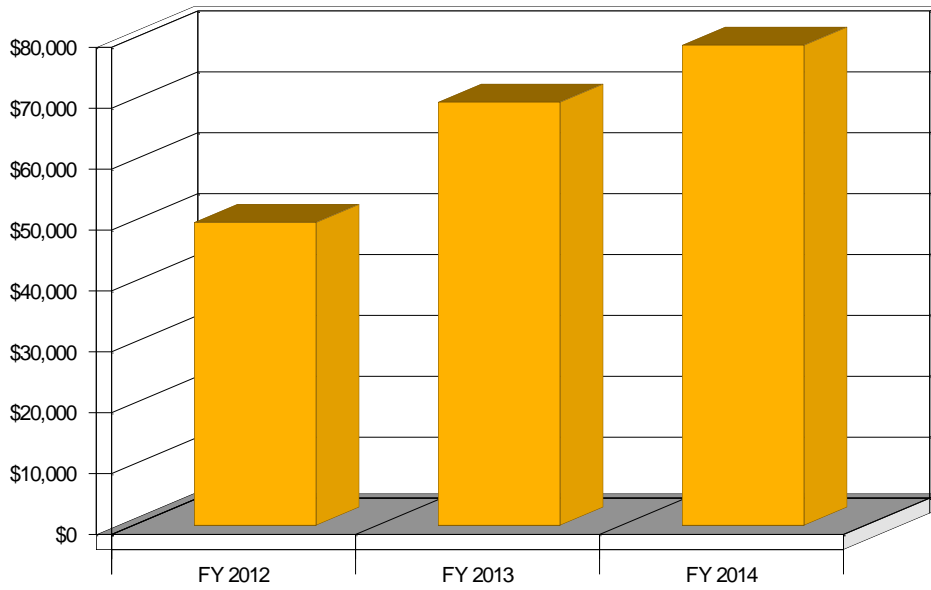
<b>Pro Forma Profit and Loss</b>			
	FY 2012	FY 2013	FY 2014
<b>Sales</b>	\$75,830	\$93,450	\$122,800
<b>Direct Costs of Goods</b>	\$6,905	\$7,910	\$9,909
<b>Other Costs of Goods</b>	\$14,134	\$0	\$0
	-----	-----	-----
<b>Cost of Goods Sold</b>	\$21,039	\$7,910	\$9,909
<b>Gross Margin</b>	\$54,790	\$85,540	\$112,891
<b>Gross Margin %</b>	72.25%	91.54%	91.93%
<b>Expenses</b>			
<b>Payroll</b>	\$0	\$0	\$0
<b>Marketing/Promotion</b>	\$5,000	\$10,000	\$20,000
<b>Depreciation</b>	\$0	\$0	\$0
<b>Services</b>	\$0	\$6,000	\$14,000
<b>N/A</b>	\$0	\$0	\$0
	-----	-----	-----
<b>Total Operating Expenses</b>	\$5,000	\$16,000	\$34,000
<b>Profit Before Interest and Taxes</b>	\$49,790	\$69,540	\$78,891
<b>EBITDA</b>	\$49,790	\$69,540	\$78,891
<b>Interest Expense</b>	\$0	\$0	\$4
<b>Taxes Incurred</b>	\$0	\$0	\$0
<b>Net Profit</b>	\$49,790	\$69,540	\$78,887
Net Profit/Sales	65.66%	74.41%	64.24%



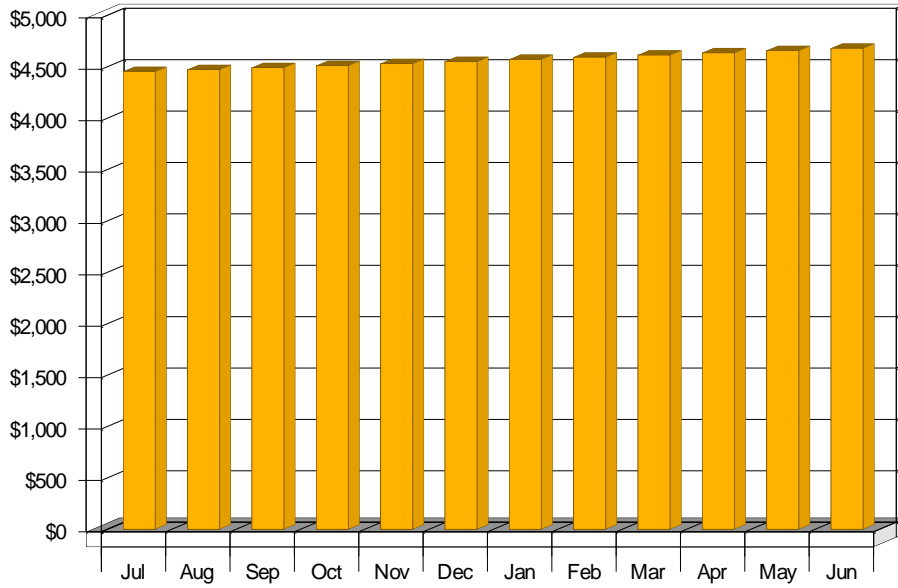
**Profit Monthly**



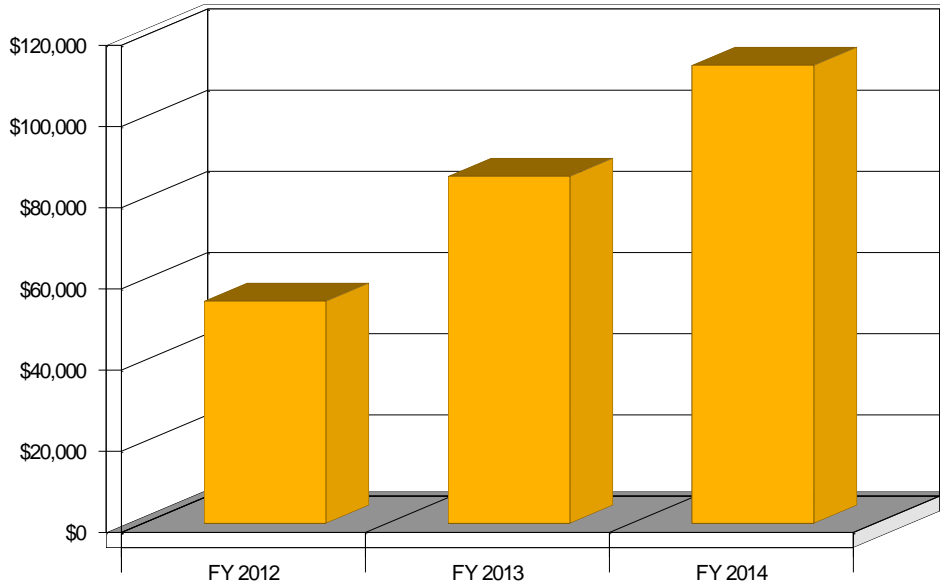
**Profit Yearly**



**Gross Margin Monthly**



**Gross Margin Yearly**



**8.5. Projected Cash Flow**

Our forecast for the first year concludes that we will average about \$4,500 or more monthly on sales (this includes cash from receivables, which vary monthly). Identity as of this point has not pulled out any long term liabilities or

## Identity Studio Inc.

---

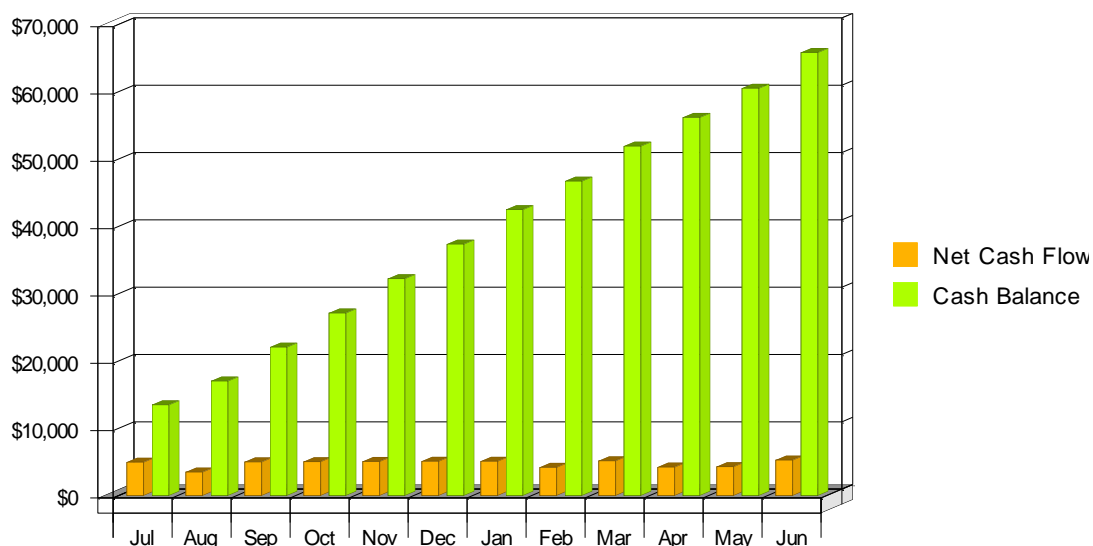
received any new investments. However, in the future it is likely that we will sell equity (within the company) to obtain additional capital for expansion. Currently, Identity does have many bills to pay (if any other than the cost of maintenance for our websites), but we forecasted in the table about \$1,595 monthly for liabilities. All in all, the Net Cash flow every month will be positive, averaging around \$5,000 (this increases the cash balance every month). In addition to Identity Studio which is estimated to gross \$6,000 or more in the year of 2012-2013 and \$14,000 or more in the year of 2013-2014 (these numbers may vary depending on the services offered).

## Identity Studio Inc.

<b>Pro Forma Cash Flow</b>			
	FY 2012	FY 2013	FY 2014
<b>Cash Received</b>			
<b>Cash from Operations</b>			
Cash Sales	\$56,872	\$70,088	\$92,100
Cash from Receivables	\$15,773	\$22,622	\$29,467
<b>Subtotal Cash from Operations</b>	<b>\$72,645</b>	<b>\$92,710</b>	<b>\$121,567</b>
<b>Additional Cash Received</b>			
Sales Tax, VAT, HST/GST Received	\$5,308	\$6,542	\$8,596
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
<b>Subtotal Cash Received</b>	<b>\$77,953</b>	<b>\$99,251</b>	<b>\$130,163</b>
<b>Expenditures</b>	FY 2012	FY 2013	FY 2014
<b>Expenditures from Operations</b>			
Cash Spending	\$0	\$0	\$0
Bill Payments	\$20,626	\$24,933	\$43,267
<b>Subtotal Spent on Operations</b>	<b>\$20,626</b>	<b>\$24,933</b>	<b>\$43,267</b>
<b>Additional Cash Spent</b>			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
<b>Subtotal Cash Spent</b>	<b>\$20,626</b>	<b>\$24,933</b>	<b>\$43,267</b>
<b>Net Cash Flow</b>	<b>\$57,327</b>	<b>\$74,319</b>	<b>\$86,897</b>
Cash Balance	\$65,859	\$140,178	\$227,075

### 8.6. Projected Cash Balance

# Identity Studio Inc.



## 8.7. Business Ratios

### *Pro Forma Balance Sheet*

	FY 2012	FY 2013	FY 2014
<b>Assets</b>			
<b>Current Assets</b>			
<b>Cash</b>	\$65,859	\$140,178	\$227,075
<b>Accounts Receivable</b>	\$3,185	\$3,925	\$5,157
<b>Inventory</b>	\$3,595	\$4,117	\$5,158
<b>Other Current Assets</b>	\$0	\$0	\$0
<b>Total Current Assets</b>	\$72,639	\$148,220	\$237,390
<b>Long-term Assets</b>			
<b>Long-term Assets</b>	\$100	\$100	\$100
<b>Accumulated Depreciation</b>	\$0	\$0	\$0
<b>Total Long-term Assets</b>	\$100	\$100	\$100
<b>Total Assets</b>	\$72,739	\$148,320	\$237,490
<b>Liabilities and Capital</b>			
<b>Current Liabilities</b>			
<b>Accounts Payable</b>	\$2,508	\$2,008	\$3,695
<b>Current Borrowing</b>	\$1,000	\$1,000	\$1,000
<b>Other Current Liabilities</b>	\$5,308	\$11,850	\$20,446
<b>Subtotal Current Liabilities</b>	\$8,816	\$14,858	\$25,140
<b>Long-term Liabilities</b>	\$15,000	\$15,000	\$15,000

## Identity Studio Inc.

---

<b>Total Liabilities</b>	\$23,816	\$29,858	\$40,140
<b>Paid-in Capital</b>	\$5,050	\$5,050	\$5,050
<b>Retained Earnings</b>	(\$5,918)	\$43,872	\$113,412
<b>Earnings</b>	\$49,790	\$69,540	\$78,887
<b>Total Capital</b>	\$48,922	\$118,462	\$197,350
<b>Total Liabilities and Capital</b>	\$72,739	\$148,320	\$237,490
Net Worth	\$48,922	\$118,462	\$197,350

---

# Identity Studio Inc.

<b>Ratio Analysis</b>				
	FY 2012	FY 2013	FY 2014	Industry Profile
<b>Sales Growth</b>	0.00%	23.24%	31.41%	0.00%
<b>Percent of Total Assets</b>				
Accounts Receivable	4.38%	2.65%	2.17%	0.00%
Inventory	4.94%	2.78%	2.17%	0.00%
Other Current Assets	0.00%	0.00%	0.00%	100.00%
Total Current Assets	99.86%	99.93%	99.96%	100.00%
Long-term Assets	0.14%	0.07%	0.04%	0.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
<b>Current Liabilities</b>	12.12%	10.02%	10.59%	0.00%
Long-term Liabilities	20.62%	10.11%	6.32%	0.00%
Total Liabilities	32.74%	20.13%	16.90%	0.00%
Net Worth	67.26%	79.87%	83.10%	100.00%
<b>Percent of Sales</b>				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	72.25%	91.54%	91.93%	0.00%
Selling, General & Administrative Expenses	6.59%	17.12%	27.69%	0.00%
Advertising Expenses	6.59%	10.70%	16.29%	0.00%
Profit Before Interest and Taxes	65.66%	74.41%	64.24%	0.00%
<b>Main Ratios</b>				
Current	8.24	9.98	9.44	0.00
Quick	7.83	9.70	9.24	0.00
Total Debt to Total Assets	32.74%	20.13%	16.90%	0.00%
Pre-tax Return on Net Worth	101.77%	58.70%	39.97%	0.00%
Pre-tax Return on Assets	68.45%	46.89%	33.22%	0.00%
<b>Additional Ratios</b>	FY 2012	FY 2013	FY 2014	
Net Profit Margin	65.66%	74.41%	64.24%	n.a
Return on Equity	101.77%	58.70%	39.97%	n.a
<b>Activity Ratios</b>				
Accounts Receivable Turnover	5.95	5.95	5.95	n.a
Collection Days	57	56	54	n.a
Inventory Turnover	1.71	2.05	2.14	n.a
Accounts Payable Turnover	9.22	12.17	12.17	n.a
Payment Days	27	34	23	n.a
Total Asset Turnover	1.04	0.63	0.52	n.a
<b>Debt Ratios</b>				
Debt to Net Worth	0.49	0.25	0.20	n.a
Current Liab. to Liab.	0.37	0.50	0.63	n.a
<b>Liquidity Ratios</b>				
Net Working Capital	\$63,822	\$133,362	\$212,250	n.a
Interest Coverage	0.00	0.00	21037.60	n.a
<b>Additional Ratios</b>				
Assets to Sales	0.96	1.59	1.93	n.a
Current Debt/Total Assets	12%	10%	11%	n.a
Acid Test	7.47	9.43	9.03	n.a
Sales/Net Worth	1.55	0.79	0.62	n.a
Dividend Payout	0.00	0.00	0.00	n.a

## Appendix

<b>Sales Forecast</b>													
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>Unit Sales</b>													
Stickers	0%	150	152	153	155	156	158	159	161	162	164	166	167
Graphic Tees	0%	50	51	52	53	54	55	56	57	59	60	61	62
Posters	0%	15	15	15	15	15	15	15	15	15	15	15	15
Studio Services Miscellaneous	0%	0	0	0	0	0	0	0	0	0	0	0	0
Advertisement Space	0%	100	100	100	100	100	100	100	100	100	100	100	100
<b>Total Unit Sales</b>		<b>315</b>	<b>318</b>	<b>320</b>	<b>323</b>	<b>325</b>	<b>328</b>	<b>331</b>	<b>333</b>	<b>336</b>	<b>339</b>	<b>342</b>	<b>345</b>
<b>Unit Prices</b>		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
Stickers		\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Graphic Tees		\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Posters		\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
Studio Services Miscellaneous		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advertisement Space		\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00
<b>Sales</b>													
Stickers		\$300	\$303	\$306	\$309	\$312	\$315	\$318	\$322	\$325	\$328	\$331	\$335
Graphic Tees		\$1,250	\$1,275	\$1,301	\$1,327	\$1,353	\$1,380	\$1,408	\$1,436	\$1,465	\$1,494	\$1,524	\$1,554
Posters		\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105
Studio Services Miscellaneous		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Advertisement Space		\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
<b>Total Sales</b>		<b>\$6,155</b>	<b>\$6,183</b>	<b>\$6,212</b>	<b>\$6,241</b>	<b>\$6,270</b>	<b>\$6,300</b>	<b>\$6,331</b>	<b>\$6,362</b>	<b>\$6,394</b>	<b>\$6,427</b>	<b>\$6,460</b>	<b>\$6,494</b>
<b>Direct Unit Costs</b>		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
Stickers	10.00%	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36
Graphic Tees	35.00%	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75	\$8.75
Posters	28.00%	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96	\$1.96
Studio Services Miscellaneous	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advertisement Space	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Direct Cost of Sales</b>													
Stickers		\$54	\$55	\$55	\$56	\$56	\$57	\$57	\$58	\$58	\$59	\$60	\$60
Graphic Tees		\$438	\$446	\$455	\$464	\$474	\$483	\$493	\$503	\$513	\$523	\$533	\$544
Posters		\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29
Studio Services Miscellaneous		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Advertisement Space		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>		<b>\$521</b>	<b>\$530</b>	<b>\$540</b>	<b>\$549</b>	<b>\$559</b>	<b>\$569</b>	<b>\$579</b>	<b>\$590</b>	<b>\$600</b>	<b>\$611</b>	<b>\$622</b>	<b>\$634</b>



## Appendix

<b>Personnel Plan</b>													
		Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>President</b>	71%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Marketing Director</b>	4%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Chief Editor</b>	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Accountant</b>	4%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Lead Designer</b>	5%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Product Advisor</b>	2%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Public Relations</b>	6%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total People</b>		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Payroll</b>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## Appendix

<b>Pro Forma Profit and Loss</b>												
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>Sales</b>	\$6,155	\$6,183	\$6,212	\$6,241	\$6,270	\$6,300	\$6,331	\$6,362	\$6,394	\$6,427	\$6,460	\$6,494
<b>Direct Costs of Goods</b>	\$521	\$530	\$540	\$549	\$559	\$569	\$579	\$590	\$600	\$611	\$622	\$634
<b>Other Costs of Goods</b>	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178	\$1,178
<b>Cost of Goods Sold</b>	\$1,699	\$1,708	\$1,717	\$1,727	\$1,737	\$1,747	\$1,757	\$1,768	\$1,778	\$1,789	\$1,800	\$1,811
<b>Gross Margin</b>	\$4,456	\$4,475	\$4,494	\$4,513	\$4,533	\$4,553	\$4,574	\$4,595	\$4,616	\$4,638	\$4,660	\$4,682
<b>Gross Margin %</b>	72.40%	72.38%	72.35%	72.32%	72.30%	72.27%	72.24%	72.22%	72.19%	72.16%	72.13%	72.11%
<b>Expenses</b>												
Payroll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marketing/Promotion	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
N/A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Expenses</b>	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417	\$417
<b>Profit Before Interest and Taxes</b>	\$4,040	\$4,058	\$4,077	\$4,097	\$4,117	\$4,137	\$4,157	\$4,178	\$4,199	\$4,221	\$4,243	\$4,266
<b>EBITDA</b>	\$4,040	\$4,058	\$4,077	\$4,097	\$4,117	\$4,137	\$4,157	\$4,178	\$4,199	\$4,221	\$4,243	\$4,266
<b>Interest Expense</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Taxes Incurred</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	\$4,040	\$4,058	\$4,077	\$4,097	\$4,117	\$4,137	\$4,157	\$4,178	\$4,199	\$4,221	\$4,243	\$4,266
<b>Net Profit/Sales</b>	65.63%	65.64%	65.64%	65.65%	65.65%	65.66%	65.66%	65.67%	65.67%	65.68%	65.68%	65.69%

## Appendix

<b>Pro Forma Cash Flow</b>												
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>Cash Received</b>												
<b>Cash from Operations</b>												
Cash Sales	\$4,616	\$4,637	\$4,659	\$4,680	\$4,703	\$4,725	\$4,748	\$4,772	\$4,796	\$4,820	\$4,845	\$4,870
Cash from Receivables	\$0	\$51	\$1,539	\$1,546	\$1,553	\$1,560	\$1,568	\$1,575	\$1,583	\$1,591	\$1,599	\$1,607
<b>Subtotal Cash from Operations</b>	<b>\$4,616</b>	<b>\$4,689</b>	<b>\$6,198</b>	<b>\$6,226</b>	<b>\$6,256</b>	<b>\$6,286</b>	<b>\$6,316</b>	<b>\$6,347</b>	<b>\$6,379</b>	<b>\$6,411</b>	<b>\$6,444</b>	<b>\$6,477</b>
<b>Additional Cash Received</b>												
Sales Tax, VAT, HST/GST Received	7.00%	\$431	\$433	\$435	\$437	\$439	\$441	\$443	\$445	\$448	\$450	\$452
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Cash Received</b>	<b>\$5,047</b>	<b>\$5,121</b>	<b>\$6,632</b>	<b>\$6,663</b>	<b>\$6,695</b>	<b>\$6,727</b>	<b>\$6,759</b>	<b>\$6,793</b>	<b>\$6,826</b>	<b>\$6,861</b>	<b>\$6,896</b>	<b>\$6,932</b>
<b>Expenditures</b>												
<b>Expenditures from Operations</b>												
Cash Spending	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bill Payments	\$53	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,628	\$2,561	\$1,628	\$2,595	\$2,561	\$1,628
<b>Subtotal Spent on Operations</b>	<b>\$53</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,628</b>	<b>\$2,561</b>	<b>\$1,628</b>	<b>\$2,595</b>	<b>\$2,561</b>	<b>\$1,628</b>
<b>Additional Cash Spent</b>												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Cash Spent</b>	<b>\$53</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,595</b>	<b>\$1,628</b>	<b>\$2,561</b>	<b>\$1,628</b>	<b>\$2,595</b>	<b>\$2,561</b>	<b>\$1,628</b>
<b>Net Cash Flow</b>	<b>\$4,994</b>	<b>\$3,527</b>	<b>\$5,038</b>	<b>\$5,069</b>	<b>\$5,100</b>	<b>\$5,132</b>	<b>\$5,132</b>	<b>\$4,231</b>	<b>\$5,199</b>	<b>\$4,267</b>	<b>\$4,335</b>	<b>\$5,304</b>
Cash Balance	\$13,526	\$17,053	\$22,091	\$27,160	\$32,260	\$37,392	\$42,523	\$46,755	\$51,954	\$56,220	\$60,555	\$65,859

## Appendix

<b>Pro Forma Balance Sheet</b>													
Assets	Starting Balances	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>Current Assets</b>													
Cash	\$8,532	\$13,526	\$17,053	\$22,091	\$27,160	\$32,260	\$37,392	\$42,523	\$46,755	\$51,954	\$56,220	\$60,555	\$65,859
Accounts Receivable	\$0	\$1,539	\$3,033	\$3,047	\$3,061	\$3,076	\$3,090	\$3,105	\$3,121	\$3,136	\$3,152	\$3,168	\$3,185
Inventory	\$6,500	\$5,979	\$5,449	\$4,909	\$4,360	\$3,801	\$3,232	\$3,652	\$3,062	\$3,462	\$3,851	\$3,228	\$3,595
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$15,032</b>	<b>\$21,044</b>	<b>\$25,535</b>	<b>\$30,047</b>	<b>\$34,581</b>	<b>\$39,136</b>	<b>\$43,714</b>	<b>\$49,281</b>	<b>\$52,938</b>	<b>\$58,552</b>	<b>\$63,223</b>	<b>\$66,951</b>	<b>\$72,639</b>
<b>Long-term Assets</b>													
Long-term Assets	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Long-term Assets</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>
<b>Total Assets</b>	<b>\$15,132</b>	<b>\$21,144</b>	<b>\$25,635</b>	<b>\$30,147</b>	<b>\$34,681</b>	<b>\$39,236</b>	<b>\$43,814</b>	<b>\$49,381</b>	<b>\$53,038</b>	<b>\$58,652</b>	<b>\$63,323</b>	<b>\$67,051</b>	<b>\$72,739</b>
<b>Liabilities and Capital</b>													
<b>Current Liabilities</b>													
Accounts Payable	\$0	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$1,541	\$2,508	\$1,541	\$2,508	\$2,508	\$1,541	\$2,508
Current Borrowing	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Other Current Liabilities	\$0	\$431	\$864	\$1,298	\$1,735	\$2,174	\$2,615	\$3,058	\$3,504	\$3,951	\$4,401	\$4,854	\$5,308
<b>Subtotal Current Liabilities</b>	<b>\$1,000</b>	<b>\$2,972</b>	<b>\$3,405</b>	<b>\$3,840</b>	<b>\$4,277</b>	<b>\$4,716</b>	<b>\$5,157</b>	<b>\$6,566</b>	<b>\$6,045</b>	<b>\$7,459</b>	<b>\$7,909</b>	<b>\$7,395</b>	<b>\$8,816</b>
<b>Long-term Liabilities</b>													
Long-term Liabilities	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
<b>Total Liabilities</b>	<b>\$16,000</b>	<b>\$17,972</b>	<b>\$18,405</b>	<b>\$18,840</b>	<b>\$19,277</b>	<b>\$19,716</b>	<b>\$20,157</b>	<b>\$21,566</b>	<b>\$21,045</b>	<b>\$22,459</b>	<b>\$22,909</b>	<b>\$22,395</b>	<b>\$23,816</b>
<b>Paid-in Capital</b>													
Retained Earnings	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)	(\$5,918)
Earnings	\$0	\$4,040	\$8,098	\$12,175	\$16,272	\$20,389	\$24,525	\$28,683	\$32,861	\$37,060	\$41,281	\$45,525	\$49,790
<b>Total Capital</b>	<b>(\$868)</b>	<b>\$3,172</b>	<b>\$7,230</b>	<b>\$11,307</b>	<b>\$15,404</b>	<b>\$19,521</b>	<b>\$23,657</b>	<b>\$27,815</b>	<b>\$31,993</b>	<b>\$36,192</b>	<b>\$40,413</b>	<b>\$44,657</b>	<b>\$48,922</b>
<b>Total Liabilities and Capital</b>	<b>\$15,132</b>	<b>\$21,144</b>	<b>\$25,635</b>	<b>\$30,147</b>	<b>\$34,681</b>	<b>\$39,236</b>	<b>\$43,814</b>	<b>\$49,381</b>	<b>\$53,038</b>	<b>\$58,652</b>	<b>\$63,323</b>	<b>\$67,051</b>	<b>\$72,739</b>
<b>Net Worth</b>	<b>(\$868)</b>	<b>\$3,172</b>	<b>\$7,230</b>	<b>\$11,307</b>	<b>\$15,404</b>	<b>\$19,521</b>	<b>\$23,657</b>	<b>\$27,815</b>	<b>\$31,993</b>	<b>\$36,192</b>	<b>\$40,413</b>	<b>\$44,657</b>	<b>\$48,922</b>