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Master's Thesis

即時線上通訊系統創業企劃

Business Plan for the Web Instant Messaging Service

Student: Ellie Hsu

Advisor: Professor Chester Ho

中華民國一〇一年十一月

November 2012

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研究生：徐世強

Student: Ellie Hsu

指導教授：何小台

Advisor: Chester Ho



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1. Executive Summary

Currently SMS is the most popular one for text messaging market, and the traffic of SMS was 5.9 trillion messages in 2011 which occupies 64.1% of the global text market. According to the research from Informa, the market share of SMS will down to 42.1% in 2016. At the same time, global mobile instant messaging traffic will increase from 1.6 trillion messages in 2011 to 7.7 trillion messages in 2016, doubling its share of global messaging traffic from 17.1% in 2011 to 34.6% in 2016.

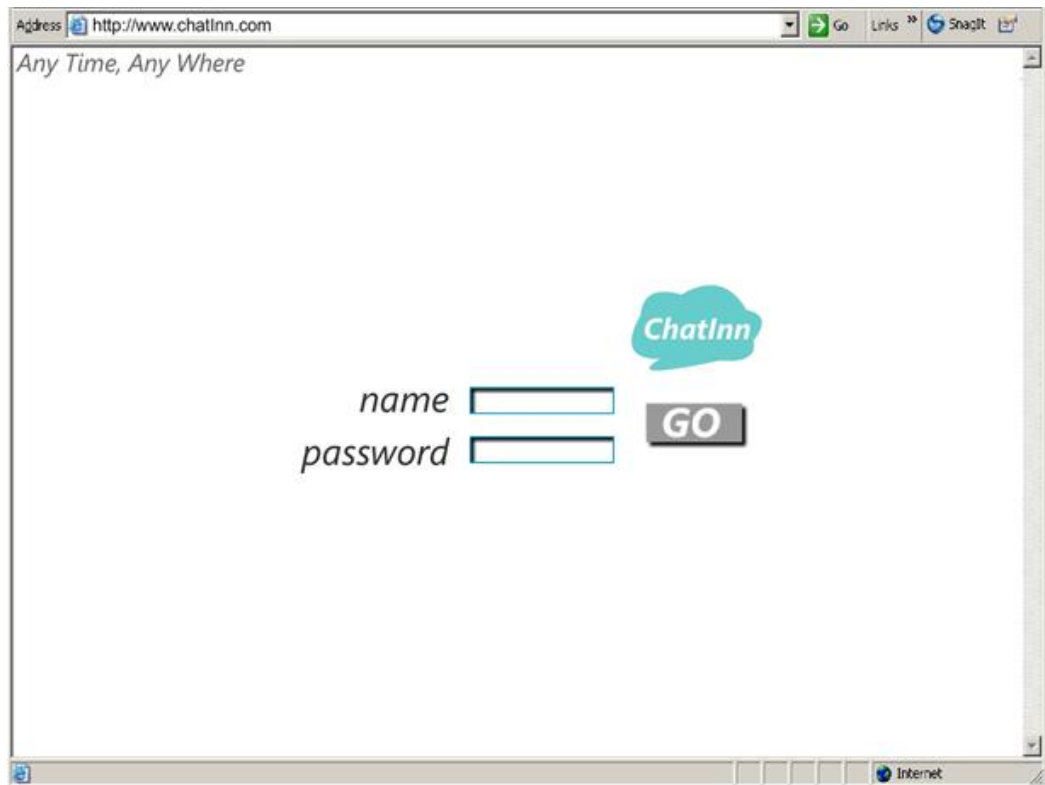
The number of IM users in 2011 reaches 2.6 billion and there are various kinds of instant messaging application available in market already. Each IM application tries to focus on the different features to differentiate from other competitors. Some IM applications are focusing on the computer users like MSN or Skype and others are focusing on the mobile device users like Whatsapp or Line. ChatInn provides a new way to help people to keep communication between different platforms.

Whatsapp, one of the major competitors of IM service provider, after reaching 1m users by the end of 2009, Whatsapp's downloads increased tenfold during 2010. The company does not reveal its current user numbers but analysts assume it is in the tens of millions.

ChatInn is a web base instant messaging service which can work on the computers and the mobile devices. ChatInn's goal is to provide a quick, simple and a safe way for person who wants a quick short meeting or chatting. Not like other IM applications, ChatInn doesn't require the installation or the complicated registration to be able to use this service. For the new user, the only required information is the username and password, no other personal information is needed. To host or start a short meeting or chatting, the user only needs to send out the meeting url link which is generated by ChatInn to the target contact. The target contact could just simply click on the link from the computer or mobile device to enter the meeting or chatting. ChatInn also provides the app for mobile device users which allow the user could be always contacted online just like other IM apps.

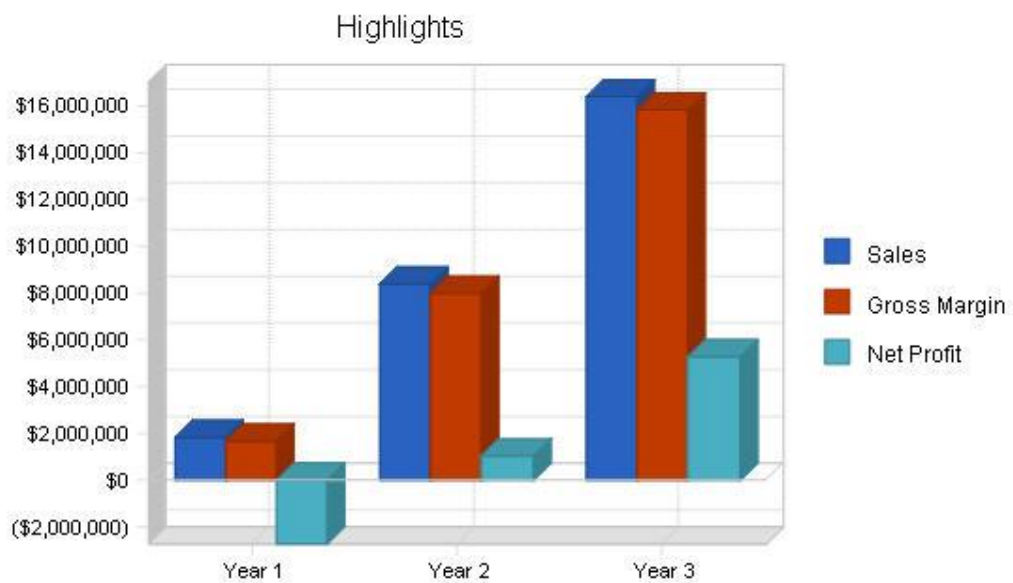
ChatInn is expected to reach 100K users in 6 months and more than 1 million users in the 3rd year of operation. Advertising will be the major profit center, and it highly depends on the

size of user base. There will be net profit in the end of 2nd year and will generate net profit of 5.29M. When the active users keep growing steadily, ChatInn would start global marketing promotion as well in order to keep expanding the business scale.



ChatInn's Home page

Chart 1: Highlights



1.1. Objectives

To reach 1 million registered users on ChatInn service and average 100,000 active online meeting are being held each day in the first operation year with this service launched in English and Chinese. 1000% yearly growth rate should be reached in the second year with the major languages supporting globally. Another 1000% yearly growth rate (about 100 million users) is expected in the third year and this service could be integrated or linked in major social network service, online auction and other commercial services site.

There is no or very limited profit expected in the first operation year. Start from second year, the revenue will be generated from the paying end users and online advertising (mainly from advertising since the goal is to reach quite amount of end users ASAP.) The anticipated break even will occur in the third operation year.

1.2. Mission

Due to the trend of the popularity of various mobile devices, there are more and more instant messaging applications have been created to provide people the better way to communicate. Email is another major way for people to communicate at work and in their daily life and so do those online meeting applications or services. However, all of those applications or services have their disadvantages or the space needs to be improved. Most of the instant messaging and online meeting applications need the users to install the application on the computer or the mobile device before they can start using that service. After installed it, the user might also needs to add the person who he wants to communicate with to his contact list first. As for email, the sender won't be able to get the response immediately until the receiver check his inbox. There are many circumstances that the user might need to chat or have a quick meeting with someone who is not on his contact list and he is not willing to add even after the chat or meeting.

ChatInn's mission is to provide the reliable, quick and easy to use instant online meeting service with simple, clean and user friendly user interface on both Web and mobile devices platforms. Unlike the other instant messaging services, the service ChatInn provides, users could receive chat or host meeting with anyone on any platform without requesting any installation on the receiver side as long as the web browser is available on the receiver's

device. With the guarantee that no record will be saved on the server side once the meeting is over, we fully respect and protect user's privacy and also save the storage cost at the same time. ChatInn will be one of the major tools that people will choose for instant, reliable and safe communication.

1.3. Keys to Success

The key to success for ChatInn would have:

1. **No Platform Limitation:** Most of the instant messaging applications available in the market now usually are made for specific platform such like Windows, Mac or Linux which are for personal computer and Symbian, Android, iOS or RIM which are for mobile devices. ChatInn's instant messaging service doesn't require any specific platform as long as there is the web browser running on the platform. So our target users won't need to worry about what kind of platform or mobile devices that their friends or customers are using when they want to start a quick chat.
2. **Easy to start:** Unlike the other instant messaging applications, ChatInn doesn't require the users to install the application on their computers or mobile devices. All the users need to do is sending out the link to their contact(s) and the chat could be started as long as the receivers click the link to access the chat. All the participants of the online meetings do not need to worry about any personal data or information leak while installing the application since they don't need to install anything.
3. **Easy to use:** User will find ChatInn is quite easy to get familiar with the simple, clean and easy user interface design. No user registration required to use this service and easy to manage the new and existing meetings in the management system.
4. **Quality:** With the stable, reliable and fast connection, ChatInn will make sure to provide all the users the great and comfortable online chatting experience.

2. Company Summary

ChatInn is a online instant chatting service provider, provide the stable, reliable, secure and quick chatting service for people who need to have a quick chat to someone or want to be located to chat by the others at anytime. With the convenience, instant and privacy protected platform, ChatInn ensure each user will have a great and comfortable online chatting experience with no worry about personal information leaking.

2.1. Company Ownership

The company, ChatInn is a limited liability company which is invested by Ellie Hsu and Enzo Yang. Mr. Enzo Yang will function as the General Manager and Mr. Ellie Hsu will work as the Operation Director. This is a small company and there is no plan to incorporate with other party in the first 2 years. However, further investment might be necessary upon to the rate and the amount of the service users.

2.2. Start-up Summary

The company founder Mr. Ellie Hsu will focus on product developing and the strategy planning and Mr. Enzo Yang will focus on the marketing and possible further fund raising.

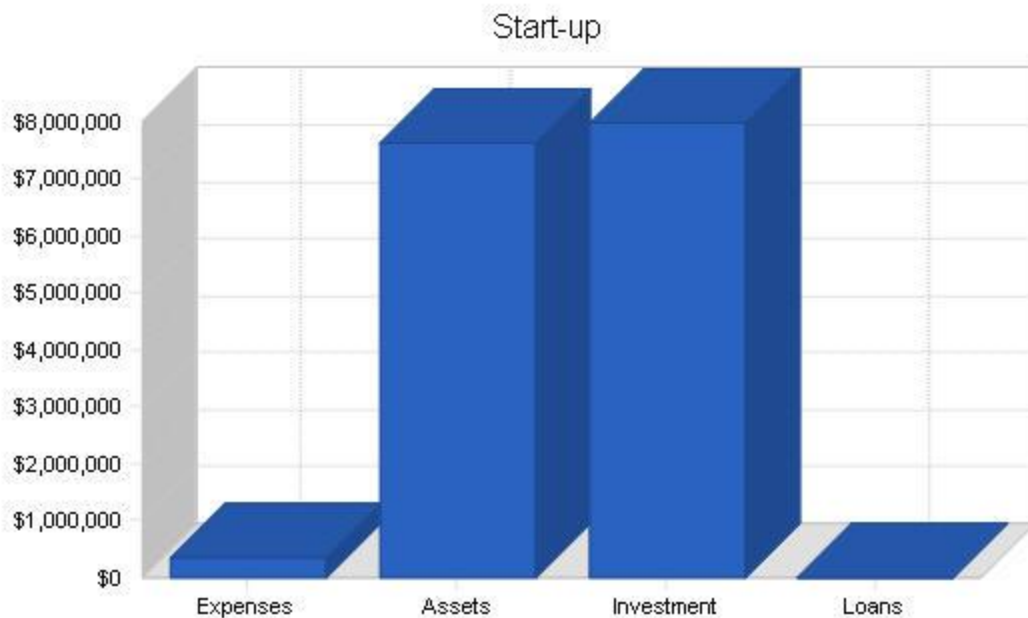
It is estimated that the start up cost would be NTD \$41,000 for the rent, office supplies. The long term assets are 8 laptop computers and one server costing NTD \$300,000 and 3 android smart phones costing NTD \$30,000 and totaling NTD \$ 330,000 for the startup long term asset.

ChatInn's service will target on both personal computers and mobile devices. In the early stage of the service developing, ChatInn will focus on Android platform first, and step on the other platform (such as i-OS) in the future depends on the trend of the mobile device system. This application is a client-server application and the expense on server and the rent of the bandwidth will occur when the service goes online. The further expense on server and bandwidth will be adjusted according to the increasing rate of the service users. Additional cash amount of NTD \$7,655,500 will be required as start-up assets. The start-up costs will be funded by the two major funders.

Table 1: Start-up

<i>Start-up</i>	
Requirements	
Start-up Expenses	
Legal Consultant	\$32,000
Office Supply	\$5,000
Rent	\$36,000
Handset	\$30,000
Computer	\$240,000
Other	\$1,500
Total Start-up Expenses	\$344,500
Start-up Assets	
Cash Required	\$7,655,500
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$7,655,500
Total Requirements	\$8,000,000

Chart 2: Start-up



3. Services

ChatInn function as an instant online chatting service for people who want to have a quick chat or short meeting. When the users first start using ChatInn service, they will be asked to enter the user name and password. Unlike the other online services, this login page doesn't require the user to register. The user name is the only data that will be saved on the server and the user can choose to use the previous user name to login or just create a new user name to login to use ChatInn's service. There will be no difference for new or existing user to login and there is no other information will be required except for the user name and password. The server will verify the user is existed or new user depends on the username and password. Since there is personal data saved on the server at all, the users shouldn't need to worry about the personal data leaking problem.

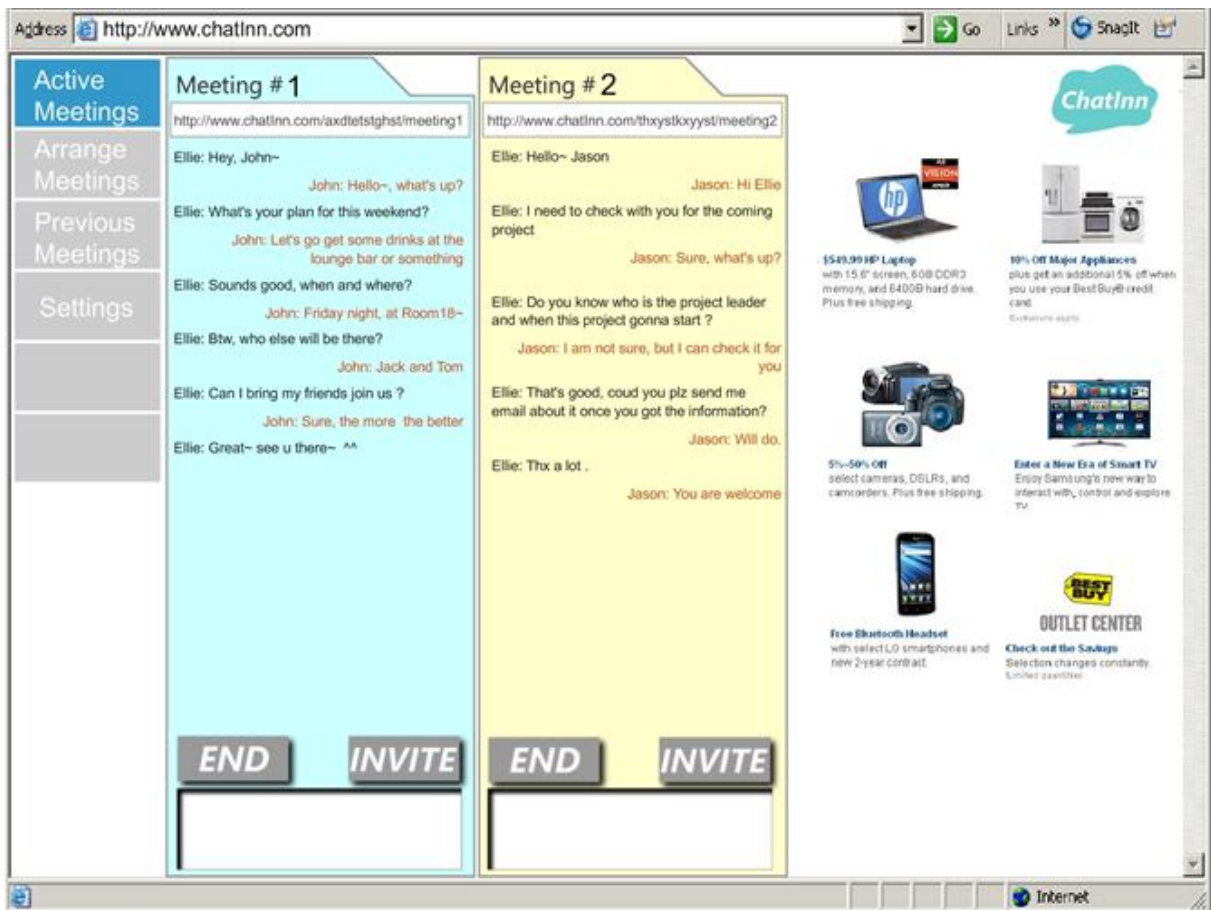
After login, the user simply can schedule the meeting or chat and decide how long that meeting will be available for the others to join. Once the time is set, the system will generate a URL link and the user could send that link to the people who he / she would like to have meeting with. ChatInn is web base application which means as long as the platform has the browser; people could always join the meeting by clicking the URL link.

When there is someone requesting to join the meeting, there will a pop up message to inform the meeting host. The host could recognize the user from the user name and has the control of those access requests. The host can host multiple meetings the same time with multiple participants in each meeting.

When the meeting is end, there will be a pop up message appear in each participant's window and ask if they would like to send out the meeting history to their email. Once the meeting is done and terminated completely, all the meeting record will be removed from server as what ChatInn declared to the end users. No personal data and no chatting history or record will be saved on the server.

The users also could add their friends (by using the ChatInn user ID or phone numbers) to the friend list and chat with the contacts as the other instant message services.

ChatInn service will have the app version on mobile platform as well, such as Android and iOS. Users will receive the pop notification when someone wants to join one of the meetings. The ChatInn app will keep running in the background, so the user could always be notified when there is a new chat starting.



ChatInn's chatting page

4. Market Analysis Summary

According to the study by study The Radicati Group, Inc, “Instant Messaging Market, 2011-2015”, there are over 2.5 billion Instant Messaging accounts worldwide in 2011, growing to 3.3 billion by 2015. The major leading market player including: Actiance, AOL, Bloomberg, Cisco, eBuddy, Facebook, Fring, Global Relay, Google, IBM, Meebo, Microsoft, Novell, Skype, Symantec, Tencent, Thomson Reuters, Yahoo!, and others. As for the mobile deive platform, the major players are NimBuzz, Fring, Viber, WhatsApp, eBuddy, Beejive, Line and etc.

Currently, there are 2.6 billion IM accounts worldwide and the amount of the communications between those accounts is huge. According to the report in October 2011, there are 1 billion messages sent with WhatsApp per day, and it’s just one of the most popular IM applications on mobile devices. There are 85% of handsets shipped globally in 2011 that included a web browser and the penetration of smartphone increases rapidly (currently it’s about 30%). From the data above, we can tell that the market for Instant Messaging is huge and the across platform communication service got great potential.

Instant message surely is one of major ways for people to communicate and it is getting more and more popular nowadays. Besides chatting with friends, there are many occasions that people might need to have a quick short meeting or chatting with the person who is not from the friend list or barely know. ChatInn provides the great solution for this kind of occasions and with no complicated steps to schedule and host the quick meeting.

4.1. Market Segmentation

The target market for instant messaging is anyone who uses the internet on pc or mobile devices and wants to connect with people in the world. Young people and kids use it to keep constant contact with their friends, arranging times to meet up, sharing information and etc. ChatInn’s service will focus on those market segments base on the purpose of meeting:

1. **Faster Communication.** Instead of frequently emails from customers or clients, instant messaging will be a good choice for better and faster communication. However, the customer or the client might not using the same IM application as you and you might not

want to add him / her to the friends list even he / she is using the same IM application.

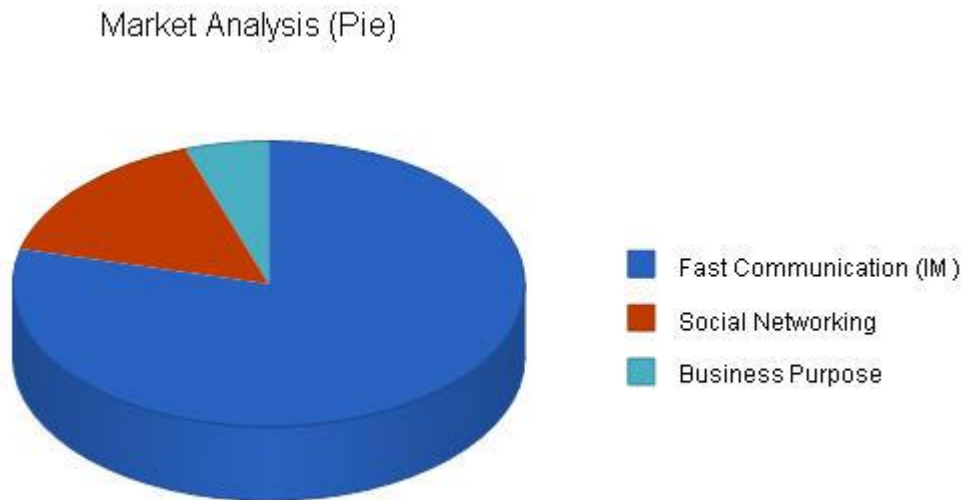
ChatInn will be a great solution for situation like this, the user could simply just send the link to the customer and start a short meeting in a minute.

2. Social Networking. With the popularity of those social networking services, more and more people are using it as one of the major way to keep in touch with their friends and relatives. Instead of phone call or email, it's more efficient and convenient to use instant message service to chat with the target contacts. ChatInn's service provides the possibilities to keep the users being reachable at all times. Users could simply post their ChatInn URL links at their home pages, profile pages or any social networking site, and the other people could easily contact the user via a simple click on the link.
3. Business Operations: For those B2C, C2C web business (such like online auction and online shopping services), ChatInn's quick chatting URL links could be easily implanted into the any web pages. The business owners could be easily reached and provide the proper information and service to their target customers. With ChatInn's instant chatting service, it takes only few seconds to setup and provide 24-7 instant online service for any company.

Table 2: Market Analysis

<i>Market Analysis</i>	Year 1	Year 2	Year 3	Year 4	Year 5	CAGR	
Potential Customers	200%	150,000	450,000	1,350,000	4,050,000	12,150,000	200.00%
Fast Communication (IM)	20%	30,000	36,000	43,200	51,840	62,208	20.00%
Social Networking	20%	10,000	12,000	14,400	17,280	20,736	20.00%
Business Purpose							
Total	183.27%	190,000	498,000	1,407,600	4,119,120	12,232,944	183.27%

Chart 3: Market Analysis (Pie)



4.2. Target Market Segment Strategy

The preliminary main market of ChatInn will be the people who are into those social networking services or running the C2C web business. To approach those online target markets, online advertisings will be efficient in the early stage of the business. The major efforts will focus on the online ads on those mobile devices which means App store for iphone and Google play for android phones. As for the promotion for ChatInn's web chatting service, the URL and the ads will be implemented in the mobile app and pops up at the proper timing.

Since all the target customers are web users, online advertising surely will be one of the major ways to reach them. For the application like the IM service, mouth of words is efficient and important. Once a small group of people become the regular users, it will effect and launch out a great amount of people in a very short time. To attract people's attention and curiosity to start trying this app for chatting, those technical forum and blogs will be a good start for the marketing efforts. Providing the content with the introduction about ChatInn written by professional writers to those websites surely will get the proper attention and well exposure on the internet.

4.3. Service Business Analysis

Due to the trend of the smart phone, instant messaging services are getting popular and become one of the major ways to keep connecting with friends, colleagues and families. Currently, the smart phone market is about 30% of the total mobile phone market in the world and we can expect the potential market for instant messaging is huge as well. However, for service like instant messaging, it is difficult to ask the user to pay for it since there are many similar services available on the market with no charge. Because of that, to make sure the service is reliable and increases the amount of regular users is quite critical in the beginning stage.

4.3.1. Competition and Buying Patterns

There are quite many IM applications available on the market already, such as Gtalk, MSN, E-buddy, Nimbuzz, Line, Whatsapp and etc. Those IM applications either provide the service to send out message to the user's contacts from his private contacts list (SIM card or same service users) or integrated from the social network services. Those IM service providers will be the competitors to some part of ChatInn's business since we also provide the feature to send out text message to the contacts from the user's SIM card.

As for the quick instant chatting feature, there will be no direct competitor on the market yet. All the other similar service providers require the user to sign up their service and only could start chatting or sending out test message to the contacts that got the same application installed on their computers or mobile devices.

ChatInn's instant chatting service doesn't require the target contact to have the application installed on his computer or mobile device to be able to start chatting or short meeting. As long as the device got the browser installed, with one single click on the link, the user will be able to reach the host of the meeting in few seconds. Currently, there is no other IM application provides the same or similar service as ChatInn.

The following factors are the key elements which would affect the willingness of using this service.

1. Privacy. If there is a concern about privacy protection of the IM service, it surely will impact the willingness of using this service. Personal information, contact list or the chatting record, all require proper protection to avoid the possibilities of information leaking.
2. Stability. Continuously providing stable and reliable service is another key factor of a successful IM application. The users of the instant messaging service would like to be able to reach or be reached by their friends, relatives or customers whenever they need. If the IM service is unstable and often gets issues with the server or the connection, it will surely affect the loyalty of their service users.
3. UI design. Simple and easy to use UI design would help the users get familiar with the IM application in a very short time and attract the other IM users to switch the IM service. Nowadays there are quite many applications out there, once the user experience is not as expected, the users would change to the other alternative one soon.
4. Functionality. Besides the basic texting service, there are other features that users are welcome to have it on their IM application, such as group chatting, icons, emotion icons (according to the research, there are more than 30% of users like this feature) and file transferring.

5. Web Plan Summary

5.1. Website Marketing Strategy

ChatInn is a web base instant messaging service and naturally most of the marketing resource will focus on the web marketing. When the service launches, besides the advertising campaigns at those major application stores on the mobile platforms such as Apple's AppStore or Android's Play, the technical news sites, forums and blogs will be the other major target which we will spend the market resource on too.

For instant messaging application, oftentimes word of mouth marketing could affect a huge amount of people in a short period and become regular users. Ensure the stability and the quality of the service is crucial and provides proper content that is written by professional writers to those technical news sites, forums and blogs to attract potential service users. Those campaigns on the technical news sites, forums and blogs will promote both ChatInn's web service and the application for mobile devices in order to maximize the advertising affections with limited marketing resources.

5.2. Development Requirements

Instant messaging is the key function of ChatInn's service and it requires about 5 months with 5 developers to complete the software development. 3 engineers will focus on the server side programming and the other 2 engineers will support the server development in the first 2 months. After 2 months, when the API of the server side has been properly defined, they could start working on the application side for the mobile device for another 3 months.

ChatInn's service has following key features:

1. **Simple UI:** Simple and user friendly UI is always important for any software which will help the new users to get familiar with.
2. **Simple Signup:** ChatInn only requires user name and password to sign up and there will be no personal information leaking issue.
3. **Link for Instant chatting/ meeting:** ChatInn provides unique URL link for each chatting/ meeting, people can easily join the meeting by clicking the URL link.

4. No chatting record saved on server side: Users could decide if they want to send the chatting record to their personal email and ChatInn will not save any data once the chatting is end.
5. Web base service: ChatInn's service could be access via any browser on any platform.
6. Sync up between server and app: The quick meeting URL links are connected to the app on mobile devices, so the user could be reached anytime and anywhere.
7. Keyword advertising: The advertising on ChatInn's web site will be keyword advertising, so the text or picture advertisings on the side of window will be varied according to the content of chatting.



6. Strategy and Implementation Summary

The strategy and implementation summary for ChatInn are listed below:

1. **Funding:** Acquire the necessary funding for the star-up business.
2. **Website and application for mobile devices development:** ChatInn is a web base chatting service, so the development of the website is key factor for this business. The UI design and the quality of the website needs to make sure that all the users could get great and smooth user experience when they use this service at very first time. As for the application for the mobile device, it needs to align the design of the website and make sure the quality of the operation and connectivity is stable between the sever side and client side.
3. **Setting up the operation and QA team:** The QA team to ensure the quality and the improvement of the service. The Operation team is responsible for task coordination and deal with the feedback from customers and users.
4. **Marketing:** Establish the brand image and plan the marketing campaigns on the proper media and platform to attract the target users.
5. **Sales:** Generating the revenues from online advertising.
6. **Business development:** Find the potential partners that could align with ChatInn's service strategy and establish the relationship.
7. **Exit Strategy:** When the user base is huge, there might be possible acquisition deal from bigger service provider.

6.1. SWOT Analysis

6.1.1. Strengths

1. ChatInn's instant messaging service has unique design compare to the other competitors, it combines the ordinary IM feature and the web meeting capability together.
2. The process of signing up the service will not bother the new user any more. ChatInn's simple sign up only requires a user name and password.

3. The user could easily start a online conversation by sending the meeting link to the contact and don't need to worry about which platform or device he or she is using.
4. ChatInn's web chatting service could be quite useful and handy for business propose and be implemented with other service easily. For example, conducting a quick meeting with the customer, posting the chatting link on any business web site as the contact information, implementing a instant 24/7 online service and etc.
5. The keyword related adverting (similar to Google's adword) for web instant messaging service is a brand new idea. The advertising on the active chatting page will depends on the content of the conversation and it will try to display the ads which might be interested to the participants of the meeting.

6.1.2. Weaknesses

1. Product development for web and the application incurs High costs before the service start collecting revenue. There will be no revenue being generated till the service is widely spread globally and the expectation time is about 6 months.
2. As a startup web instant messaging service, the brand exposure and popularity are low which will surely impact the revenue from online adverting. Therefore, it is important to get the chance of media exposure via the marketing resource and attract more users to try ChatInn's server in the beginning stage.
3. The revenues are unpredictable and depend on almost one single stream only in the early stage. To find more channels and business partners will be very important for ChatInn to generate the revenues.

6.1.3. Opportunities

1. The potential market for instant messaging is huge and keeps growing. According to the research from Infoma Telecoms & Media, global mobile instant messaging traffic will increase from 1.6 trillion messages in 2011 to 7.7 trillion messages in 2016, doubling its share of global messaging traffic from 17.1% in 2011 to 34.6% in 2016.

2. ChatInn's IM service is still new in the current market. The combination of the web instant messaging link and the IM application on the mobile device will provide the simple and convenient user experience to the customers.
3. ChatInn's instant chatting link could easily be embedded into any personal, business, or social network sites, which would be the other major channel for generating the revenue and get brand exposure.
4. Since ChatInn's web instant chatting link could be embedded to almost any website which means it could penetrate the other online service as well. Once the population of ChatInn is big enough, this feature might attract some major web service companies' interest of acquisition.

6.1.4. Threats

1. The existing competitors of IM service on the market might tend to provide similar service soon which surely will impact the business.
2. The expense of the cost for server and bandwidth might increase rapidly when the service is getting popular, so it is crucial to get enough funding and stable financial preparation.
3. The success of ChatInn depends on the user experience and quality of the service. It's easy for the users to switch to other services once they got bad user experiences. To maintain the great quality of service and keep improving the service according to the feedback from customers will be the key activities of ChatInn's business.

6.2. Competitive Edge

ChatInn seeks to establish a competitive edge in its target market segment by providing an alternative way for communication with friends, families and customers. The simple and user friendly UI design of ChatInn's web portal make it convenient for existing users to continuously use this service and it surely will be easy for new users to start using it as well. The web instant chatting link gives the users a simple and quick way to contact or being contacted and the availability to be easily implanted into any website, provide a quick and low cost solution for the instant online service. With this new idea and technology, ChatInn will be able to

differentiate its service and product to other competitors and occupy the market share at the early stage of product launch. Keep improving the technology and maintain the sustainable quality of service for users and customers will help to ensure the revenue generating for ChatInn.

6.3. Marketing Strategy

For a startup web IM service provider like ChatInn, it is important to the marketing strategy to develop an attractive image to the target users and customers. The goal is to attract as many users as possible in a short period of time with the feature of web instant chatting link which could be handy for online auction, small online business activities, and online dating service and so on. This can be done in a number of ways:

1. **In-App Advertising:** Games is always the most popular downloads in both iphone and android platform and ChatInn will focus its marketing resources on that category. The CPM (Cost Per thousand views) is about NTD 200 on one app, so if the target is to show the ads 1M times, it will cost about 200,000 NTD. In-App advertising is a great way for promoting the new app, since the users could download the app and try it right after clicking the ads on their mobile devices.
2. **Google AdWords:** Purchase Google AdWords with the keyword set as “ChatInn”, “IM”, “Online Service” and “Chatting”. Monthly spending for Google AdWords is NTD 3,500 per month and plan to running it for the first 6 months.
3. **Online Advertising:** Focus on the popular websites for 3C and mobile devices such like Mobil01 and Sogi with text advertising and it will cost NTD 40,000 for 5 days on each site.
4. **Professional blogger marketing:** Advertising on the technology news, 3C, applications or related web sites, blog and forum with the content provided by professional writer or blogger. Word of mouth advertising is quite efficient and powerful for app market, people are easily starting to try a new app if it’s been recommended by a friend or some web site. ChatInn needs to increase the number of active users as many as possible at the product

launch stage since it increase the capability and profitability for the service to find a business or advertising customers for ChatInn.

5. Global advertising: When the amount of active users reaches certain level (for example, 200K) in Taiwan, the marketing strategy will start focusing on the market overseas. The marketing resources will spend on the popular local media in different region and needs to be adjusted according to the local culture as well.

6.4. Sales Strategy

The sales strategy for ChatInn will be adjusted to focus on different target market at different stage after product launch:

1. At the beginning stage: In the early stage after product launch, ChatInn? sales resource will focus on business purpose market, such like 24 hrs online services for small-middle size of business.
2. The amount of users is big enough: Once the amount of the active users is above 200k, ChatInn will be able to attract the customers for the advertising. The advertising for app will be regular banners style on the top of the application and as for the advertising at ChatInn? web portal, it will be key words advertising. Advertising is one of major channels for ChatInn to generate revenue and actually, it will be the main resource to keep the business running and expending.

6.4.1. Sales Forecast

ChatInn's sales are highly depending on the size of user base and it's expected to have very low sales income in the early stage of product launch. Due to the characteristic of IM application, the user base will grow rapidly when it reaches the proper level (e.g., 100K). Once this service gets more and more popular, it will be attractive to the customers to buy the advertising and the price will be higher.

Table 3: Sales Forecast

<i>Sales Forecast</i>			
	Year 1	Year 2	Year 3
Sales			
Advertising Contracts	\$1,670,000	\$7,500,000	\$14,600,000
Business Services	\$169,000	\$920,000	\$1,840,000
	\$0	\$0	\$0
Total Sales	\$1,839,000	\$8,420,000	\$16,440,000
Direct Cost of Sales	Year 1	Year 2	Year 3
	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$0	\$0	\$0

Chart 4: Sales Monthly

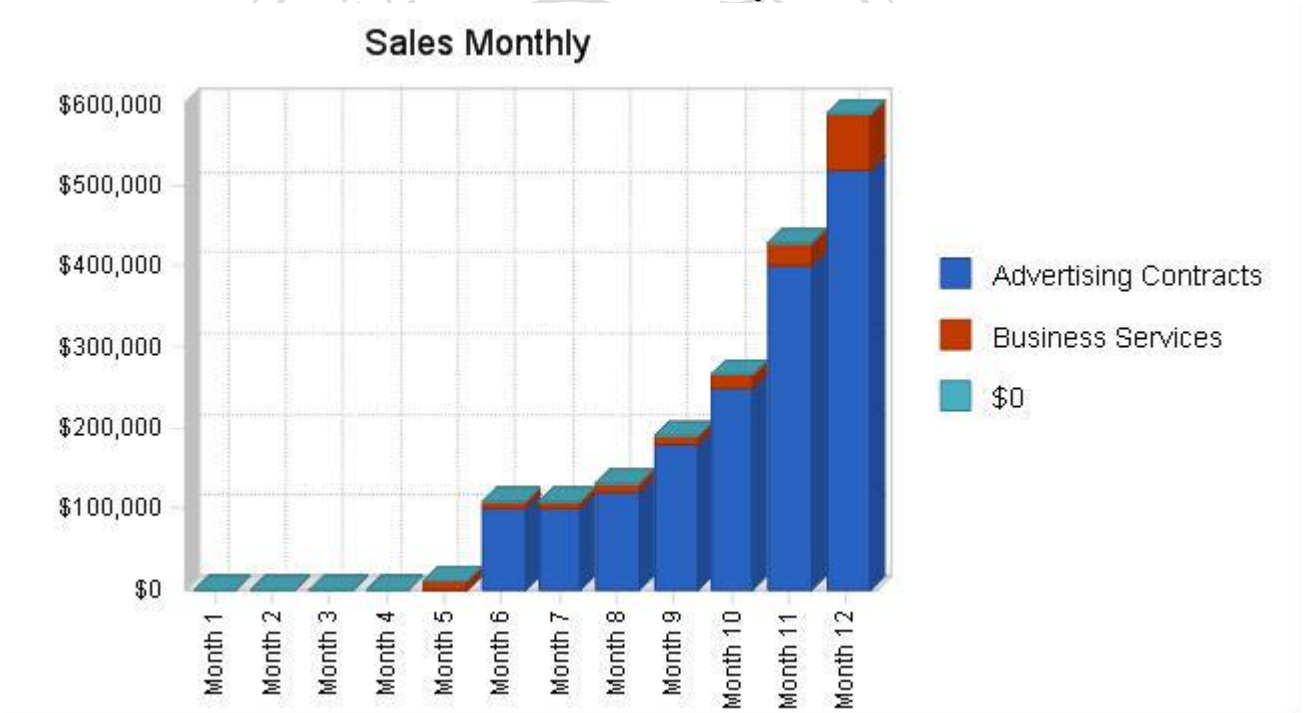
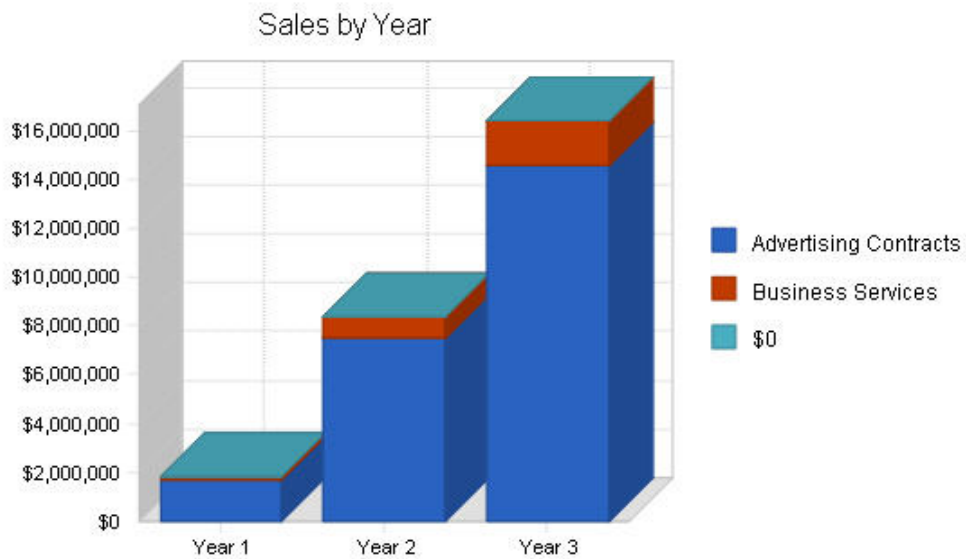


Chart 5: Sales by Year



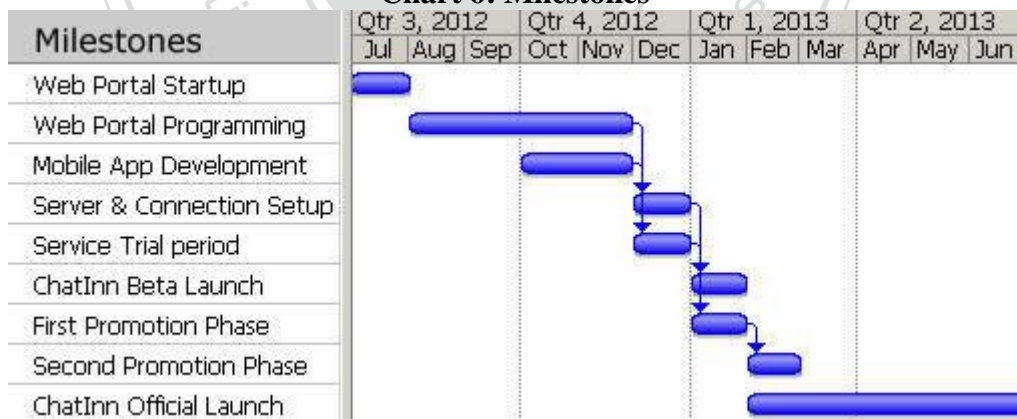
6.5. Milestones

The following table represents the important milestones with the detail information which includes the dates, budget, person in charge, and the department for ChatInn. ChatInn is a web instant messaging service provider, so the most important and key activity is the development for the tool. ChatInn provides both web portal and app for the mobile platform and the synergy between server and client side on the mobile device makes ChatInn different with other competitors. In the early stage of the web service development, it is important to well plan and build up a stable, firm and quality structure for the software. To ensure that, not only focusing on the product research and development, but also the will be a lot of resource spending on the QA work to make sure the user experience is well satisfied. ChatInn's service provides 3 ways for instant messaging, web portal, app on the mobile device and between web and app. Web portal is the core function of those 3 methods, so it needs to be developed first, then the application for mobile device could get started after.

Table 4: Milestones

<i>Milestones</i>	Start Date	End Date	Budget	Manager	Department
Milestone					
Web Portal Startup	7/1/2012	8/1/2012	\$30,000	Ellie	Operation
Web Portal Programming	8/1/2012	11/30/2012	\$320,000	Acton	Sever team
Mobile App Development	10/1/2012	11/30/2012	\$160,000	Willy	App team
Server & Connection Setup	12/1/2012	12/31/2012	\$55,000	Acton	Sever team
Service Trial period	12/1/2012	12/31/2012	\$35,000	Jimmy	QA team
ChatInn Beta Launch	1/1/2013	1/31/2013	\$30,000	Ellie	Operation
First Promotion Phase	1/1/2013	1/31/2013	\$85,000	Enzo	Marketing
Second Promotion Phase	2/1/2013	3/1/2013	\$85,000	Ellie	Operation
ChatInn Official Launch	2/1/2013		\$0	Enzo	Marketing
Totals			\$800,000		

Chart 6: Milestones



7. Management Summary

There will be 5 members in the senior management team of ChatInn, and each member needs to achieve the goal of each department according to the milestones of the company. ChatInn will be composed of the following departments, Marketing & Sales, Server, App, QA and operation team. Each department will have one manager in charge and the possible employees in the future which depends on the business. The detail for each department is as below:

Marketing & Sales Department: Manager Enzo Yang, CEO / Funder

- In charge of production promotion & marketing.
- Approaching the potential customers for advertising and instant online service.
- Sales Revenue forecasting.

Server development Department: Manager Acton Chow, Acting CTO

- In charging of server software development.
- Service maintenance
- Product upgrade planning and schedule
- Product coordination for server and app.

App Development Department: Manager Willy Huang, Acting SW Director

- In charging of app development on both Android and iOS platform.
- App product upgrade and maintenance.

QA Department: Manager Jimmy Yang

- Ensure the quality of service on server and app side.
- Supporting server and app debugging.
- Taking feedback from customers.

Operation Department: Manager Ellie Hsu, Operation Director / Co-Funder

- In charging of cost and budget control.
- Establish company strategy, goal and targets.
- Approach to the companies for possible partnership.

7.1. Personnel Plan

ChatInn is a web service provider, therefore, in the stage before and 6 months after the official launch, most of the personnel resource will spend on the development for server software and the application. After ChatInn's official launch, the personnel plan will be adjusted according to the business operation, the amount of registered users, and the possible new features of the service. The manager of each department will be responsible for possible hiring and recruiting for future expansion.

Table 5: Personnel

<i>Personnel Plan</i>	Year 1	Year 2	Year 3
Sales Manager	\$600,000	\$1,080,000	\$1,190,000
Server team	\$960,000	\$1,320,000	\$2,180,000
App team	\$840,000	\$1,200,000	\$1,680,000
QA team	\$480,000	\$840,000	\$930,000
Operation Manager / Accountant	\$600,000	\$960,000	\$1,060,000
Total People	8	13	16
Total Payroll	\$3,480,000	\$5,400,000	\$7,040,000

8. Financial Plan

8.1. Start-up Funding

The start up cost of ChatInn will include the company registration fee, office rent, office supplies and the legal consultant fee. Two investors will each invest NTD \$4,000,000 totaling NTD \$8,000,000 and there is no loan needed at the start-up stage. However, if there is the need for further cash investment, the 2 original investors will need to find other investors or apply the loan from the commercial bank to provide the necessary funding. The stock ownership will be adjusted according to the ratio of the investment.

Table 6: Start-up Funding

<i>Start-up Funding</i>	
Start-up Expenses to Fund	\$344,500
Start-up Assets to Fund	\$7,655,500
Total Funding Required	\$8,000,000
Assets	
Non-cash Assets from Start-up	\$0
Cash Requirements from Start-up	\$7,655,500
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$7,655,500
Total Assets	\$7,655,500
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0
Capital	
Planned Investment	
Owner A	\$4,000,000
Owner B	\$4,000,000
Additional Investment Requirement	\$0
Total Planned Investment	\$8,000,000

Loss at Start-up (Start-up Expenses)	(\$344,500)
Total Capital	\$7,655,500
Total Capital and Liabilities	\$7,655,500
Total Funding	\$8,000,000

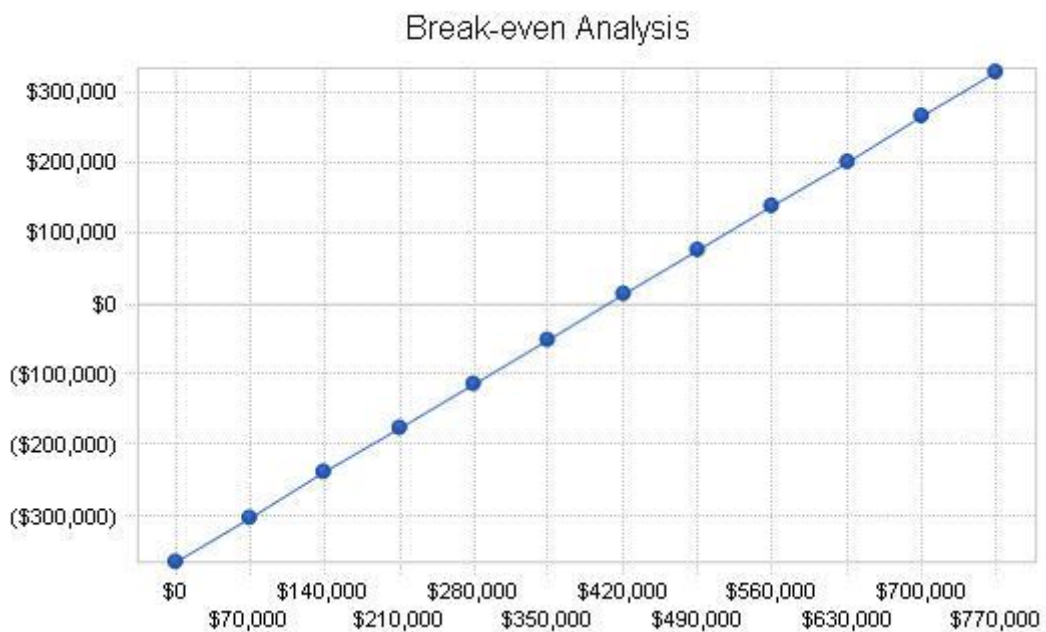
8.2. Break-even Analysis

The average monthly cost is NTD \$406,852 and that will make the break-even occurs in the middle of the second operation year.

Table 7: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$406,852
Assumptions:	
Average Percent Variable Cost	10%
Estimated Monthly Fixed Cost	\$366,167

Chart: Break-even Analysis



8.3. Projected Profit and Loss

ChatInn’s projected profit and loss is summarized below and the detailed items for sales and expenses are listed in the following table.

1. ChatInn is a web instant messaging service provider and the revenue will only comes from the advertising and the business service contracts since the IM service is free for individual user.
2. There will be direct cost of sales since the advertising service will not cost any direct material, only labor cost and it’s been covered in the personnel cost.
3. The sales will be low in the first year since the business depends on the size of user base which is expected to reach proper level in about 6 ~ 12 months.
4. Marketing/Promotion will maintain similar level and will be adjusted the target media according to the user base.
5. Personnel will keep increasing according to the size of service user base. In order to serve more service users, ChatInn needs to expend the scale of servers and bandwidth of connection.
6. The increasing level of rent and utilities will correspond to the personnel.

Table 8: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Year 1	Year 2	Year 3
Sales	\$1,839,000	\$8,420,000	\$16,440,000
Direct Cost of Sales	\$0	\$0	\$0
Other Costs of Sales	\$207,000	\$450,000	\$550,000
Total Cost of Sales	\$207,000	\$450,000	\$550,000
Gross Margin	\$1,632,000	\$7,970,000	\$15,890,000
Gross Margin %	88.74%	94.66%	96.65%
Expenses			
Payroll	\$3,480,000	\$5,400,000	\$7,040,000

Marketing/Promotion	\$410,000	\$460,000	\$520,000
Depreciation	\$0	\$0	\$0
Rent	\$432,000	\$504,000	\$624,000
Utilities	\$48,000	\$72,000	\$92,000
Insurance	\$0	\$0	\$0
Payroll Taxes	\$0	\$0	\$0
Other	\$24,000	\$36,000	\$48,000
Total Operating Expenses	\$4,394,000	\$6,472,000	\$8,324,000
Profit Before Interest and Taxes	(\$2,762,000)	\$1,498,000	\$7,566,000
EBITDA	(\$2,762,000)	\$1,498,000	\$7,566,000
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$0	\$449,400	\$2,269,800
Net Profit	(\$2,762,000)	\$1,048,600	\$5,296,200
Net Profit/Sales	-150.19%	12.45%	32.22%

Chart 7: Profit Monthly

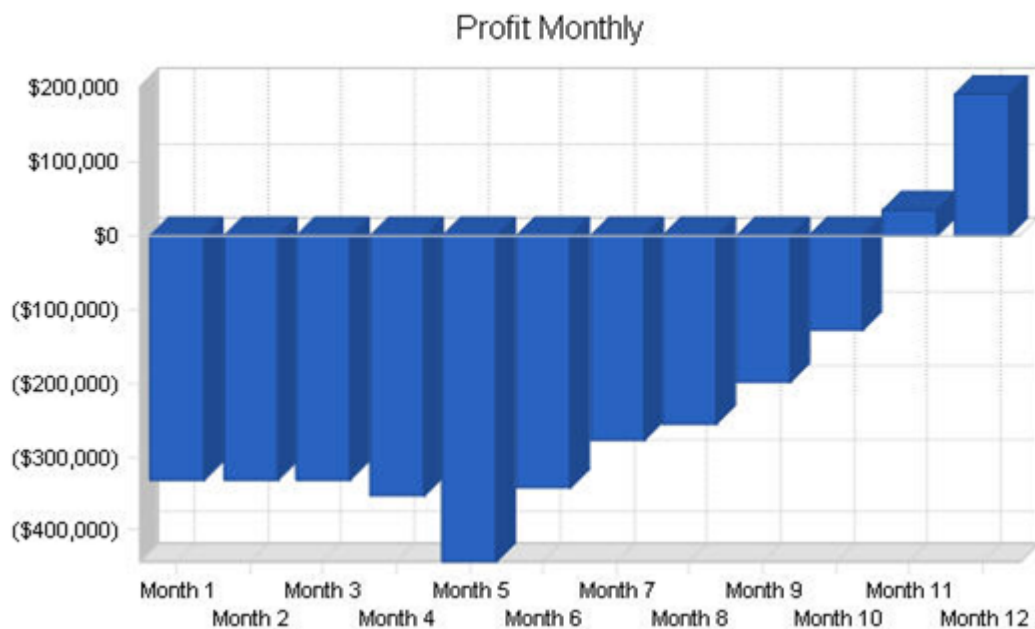


Chart 8: Profit Yearly



Chart 9: Gross Margin Monthly

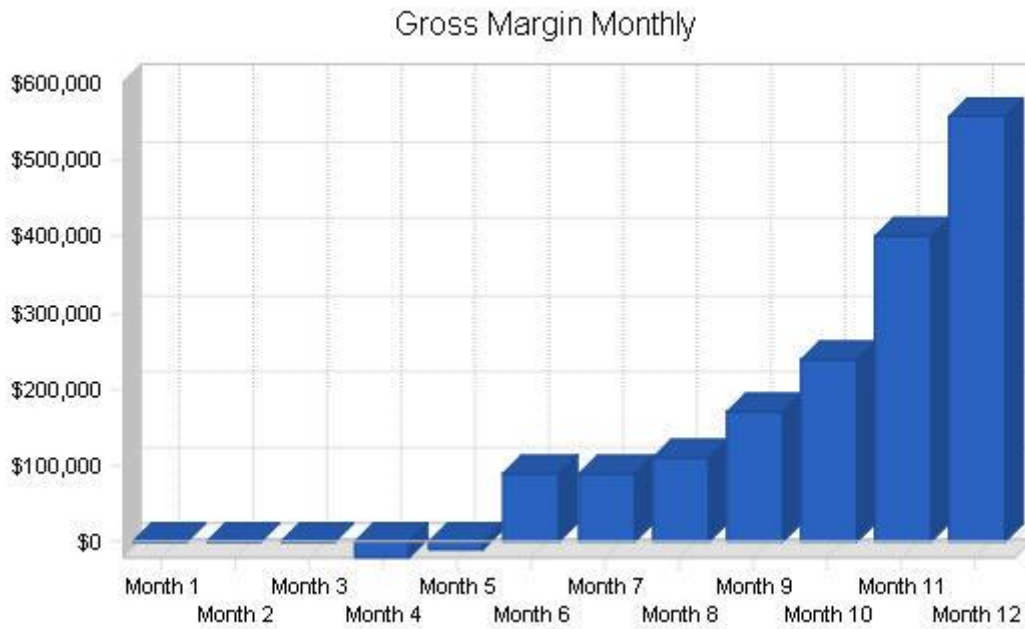
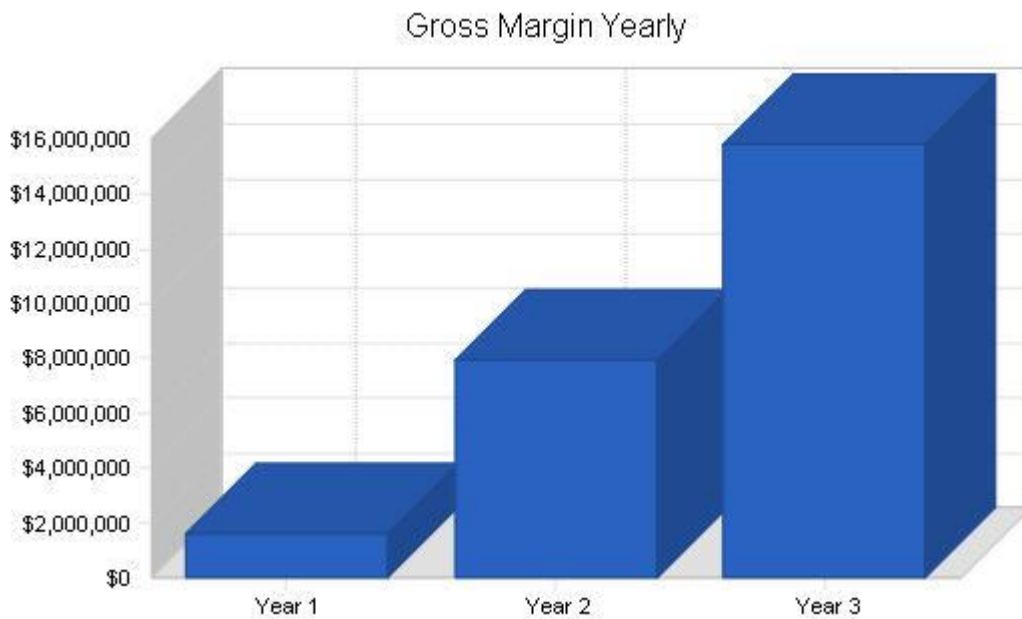


Chart 10: Gross Margin Yearly



8.4. Projected Cash Flow

ChatInn's projected cash flow is presented in the table and chart below.

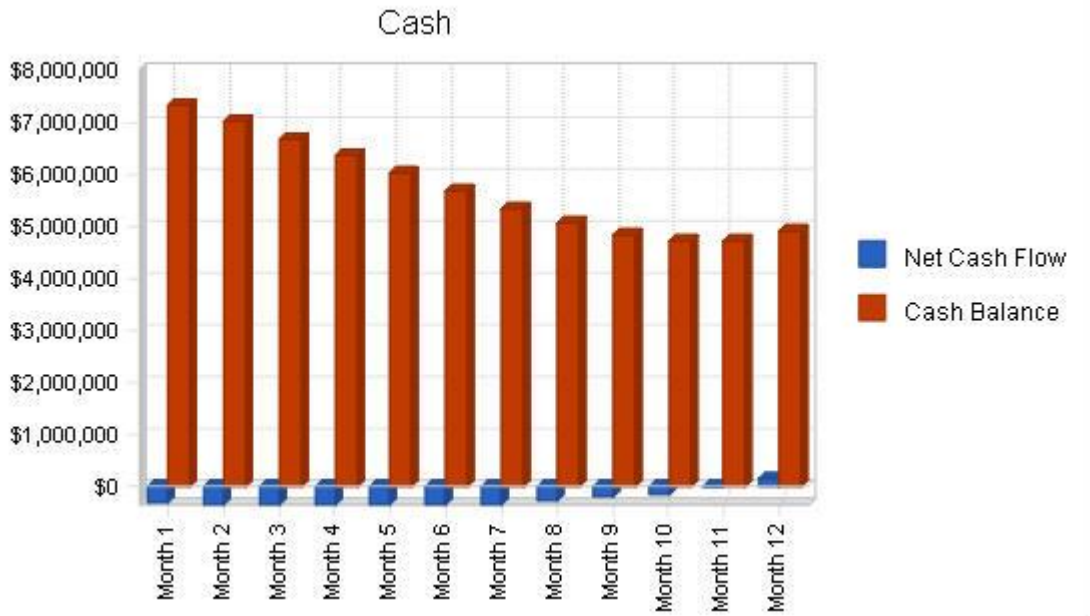
Cash Flow: ChatInn is a pure web instant messaging and meeting service provider and the major income will depend on the size of user base. The bigger size of the user base of ChatInn surely will attract the customers to buy more advertising with higher price. There will be an expected negative cash flow in the first year, due to the development of software and the user base takes time to reach the target level (100K). Start from 2nd year, the user base is expected to increase rapidly, and the positive cash flow will jump as well.

Cash Balance: As shown in the chart, ChatInn will have a negative growth till the end of the first year.

Table 9: Cash Flow

<i>Pro Forma Cash Flow</i>	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$1,839,000	\$8,420,000	\$16,440,000
Subtotal Cash from Operations	\$1,839,000	\$8,420,000	\$16,440,000
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$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
Subtotal Cash Received	\$1,839,000	\$8,420,000	\$16,440,000
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	\$3,480,000	\$5,400,000	\$7,040,000
Bill Payments	\$1,015,633	\$1,914,734	\$3,928,534
Subtotal Spent on Operations	\$4,495,633	\$7,314,734	\$10,968,534
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$91,950	\$421,000	\$822,000
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	\$75,000	\$45,000
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$4,587,583	\$7,810,734	\$11,835,534
Net Cash Flow	(\$2,748,583)	\$609,266	\$4,604,466
Cash Balance	\$4,906,917	\$5,516,183	\$10,120,649

Chart 11: Cash



8.5. Projected Balance Sheet

Table 10: Balance Sheet

<i>Pro Forma Balance Sheet</i>				
	Year 1	Year 2	Year 3	
Assets				
Current Assets				
Cash	\$4,906,917	\$5,516,183	\$10,120,649	
Other Current Assets	\$0	\$0	\$0	
Total Current Assets	\$4,906,917	\$5,516,183	\$10,120,649	
Long-term Assets				
Long-term Assets	\$0	\$75,000	\$120,000	
Accumulated Depreciation	\$0	\$0	\$0	
Total Long-term Assets	\$0	\$75,000	\$120,000	
Total Assets	\$4,906,917	\$5,591,183	\$10,240,649	
Liabilities and Capital	Year 1	Year 2	Year 3	
Current Liabilities				
Accounts Payable	\$105,367	\$162,033	\$337,299	
Current Borrowing	\$0	\$0	\$0	

Other Current Liabilities	(\$91,950)	(\$512,950)	(\$1,334,950)
Subtotal Current Liabilities	\$13,417	(\$350,917)	(\$997,651)
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$13,417	(\$350,917)	(\$997,651)
Paid-in Capital	\$8,000,000	\$8,000,000	\$8,000,000
Retained Earnings	(\$344,500)	(\$3,106,500)	(\$2,057,900)
Earnings	(\$2,762,000)	\$1,048,600	\$5,296,200
Total Capital	\$4,893,500	\$5,942,100	\$11,238,300
Total Liabilities and Capital	\$4,906,917	\$5,591,183	\$10,240,649
Net Worth	\$4,893,500	\$5,942,100	\$11,238,300

8.6. Business Ratios

Table 11: Ratios

<i>Ratio Analysis</i>	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	357.86%	95.25%	0.00%
Percent of Total Assets				
Other Current Assets	0.00%	0.00%	0.00%	100.00%
Total Current Assets	100.00%	98.66%	98.83%	100.00%
Long-term Assets	0.00%	1.34%	1.17%	0.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.27%	-6.28%	-9.74%	0.00%
Long-term Liabilities	0.00%	0.00%	0.00%	0.00%
Total Liabilities	0.27%	-6.28%	-9.74%	0.00%
Net Worth	99.73%	106.28%	109.74%	100.00%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	88.74%	94.66%	96.65%	0.00%
Selling, General & Administrative Expenses	238.93%	82.20%	64.44%	0.00%
Advertising Expenses	22.29%	5.46%	3.16%	0.00%
Profit Before Interest and	-150.19%	17.79%	46.02%	0.00%

Taxes				
Main Ratios				
Current	365.73	-15.72	-10.14	0.00
Quick	365.73	-15.72	-10.14	0.00
Total Debt to Total Assets	0.27%	-6.28%	-9.74%	0.00%
Pre-tax Return on Net Worth	-56.44%	25.21%	67.32%	0.00%
Pre-tax Return on Assets	-56.29%	26.79%	73.88%	0.00%
Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	-150.19%	12.45%	32.22%	n.a
Return on Equity	-56.44%	17.65%	47.13%	n.a
Activity Ratios				
Accounts Payable Turnover	10.64	12.17	12.17	n.a
Payment Days	27	25	22	n.a
Total Asset Turnover	0.37	1.51	1.61	n.a
Debt Ratios				
Debt to Net Worth	0.00	-0.06	-0.09	n.a
Current Liab. to Liab.	1.00	0.00	0.00	n.a
Liquidity Ratios				
Net Working Capital	\$4,893,500	\$5,867,100	\$11,118,300	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	2.67	0.66	0.62	n.a
Current Debt/Total Assets	0%	-6%	-10%	n.a
Acid Test	365.73	0.00	0.00	n.a
Sales/Net Worth	0.38	1.42	1.46	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Table 12: Sales Forecast

Sales Forecast	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales												
Advertising Contracts	\$0	\$0	\$0	\$0	\$0	\$100,000	\$100,000	\$120,000	\$180,000	\$250,000	\$400,000	\$520,000
Business Services	\$0	\$0	\$0	\$0	\$10,000	\$10,000	\$10,000	\$12,000	\$12,000	\$15,000	\$30,000	\$70,000
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales	\$0	\$0	\$0	\$0	\$10,000	\$110,000	\$110,000	\$132,000	\$192,000	\$265,000	\$430,000	\$590,000
Direct Cost of Sales	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 13: Personnel

<i>Personnel Plan</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales Manager	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Server team	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
App team	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000
QA team	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Operation Manager / Accountant	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total People	8	8	8	8	8	8	8	8	8	8	8	8
Total Payroll	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000

Table 14: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	\$0	\$0	\$0	\$0	\$10,000	\$110,000	\$110,000	\$132,000	\$192,000	\$265,000	\$430,000	\$590,000
Direct Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Costs of Sales	\$0	\$0	\$0	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$22,000	\$25,000	\$28,000	\$32,000
Total Cost of Sales	\$0	\$0	\$0	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$22,000	\$25,000	\$28,000	\$32,000
Gross Margin	\$0	\$0	\$0	(\$20,000)	(\$10,000)	\$90,000	\$90,000	\$112,000	\$170,000	\$240,000	\$402,000	\$558,000
Gross Margin %	0.00%	0.00%	0.00%	0.00%	-100.00%	81.82%	81.82%	84.85%	88.54%	90.57%	93.49%	94.58%
Expenses												
Payroll	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000
Marketing/Promotion	\$0	\$0	\$0	\$0	\$100,000	\$100,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rent	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000

Utilities	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total Operating Expenses	\$332,000	\$332,000	\$332,000	\$332,000	\$432,000	\$432,000	\$367,000	\$367,000	\$367,000	\$367,000	\$367,000	\$367,000
Profit Before Interest and Taxes	(\$332,000)	(\$332,000)	(\$332,000)	(\$352,000)	(\$442,000)	(\$342,000)	(\$277,000)	(\$255,000)	(\$197,000)	(\$127,000)	\$35,000	\$191,000
EBITDA	(\$332,000)	(\$332,000)	(\$332,000)	(\$352,000)	(\$442,000)	(\$342,000)	(\$277,000)	(\$255,000)	(\$197,000)	(\$127,000)	\$35,000	\$191,000
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$332,000)	(\$332,000)	(\$332,000)	(\$352,000)	(\$442,000)	(\$342,000)	(\$277,000)	(\$255,000)	(\$197,000)	(\$127,000)	\$35,000	\$191,000
Net Profit/Sales	0.00%	0.00%	0.00%	0.00%	-4420.00%	-310.91%	-251.82%	-193.18%	-102.60%	-47.92%	8.14%	32.37%

Table 15: Cash Flow

<i>Pro Forma Cash Flow</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	\$0	\$0	\$0	\$0	\$10,000	\$110,000	\$110,000	\$132,000	\$192,000	\$265,000	\$430,000	\$590,000
Subtotal Cash from Operations	\$0	\$0	\$0	\$0	\$10,000	\$110,000	\$110,000	\$132,000	\$192,000	\$265,000	\$430,000	\$590,000
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$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
Subtotal Cash Received	\$0	\$0	\$0	\$0	\$10,000	\$110,000	\$110,000	\$132,000	\$192,000	\$265,000	\$430,000	\$590,000

Expenditures		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations													
Cash Spending		\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000
Bill Payments		\$1,400	\$42,000	\$42,000	\$42,667	\$65,333	\$162,000	\$159,833	\$97,000	\$97,067	\$99,100	\$102,100	\$105,133
Subtotal Spent on Operations		\$291,400	\$332,000	\$332,000	\$332,667	\$355,333	\$452,000	\$449,833	\$387,000	\$387,067	\$389,100	\$392,100	\$395,133
Additional Cash Spent													
Sales Tax, VAT, HST/GST Paid Out	5%	\$0	\$0	\$0	\$0	\$500	\$5,500	\$5,500	\$6,600	\$9,600	\$13,250	\$21,500	\$29,500
Principal Repayment of Current Borrowing		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment Long-term Liabilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment 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
Subtotal Cash Spent		\$291,400	\$332,000	\$332,000	\$332,667	\$355,833	\$457,500	\$455,333	\$393,600	\$396,667	\$402,350	\$413,600	\$424,633
Net Cash Flow		(\$291,400)	(\$332,000)	(\$332,000)	(\$332,667)	(\$345,833)	(\$347,500)	(\$345,333)	(\$261,600)	(\$204,667)	(\$137,350)	\$16,400	\$165,367
Cash Balance		\$7,364,100	\$7,032,100	\$6,700,100	\$6,367,433	\$6,021,600	\$5,674,100	\$5,328,767	\$5,067,167	\$4,862,500	\$4,725,150	\$4,741,550	\$4,906,917

Table 16: Balance Sheet

<i>Pro Forma Balance Sheet</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
Assets	Starting Balances												
Current Assets													
Cash	\$7,655,500	\$7,364,100	\$7,032,100	\$6,700,100	\$6,367,433	\$6,021,600	\$5,674,100	\$5,328,767	\$5,067,167	\$4,862,500	\$4,725,150	\$4,741,550	\$4,906,917
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$7,655,500	\$7,364,100	\$7,032,100	\$6,700,100	\$6,367,433	\$6,021,600	\$5,674,100	\$5,328,767	\$5,067,167	\$4,862,500	\$4,725,150	\$4,741,550	\$4,906,917
Long-term Assets													
Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$7,655,500	\$7,364,100	\$7,032,100	\$6,700,100	\$6,367,433	\$6,021,600	\$5,674,100	\$5,328,767	\$5,067,167	\$4,862,500	\$4,725,150	\$4,741,550	\$4,906,917
Liabilities and Capital	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
Current Liabilities													

Accounts Payable	\$0	\$40,600	\$40,600	\$40,600	\$59,933	\$156,600	\$156,600	\$93,767	\$93,767	\$95,700	\$98,600	\$101,500	\$105,367
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	(\$500)	(\$6,000)	(\$11,500)	(\$18,100)	(\$27,700)	(\$40,950)	(\$62,450)	(\$91,950)
Subtotal Current Liabilities	\$0	\$40,600	\$40,600	\$40,600	\$59,933	\$156,100	\$150,600	\$82,267	\$75,667	\$68,000	\$57,650	\$39,050	\$13,417
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$40,600	\$40,600	\$40,600	\$59,933	\$156,100	\$150,600	\$82,267	\$75,667	\$68,000	\$57,650	\$39,050	\$13,417
Paid-in Capital	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000
Retained Earnings	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)	(\$344,500)
Earnings	\$0	(\$332,000)	(\$664,000)	(\$996,000)	(\$1,348,000)	(\$1,790,000)	(\$2,132,000)	(\$2,409,000)	(\$2,664,000)	(\$2,861,000)	(\$2,988,000)	(\$2,953,000)	(\$2,762,000)
Total Capital	\$7,655,500	\$7,323,500	\$6,991,500	\$6,659,500	\$6,307,500	\$5,865,500	\$5,523,500	\$5,246,500	\$4,991,500	\$4,794,500	\$4,667,500	\$4,702,500	\$4,893,500
Total Liabilities and Capital	\$7,655,500	\$7,364,100	\$7,032,100	\$6,700,100	\$6,367,433	\$6,021,600	\$5,674,100	\$5,328,767	\$5,067,167	\$4,862,500	\$4,725,150	\$4,741,550	\$4,906,917
Net Worth	\$7,655,500	\$7,323,500	\$6,991,500	\$6,659,500	\$6,307,500	\$5,865,500	\$5,523,500	\$5,246,500	\$4,991,500	\$4,794,500	\$4,667,500	\$4,702,500	\$4,893,500