



Stuart Value Homes

"VALUE" is our middle name!

Established June 1, 2003

Executive Summary

Stuart Value Homes (SVH) emerges as a sole proprietorship, and its mission is to purchase and resell late-model repossessed (repos) and other pre-owned mobile homes in the Anycity, Anystate area. The company will be headquartered at 123 Main Street, Anytown, Anystate 12345. SVH is a one-person organization with Owner serving as owner-operator.

The company will purchase only modern, well-designed, and well-built homes that are in reasonably good condition. SVH's homes will all feature at least three bedrooms and two baths. They will be conveniently located in upscale parks, near churches, schools, parks, and shopping facilities. They will require minimal expenditures of time and/or money to restore them to sale condition. All areas of these homes will be impeccably cleaned inside and out; floor coverings professionally cleaned or replaced, metered utilities reconnected, plumbing and electrical systems inspected, yard manicured, and appliances thoroughly checked out. Essentially, these homes will be resold in turnkey condition. According to the 2000 U.S. Census, housing in the Anycity, Anystate area is the second-most expensive in the state surpassed only by Largest City. Manufactured housing offers an attractive, convenient, and affordable housing alternative to the lower end of Anycity's house-buying public—it is this segment of the population to which SVH will market its products.

Targeted customers include young, first-time homebuyers on a limited budget. SVH will pursue the elderly, people wishing to upgrade from rental housing arrangements, and transitory citizens as secondary markets. Some of these customers are new to Anycity, newly married, or just starting their families. Others simply want a low-maintenance lifestyle in a nicer community. Since the 1970s, mobile homes have represented a disproportionately large share of Anycity's housing compared to national averages. This anomaly is due to sudden and periodic population influxes and outflows because of the area's volatile, energy-based economy. SVH will carve out a niche of value conscious customers within Anycity's mobile home buying public.

The company will benefit from strategic and almost unfair competitive advantages. The manager currently acts as an agent to large financial organizations by providing condition reports on homes in the earliest stages of repossession. These large institutions include Citicorp, Greenpoint Financial, Consec Financial, and others; and they simply do not wish to own properties in outlying locations such as Anycity, AnyState. Consequently, repos can be purchased from these companies at rock-bottom prices, and their previous occupants generally leave them in unbelievably good condition. Thus, an appreciable margin of profit exists through which SVH will capitalize. The company will buy homes at rock-bottom prices; it will operate in bootstrap style by cutting costs at every opportunity; and it will be able to sell its homes at prices considerably below those of the competition. In addition, the company will be

positioned to expand both horizontally and vertically in the future. Management will constantly survey the local business environment for opportunities in mobile home brokering, financing, new home sales, and mobile home parks. SVH will, thus, benefit from cost leadership, a focus strategy, and a strategic eye steadily focused on future opportunities.

Mr. Owner has 19 years of experience in the mobile home parts, service, and transportation business in the Anycity, Anystate area. That business (Stuart Mobile Home Parts & Service) was sold in 1999 after the owner suffered a back injury and subsequently underwent surgery in late 1998. The interim has been used to earn a bachelor's degree while simultaneously working as a personal banker at Wells Fargo Bank and serving as an agent for Professional Inspection Services. Unquestionably, Mr. Owner possesses the expertise, experience, and energy necessary to guide the SVH venture to quick success—these managerial qualities are viewed as another competitive advantage.

Realistic pro forma projections forecast that SVH will, indeed, succeed. First full-year sales, gross profit, and net income will be \$192,500, \$82,500, and \$35,720 respectively. The pro forma balance sheet projects \$8,800 of year-end owner's equity. Astute cash management will allow for full repayment of the \$15,000 draw from the \$20,000 First Interstate Bank line of credit by year-end. The line of credit instrument has been chosen because SVH's credit needs are short-term and cyclical in nature. If needed, Mr. Owner can use part of his portfolio of marketable securities to collateralize this instrument. SVH's pro forma statements were constructed conservatively including the retention of \$11,000 in unsold inventory at year-end, generous allowances for all business costs, and \$1000 in miscellaneous expenses.

In summation, Stuart Value Homes will become a good member of the Anycity community. It will provide a viable solution to the area's prevailing housing crunch. Customers will benefit by purchasing clean, modern, and functional housing at bargain prices. The large finance companies that have repossessed these homes will be able to liquidate their "problem properties." SVH is, thus, poised for a future of productivity and prosperity.

Table of Contents

Cover Page.....	<i>i</i>
Business Logo.....	<i>ii</i>
Executive Summary.....	<i>iii</i>
Table of Contents.....	<i>vi</i>
Business Plan for Stuart Value Homes.....	1
Vision and Mission Statement.....	1
Business and Industry Profile.....	2
Business Strategy.....	4
Company Products and Services.....	6
Marketing Strategy.....	11
Location and Layout.....	13
Analysis of Competition.....	14
Management Capabilities.....	16
Plan of Operation.....	17
Financial Forecasts.....	20
Loan Proposal.....	22
Addendum A1—Owner Resume.....	24
Addendum A2—Chase Bank Repo List.....	27
Addendum A3— County Census Statistics.....	28
Addendum A4—Sample Mobile Home Floor Plan.....	31
Addendum A5—SVH Pro Forma Financial Statements.....	32

Business Plan for Stuart Value Homes

Vision and Mission Statement

Stuart Value Homes (SVH) will engage in purchasing, restoring, and selling late model used and repossessed mobile homes in Anycity, Anystate and the Northeast AnyState area. The company will cater to young, single and newly married customers who need starter homes at affordable prices. Secondary markets will include the elderly and transitory workers. SVH will become a genuine asset to the community of Anycity because it will provide affordable housing to its lower-end citizenry—presently this market segment is drastically underserved. Competitive advantages (mainly acquiring and reselling homes at bargain-basement prices) will allow the company to serve this lower-end market niche. SVH will be knowledge-based—it will use superior research techniques, technology, and strategic business practices to present the right product at the right price at the right place and time. It will be a progressive company that will constantly scan the business horizon for opportunities of horizontal and vertical integration within the mobile home industry in Anycity and other market areas. In summation, the company's mission statement will read as follows:

Stuart Value Homes strives to be Anycity, AnyState's clear choice as **the** provider of modern, clean, functional, and affordable housing—beneficiaries of this venture include the community, lower-income and elderly citizens, and the company itself.

SVH is a start-up business; but it benefits from several years of experience in the industry in Northeastern AnyState. The manager owned and operated a business in this area called "Stuart Mobile Home Parts & Service" for 19 years. The Stuart name still has a good reputation in the Anycity area, and it is well worth reusing. The word "Value" is used because it conveys a connotation of worth, favorable price, and budget-friendliness. Mobile homes (or more politically correctly "manufactured housing") are homes, so use of the word "Homes" is appropriate. Thus, the Stuart Value Homes name will become synonymous with affordability, quality, honesty, and integrity in the community of Anycity, AnyState, and it will help lower-income residents proudly stake their claim to home ownership.

Business and Industry Profile

SVH's future is marked by aggressive but realistic goals, and success-oriented objectives. The SVH name will become synonymous with value. A long-term goal is for the company to firmly establish itself with a reputation of selling high quality homes at a bargain price. In addition, the company will be highly regarded in the strictest ethical standard and as a responsible and contributory citizen of the community. Lastly, SVH will constantly scan the area's business horizon for opportunities to expand its base of productivity.

SVH's will achieve its goals by following a well-defined roadmap of objectives toward organizational success. One immediate objective is for the company to successfully market one home per month. This rate of sales will provide the sales volume necessary to firmly establish the company in only its first year of existence. Expenses will be trimmed wherever possible, and the company will adhere to a strict cash budget—the first year target is to net at least \$3,000 in operating profit per home sold. SVH will

keep fastidiously accurate monthly and year-end records; and this data will be organized and analyzed to identify trends, opportunities, and weak areas. Marketing will be another major focal point. SVH will utilize inexpensive advertising techniques to specifically target the lower-end housing market. SVH will take definitive steps to become a socially responsible entity including monetary support of the Soup Kitchen, Toys for Tots, and the Emergency Clothes Closet, as well as continued membership and involvement in the County Volunteer Fire Department and the Hazardous Material Response Team.

Since 1970, mobile homes have comprised a disproportionately large share of Anycity's housing when compared to national averages. This anomaly is due to Anycity's volatile energy-related economy. Manufactured housing provides an almost instant answer to sudden and massive demands placed on Anycity's housing infrastructure. According to the U.S. Census, mobile homes constituted fully 25.8 percent of Anycity's homes in 2000 (3005 mobile homes out of 11,538 total housing units) compared to only 2.4% nationally (see Appendix A3). Consequently, Anycity's mobile home industry is vibrant and healthy. New mobile home parks are being added almost continually in the area with three new, large parks presently under construction. Manufactured homes will undoubtedly continue to represent a considerable part of Anycity's future housing market.

Market conditions in the local mobile home industry are currently excellent. Existing mobile home parks are nearly full, and newly built parks fill within mere weeks of being opened. Five area dealerships retailing mostly new mobile homes and one business engaged mostly in brokering mobile homes comprise SVH's major competition. In addition, out-of-town dealerships and private party sales represent a considerable volume of sales within the area. SVH will prosper by being Anycity's **only** pre-owned retailer targeting the low-end market specifically.

Business Strategy

As the price of conventional housing has skyrocketed in recent years, the price of manufactured housing has risen drastically as well. The upstart SVH aims to capture the low end of the manufactured housing market in Anycity which is presently underserved. The area's large manufactured home sellers have overlooked this neglected market since their fortunes depend upon the larger sales that the upper-end market provides. SVH will use market research to unearth rare but profitable opportunities. Consequently, SVH will differentiate itself from its closest competitors by operating as a consummate low cost champion.

The company's strengths include its small size. SVH will use its diminutive footprint to its advantage by providing far more responsiveness to its customers than its large competitors can provide. The SVH venture will benefit from considerable financial backing by the owner including a six-figure stock portfolio and plentiful cash reserves. The company will aggressively market its product with inexpensive but effective advertising techniques. For instance, SVH will make wide use of the want ads, hand-made flyers and posters, and word of mouth. It will also leverage its management's business, technical, and practical knowledge to outperform competitors. For example, tight budgetary and fiscal control will be exercised within the company's hand-on management system. Acquired homes will be thoroughly checked out to make sure they are in prime sales condition. They will be priced competitively and located in selected areas within the company's targeted market area. The organization will also benefit from

the owner's Bachelor's Degree in Business Administration undertaken at Regis University of Denver, CO. This degree will be highlighted by the successful completion of RU's Managing Small Businesses course. Lastly, SVH will benefit strategically by constructing and maintaining a professional quality business plan. This item alone will most likely separate the SVH venture from the rest of its competition.

SVH's small size is also a potential weakness. For instance, the company cannot afford to advertise as extensively or to carry as much sales stock as its competitors. In addition, the company will undertake considerable risk by depending upon an extremely narrow slice of the area's housing market for its livelihood. SVH will consist of only one employee, and this could work against the company at times. In addition, the Stuart Value Homes name is not well established, and it could suffer from lack of brand recognition initially. Financially, the company must continually monitor costs, and it must be prepared for extended periods with no sales. Finally, SVH's source of affordable mobile homes could also become depleted in time. Admittedly, the SVH business concept is not without potential weaknesses.

Vast opportunities also exist in SVH's market environment. The company has considerable opportunities of expansion available. The company can vertically integrate by expanding into related areas of the mobile home business such as mobile home parks, financing, insurance, parts, service, transportation, and brokering. In addition, SVH can duplicate its entire concept in other selected areas through horizontal integration. The company can also diversify into new and completely unrelated businesses in Anycity or other areas. SVH will position itself as a formidable barrier to entry for all new competitors—the company's competitive advantages could be managed to a level of efficiency that would be extremely difficult for a competitor to duplicate.

SVH's business environment is also subject to several threats. The most glaring one is the low barrier to entry of this business. The local and national economy also could dampen the company's prospects. As previously mentioned, Anycity is greatly subject to the influences of a volatile energy-related economy. In the future, rising labor costs could also hamper SVH's productivity. Mobile home buyers often face difficulties in financing mobile homes. This is especially true for younger people who often lack a credit history or have a bad credit history. Financing obstacles will definitely pose operational threats to the company at times. The owner's health represents a significant threat to the company. In 1998, he underwent a back surgery to alleviate a ruptured disk after 19 years in a gruelingly laborious business. After rehabilitation, doctors advised the owner to find a less-demanding occupation. The owner simply cannot involve himself in heavy lifting or intensive manual labor—employees will be hired to perform all labor-intensive duties.

SVH's small size and low-end focused strategy define the company primarily as a competitive cost leader. Low overhead and other cost savings will enable the company to set the pricing standard in Anycity. In addition, the targeting of the bottom end of the mobile home buying public will enable SVH to secondarily utilize a focus strategy. This combined strategy will enable the company to place lower-income customers into mobile homes and simultaneously provide the company with impressive profit margins.

Company Products and Services

Mobile homes have come a long way in the last 25 years. In the past, these homes on wheels (they were commonly called "trailer houses" in the old days) could be

towed behind the family pickup truck—they were shabbily built, flimsy, drafty, and cramped. People who lived in these structures were dishonorably called “trailer trash”—the entire industry reeked of a bad image, a bad product, and a bad reputation.

Since then, things have changed in the blossoming mobile home industry. Today’s homes are high quality, well built, convenient, energy-efficient, and spacious structures; the politically correct term for today’s modern mobile homes is “manufactured housing.” Floor plans are professionally done, and high quality materials are used throughout (see Appendix A4 for a modern manufactured home floor plan). Today’s mobile homes provide near-instant housing at affordable prices. Homes are produced to serve a wide variety of markets, and purchasers come from nearly all walks of life.

Pre-owned mobile homes also offer distinct value. Modern manufactured homes retain value to a much greater degree than the “trailer houses” did in the old days. Here it must be stated that mobile homes differ from conventional housing in one extremely important area: depreciation. It is common knowledge that most real estate and conventional housing in particular **appreciates** in value through time. Mobile homes, however, are much like automobiles in that they **depreciate** considerably and continually from the day they leave the factory. SVH will purchase homes that have already undergone significant depreciation of value without having sacrificed too much quality, age, or wear. This anomaly will be used by the company in its quest to succeed as a low-cost provider of housing.

SVH will use every imaginable technique to add features of quality and value to its products. A great many of these enhancements will come at little or no actual cost; for instance, SVH will:

- constantly monitor the local market. Homes will be added to the inventory only if they can be acquired at unquestionable discounts. A good share of these savings will be passed on to SVH’s customers.
- use an extensive condition checklist to purchase and rehabilitate its homes. This tool will help the company quantify a home’s sales condition and value.
- earn lots of “sweat equity” by sprucing up its homes. Paint, Windex, and 409 Clearing Solvent are in reality “Liquid Gold” because they can so easily and affordably add extra value. The entire home will be examined inside and out—appliances, electrical, and plumbing will be checked; carpets and linoleum will be professionally cleaned or replaced, exterior siding will be cleaned and/or repaired, and the yards will be manicured. SVH will attend to every detail.

SVH faces significant local and out-to-town competition. Most of these retailers are not in direct competition for SVH’s target market, but they must nonetheless be noted:

- Great Western Mobile Home Sales is Anycity’s largest, best-established, and most reputable dealer. This locally owned organization sells new homes from a great, new location, and their prices range from \$30,000 to \$100,000. Great Western is known for good quality and great service.
- Iseman Mobile Homes is perhaps the one of the area’s poorer competitors. This dealership is part of a regional chain. Its employees are underpaid and less skilled, and its homes are of average value at best. Iseman’s prices are almost identical to those of Great Western (and it is located adjacent to Great Western).
- Powder River Mobile Homes is a fairly new entrant into Anycity’s mobile home scene. This company also is part of a regional organization, but its management

and employees are of high quality. Its homes are priced at \$30,000 and up and are of upper-end quality. Powder River occupies a prime sales location.

- Millennium Homes is the area's newest retailer. I have not been able to learn much about this organization, but the location of its sales lot is the poorest of all local competitors. This retailer sells a lower- to mid-range quality of homes.
- Shelter West is perhaps SVH's most direct competition. This company sells some used homes, but its main business is in the mobile home brokerage business. Shelter West advertises steadily in the want ad section, and unquestionably, it seeks some of the same customers that SVH will. This competitor will be watched closely.
- Out-of-town dealers also present significant competition. Anycity shoppers are known for traveling several hundred miles from their hometown to find deals. They most often travel to Casper, WY; Rapid City, SD; and Billings, MT. Out-of-town sales typically involve mostly new, expensive homes though, and these dealers are not considered to be formidable competitive threats to SVH.
- Private sellers of mobile homes represent another serious competitive threat. These individuals mostly operate from a competitive disadvantage because of incomplete and/or inferior market information and other retail resources. In addition, many of them have financed their homes at higher interest rates, and before significant depreciation has eroded their homes' value. In essence, many private sellers cannot sell at the deep discounts available to SVH. Sales prices, age of the homes, and quality runs the full gambit in this market. At times, SVH will actually purchase some of its stock from private sellers.

SVH will benefit from a unique and potentially powerful competitive advantage.

Its owner is an agent for Professional Inspections (PI), a company that coordinates condition reports on mobile homes that are in the earliest phase of repossession. PI caters to large financiers like Chase Bank, Citicorp, Conseco, and Greenpoint Financial. As a PI agent, SVH's owner gains exclusive knowledge about mobile homes that are about to be repossessed. The finance companies are motivated to sell these homes often at deep discounts to market valuations. SVH intends to bid on and purchase only those homes that are in the best condition, are priced far below book value, are modern and late models, and are located in the most desirable mobile home parks. The owner will use *NADA Valuation Guide* (available for free at the County Library) to help determine purchase and sales prices. Thus, purchased homes will provide the company with a considerable margin of profit. The owner sees this arrangement as potentially one of SVH's most powerful competitive advantages.

House shoppers will benefit mightily by purchasing an SVH home. Buyers will move into a clean, modern home that is already set up in a contemporary, amenity-laden mobile home park. Utilities will be connected, and their respective accounts will only need to be transferred into the buyer's name. Buyers will be able to spend their housing dollars on equity instead of throwing money away by renting. SVH homeowners will benefit from the pride and security of home ownership. The greatest benefit, though, will be in cost. SVH homebuyers will purchase homes at below-book prices in many cases. In addition, they will benefit from legendary quality in their newly purchased homes. Last, SVH will stand behind its homes—customer complaints will be heard and responded to immediately; and corrective actions will be taken without hesitation.

Marketing Strategy

Housing, like food, is a basic human need—everyone needs a place to live. The median sales price for homes sold in the U.S. today is \$185,000—a great many people simply lack the resources or income necessary to purchase homes at these inflated prices <http://www.economagic.com/em-cgi/data.exe/cenc25/c25m01>. SVH will focus on pre-owned and repossessed manufactured housing as the *product* element of the four Ps of marketing. The manager possesses vast knowledge of the entire mobile home industry thanks to his 19 years of experience. His valuable background will be central in the acquisition of high quality homes.

In Anycity, the median home sales price is nearly \$103,000 (see Appendix A3), and again, many potential homebuyers fall through the cracks. New mobile home prices have also skyrocketed out of many potential homebuyers' reach. According to the Forbes Magazine, the average selling price of new mobile homes in the U.S. has reached a lofty \$48,800 (http://www.forbes.com/free_forbes/2002/0930/400072.html). Again, many potential buyers are excluded on a cost basis. In County, a mere 3.2 percent of all homes are valued at less than \$50,000 (see Appendix A3). Clearly, the sales prices of most homes represent a barrier that a great many potential homebuyers simply cannot overcome.

SVH will target County's lower income families—those earning from \$15,000 to \$49,999 annually (see Appendix A3). This segment represents a full 40 percent of County's population. Most of these customers will be 20- to 34-years old, or over 19 percent of County's total population (see Appendix A3). This is unquestionably fertile marketing territory, and the company is projected to garner considerable profit by targeting this segment specifically. SVH will, in essence, strive to become a local "Habitat for Humanity on Wheels" by providing high quality discount mobile homes. The *price* element of SVH's marketing mix is therefore defined as deeply discounted manufactured housing.

The *place* component of the four Ps will also be a distinct advantage for SVH. The company will purchase homes that are already situated in prime mobile home parks in Anycity. When a customer inspects an SVH home, it will be fully lighted, furnace or air conditioner operating, and it will be solidly situated on a foundation. The competition's stock, by comparison, will be crammed into a sales lot, unsteady because of temporary support, dark, and uncomfortably cold or hot depending on the season.

Promotion, the last P of the marketing mix, will also be a SVH focal point. The company will develop a comprehensive strategy catering specifically to the targeted low-end market. Want ads in the local newspaper will run continually. Posters will be hung on bulletin board in grocery stores, Laundromats, and restaurants. The owner will pass out business cards to everyone imaginable. The company will completely administer its own advertisement and promotion program, and it will embody true guerrilla low-cost tactics. First-rate, effective promotion does not have to be expensive.

SVH will not "bet the farm" on this business concept in its first year of operations. Instead, it will operate as a business prototype in order to test the proposed business model. Initially, the company will purchase and hold in its inventory one or an extreme maximum of two homes. This will allow for continual monitoring of sales conditions and testing of the SVH business concept without committing too many resources. This prototyping period will encompass one full year, and at that time the

company will consider securing larger sums of financing and turbocharging the model only if the prototypical period proves successful.

SVH's owner has already effectively and unwittingly conducted some of the necessary marketing research over the last 23 years. His 19-year career in the mobile home parts and service business has provided extensive knowledge in nearly all areas of the mobile home industry including the mobile home buying public. In addition, the owner also has broad financial, lending, and money management skills thanks to two years employment as a personal banker. One observation: People generally opt to purchase mobile homes because they lack the resources necessary to buy conventional housing—these people are already in a cost-conscious frame of mind. SVH will capitalize on this propensity for value. This company will employ every cost saving tool available in order to literally blow away the competition.

Location and Layout

For at least the first year, SVH will be headquartered in the owner's home. The location of the company's office is not critically important since the customer's only contact with the office will be at the closing—the customer will have already decided to purchase the home, and SVH's office location will be of little consequence. The home-office concept also contributes mightily to the company's cost-cutting strategy.

The location of SVH's sales homes will, however, be vitally important. Acquired homes will either be purchased in upscale mobile home parks, or they will be transported to premium locations. SVH will thus face monthly rent charges in these mobile home parks until its homes are sold. Mobile home lot rent averages \$225 per month in Anycity. If the company's homes remain unsold for considerable lengths of time, this cost could eat into profits considerably. SVH management considers these costs to be justified because they allow for the best possible presentation of the homes to the customers.

SVH will concentrate its sales homes in Anycity's nicest parks and within a ten-mile radius of the manager's home. These are prime locations with easy access and near popular shopping areas, churches, schools, parks, and health care facilities. They will have grassy, well-groomed yards, paved and lighted streets, ample parking, cable TV, and city water service. In addition, keeping sale homes within a ten-mile commute of the owner's home will enable SVH to cut costs, target a more specific market, and provide better customer service.

As stated previously, SVH will not employ any workers initially, but within the first three years, additional personnel will inevitably be needed. SVH employees will not require extensive industry-specific knowledge or training. The company anticipates that a sufficient supply of workers will be available whenever labor force additions become necessary. SVH will likely need additional personnel within two years after its first year of operations (the first year will serve as a prototypical period).

Analysis of the Competition

As previously stated, SVH is not without formidable competition. Consequently, an analysis of these competitors serves to identify and quantify areas of opportunity and concern. The following chart analyzes the company's main rivals and assigns estimated valuations to selected competitive areas on a scale of 1 to 5 with 1 being the weakest measurement:

<i>Company</i>	<i>Market Share</i>	<i>Price</i>	<i>Name Recognition</i>	<i>Quality of Service</i>	<i>Reputation</i>	<i>Totals</i>
SVH	1	5	1	5	5	17
Great Western	4	2	5	4	4	21
Iseman	3	2	4	2	1	12
Powder River	3	3	3	3	3	15
Millennium	2	4	2	3	4	15
Shelter West	3	5	3	4	2	17
Out-of-Town	2	2	2	2	2	10
Private Sellers	3	2	1	1	1	8

SVH will **begin** operations with a respectable overall competitive score of **seventeen**. The company's most glaring competitive weaknesses are in the areas of market share and name recognition—these areas will receive immediate and continual attention.

The above table also quantifies the competitive threats presented by SVH's closest competitors: Shelter West (also with a score of 17), and private sellers (with a score of eight). At this point, the private sellers category will be de-emphasized because of its insignificant score, and Shelter West will be closely examined because it has a score of 17—identical to that of SVH. Shelter West mainly acts as a brokerage matching mobile home sellers with potential buyers for a price. This company has an office suite located in a professional building in Anycity. Its want ads appear each day in the local paper, and it pays finder's fees for sales referrals. Overall, Shelter West is generally strong in the same competitive areas as SVH—namely in the areas of price and quality of service. It outpaces SVH's marks in the areas of market share and name recognition. SVH has a better reputation (residual from the old Stuart Mobile Home Parts name) than Shelter West. SVH will focus on name recognition by heavily concentrating on affordable advertisement in the Anycity area. The market share category will take care of itself if SVH management does a good job in all other areas.

In summation, Shelter West's business model and target markets are presently not homogenous enough with those of SVH to pose a significant threat. Although the barriers against entry into this business are not great, the company will use its extensive knowledge, skills, reputation, quality, and capabilities; and eventually the company will gain deep entrenchment within the market which will present a formidable defense against all existing and potential competitors. SVH will, thus, prosper amid Anycity's competitive retail mobile home sales environment.

Management Capabilities

SVH's owner possesses all the skills necessary to propel SVH toward success. He has lived in Anycity for 25 years, knows the area and its economic tendencies, and has built an extensive network of professional and personal contacts. Practical repair and condition assessment skills have been developed by 19 successful years in the mobile home parts and service business. In addition, the owner's education features mostly business-oriented classes with the addition of strong writing, mathematical, technical, and interpersonal skills. Two years of experience as a Personal Banker provide superior knowledge in the areas of banking, lending, investments, and finance. Finally, the owner acts as an agent for Professional Inspections (PI), a company in the business of providing mortgagors with condition reports of mobile homes that are soon to be repossessed. Together these intellectual assets provide SVH with unequalled competitive strengths and capabilities.

SVH will need additional personnel at some point in the future. One of the first additions to the company's personnel will be a general laborer. This person will perform menial and labor intensive tasks such as painting, cleaning, mowing yards, hauling debris, and performing minor repairs. This employee will be paid \$10.00 per hour—a good wage for unskilled workers in the Anycity area (source: AnyState Job Service). This individual must have a current and clean motor vehicle driver's license. The company may be able to employ a high school or college student for this job since the summer months are anticipated to be the busiest. The owner is precluded from performing extremely laborious tasks because of a bad back condition. He will be paid a \$2,500 monthly stipend for the first year.

The next position to be added will be an administrative assistant. This position will consist of general record keeping, filing, interacting with customers, preparing professional documents, invoicing, issuing checks, and ordering supplies. The prevailing rate for this type of employee in Anycity is now \$11.50 per hour according to the AnyState Job Service. This individual must have at least five years secretarial experience, superb interpersonal skills, enthusiasm, and self-directional motivation.

Plan of Operations

Stuart Value Homes (SVH) will surface as a small, one-man organization. This company will begin as a simple sole proprietorship, so no legal or other professional expertise will be needed in its earliest phases of existence. However, SVH plans to eventually grow its business vertically by seizing cost-effective opportunities in the areas of mobile home financing, parts and service, appraisal, storage, transporting, new and used mobile home sales, brokering, parks, and insurance. SVH's ultimate goal is to become Anycity's one-stop shopping center for virtually any mobile homes-related need. Naturally, the company will eventually need a number of qualified employees to effectively service all these areas.

SVH employees (team members) will be the best-paid mobile home workers in the Anycity area (presently in the \$12 to \$14 dollar-per-hour range). They will receive standard wages which will be supplemented by performance-based bonuses. In addition, they will receive a package of regular benefits, and in addition, they will pick from a café of optional benefits including a high-quality 401-k Plan (SVH will match dollar for dollar up to 6% of adjusted gross income). Year-end bonuses will be awarded for high productivity achievements. SVH will employ a comprehensive employee handbook to

which employees can refer for answers to most areas of employment. Team members will receive the latest training and tools with which they will be enabled to perform safe and exceptional work. Some formal work groups will be mandatory, and informal gatherings will be encouraged. All managers will observe an “open door policy” by which employees can discuss literally any issue in an unthreatening atmosphere. Cross-functional teams will strive to expose subsurface problems, formulate better working practices, and optimize physical, financial, and human resources. SVH will be more than a place to work or earn a living—it will be a family, an enthusiastic environment, and a place that all team members can proudly work. Together the team will establish and overcome challenges and disappointments, reach for goals, and celebrate successes.

SVH’s organizational structure will be fairly flat with Owner as owner and team leader. Second-level managers (this management layer will be added several years into the future) will be responsible for the areas of sales; finance and bookkeeping; and installation, fabrication, service and repair. Naturally, employees will be hired to fully staff each of these areas. Weekly meetings will be held within departments as well as within the management level. Monthly recognition sessions will reward SVH’s top achievers and encourage all other team members. Customer satisfaction and quality of work will be SVH’s bywords.

Since SVH’s expansion phase is not scheduled for the imminent future, individual job responsibilities, skills, responsibilities, compensation packages, etc. are not discussed in this report. The company anticipates seizing expansion opportunities in areas unforeseen at this time, and management and staffing will be formulated at that time depending on the type of business acquired. For now, the company needs to establish a strong foothold in the community by building a widely recognized reputation for honesty, savings, quality, service, and value.

Initially, the company’s professional needs will be minimal. SVH will be operated on a shoestring in its earliest stages. The owner/operator will handle literally all operational functions with the notable exception of consulting with a certified public accountant, a lawyer, a business banker, and an insurance professional. Banking and insurance professionals will provide their services in exchange for SVH’s business, and the CPA will handle year-end and income tax duties for about \$300 per year (based on past experience). Eventually human resource, marketing, legal and other experts will be needed. The owner/manager and supervisors will attend annual trade shows in order to stay abreast of the newest industry trends and innovations. The Internet and trade magazines will also be utilized extensively.

Each employee and the owner/manager will undergo quarterly performance evaluations. These will be informal sessions in which the employee will be encouraged to freely express concerns, grievances, achievements, and disappointments. A positive direction will be stressed, and selected performance measurements will be noted. Further training and workgroup support will address weak areas. Annual reviews will be more comprehensive in nature, and goal setting for the upcoming year will be the main focus. SVH will subscribe to a fair and consistent hiring methodology, and termination or layoff will only occur as an unavoidable last resort. SVH will comply with all federal, state, and local employment laws. A standard hiring process will be utilized which will rank prospective employees based on a variety of skills and qualifications.

Financial Forecasts

SVH’s income statement assumes that homes can be purchased for \$11,000 and resold for \$17,500 (See Appendix A5). An investigation of sales prices of repossessed mobile homes of the size and age desired revealed an average selling price of about \$11,000. This research was conducted at the County Treasurer where these records exist as public information. The average selling price was determined after two months of monitoring similar homes’ sales prices in the Anycity NewsRecord want ads. Since lending needs will be short-term in nature, a \$20,000 Unsecured Line of Credit will be obtained at an area bank. The manager might opt to use existing funds for start-up but is seriously considering obtaining a \$20,000 Line of Credit from First Interstate Bank in order to build a more viable credit history which in turn will enable future leveraging of vertical and horizontal expansion. The company will purchase insurance including liability insurance, health insurance, and property insurance for the inventory.

SVH intends to begin operations in “bootstrap fashion.” Costs will be cut, minimized, and eliminated wherever possible. Many company resources will be obtained for free or at very low cost. For instance, research at the County Courthouse and the County Public Library will be accessed free of charge. Internet research is a bargain at a flat rate of \$20 per month—the NADA Appraisal site is available online, and this is a valuable resource in helping to determine purchase and sales prices. No employees will be used for the first year which will not only cut costs, but it will also greatly reduce the amount of time required for employment compliance and record keeping.

SVH’s financial motto for year-one will be *KISAI*, “Keep it Simple and Inexpensive.” Plenty of financial safety is built into SVH’s business plan. Fully \$5,000 of the Line of Credit is to be reserved for emergencies or unplanned expenditures. An additional \$1000 per year is budgeted as a miscellaneous expense item. Estimates of most costs are absolute worst-case scenarios. Finally, sales projections call for one home to remain unsold in the inventory. Admittedly, the stream of income will not be as predictable or as steady as projected, but the company intends to use seasonality to its advantage by acquiring homes at sharply reduced prices in economically slow times. The sales and purchasing timing anomaly may require additional financing, but the savings in purchase price will more than offset these additional costs. SVH will ride the *KISAI* motto to prosperity.

SVH expects to achieve at least the following performance targets each year:

Annual Gross Sales Growth.....	15%%	Return on Equity.....	15%
Annual Net Earnings Growth	15%%	Current Ratio.....	2:1
Net Profit Margin.....	10%%	Quick Ratio.....	1:1
Return on Assets	10%%	Debt Ratio.....	2:

Loan Proposal

SVH’s owner has applied for and has been approved for a \$20,000 line of credit from First Interstate Bank. This credit instrument will be secured with a portion of the owner’s stock portfolio. The variable interest rate will start at 6.9% APR with an additional annual fee of \$75. First Interstate’s Online Banking allows a simple transfer from the line of credit into SVH’s business checking account enabling easy access to these funds.

Eleven Thousand Dollars of the line of credit will be utilized for the purchase of homes, and \$4,000 will be used for operating and start-up expenses. SVH will make interest-only payments for the first few months, but will also begin making principal payments in the fourth month of operations. By year-end, the line of credit is slated to be

completely repaid despite the fact that one mobile home will remain in the inventory unsold.

The SVH venture is not immune to risk, but this upstart company will significantly mitigate risk at every opportunity. The utilization of a prototype model the first full year will effectively limit the company's risk exposure. Essentially, the company will not purchase an additional home until the existing inventory has been sold. Using the one-unit-at-a-time strategy, SVH should not face total debt of more than \$15,000 in the first year of business. Please refer to Appendix A5 for SVH's first full-year monthly running Pro Forma Income Statement for a portrayal of projected line of credit repayments.

Appendix A1

RESUME**BUSINESS OBJECTIVE**

I wish to build a successful organization through which I can enable selected consumer groups to purchase affordable housing. My organization will conduct honest and ethical business, and the company will be an asset to the entire County community.

WORK EXPERIENCE

Personal Banker: Wells Fargo Bank, Anycity, AnyState, September 2001 to present.

- Customer service duties.
- Profiling and referring customers.
- Opening deposit accounts:
 - ? Checking.
 - ? Savings.
 - ? Certificates of deposit.
- Application for and closing of credit accounts:
 - ? Home equity.
 - ? Auto.
 - ? Unsecured.
 - ? Credit cards.
 - ? Lines of credit.
- Obtained Resident Accident/Health/Life Insurance Producer's License in July 2002.
- Appointed to bank officer position in November 1, 2001.
- Current notary public certification.

Mobile Home Inspector: Professional Inspection Service, Inc., Albuquerque, NM, since August 2002.

- Photographic and written condition reporting.
- Investigation of rent due.
- Lockset changes and freeze protection of plumbing.
- Delinquent Customer/Mortgagor contacting.

Business Owner/Operator: Stuart Mobile Home Parts and Transport, March 1979 to Nov. 1998.

- Extensive experience in customer relations and sales.
- Self-motivational setting.
- Inventory and merchandise ordering/pricing/stocking skills.

- Commercial Driver's License maintained since 1987.
- Extensive administrative skills.

FINANCIAL EXPERIENCE

Investments:

- Construction of personal investment portfolio, 1989 to present.
 - ? Stocks.
 - ? Bonds.
 - ? Mutual Funds.
 - ? Money Market Funds.
 - ? Use of stock analysis computer program and investment methodology.
- Acting trustee for the Family Estate.
- Management of commercial rental property.

EDUCATION

Regis University: Denver, Colorado, September 2002 to present.

- In process of obtaining Bachelor's Degree in Business Administration.

Anycity Community College: Anycity, AnyState.

- Selected as the AnyState Centennial Scholar for 2001.
- All-USA Academic Team nominee representing the Anycity Campus, November 20, 2000.
- Associate of Arts and Science Degrees in Business Administration earned May 11, 2001.
- 4.0 cumulative grade point average through five semesters, spring 1999 through spring 2001.
- Selected to Anycity Campus President's List five consecutive semesters.
- Strong writing skills.
- Computer skills:
 - ? Microsoft Office Suite.
 - ? Internet and Email proficiency.
 - ? Corel WordPerfect Suite.
 - ? Netscape Web-building tools.

HONORS AND ACTIVITIES

Students in Free Enterprise (SIFE): Member September 2000 through May 2001.

Anycity Campus Student Government Scholarship: Recipient, spring 2000.

Anycity Campus Student Government: Senator October 1999 through May 2001.

Anycity Campus Journalism Club: Editor and President, October 1999 through May 2001.

Phi Theta Kappa: Member since September 1999. Elected Vice-president for 2000-2001 term.

County Hazardous Materials Response Team: Member, February 1995 to present.

- Technician level of certification.
- Hazardous materials decontamination course instructor.

County Volunteer Fire Department: Member, December 1994 to present. Extensive experience and training within a teamwork setting.

Appendix A2

Chase Bank Repo List

Ref#	Community	State/City	Address	Year/Make	Size	Bed	Bath
1102-179205	Center MHC	MT, Butte	2290 Cobban St	97 Fairmont	16x76	3	2
1100-927902	Highland Trailer Park	MT, Great Falls	1505 Adams Blvd	99 Kit	28x56	3	2
1200-299533	Wagon Wheel	MT, Missoula	3360 Big Flat Rd #13	01 Liberty	16x80	3	2
1102018387	Corican Village	MT, Missoula	20900 Corigan Lane #9	00 Champion	16X76	3	2
1101-439022	Park Village MHP	SD, Aberdeen	1623 10th Ave SW #1218	97 Highland	28x60	4	2
601994072	Monument Park	SD, Sioux Falls	3115 Cypress Place	92 Fairmont	14X72	3	2
601955750	Country View MHP	SD, Sioux Falls	5802 Bluebird Ave	01 Patriot	26X56	3	2
1101911327	Country View MHP	SD, Sioux Falls	5807 Wren Place	00 Liberty	28X60	3	2
1101817516	Misty Glenn MHP	SD, Sioux Falls	6012 S. Canterbury Place	95 Liberty	28X70	3	2
0601-987605	Powder Hills MHP	SD, Sioux Falls	107 S. Rochelle Place	98 Champion	16x80	3	2
1101-525366	Horizon MHP	WY, Green River	688 Antelope Dr #80	99 Duchess	28x80	3	2
1101-801901	Private Property	WY, Riverton	20 Dodrill Rd	97 Schult	16x80	3	2
1101068771	Westview MHP	WY, Anycity	3201 Echeta Rd	96 Skyline	16X80	3	2
1102197546	Highview MHP	WY, Anycity	6707 Ichabod	01 Champion	16X76	3	2
1101023719	Antelope MHP	WY, Anycity	600 S. Garner Lake Rd #42	95 Liberty	16X76	3	2
1101979902	Foothills MHP	WY, Anycity	224 Jacarilla	00 Redman	16X72	3	2
1200143855	Heidi MHP	WY, Sheridan	1116 4th Ave. #13	95 Chief	16X70	2	2

FICO 640+ Down Payment: Singles - \$500 / Doubles - \$1000				Repo Sheet is the Retail Inventory List			
---	--	--	--	--	--	--	--

FICO Score under 640 is 5% Down Payment							
--	--	--	--	--	--	--	--

Interest Rates 8.99% to 13.99% OAC Max Term 30 years (based on age of unit)				1-800-255-6761 ext. 2986			
--	--	--	--	---------------------------------	--	--	--

Sheet Key:	W - Accepting Wholesale Offers	* - All Reasonable Offers Considered
-------------------	---------------------------------------	---

All offers need to be faxed to the number below (800) 338-0492.

--	--	--	--	--	--	--	--

Appendix A3

Table DP-1 Profile of General Demographic Characteristics: 2000

Geographic area: County, AnyState

* Retrieved from <http://censtats.census.gov/data/WY/05056005.pdf#page=4> from the U.S. Bureau of the Census, Census 2000.

[
Total population.....	33,698	100.0%	Married-couple family	7,302	59.8%
SEX AND AGE			With own children under 18 years	3,981	32.6%
Male	17,308	51.4%	Female householder, no husband present	1,070	8.8
Female.....	16,390	48.6%	With own children under 18 years	829	6.8
Under 5 years	2,484	7.4%	Nonfamily households	3,203	26.2
5 to 9 years	2,757	8.2%	Householder living alone	2,460	20.2
10 to 14 years	3,105	9.2%	Householder 65 years and over	476	3.9
15 to 19 years	3,140	9.3%	Households with individuals under 18 years	5,548	45.4
20 to 24 years	2,156	6.4%	Households with individuals 65 years and over	1,239	10.1
25 to 34 years	4,347	12.9%	Average household size.	2.73 (X)	
35 to 44 years	6,542	19.4%	Average family size.....	3.16 (X)	
45 to 54 years	5,269	15.6%	HOUSING OCCUPANCY		
55 to 59 years	1,258	3.7%	Total housing units.	13,288	100.0
60 to 64 years	869	2.6%	Occupied housing units	12,207	91.9
65 to 74 years	1,087	3.2%	Vacant housing units.	1,081	8.1
75 to 84 years	501	1.5%	For seasonal, recreational, or		
85 years and over	183	0.5%	occasional use.	215	1.6
Median age (years)	32.2	(X)	Homeowner vacancy rate (percent).	1.2	(X)
Total population.....			Rental vacancy rate (percent).....	9.0	(X)
33,698			HOUSING TENURE		
100.0%			Occupied housing units	12,207	100.0
Householder	12,207	36.2%	Owner-occupied housing units	8,989	73.6
HOUSEHOLD BY TYPE			Renter-occupied housing units	3,218	26.4
Total households.....	12,207	100.0%	Average household size of owner-occupied units.	2.88	(X)
Family households (families).....	9,004	73.8%	Average household size of renter-occupied units	2.33	(X)
With own children under 18 years	5,267	43.1%			

- Represents zero or rounds to zero. (X) Not applicable.
Source: U.S. Census Bureau, Census 2000.

Table DP-3.Profile of Selected Economic Characteristics:2000

Geographic area: County, AnyState

OCCUPATION

Management, professional, and related occupations	4,305	23.9
Service occupations	2,468	13.7
Sales and office occupations	3,798	21.1
Farming, fishing, and forestry occupations.....	119	0.7
Construction, extraction, and maintenance occupations	4,265	23.7
Production, transportation, and material moving occupations	3,020	16.8

INCOME IN 1999

Households.....	12,242	100.0
Less than \$10,000.....	761	6.2
\$10,000 to \$14,999.....	499	4.1
\$15,000 to \$24,999.....	1,280	10.5
\$25,000 to \$34,999.....	1,453	11.9
\$35,000 to \$49,999.....	2,187	17.9
\$50,000 to \$74,999.....	3,227	26.4
\$75,000 to \$99,999.....	1,779	14.5
\$100,000 to \$149,999.	791	6.5
\$150,000 to \$199,999.	142	1.2
\$200,000 or more	123	1.0

Median household income (dollars) 49,536 (X)

Families	9,124	100.0
Less than \$10,000.....	321	3.5
\$10,000 to \$14,999.....	257	2.8
\$15,000 to \$24,999.....	701	7.7
\$25,000 to \$34,999.....	1,077	11.8
\$35,000 to \$49,999.....	1,702	18.7
\$50,000 to \$74,999.....	2,631	28.8
\$75,000 to \$99,999.....	1,538	16.9
\$100,000 to \$149,999.	681	7.5
\$150,000 to \$199,999.	115	1.3
\$200,000 or more	101	1.1

Median family income (dollars) 53,927 (X)

Per capita income (dollars)¹ 20,063 (X)

Median earnings (dollars):

Male full-time, year-round workers..... 41,814 (X)

Female full-time, year-round workers 21,914 (X)

POVERTY STATUS IN 1999

Families **507** **5.6**

See text.

Source: U.S. Bureau of the Census, Census 2000.

Appendix A5

Table DP-4.Profile of Selected Housing Characteristics:2000
 Geographic area: County, AnyState

Total housing units.....	13,288	100.0
UNITS IN STRUCTURE		
1-unit, detached.....	6,698	50.4
1-unit, attached	794	6.0
2 units	169	1.3
3 or 4 units	621	4.7
5 to 9 units	309	2.3
10 to 19 units	425	3.2
20 or more units	752	5.7
Mobile home.....	3,432	25.8
Boat, RV, van, etc	88	0.7
Specified owner-occupied units	5,344	100.0
VALUE		
Less than \$50,000.....	172	3.2
\$50,000 to \$99,999.....	2,345	43.9
\$100,000 to \$149,999.	1,953	36.5
\$150,000 to \$199,999.	509	9.5
\$200,000 to \$299,999.	312	5.8
\$300,000 to \$499,999.	45	0.8
\$500,000 to \$999,999.	--\$	
1,000,000 or more.....	8	0.1
Median (dollars)	102,900	(X)
MORTGAGE STATUS AND SELECTED MONTHLY OWNER COSTS		
With a mortgage	4,413	82.6
Less than \$300	7	0.1
\$300 to \$499	150	2.8
\$500 to \$699	808	15.1
\$700 to \$999	1,974	36.9
\$1,000 to \$1,499	1,153	21.6
\$1,500 to \$1,999	252	4.7
\$2,000 or more	69	1.3
Median (dollars)	879	(X)
Not mortgaged	931	17.4

Median (dollars)	247	(X)
SELECTED MONTHLY OWNER COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME IN 1999		
Less than 15.0 percent.....	2,215	41.4
15.0 to 19.9 percent	1,241	23.2
20.0 to 24.9 percent	761	14.2
25.0 to 29.9 percent	386	7.2
30.0 to 34.9 percent	228	4.3
35.0 percent or more	482	9.0
Not computed.....	31	0.6
Specified renter-occupied units	3,174	100.0
GROSS RENT		
Less than \$200	178	5.6
\$200 to \$299	115	3.6
\$300 to \$499	1,466	46.2
\$500 to \$749	1,001	31.5
\$750 to \$999	158	5.0
\$1,000 to \$1,499	17	0.5
\$1,500 or more	--	No
cash rent.....	239	7.5
Median (dollars)	463	(X)
GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME IN 1999		
Less than 15.0 percent.....	1,059	33.4
15.0 to 19.9 percent	549	17.3
20.0 to 24.9 percent	289	9.1
25.0 to 29.9 percent	314	9.9
30.0 to 34.9 percent	168	5.3
35.0 percent or more	495	15.6
Not computed.....	300	9.5

-Represents zero or rounds to zero. (X) Not applicable.
 Source: U.S. Bureau of the Census, Census 2000.

Appendix A5

Stuart Value Homes
Pro Forma Balance Sheet
June 30, 2004

Assets

<u>Current Assets</u>		
Cash	\$7,650	
Inventory (at cost)	\$11,000	
Total Current Assets		<u>\$18,650</u>
<u>Fixed Assets</u>		
Equipment	\$1000	
Less accumulated depreciation	\$55	
Total Fixed Assets		<u>\$945</u>
Intangibles (Blue Sky)		<u>\$2,000</u>
Total Assets		<u><u>\$21,595</u></u>

Liabilities

<u>Current Liabilities</u>		
Accounts payable	\$1,000	
LOC payable	\$11,000	
Salary payable	\$1,250	
Taxes payable	\$540	
Total Current Liabilities		<u>\$12,790</u>
<u>Long-Term Liabilities</u>		
No long-term liabilities		<u>\$0</u>

Owner's Equity

Owner, capital		<u>\$8,805</u>
Total Liabilities and Owner's Equity		<u><u>\$21,595</u></u>

Notes: Balance Sheet figures assume that one home will be purchased and resold each month starting in July 2003. At full-year-end, one home will be held in inventory ready to sell. Also included is an annual salary of \$30,000 of which \$15,000 is paid for the second half of 2003 and \$15,000 will be paid in the first half of 2004 (\$2,500 per month). The manager already owns nearly all the necessary equipment including a pickup truck, computer, printer, digital camera, and a wide variety of power and hand tools. No employees will be needed for at least the first full year of operation.

Stuart Value Homes
Pro Forma Income Statement
For the Year Ended June 30, 2004

<u>Cost of Goods Sold</u>	
Sales Eleven homes @ \$17,500 each).....	\$192,500
Inventory	<u>\$11,000</u>
Sales and inventory	\$203,500
Cost of Goods sold (Eleven homes @ \$11,000 each).....	<u>\$121,000</u>
Gross Profit	\$82,500
 <u>Operating Expenses</u>	
Advertising	\$1,030
Insurance	\$2,700
Salaries (Twelve months draw for owner).....	\$30,000
Mobile home lot rent (Twelve months @ \$225/month)	\$2,700
Travel and entertainment.....	<u>\$400</u>
Total Operating Expenses	\$36,830
 <u>General Expenses</u>	
Utilities (temporary utilities for purchased homes)	\$600
Telephone and Internet	\$1,300
Postage	\$100
Taxes.....	<u>\$6,500</u>
Total General Expenses	\$8,500
 <u>Other Expenses</u>	
Interest expense (LOC*—See monthly running cash balance)	\$450
Miscellaneous expenses	<u>\$1,000</u>
Total Other Expenses	\$1,450
 TOTAL EXPENSES	 <u>\$46,780</u>
NET INCOME	<u>\$35,720</u>

*LOC is a \$20,000 unsecured line of credit of which \$15,000 will be utilized and assessed interest.

Stuart Value Homes
Pro Forma Statement of Cash Flows
For the Year Ended June 30, 2004

Cash flows from operating activities:		
Net income (earnings after taxes).....		\$35,720
Adjustments to determine cash flow from operating activities:		
Add back depreciation.....	\$55	
Increase in inventory.....	(\$11,000)	
Decrease in prepaid expenses.....	\$700	
Increase in accounts payable	\$325	
Total adjustments.....		(<u>\$9,920</u>)
Net cash flows from operating activities		\$25,800
Cash flow from investing activities:		
Increase in plant and equipment	(\$1,000)	
Net cash flows from investing activities.....		(<u>\$1,000</u>)
Net increase (decrease) in cash flows		<u><u>\$24,800</u></u>

Note: Cash flow statement reflects one unsold home held in inventory at full year-end.

Stuart Value Homes
 Pro Forma Monthly Cash Budget
 July through December 2003

Budget Item	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Year End
<i>Cash Receipts</i>													
Sales	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$0	
Total Cash Receipts	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$0	\$192,500
<i>Cash Disbursements</i>													
Home Purchases	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$132,000
Rent	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$225	\$2,700
Utilities	\$50	\$50	\$50	\$100	\$150	\$200	\$200	\$200	\$150	\$50	\$50	\$50	\$1,300
Int. and Annual Fee	\$250	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,900
Taxes	0	0	\$1,625	0	0	\$1,625	0	0	\$1,625	0	0	\$1,625	\$6,500
Miscellaneous	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$2,004
Wages	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$30,000
Total Cash Disbursements	\$14,192	\$14,092	\$15,717	\$14,142	\$14,192	\$15,887	\$14,242	\$14,242	\$15,817	\$14,092	\$14,092	\$15,717	\$176,404

Monthly Running Cash Balance

	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Cash beg. of Month	\$0	\$3,233	\$6,566	\$8,274	\$6,557	\$4,815	\$6,378	\$4,586	\$7,844	\$9,527	\$12,935	\$16,343
+ Cash Receipts	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	\$0***
- Cash Expenditures	\$14,192	\$14,092	\$15,717	\$14,142	\$14,192	\$15,887	\$14,242	\$14,242	\$15,817	\$14,092	\$14,092	\$15,717
Cash End of Month	\$3,308	\$6,641	\$8,349	\$11,632	\$9,865	\$6,428	\$9,636	\$7,844	\$9,527	\$12,935	\$16,343	\$626
Borrowing/Payment	\$75*	\$75*	\$75*	\$5,075**	\$5,050**	\$50*	\$5,050**	\$0	\$0	\$0	\$0	\$0
Cash after Borrow	\$3,233	\$6,566	\$8,274	\$6,557	\$4,815	\$6,378	\$4,586	\$7,844	\$9,527	\$12,935	\$16,343	\$626

*\$15,000 Initially borrowed against \$20,000 Line of Credit. * Interest only payment on Line of Credit. ** Interest Plus \$5000 Principal Payment.*

****Cash flow projections assume one home will be held unsold in inventory at year-end.*

Stuart Value Homes
Itemized Pro Forma Startup Expenses

12-month Expense Item	Source of Information	Unit Price	12-month Price
Purchase Homes	County Treasurer	\$11, 042 per home	\$132,504
Gross Wages (draw)	Owner requirements	\$2,500 per month	\$30,000
Self-employment and Income Taxes	Gary White, CPA (based on \$30,000 of taxable income)	21 2/3% of taxable income	\$6,500
Mobile Home Lot Rent	ARC Mobile Home Communities, Anycity, AnyState	\$225	\$1,700
Insurance for stocked homes	Barlow Insurance Agency (Sherry Kreuter)	\$120 per month	\$1,440
General Liability Insurance	Barlow Insurance Agency (Sherry Kreuter)	\$105 per month	\$1,260
Utilities	City of Anycity	Seasonably variable	\$1,300
Telephone	ATT, Qwest Comm./Verizon	\$88 per month	\$1,056
Miscellaneous	Estimate	\$83.33	\$1,000
\$20,000 Secured Line of Credit @ 6.00% plus \$100 Annual Fee	Wells Fargo Bank Commercial Banking (Jan White Vice-pres.)	--	\$1,000*
15-word Want-ad	Anycity NewsRecord	.17 per word per day	\$798
Travel and Entertainment	Estimate	--	\$400
Internet	Visionary Communications	\$20 per month	\$240
Additional sales aids/promotions	Estimate	--	\$230
Postage	Estimate	--	\$100

* \$15,000 of Line of Credit will be accessed and assessed interest--\$5,000 of Line of Credit will be kept untapped for emergencies.