

As Girls Grow: A BUSINESS PROPOSAL

Akamee Baca Malta, Founder, Chief Executive Officer

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I. Executive Summary

As a young girl, As Girls Grow, LLC (AGG) founder and Chief Executive Officer Akamee Baca Malta always had a love for building, inventing, and discovering. With her parent's persistent encouragement, she graduated from the University of New Mexico with a degree in Mechanical Engineering. In her graduating class, there were more than 60 people, but only five were women. These are unacceptable statistics. While jobs in science, technology, engineering and math (STEM) continue to increase, the amount of women filling these positions does not. Although women make up half the U.S. workforce, they hold less than 25 percent of STEM jobs, and an even smaller percentage of engineering jobs. We are cutting out half the talent by ignoring the female population, which is becoming a national economic crisis. We need to get more women into STEM, and our traditional ways of doing this are not working.

What is the solution to this crisis? As a mechanical engineer, a mother, and an education expert, Akamee Baca Malta knows the solution is early exposure to STEM concepts through play to ignite girls' interest at an early age. That is why, in January 2014, she founded As Girls Grow, an Albuquerque-based startup developing a unique STEM learning system. Combining physical toys, digital play, and an online collaborative community, AGG will spark young girls' interests in engineering, and will retain their confidence and excitement beyond school years.

Extensive research and customer discovery has shown that girls are most passionate about two things: they love to tell stories, and there must be a purpose in everything they do. AGG combines these two things in their first line of toys, The Power Planet Girls. The Power Planet Girls joins physical toys with digital play and a collaborative story telling website, as young girls follow a cast of characters on various adventures as they solve real world problems using engineering concepts.

For generations, building toys such as Erector sets have inspired boys to tinker, build and become engineers. There has been nothing similar for girls, until now. The 2015 toy industry market sales showed a drastic 13% increase in sales in building sets, a 10% increase in action figures, and 10% increase in games in just one year. AGG is a combination of building sets, actions figures, and games, which will make an impact on a \$22 billion industry.

AGG is taking engineering toys for girls to a level beyond anything that is currently available on the market by adding an interactive theme, and really focusing on the "why things work" in science and engineering. AGG also focuses on character development and collaborative story telling to fully engage young girl's interests on multiple levels.

AGG is currently making and testing a prototype, and is ready to produce a moderate test run of the first generation of toys, and MVP of the story telling website. After learning what works and what resonates with customers, AGG will run a Kickstarter campaign in anticipation of the second generation of toys. AGG is currently in the seed stage of development, and has been the recipient of several awards, including UNM Business Plan Competition, Scrappy Startup Challenge, HauteCon Scholarship, and was part of the 2015 ABQid Business Accelerator.

II. Team

As Girls Grow has an extremely dedicated and passionate team, who all believe that we need to show our daughters how fun engineering can be at a young age. The team includes Akamee Baca Malta, founder and CEO, George Paloheimo, Creative Director, and Angelo Malta, COO.

Akamee is a Hispanic, female, mechanical engineer, a mother of two, and adjunct instructor of engineering courses at the Santa Fe Community College, with an emphasis on female retention in engineering. She worked with a team to develop and implement a plan to retain women in STEM at the community college. Akamee understands the struggles of being a minority, and has made a life long commitment to empowering young females to overcome tough challenges, and be successful in STEM fields.

George is a creative individual that relishes in the opportunity to illustrate, design, and develop ideas and concepts visually. He is a graphic designer and formatting specialist, and has a deep understanding of children's creative learning abilities, as he served as an elementary school teacher for several years.

Angelo holds a BBA in accounting from the University of New Mexico. His public accounting experience from a large local accounting firm, along with his managerial experience, and his commitment to operations, contribute to his strong ability to perform tasks demanded by a developing startup.

III. Products

As Girls Grow has developed the company's first line of toys—the Power Planet Girls- that are fun, engaging and designed to ignite girls' interest in science and engineering. The toy concepts are currently in prototype development (using sketches, CAD and 3-D printing).

The Power Planet Girls are a cast of characters, Digit, Joule, and Ultra-Violet, who have been designed to have traits that all young girls can relate to. They live in a magical forest, and go on various adventures, solving real world problems in their environment.

The Power Planet Girls will be delivered in play sets, or kits, with each play set focusing on a different engineering concept. Every kit will include a unique online code. Consumers can visit the As Girls Grow website, and once they enter the code, a magical land for the kit is unlocked. This is where girls will access the digital storybook adventure, which the Power Planet Girls are to go on, and the engineering concept that must be solved. After reading about the adventure that needs to be completed, consumers then use the physical toys and tools that are also included in each kit to solve the problems. In the magical land, there is a collaborative story telling space, where girls can write a story for the adventures they go on with the Power Planet Girls, and how they solved the engineering concept. Once a story is written, girls from across the world can access the story, and can add to it, or they can create their own story. Research proves that communities are essential in keeping girls interested in engineering, and AGG provides a worldwide community in their toys.

Each play set will be designed to complement and build off the others, encouraging girls to purchase and complete entire sets. The concepts teach simple engineering skills and are targeted for 8-13 year-olds. The materials will be primarily comprised of plastic and other safe/nontoxic toy materials to be determined during the manufacturing process

IV. Manufacturing Strategy

The seed stage of development focuses heavily on manufacturing and testing a prototype for the toys and website. 100 prototype kits will be manufactured in the USA. After researching numerous companies and development options, a combination of 3D printing and injection molding has been determined to be the most cost effective approach to manufacturing. 3D printing will be used for the more complex parts, and injection molding will be used for simple, frequently used parts. The molds can then be used in the Beta phase, as well as the final product, which validates the initial sizable cost.

Once the design has been sufficiently tested to ensure the Power Planet Girls concept aligns with market preferences, AGG will outsource the manufacturing of all products. Several outsource entities have been aligned, and will be selected after an extensive research and interview period during the first quarter of the company's development year. The company's manufacturing goals include cost control and minimizing financial risk, product quality, product scalability, and product safety. Initial manufacturing costs will be high during the development year (estimated \$70,000 per toy) but will then stabilize to price of production and outsource cost of each unit. For purposes of cost control, manufacturing will occur in China (as of 2010, 85.48% of toys consumed in the U.S. were imported from China). In initial brand development, the final product will be shipped from manufacturer to retailer (AGG), then to consumer. This will ensure quality control, until we have a large, committed client base. As our brand grows, we will ship the final product directly from the manufacturer to the customer, to alleviate warehouse storage costs, until we can sustain warehouse costs.

V. Marketing

The Power Planet Girls marketing operations will be consumer-driven and all marketing decisions will be guided by the preferences and needs of our consumers.

i. Industry Analysis

The toy industry at large is dominated by a handful of big name brands—with Mattel (6.3B/yr), Hasbro (4B/yr), LEGO (4.5B/yr) and MGA (2B/yr) Entertainment at the top of the list. The industry then has many different medium to small-sized manufactures including MEGA Bloks (400 million/yr), LeapFrog (580 million/yr) and Melissa & Doug (325 million/yr). There is a disparity between the top five and the rest, however smaller companies have recently been making great strides due to the advent of online shopping and online retail sales structures. Globally, the toy industry sales were \$84.1B in 2012, up from \$83.3B in 2011 and 2012. In the U.S., toy sales were \$22.09B in 2013 and \$22.03B in 2012, with the Building Sets category sales

at \$2B for the last two years, only 4th behind Infant/Preschool, Outdoor & Sports Toys, and dolls. In 2011, U.S. households spent an average of \$309 per child on toys. Canadian households spent \$317 per child, Australia spent \$486 per child, and the UK topped the list at \$499 per child.

The educational toy market niche is fairly new, as parents have begun to view toys as more than just fun distractions, but actually tools to build their children's cognitive skills. Power Planet Girls will be competing most closely with building set toys such as LEGO, K'Nex, Mega Bloks, Lite Brix, Kre-O, Erector, and Lincoln Logs, as well as major learning toy companies such as LeapFrog. The competitive advantage of Power Planet Girls derives from its focus on engineering and science toys designed specifically for young girls. The recently launched toy company GoldieBlox is currently the most discussed company that manufactures engineering toys for young girls (this plan provides more detail in the product differentiation between GoldiBlox and Power Planet Girls in Section V). There is a huge gap in the market for education building sets designed for young girls, and very little consumer choice in this area. The tremendous success of GoldieBlox and its almost instant fame among the news and blog circuits is a tribute to how strong the market need for this type of toy is. Power Planet Girls intends to position itself within this market niche.

ii. Market Segment, Distribution, and Sales

There are two distinct segments in the educational toy market: individual consumers (individuals purchasing toys for a child) and wholesale purchasers (schools, learning centers, business retailers). The traditional toy-manufacturing model utilizes a manufacturer→retailer→individual consumer approach. This layered distribution system is conducive to much higher distribution numbers, but much lower profit margins. For example, a toy company that is distributed through a Big Box retailer such as Target or Wal-Mart is required to satisfy their cost requirements regarding manufacturing, cost of goods and FOB (free on board) shipping from China, as well as the order numbers required to satisfy international FOB orders. This method often compromises the original design of the product. It also removes much of the control over the product marketing strategy and unit price from the toy company.

The Power Planet Girls initial sales strategy is largely Web-based. E-commerce is increasingly becoming our target market's shopping tool of choice, and the company will strongly invest in the power of the Internet to generate brand awareness and interest, while being a convenient way to have products shipped to your home. The company will establish an extremely secure and convenient online payment system and home delivery service. Power Planet Girls intends to target the following market segments for distributions and sales, in an incremental order:

1. Selling directly to the individual consumer via a monthly subscription fee. Each month, a new kit will be delivered in the mail. Each month will focus on a new engineering concept. For instance, month one's concept will be "wheel and axle". The kit will contain the digital code to access the magical online world, and digital adventure, as well as the tools (physical toys) necessary for solving the adventure. Once the concept has been solved, the consumer can submit for another kit. Once she submits for a new kit, she will receive another kit in the mail that focuses on the same concept (wheel and axle), but in more detail and complexity. She can do this up to four times per month. After

initial development costs have been surpassed, and AGG is manufacturing at a normalized cost, each kit will cost AGG \$10. The subscription fee will be \$100. This strategy results in margins of \$60-\$90 per month per subscription, depending on how many times a consumer submits for a new kit (1-4 times). Selling directly to individual consumers will generate a higher profit margin and potential for higher earnings over time. In the shorter term (first 3-4 years of operation), it will mean a larger responsibility on Power Planet Girls to generate sales and a higher marketing cost per sale. The company anticipates that, after consumers become familiar with our product, the cost of generating sales will stabilize. Selling to individual consumers also supports stronger customer relationships and brand loyalty over time. All sales will be conducted through the Power Planet Girls online retail store.

2. Selling to larger online retail outlets such as Amazon, Overstock and eBay. Because we will only work with online retailers, we will preserve the Power Planet Girls commitment to product quality and control while still allowing for high sales generation experienced by more traditional Big Box brick and mortar retail.
3. Selling to independent and specialty online toy stores. This will improve sales generation while still allowing for higher profit margins. It also aligns with our Web-based marketing strategy.
4. After AGG has branded a name and generates significant margins, and has a loyal customer base, Big Box retail will be considered, with the advisement of our board and investors.

iii. Marketing Strategy

Power Planet Girls has two key audiences, parents and children. The company will target households with incomes of \$60,000 or higher. Advertising through traditional means such as direct mail or cable and network television commercials is costly and may not meet enough of our target market to justify the marketing investment. Because the company's sales strategy is largely based on online retail direct to consumers, Power Planet Girls will launch a robust Web-based marketing campaign.

Power Planet Girls marketing objective is to position its brand with girls and their parents as the go-to for educational toys that teach girls STEM concepts. A primary way the company will accomplish this objective is by generating as much website traffic as possible to the company's online retail store (primary) and to the company's product featured on other online retail stores' websites. Google Analytics and other tracking data will be analyzed regularly to gauge the successes of the Web-based marketing campaign and guide future strategy. Generation of website traffic will include strategies for: developing social media advertising strategies through YouTube, Twitter, Facebook and blog sites, partnering with educational online programs to increase awareness of product, and developing videos and other multimedia that will draw website traffic.

Once traffic has reached the online store, the individual consumer will be presented with an optimized online shopping user experience based on convenience and efficiency of product browsing and purchase. Since we are targeting girls and parents, the user experience will also include interactive play options for children that are educational and aesthetically stimulating. The shopping experience will be easy for mom and dad and fun for daughter.

Power Planet Girls will utilize search engine optimization to drive website traffic, including both

Earned (the company will feature well-curated videos and content that will draw searches to the website content for answers) and Owned (the company will purchase Google Ad Words and other search engine advertising mechanisms). In addition, Power Planet Girls will work with its online retail store partners to align marketing and advertising efforts for mutual benefit.

Finally, after successful implementation of the full-scale web marketing campaign, Power Planet Girls will utilize internet streaming television advertising opportunities, including ads on Hulu.

VI. Technology Differentiation & IP Position

i. Technology Differentiation

The Power Planet Girls major competitors will be other educational building sets including LEGO, K'Nex, Mega Bloks, Lite Brix, Kre-O, Erector, and Lincoln Logs. Other competitors will likely be other learning/educational toys such as science kits or mini-labs. The technologies and intellectual property being developed to support Power Planet Girls are inherently different from LEGOS and Erector Sets due to our primary focus on marketing to girls. We are going far beyond providing pink and purple blocks and calling it a girl toy, as competing brands have done. We are also different from these toys because the Power Planet Girls will focus on how and why concepts work, with emphasis on all phases of the engineering process, beginning with an idea, drawing the idea, building the idea, and testing the idea. In addition, AGG has conducted a wealth of research on female retention in STEM, and has found significant proof that a community environment is imperative to success. As such, AGG provides a digital community, where girls can collaborate on stories and ideas. Competitors give instructions for a design, which detracts from the creative aspect of learning. In traditional competitor building sets, the child is never asked to complete the entire engineering process; they are simply given parts, instructions, and told to build a product that has already been designed for them. Each phase of the As Girls Grow product line will focus on creativity, idea development, drawing, manufacturing, and testing, and will become more complex as girls grow older. AGG truly believes in retaining females in STEM, which, in turn, will retain and grow a customer base. This differentiates our brand from our competitors on a momentous level.

GoldieBlox is the most similar competitor we have in the toy industry. With GoldieBlox as our inspiration, we are taking engineering toys for girls to the next level. As Girls Grow has done extensive research to understand how girls learn and we have developed our toys accordingly. We focus heavily on how and why engineering concepts work, because, through our research, we have learned that by understanding the concepts, girls are more likely to enjoy engaging in engineering and science. Girls are also very social. When their friends are doing something, they want to do the same thing. The most successful way to retain women in science and engineering is to involve them in a community of other like-minded women. As Girls Grow has developed an online community for girls to connect with other girls from across the globe, with hopes that they will continue to encourage each other throughout their STEM journeys. Finally, other competitors use snap-together parts. In the real world, snap-together parts are hardly used. Real world engineering concepts use real tools, so our toys will also use real tools to connect pieces.

ii. IP Position

The company will trademark both the company name As Girls Grow™ and the toy line name Power Planet Girls™ through its use in commerce as well as by filing for a registered trademark with the U.S. Patent and Trademark Office. As Girls Grow intends to pursue and defend all intellectual property rights of the company, including relevant trademarks, copyrights and patents for all Power Planet Girls mechanical and technology-based toy designs, slogans, characters, works of authorship and other inventions. As Girls Grow currently owns the URL www.powerplanetgirls.com and www.asgirlsgrow.com, and requires individuals interested in becoming personally acquainted with the company's work product to sign a non-disclosure agreement.

VII. Financials

Financial projections have the first year, or Start-Up Phase of the company, at 0 net earnings and a loss of \$1.2 million in year 1, which will be accounted for by the initial \$1.3 million in Start-Up Phase funding. After the launch of the company's marketing campaign and full scale manufacturing operation, year 2 will see a dramatic increase in sales to just over 150,000 units which will bring net earnings to \$600,167. Year 3, 4 and 5 will continue to see improved net earnings (\$826,900, \$2,547,127 and \$3,004,477 respectively).

Break-even point revenues will not be achieved during year one but will be achieved and surpassed in years 2 and 3, and more than doubled in years 4 and 5. By year 5, gross profit will be leveling out at about 47%. Net earnings will be leveling off at about 20% in years 4 and 5. During year 5, Power Planet Girls will develop a plan to break out of the U.S. market and into Canada, followed by expansion into the UK and Australia. For detailed financial projections, see Financial Appendices (b. i-iv).

VIII. Required Start-Up Financing & Exit Strategy

As Girls Grow will require two phases of initial financing to launch Planet Power Girls:

i. Seed Stage: \$500,000

The first phase will fund the company's Seed Stage, which will include finalizing a business plan, determining a legal structure, setting up business finances and formalizing partnerships. The Seed Stage will also include additional product research and prototype development based heavily on consumer focus group research, and will conclude with the production of our first generation of toys, as discussed in the Manufacturing Strategy, and MVP of the website. The goal at completion of the Seed Stage is to have an extremely strong, organized business plan and structure that will serve to secure start-up investors, loan financing and additional start-up funding including a successful online crowd funding campaign using Kickstarter and/or other crowd funding platforms. Activities during the Seed Stage will need to support the attainment of required Start-Up Stage financing.

ii. Start-up Stage: \$750,000

The second phase will fund the company's Start-Up Stage, which will also be the company's first year of operations. This stage will be driven by a 12-month Development Timeline that will include completion of the product design, securing of manufacturing outsource entity, and sending of final prototype for manufacturing. This stage will also launch the Power Planet Girls web marketing campaign and online retail store. By the fourth quarter of the Start-Up Phase, Power Planet Girls will be filling product orders and will have launched its full-scale marketing operations and full-scale marketing campaign.

iii. Exit Strategy

Building sets have been the fastest growing category in the toy industry next to youth electronics, and building sets sales have increased 22 percent over the past three years. In February 2014, Mattel purchased a building toy company MEGA Brands for \$450 million. The company was earning a total of \$405 million in sales in 2013.

Power Planet Girls will fit this trend, and plan to sell to a top ten toy distributing company such as Mattel or Hasbro. After year 5 of operations, EBITDA is estimated to be \$ 4.8 million, which is an increase of 45% from the previous year. If each subsequent year shows the same increase, after 7 years, around the time the business earnings are expected to plateau, the earnings will be \$9.5 million. Power Planet Girls will sell at this point with the same 10/9 multiplier MEGA Brands sold for. The final selling price will be \$10.5 million.

If at any point during either of these phases or during the first five years of the life of the company it is determined that the business is not viable and cannot exist further without significant overhaul; the company will make every effort possible to sell the business and its assets and IP to a willing and able buyer. If such an acquisition is not possible, the company will pursue full liquidation in order to recover as much investment as possible.

IX. Appendices

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Power Planet Girls 12-Month Development Timeline

[illegible]

Power Planet Girls

Funding Projections

Years 1 to 5

(\$)

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Beginning Cash	1,300,000					
Equity						
Common	500,000	500,000	500,000	500,000	500,000	500,000
Increase / (Decrease) Previous Period		0	0	0	0	0
Preferred						
A Round	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
B Round			500,000	500,000	500,000	500,000
Total Preferred	1,000,000	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Increase / (Decrease) Previous Period		0	500,000	0	0	0
Total Equity	1,500,000	1,500,000	2,000,000	2,000,000	2,000,000	2,000,000
Debt						
Short Term Debt					100,000	
Increase / (Decrease) Previous Period		0	0	0	100,000	(100,000)
Long Term Debt						
Current Portion			100,000	100,000	100,000	100,000
Long Term Portion			400,000	300,000	200,000	100,000
Total Long Term Debt		0	500,000	400,000	300,000	200,000
Increase / (Decrease) Previous Period						
Current Portion		0	100,000	0	0	0
Long Term Portion		0	400,000	(100,000)	(100,000)	(100,000)
Total Long Term Debt		0	500,000	(100,000)	(100,000)	(100,000)
Total Equity & Debt	1,500,000	1,500,000	2,500,000	2,400,000	2,400,000	2,200,000
Interest						
Interest Rate						
Short Term Debt		9.0%	9.0%	9.0%	9.0%	9.0%
Long Term Debt		12.0%	12.0%	12.0%	12.0%	12.0%
Interest Expense						
Short Term Debt		0	0	0	9,000	0
Long Term Debt		0	60,000	48,000	36,000	24,000
Total Interest		0	60,000	48,000	45,000	24,000
Interest Income						
Interest Rate		4.0%	4.0%	4.0%	4.0%	4.0%
Interest Income		0	0	0	0	10,000
Retained Earnings						
Net Income		(627,000)	600,167	826,900	2,547,127	3,004,477
Dividends						50,000
Increase / (Decrease) Retained Earnings		(627,000)	600,167	826,900	2,547,127	2,954,477
Beginning Retained Earnings		0	(627,000)	(26,834)	800,066	3,347,193
Ending Retained Earnings		(627,000)	(26,834)	800,066	3,347,193	6,301,670

Power Planet Girls

Cost of Revenues

Years 1 to 5

(\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Revenue	600,000	4,680,000	6,510,000	12,450,000	16,350,000
Cost of Revenue					
Product A					
Material Costs per Unit	10.00	10.00	10.00	10.00	10.00
Subcontract Costs per Unit	2.00	2.00	2.00	2.00	2.00
Total Direct Costs per Unit	12.00	12.00	12.00	12.00	12.00
Unit Sales	20,000	156,000	217,000	415,000	545,000
Total Direct Costs	240,000	1,872,000	2,604,000	4,980,000	6,540,000
	0	0	0	0	0
Total Direct Costs	240,000	1,872,000	2,604,000	4,980,000	6,540,000
Service B					
Service Personnel Costs	0	0	0	0	0
Other Expenses					
Salary Expenses	280,000	557,750	748,800	924,000	1,050,000
Depreciation	1,000	6,000	16,000	26,000	36,000
Facility costs (rent, utilities, and insurance for product storage unit, rent and utilities for office)	50,000	200,000	300,000	300,000	300,000
System Costs					
All other costs % of Revenue	4%				
	24,000	187,200	260,400	498,000	654,000
Total Cost of Revenues	595,000	2,822,950	3,929,200	6,728,000	8,580,000
% of Revenue	99.2%	60.3%	60.4%	54.0%	52.5%

Allocation of Cost of Revenue between:

Variable	264,000	2,059,200	2,864,400	5,478,000	7,194,000
Fixed	331,000	763,750	1,064,800	1,250,000	1,386,000
Total	595,000	2,822,950	3,929,200	6,728,000	8,580,000

Cost of Revenues by Months & Quarters

	(\$)				
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Month 1	0	180,958	217,283	324,241	472,294
Month 2	0	180,958	217,283	324,241	472,294
Month 3	0	180,958	217,283	324,241	472,294
Total 1st Quarter	0	542,875	651,849	972,723	1,416,881
Month 4	0	180,958	217,283	324,241	472,294
Month 5	0	180,958	217,283	324,241	472,294
Month 6	0	180,958	217,283	324,241	472,294
Total 2nd Quarter	0	542,875	651,849	972,723	1,416,881
Month 7	0	217,150	271,604	648,482	865,872
Month 8	29,750	217,150	271,604	648,482	865,872
Month 9	29,750	217,150	271,604	648,482	865,872
Total 3rd Quarter	59,500	651,450	814,811	1,945,446	2,597,615
Month 10	89,250	271,438	362,138	891,663	1,023,303
Month 11	148,750	271,438	362,138	891,663	1,023,303
Month 12	297,500	542,875	1,086,415	1,053,783	1,102,018
Total 4th Quarter	535,500	1,085,750	1,810,691	2,837,108	3,148,624
Total for year	595,000	2,822,950	3,929,200	6,728,000	8,580,000

Power Planet Girls

Income Statement

Years 1 to 5

(\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
NET REVENUES	600,000	4,680,000	6,510,000	12,450,000	16,350,000
COST OF REVENUE	595,000	2,822,950	3,929,200	6,728,000	8,580,000
% of Revenues	99.2%	60.3%	60.4%	54.0%	52.5%
GROSS PROFIT	5,000	1,857,050	2,580,800	5,722,000	7,770,000
% of Revenues	0.8%	39.7%	39.6%	46.0%	47.5%
OPERATING EXPENSES					
Sales & Marketing	228,500	606,800	829,900	1,261,000	1,561,000
Research & Development	105,500	287,650	385,800	604,500	751,500
General and Administration	88,000	302,433	490,200	746,333	937,667
Total Operating Expenses	422,000	1,196,883	1,705,900	2,611,833	3,250,167
% of Revenues	70%	26%	26%	21%	20%
EARNINGS FROM OPERATIONS	(417,000)	660,167	874,900	3,110,167	4,519,833
EXTRAORDINARY (EXPENSE): Initial Manufacturing Design Costs	(210,000)	0	0	0	0
EARNINGS BEFORE INTEREST & TAXES	(627,000)	660,167	874,900	3,110,167	4,519,833
INTEREST INCOME / (EXPENSE)	0	(60,000)	(48,000)	(45,000)	(14,000)
NET EARNINGS BEFORE TAXES	(627,000)	600,167	826,900	3,065,167	4,505,833
TAXES	0	0	0	(518,040)	(1,501,356)
NET EARNINGS	(627,000)	600,167	826,900	2,547,127	3,004,477
% of Revenues	-104.5%	12.8%	12.7%	20.5%	18.4%

Power Planet Girls

Balance Sheet

Years 1 to 5

(\$)

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
ASSETS						
CURRENT ASSETS						
Cash	700,000	(489,000)	74,500	490,400	2,029,860	4,148,003
Accounts Receivable		298,800	896,400	996,000	1,743,000	1,992,000
Inventories		298,800	896,400	804,000	1,407,000	1,608,000
Other Current Assets		36,000	108,000	120,000	210,000	240,000
Total Current Assets	700,000	144,600	1,975,300	2,410,400	5,389,860	7,988,003
PROPERTY & EQUIPMENT	0	271,000	725,667	1,153,667	1,594,333	2,041,667
TOTAL ASSETS	700,000	415,600	2,700,966	3,564,066	6,984,193	10,029,670
LIABILITIES & SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short Term Debt	0	0	0	0	100,000	0
Accounts Payable & Accrued Expen		306,600	919,800	1,044,000	1,827,000	2,088,000
Other Current Liab		36,000	108,000	120,000	210,000	240,000
Current portion of long term debt	0	0	100,000	100,000	100,000	100,000
Total Current Liabilities	0	342,600	1,127,800	1,264,000	2,237,000	2,428,000
LONG TERM DEBT (less current portion)	0	0	400,000	300,000	200,000	100,000
STOCKHOLDERS' EQUITY						
CommonStock	500,000	500,000	500,000	500,000	500,000	500,000
Preferred Stock	1,000,000	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Retained Earnings		(627,000)	(26,834)	800,066	3,347,193	6,301,670
Total Equity	1,500,000	873,000	1,973,166	2,800,066	5,347,193	8,301,670
TOTAL LIABILITIES & EQUITY	1,500,000	1,215,600	3,500,966	4,364,066	7,784,193	10,829,670

Power Planet Girls

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Cash Flow Statement

Years 1 to 5

(\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
OPERATING ACTIVITIES					
Net Earnings	(627,000)	600,167	826,900	2,547,127	3,004,477
Depreciation	7,000	45,333	122,000	209,333	302,667
Working Capital Changes					
(Increase)/Decrease Accounts Receivable	(298,800)	(597,600)	(99,600)	(747,000)	(249,000)
(Increase)/Decrease Inventories	(298,800)	(597,600)	92,400	(603,000)	(201,000)
(Increase)/Decrease Other Current Assets	(36,000)	(72,000)	(12,000)	(90,000)	(30,000)
Increase/(Decrease) Accts Pay & Accrd Expenses	306,600	613,200	124,200	783,000	261,000
Increase/(Decrease) Other Current Liab	36,000	72,000	12,000	90,000	30,000
Net Cash Provided/(Used) by Operating Activities	(911,000)	63,500	1,065,900	2,189,460	3,118,144
INVESTING ACTIVITIES					
Property & Equipment	(278,000)	(500,000)	(550,000)	(650,000)	(750,000)
Other					
Net Cash Used in Investing Activities	(278,000)	(500,000)	(550,000)	(650,000)	(750,000)
FINANCING ACTIVITIES					
Increase/(Decrease) Short Term Debt	0	0	0	100,000	(100,000)
Increase/(Decrease) Curr. Portion LTD	0	100,000	0	0	0
Increase/(Decrease) Long Term Debt	0	400,000	(100,000)	(100,000)	(100,000)
Increase/(Decrease) Common Stock	0	0	0	0	0
Increase/(Decrease) Preferred Stock	0	500,000	0	0	0
Dividends Declared	0	0	0	0	(50,000)
Net Cash Provided / (Used) by Financing	0	1,000,000	(100,000)	0	(250,000)
INCREASE/(DECREASE) IN CASH	(1,189,000)	563,500	415,900	1,539,460	2,118,144
CASH AT BEGINNING OF YEAR	700,000	(489,000)	74,500	490,400	2,029,860
CASH AT END OF YEAR	700,000	(489,000)	74,500	490,400	2,029,860

Power Planet Girls

Break-Even Analysis

Years 1 to 5

(\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Revenue	600,000	4,680,000	6,510,000	12,450,000	16,350,000
Cost of Revenue					
Variable	264,000	2,059,200	2,864,400	5,478,000	7,194,000
Fixed	331,000	763,750	1,064,800	1,250,000	1,386,000
Total	595,000	2,822,950	3,929,200	6,728,000	8,580,000
Operating Expenses					
Variable	66,000	514,800	716,100	1,369,500	1,798,500
Fixed	356,000	682,083	989,800	1,242,333	1,451,667
Total	422,000	1,196,883	1,705,900	2,611,833	3,250,167
Total Costs & Expenses					
Variable	330,000	2,574,000	3,580,500	6,847,500	8,992,500
Fixed	687,000	1,445,833	2,054,600	2,492,333	2,837,667
Total	1,017,000	4,019,833	5,635,100	9,339,833	11,830,167
Variable Costs/Revenue Ratio	0.55	0.55	0.55	0.55	0.55
Break-Even Point Revenues	1,526,667	3,212,963	4,565,778	5,538,519	6,305,926

As Girls Grow

Operating Expenses Years 1-5

Net Revenues		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Sales & Marketing Drivers		0	4,680,000	6,510,000	12,450,000	16,350,000
Salaries and Benefits						
Commissions % of Revenue						
Web Marketing Campaign		172,500	276,000	339,300	414,000	480,000
All other expenses % of Revenue	5%	20,000	50,000	100,000	100,000	100,000
Total Sales and Marketing		0	280,800	390,600	747,000	981,000
% of Revenue	6%	192,500	606,800	829,900	1,261,000	1,561,000
Research & Development Drivers		#DIV/0!	13.0%	12.7%	10.1%	9.5%
Salaries and Benefits						
Product Development and Testing		57,500	132,250	175,500	216,000	246,000
All other expenses % of Revenue		30,000	15,000	15,000	15,000	15,000
Total Reaserch & Development		0	140,400	195,300	373,500	490,500
% of Revenue	3%	87,500	287,650	385,800	604,500	751,500
General & Administration Drivers		#DIV/0!	6.1%	5.9%	4.9%	4.6%
Salaries and Benefits						
Depreciation						
Rent and Utilities		270,000	379,500	514,800	624,000	696,000
All other expenses % of Revenue		25,000	58,333	125,000	183,333	266,667
		20,000	20,000	20,000	20,000	20,000
Total General & Administration		0	93,600	130,200	249,000	327,000
% of Revenue		315,000	551,433	790,000	1,076,333	1,309,667
Total Operating Expenses	2%	#DIV/0!	11.8%	12.1%	8.6%	8.0%
% of Revenue		595,000	1,445,883	2,005,700	2,941,833	3,622,167
Allocation of Operating Expenses between:		#DIV/0!	30.9%	30.8%	23.6%	22.2%
Vaiable	0	514,800	716,100	1,369,500	1,798,500	
Fixed		595,000	931,083	1,289,600	1,572,333	1,823,667
Total		595,000	1,445,883	2,005,700	2,941,833	3,622,167

As Girls Grow

Summary

Years 1 to 5

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Summary Financials (\$)					
Revenue	0	4,680,000	6,510,000	12,450,000	16,350,000
Gross Profit	(563,000)	1,627,050	2,300,000	5,392,000	7,398,000
EBIT	(1,368,000)	181,167	294,300	2,450,167	3,775,833
EBITDA	(1,342,000)	245,500	435,300	2,659,500	4,078,500
Net Earnings	(1,368,000)	121,167	246,300	1,887,127	2,260,477
Net Cash from Operating Activities	(1,633,000)	(396,500)	504,300	1,529,460	2,374,144
Capital Expenditures	335,000	500,000	550,000	650,000	750,000
Interest Income/(Expense)	0	(60,000)	(48,000)	(45,000)	(14,000)
Dividends	0	0	0	0	50,000
Cash	(668,000)	(564,500)	(710,200)	169,260	1,543,403
Total Equity	(868,000)	(746,834)	(500,534)	1,386,593	3,597,070
Total Debt	0	500,000	400,000	300,000	200,000

Growth

Revenue Growth Rate - CAGR:		39%	91%	31%
Net Earnings Growth Rate - CAGR:	!	103.3%	666.2%	19.8%

Ratios

Current Ratio	-0.1	1.2	1.0	1.6	2.2
Debt to Capital (LT Debt + Equity)	0.0	0.4	0.3	0.1	0.0

Profitability

Gross Profit %		34.8%	35.3%	43.3%	45.2%
Operating Expenses %	!	30.9%	30.8%	23.6%	22.2%
Net Earnings %	!	2.6%	3.8%	15.2%	13.8%

Returns

Return on Assets	-498.2%	5.8%	10.4%	36.8%	30.4%
Return on Equity	-1036.4%	16.1%	24.6%	65.4%	44.3%
Return on Capital (LT Debt + Equity)	-1036.4%	9.7%	17.6%	59.2%	42.7%