

Tiny Tim's Premium Ginseng Company Sample Business Plan (Primary)



Sample Plan
Business Plan for the period
Starting May 1998

Executive Summary

Business Description

Tiny Tim's Premium Ginseng Company (Tiny Tim's) owns four acres of farmland used to grow North American ginseng, also known as *Panax quinquefolium*, near Kelowna, B.C. The ginseng was planted in April 1996; as ginseng must grow for four years before being harvested, product sales will not begin until the year 2000.

Ownership and Management

Tiny Tim's Premium Ginseng Company is wholly owned and operated by Tim Tiller. Tim Tiller has been a forestry and silviculture specialist in the interior of B.C. for over 20 years. Tim also served as treasurer of the International Woodworkers Association Kamloops local and has worked as a consultant to companies such as MacMillan Bloedel and Westwood Forest Products for over 10 years.

Key Initiatives and Objectives

The company has purchased up to date planting, harvesting and processing equipment. In addition, the company retained soil scientists from AgroGroup, a soil and farm consultancy firm, to assist in the planting and site selection for the farm.

Key objectives for the next three years are:

1. Obtain memberships in the Associated Ginseng Growers of B.C. and the B.C. Ginseng Farmer's Cooperative.
2. Maintain the existing ginseng crop until harvest in the year 2000. Secured operating loans of \$18,000 will be used to cover operating expenses in 1998; secured operating loans of \$30,000 will ensure that all 1999 expenses are covered.
3. Sell the harvested crop to a ginseng broker.

Marketing Opportunities

The company has the opportunity, through various industry associations in B.C., to market its products in Hong Kong and other parts of South East Asia.

Competitive Advantages

While the company has no discernable competitive advantage over other ginseng farms in the B.C. interior, Tiny Tim's location gives it an advantage over other North American ginseng farms. A high silt content in the soil, excellent weather conditions and an absence of natural pests allows Tiny Tim's to produce a higher quality product than is possible at other ginseng farms in North America.

Marketing Strategy

The final product will be marketed to ginseng brokers on the basis of superior quality and aesthetic appeal.

Summary of Financial Projections

Since ginseng is only harvested every four years, no real revenues will be realized until the year 2000. In this year, revenues are estimated to be \$285,120. This yields a gross margin of 87%; the largest expenses are crop supplies and services,

Confidentiality and Recognition of Risks

Confidentiality Clause

The information included in this business plan is strictly confidential and is provided on the understanding that it will not be disclosed to third parties without the expressed written consent of Tim Tiller.

Recognition of Risk

This business plan represents management's best estimate of the future potential of our business venture. It should be recognized that not all major risks can be accurately predicted or otherwise avoided and that few business plans are free of errors of omission or commission. Therefore investors should be aware that this business has inherent risks that should be evaluated prior to any investment.

Business Overview

Business History

Tiny Tim's Premium Ginseng Company (Tiny Tim's) was incorporated in March 1996. The company is wholly owned and operated by Tim Tiller. The company owns four acres of farmland used to grow North American ginseng, also known as *Panax quinquefolium*, near Kelowna, B.C. The ginseng was planted in October, 1996; as ginseng must grow for four years before being harvested, product sales (with the exception of seed stock) will not begin until the year 2000.

Vision and Mission Statement

Tiny Tim's Premium Ginseng Company seeks to establish and maintain a position among B.C. ginseng growers as a provider of high quality raw ginseng products. The company also aims to become a member of the B.C. Ginseng Farmer's Cooperative and sell its products on the Asian market.

Objectives

Our primary objectives over the next year are:

1. Obtain memberships in the Associated Ginseng Grower's of B.C. and the B.C. Ginseng Farmer's Cooperative. This will allow access to established distribution and export channels as well as provide updates on new technologies and other factors affecting B.C. ginseng producers.
2. Maintain the existing ginseng crop until harvest in the year 2000. Secured operating loans of \$18,000 will be used to cover operating expenses in 1998 and another secured operating loan of \$30,000 will cover operating expenses in 1999.
3. Sell the harvested crop to a ginseng broker.

Ownership

Tiny Tim's Premium Ginseng Company was incorporated under the laws of British Columbia in 1996 and is wholly owned and operated by Tim Tiller.

Location and Facilities

The company owns four acres of land on Kettle Mountain, located within the Regional District of Central Okanagan (RDCO) in the interior of B.C. Three acres are used for planting; the remaining acre houses the equipment necessary for planting, maintaining and drying the crop. The land falls within the provincial Agriculture Land Reserve and is zoned exclusively for rural agricultural use by both the RDCO and the province of B.C. The company headquarters are at the residence of Tim Tiller in Rootland, B.C. The company has purchased over \$140,000 in specialized equipment including a tractor, seeding equipment, and stratified seed stock. A root drying apparatus will be leased for \$5,000 in the third year once the plants are ready for harvest.

Products and Services

Description of Products and Services

Ginseng is a fleshy rooted, herbaceous perennial plant with five whorled leaves, or leaves arranged in a circle around the stem, on mature plants. The root texture is similar to that of parsnip. When mature, ginseng roots are approximately 30 centimetres long. Apart from seeds, the root is the only part of the plant used for commercial products. Once harvested, the root is dried and can be used whole, diced, powdered or as an extract.

Ginseng root can be converted into a variety of products, including tea, soup, candies, drinks, capsules and tablets.

Key Features of the Products and Services

American ginseng, which differs slightly from its Asian counterpart, grows in shady conditioned and requires at least 70% shade cover in order to grow effectively. American ginseng is said to have a cooling, energy boosting, endurance enhancing effect on the body. In contrast, the Asian variety is known for its warming quality and stimulating effect. In its natural state, American ginseng has an earthy, bittersweet taste. A ginseng plant takes four years to reach maturity, although seeds can be harvested after the second and fourth years.

A naturally occurring plant in Eastern Canada and parts of the eastern United States, ginseng was first introduced to B.C. in 1982. As ginseng is typically grown in dry, arid climates, most of the ginseng grown in B.C. is in the Fraser Valley between Lytton and Williams Lake. Ginseng is also grown in the Okanagan and Thompson Valleys. The Kettle Mountain area averages 400 millimetres of rain per year, one of the lowest figures in the province.

Production of Products and Services

A slight slope or raised bed is required to ensure proper soil drainage; at least 30 centimetres of nutrient rich top soil is required. Silt or sandy soils produce the best root; the soil in the Kettle Mountain area has a high silt content and is ideal for growing ginseng. A local agricultural consulting and testing firm, AgroGroup, has conducted soil and plant analyses on the company's property; these tests indicate that the property is an excellent site for ginseng farming. In order to mimic the plant's natural habitat of a thick forest canopy, a screen providing 70% or more shade is used in concert with straw mulch. The mulch replaces the natural leaf litter found in forests. Upon harvest, the average yield per acre is 3,000 pounds (1,364 kilograms) of dried root product.

As no herbicides have yet been registered for use on ginseng, weeding is controlled prior to planting; farms are hand weeded once the plants begin their growth cycle.

Future Products and Services

Should additional land become available and financial targets are met, the company may expand its operation. As ginseng typically cannot be grown on the same plot of land following harvest, a new crop such as alfalfa, oats or corn will be planted on existing lands once the ginseng crop is harvested in the year 2000.

Comparative Advantages in Production

Ginseng grown in B.C. has several advantages in production over ginseng grown in other parts of North America, including a dryer climate, longer growing season and fertile soil. Tiny Tim's ginseng has no comparative advantages in production over other ginseng farms located in the Okanagan; however the nutrient rich, high silt concentration soil combined with a dry, arid climate gives the company a comparative advantage over ginseng farms located in some other areas of the province. The result of these advantages is that Tiny Tim's is able to grow a high quality product that is less susceptible to disease and root rot than ginseng grown in other parts of North America.

Industry Overview

Market Research

To analyze the market potential of B.C. grown ginseng in Asia, where the vast majority of North American ginseng production is consumed, we collected information from a number of sources. These sources included information from Statistics Canada, BC Stats, the federal Department of International Trade as well as a study on ginseng farms commissioned by the B.C. Ministry of Agriculture, Fisheries and Food (BCMAFF).

In order to keep abreast of the latest technologies and growing methods in the North American ginseng industry, we reviewed reports and articles from the Associated Ginseng Growers of B.C., the B.C. Ginseng Farmer's Cooperative, Agriculture Canada and the Philadelphia based Ginseng Research Institute. We also contacted representatives of each of the above organizations in order to solicit their input into starting a ginseng farm in the Okanagan. BCMAFF "Planning for Profit" fact sheets were also used in order to gather financial information relevant to ginseng farms.

Size of the Industry

According to BCMAFF and the B.C. Ginseng Farmer's Cooperative, there are 130 operators of ginseng farms in B.C. with more than 3,000 acres of planted ginseng. Each acre generates between 2,500 to 3,500 lbs. (1,136 to 1,591 kg.) of dried root product. The average yield per acre is 3,000 pounds. With each pound of product commanding a \$20 to \$35 wholesale price, depending on the quality of the root, the 1996 B.C. ginseng crop is estimated to be worth over \$50 million. When sales of stratified seed stock, which wholesales for \$40 per pound, are factored in, the total B.C. ginseng industry generated an estimated \$55 million in revenues in 1996. BCMAFF representatives indicate that 200 acres of new ginseng production will be harvested in each of the next two years.

Over 90% of all output is exported to Asia, with the vast majority going to the Hong Kong market. Exports of ginseng to Korea have also increased in recent years.

Key Product Segments

From a ginseng farmer's perspective, there are only two product segments: dried ginseng roots and seed stock. After retaining enough seed stock for future planting, ginseng farmers typically sell their surplus seed stock to other ginseng farms through the B.C. Ginseng Farmer's Cooperative or the Canadian Association of Ginseng Farmers. Seeds can be sold in green (original) form or in stratified form. The stratified form, used for planting by almost all ginseng farmers in B.C., is essentially green form seeds treated in a sand bed for one year prior to planting.

With respect to dried roots, virtually all product is sold through brokers. The end user can sell the root in its original form or diced or powdered form. The end user also has the option of creating value added ginseng products such as tea, soup, candies, pills and capsules.

Key Market Segments

Hong Kong is the key market segment for ginseng grown in B.C. Accounting for 75% of all B.C. ginseng sales and 80% of all export sales, Hong Kong is by far the largest market for B.C. ginseng products. Korea and Malaysia, with 7% and 4% of total B.C. ginseng sales respectively, are also key export markets.

The B.C. market for ginseng, confined primarily to Chinatown areas of greater Vancouver and Victoria as well as some health food stores, is minor. Total domestic demand for B.C. ginseng products accounted for less than 80 acres of production in 1995.

An emerging market segment is buyers of health remedies and dietary supplements. With Eastern health products gaining more acceptance in Western cultures, ginseng products are beginning to appear in health food stores and fitness clubs throughout North America.

Purchase Process and Buying Criteria

Ginseng seed stock is marketed throughout North America by the B.C. Ginseng Farmer's Cooperative. The price paid to the farmer by the Cooperative for green seed stock averages \$20 per pound. The seeds are stratified by the cooperative and sold for up to \$50 per pound, depending on the quality of the original plants and the condition of the seeds.

Ginseng root is direct marketed from the farm to brokers. Buying criteria include the length and size of root; large, chunky roots command a higher price than long, thin roots. A lower price is paid if errors in the drying process leads to any discoloration or excessive desiccation of the final product.

Description of Industry Participants

There are currently 130 operators of ginseng farms in B.C., including 17 in the North and Central Okanagan. In B.C., there is one dominant firm that owns 600 acres of planted ginseng. A Vancouver based herbal products conglomerate owns 250 acres of planted ginseng in locations throughout the Fraser Valley, Okanagan and Kootenay regions. These two firms have their own brokerage and export operations. The top ten ginseng farms in the province account for 90% of provincial ginseng production. The vast majority of ginseng growers are small (2-10 acre) operations that sell their products through the B.C. Ginseng Farmer's Cooperative, although some farmers sell directly to ginseng brokers. Most ginseng farmers are members of the Associated Ginseng Growers of B.C., an industry association that keeps members apprised of regulatory issues, market trends and new technologies.

Key Industry Trends

Ginseng has been used as a herbal remedy in Asia for over 5,000 years and by native peoples in North America for at least 400 years. With more contact with, and acceptance of, Asian medicines and alternative herbal therapies, Western culture is beginning to accept that ginseng has certain medicinal properties. As a result, there has been a marked increase in research of the potential health benefits of ginseng, including the recent establishments of the Canadian Ginseng Research Foundation and the Ginseng Research Institute in the United States.

With domestic output unable to meet the current demand for ginseng products, Asians have turned increasingly to North America to meet the shortfall. Imports of North American ginseng have increased every year since 1986 and are expected to continue increasing in the next four years. Wholesale prices of ginseng have fallen from \$50 per pound in 1992 to \$30 per pound in 1997; the drop is due in large part to increased supply of North American ginseng from B.C. and other parts of North America.

Industry Outlook

An increased domestic interest coupled with higher levels of export to Asia bode well for the ginseng industry in B.C. Due to the strong potential for economic viability and profit, more farmers and other landowners are converting fallow lands or land used previously for other crops into ginseng farms. However, an increase in the number of suppliers will serve to keep wholesale prices at or below current levels. While a total of 400 acres of new production will be harvested over the next two years, no new production is expected in the two years following.

Despite the handover of the largest export market for ginseng (Hong Kong) to the world's largest producer of ginseng (China) this past year, the volume of ginseng exported from B.C. to Hong Kong is projected to increase by 3% per year for the next four years.

With Asian output falling increasingly short of consumer demand, the price of American ginseng is expected to remain at or near current levels. Due in large part to a significant increase in the number of suppliers in B.C., industry analysts predict that one pound of dried root will sell for approximately \$25 to \$40 wholesale by the year 2000.

Marketing Strategy

Target Markets

Our primary target markets are Hong Kong and Korea as these countries have consistently been the largest consumers of B.C. grown ginseng. Secondary markets include other South East Asian countries such as Taiwan, Malaysia, and Singapore. Japan may also be a secondary market; however, American ginseng is not readily accepted in Japan as a valuable health product and thus opportunities to sell B.C. grown ginseng are minimal.

With the exception of the two largest firms, all B.C. ginseng is sold to independent brokers and marketed overseas. Most brokers buy their ginseng in bulk quantities from the B.C. Ginseng Farmer's Cooperative. Therefore, the company will market its products directly to ginseng brokers operating in B.C. who are affiliated with the B.C. Ginseng Farmer's Cooperative.

Description of Key Competitors

The largest firm in B.C. is the Chan Wong Ginseng Company based in Surrey, B.C. Chan Wong has over 600 acres of ginseng planted in B.C., primarily in the upper Fraser Valley. Chan Wong accounts for almost 25% of B.C. ginseng output in any given year. A Vancouver based firm, Empire Ginseng, has 250 acres of ginseng planted in the Fraser Valley and the Okanagan. Both of these companies have been in B.C. since the mid 1980's and have their own in-house export brokers. Eight other companies have ginseng farms ranging from 75 to 125 acres.

The remaining farms are all much smaller in size (two to 10 acres for most farms) and are based throughout southwestern B.C. and the Okanagan. If the top ten farms are factored out, the average farm size is three acres. All of these farms sell their products to brokers through the B.C. Ginseng Farmer's Cooperative, who in turn export their products through the B.C. Ginseng Trader's Association.

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Analysis of Competitive Position

As Tiny Tim's is one of the smallest ginseng operations in B.C. with only three acres of planted ginseng, the company will not become a market leader. However, with ginseng prices and standards set by the B.C. Ginseng Farmer's Cooperative, the firm will be able to compete effectively with other ginseng farms in the Okanagan as the quality of final product should be similar to existing farms. Due to natural climatic and soil advantages, Tiny Tim's can position its products as superior in quality and appearance to ginseng grown in other parts of B.C. and North America.

Pricing Strategy

Prices are established by the B.C. Ginseng Farmer's Cooperative with input from the Associated Ginseng Growers of B.C. Tiny Tim's will price its final product at a rate commensurate with product quality.

Promotion Strategy

Since the final product will all be sold to ginseng brokers, brokers in the Okanagan will be invited to visit the farm and examine the product. Representatives of the B.C. Ginseng Grower's Cooperative will also be invited to examine the product. Samples of product will also be given to brokers at farmer's markets in the Kelowna-Vernon area. Reports regarding soil quality and the quality of the roots themselves will also be used to promote the final product to the brokers. The company will also participate as required in promotional activities undertaken by ginseng industry associations in B.C.

Distribution Strategy

In the B.C. ginseng industry, most distribution to end users and export markets is handled by ginseng brokers. Tiny Tim's intends to secure a sales contract with a ginseng broker with warehouse operations in B.C. Once the final product has been processed at the farm site, it will be packaged and delivered to the broker's warehouse operations.

Management and Staffing

Organizational Structure

Tiny Tim's Premium Ginseng Company is owned and operated by Tim Tiller. There are no other full time employees of the company.

Management Team

Tim Tiller has been a forestry and silviculture specialist in the interior of B.C. for over 20 years. Tim also served as treasurer of the International Woodworkers Association Kamloops local and has worked as a consultant to companies such as MacMillan Bloedel and Westwood Forest Products for over 10 years. Tim will continue working as a forestry and silviculture consultant while operating the ginseng farm.

Staffing

Tim Tiller will devote five to ten hours per week to the company during the off season (September through April). During the harvesting season, Tim anticipates working 10 to 15 hours per week. Seasonal workers will be hired in July and August to assist with harvesting and maintenance as required. It is estimated that seasonal workers will cumulatively work 20 to 25 hours per week.

Labour Market Issues

As Tim Tiller is the sole full time employee of the company, there are few labour market issues to contend with. Historically, there have been an abundance of seasonal workers in Okanagan farms, particularly during fruit harvests. It is anticipated that there will be no problems finding seasonal workers to work on the farm should the need arise.

Regulatory Issues

Intellectual Property Protection

The company has placed a trademark on its name, Tiny Tim's Premium Ginseng.

Regulatory Issues

In accordance with Agriculture Canada regulations, no herbicides or pesticides are used on the ginseng crops. GST payments are not required as all Tiny Tim's products are to be exported out of the country. Planting and harvesting will be conducted under methods approved and endorsed by the Associated Ginseng Growers of B.C. and the B.C. Ginseng Farmer's Cooperative.

Risks

Market Risks

The largest market risk facing the company is the possibility that the Chinese government may restrict ginseng imports into Hong Kong. Before the Chinese takeover of Hong Kong, 50% of all North American ginseng exports were imported without proper permits. As yet the Chinese government has turned a blind eye to these imports; this is not expected to continue indefinitely. While the Chinese takeover of Hong Kong from Great Britain has had little effect on ginseng exports from B.C., recent disputes with the U.S. over human rights violations and copyright infringements may cause the Chinese government to restrict or ban imports of North American products, including ginseng. Closure of the Hong Kong market to North American products would have a significant impact on the entire B.C. ginseng industry.

Other Risks

Factors that may affect the quality of the final product include soil organisms such as wireworms, cutworms, slugs and nematodes. In general, very few insects attack ginseng plants. Higher than average rainfalls may increase susceptibility to fungal diseases such as root rot, leaf and stem blight, damping off and rusty root. The company has taken out crop insurance in order to guard against any type of blight or unusually adverse weather conditions.

Implementation Plan

Implementation Activities and Dates

Within the next two years the company will undertake the following activities:

1. Harvest the seed stock that will be produced this summer.
2. After withholding enough seed stock for replanting, sell any surplus seed stock to other ginseng farmers.
3. In the year 2000, when the roots have reached maturity, all three acres of ginseng plants will be harvested.
4. Once processed, the roots will be dried and made available for sale to ginseng brokers.
5. Should the operation be financially viable, the company will purchase additional land in order to plant a new ginseng crop.

Financial Plan

Discussion of Projected Net Income

As ginseng only yields a harvestable crop every four years, there are no real revenues until the year 2000. A small amount (\$5,940) of revenues are expected in 1999 from sales of green seed stock. Based on production of 3,000 pounds per acre at \$30 of root stock and 300 pounds per acre of green seed stock at \$20 per pound, net sales revenues in the year 2000 are projected to be \$285,120. Bad debts are estimated to be 1% of gross sales. Projected net losses are \$39,900 in the first year and \$47,000 in the second year. Projected net income in the third year of operations is \$171,700. The aggregate net income for the three years combined is \$84,900.

In the third year, direct cost of sales are projected at 13%, leaving a gross margin of 87%. Wages paid to seasonal workers for crop harvest, crop supplies and services and the lease and use of a drying machine comprise the majority of direct sales costs. Sales and marketing costs, consisting of industry association fees and product quality reports, comprise 3% of gross sales while property and utilities costs account for another 2%.

Operating expenses are projected at slightly more than 1% of gross sales; banking and related expenses also account for 1% of gross sales. Wages and benefits not associated with production comprise 4% of gross revenue.

Depreciation is calculated at 14% per year. Interest on all operating loans is 12% per annum. All operating loans are payable in full by September, 2000. Combined federal and provincial income taxes are calculated at 22.8% of net income before taxes; carry forward of losses from the first two years reduces the taxes payable in the third year to approximately \$25,100.

Discussion of Monthly Cash Flow Statement

Since no revenues are incurred in the first year, operating loans of \$10,000 in the sixth month and \$8,000 in the eighth month are needed to ensure a positive cash balance at year end. As there are no revenues, the loans are secured by existing land and equipment assets.

Discussion of Projected Annual Cash Flow

As revenues are negligible in the second year of operation, operating loans totalling \$30,000 are required to maintain a positive cash balance in Year 2. The loans would be disbursed in equal installments of \$10,000 in the first, fifth and ninth months of Year 2. These loans would be secured against existing company land and assets. Assuming financial projections are met in the third year, there will be no problems maintaining a positive cash balance in Year 3. All operating loans would be repaid at a cumulative rate of \$500 per month until the ninth month of operations in Year 3, whereupon the outstanding cumulative balance for all operating loans would be paid in full.

Discussion of Pro-Forma Balance Sheet

Should financial objectives be met, we do not project any difficulty in meeting short term or long term debts.

Debt to equity is approximately 10% in 1998 and 30% in 1999; existing owner's equity is more than sufficient to cover all debts. All loans will be repaid before the end of Year 3, thus ensuring that the company has no short term or long term debt obligations when the ginseng crop is harvested and sold.

Discussion of Business Ratios

We have compared our ratios to those compiled in the Dickson Redshell report on herb and other special product farming. For ginseng farms, the ratios are only relevant in the harvest year, in the case Year 3 of the business plan. In the third year, the company will realize a return on equity of more than 63% and a profit margin of 69%. On a three year basis, return on equity is 27% with a profit margin of 35%. Both of these figures are comparable to industry averages for ginseng farms.

Tiny Tim's Premium Ginseng Ltd. PRO FORMA INCOME STATEMENT for the Periods Ending Dec

	1998	1999	2000
Net Sales	0	5940	285120
Net Sales	0	5940	285120
Direct Cost of Sales	10500	15500	36500
Gross Margin	-10500	-9560	248620
Expenses			
Sales & Marketing	2000	2500	8500
Property & Utilities	2200	2600	4500
Operations	2350	2500	3250
Banking & Other	2150	1300	2300
Other Wages & Benefits	0	5000	10000
Interest Operating Loan	700	3500	3200
Interest Term Loan	0	0	0
Depreciation	20000	20000	20000
Total Expenses	29400	37400	51750
Net Income Before Taxes	-39900	-46960	196870
Less: Income Taxes	0	0	25126
Net Income	-39900	-46960	171744

Tiny Tim's Premium Ginseng Ltd.
PROJECTED CASH FLOW STATEMENT
for the Year Ending Dec, 1998

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Cash Inflows:							
Cash Inflows:							
Cash Receipts	0	0	0	0	0	0	0
Other Sources of Funding							
Owner Investment	0	0	0	0	0	0	0
Operating Loan Advances	0	0	0	0	0	10000	0
Term Loan Advances							
Sale of Fixed Assets	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0
Total Cash Inflows	0	0	0	0	0	10000	0
Cash Outflows:							
Payment Of:							
Cost of Sales Items	300	300	300	600	1500	2100	2100
Sales & Marketing Items	0	0	0	0	0	0	2000
Property & Utilities Items	150	150	150	150	200	250	250
Operations Items	50	50	150	50	100	900	300
Banking & Other Items	0	0	0	0	0	1150	0

Other Wages & Benefits	0	0	0	0	0	0	0
Items							
Other Uses of Funding:							
	0	0	0	0	0	0	0
Repayment of Shareholder Capital							
Payment of Dividends /Earnings	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
Operating Loan Interest & Principal Term Loan Interest & principal	0	0	0	0	0	0	500
	0	0	0	0	0	0	0
Purchase of Fixed Assets							
Payment of Other Assets	0	0	0	0	0	0	0
Payment of Taxes	0	0	0	0	0	0	0
Total Cash Outflows	500	500	600	800	1800	4400	5150
Increase/ Decrease in Cash	-500	-500	-600	-800	-1800	5600	-5150
Beginning Cash Balance	5000	4500	4000	3400	2600	800	6400
Closing Cash Balance	4500	4000	3400	2600	800	6400	1250

	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Cash Inflows:						
Cash Inflows:						
Cash Receipts	0	0	0	0	0	0
Other Sources of Funding						
Owner Investment	0	0	0	0	0	0
Operating Loan Advances	8000	0	0	0	0	18000
Term Loan Advances	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0
Total Cash Inflows	8000	0	0	0	0	18000
Cash Outflows:						
Payment Of:						
Cost of Sales Items	2100	600	200	200	200	10500
Sales & Marketing Items	0	0	0	0	0	2000
Property & Utilities Items	250	200	150	150	150	2200
Operations Items	200	300	50	50	150	2350
Banking & Other Items	0	0	0	0	1000	2150
Other Wages & Benefits Items	0	0	0	0	0	0
Other Uses of Funding:	0	0	0	0	0	0
Repayment of Shareholder Capital Payment	0	0	0	0	0	0

of Dividends/Earnings						
Operating	0	0	0	0	0	0
Loan Interest & Principal						
Term	500	500	500	500	500	3000
Loan Interest & principal						
Purchase of Fixed Assets	0	0	0	0	0	0
Payment of Other Assets	0	0	0	0	0	0
Payment of Taxes	0	0	0	0	0	0
Total Cash Outflows	3050	1600	900	900	2000	22200
Increase/Decrease in Cash	4950	-1600	-900	-900	-2000	-4200
Beginning Cash Balance	1250	6200	4600	3700	2800	5000
Closing Cash Balance	6200	4600	3700	2800	800	800

Tiny Tim's Premium Ginseng Ltd.
PROJECTED ANNUAL CASH FLOW STATEMENT
for the Years Ending Dec

	1998	1999	2000
Cash Inflows:			
Cash Receipts	0	5940	285120
Other Sources of Funding			
Owner Investment	0	0	0
Operating Loan Advances	18000	30000	0
Term Loan Advances	0	0	0
Sale of Fixed Assets	0	0	0
Other Assets	0	0	0
Total Cash Inflows	18000	35940	285120
Cash Outflows:			
Payment Of:			
Cost of Sales Items	10500	15500	36500
Sales & Marketing Items	2000	2500	8500
Property & Utilities Items	2200	2600	4500
Operations Items	2350	2500	3250
Banking & Other Items	2150	1300	2300
Other Wages & Benefits Items	0	5000	10000
Other Uses of Funding:			
Repayment of Shareholder Capital	0	0	0
Payment of Dividends/Earnings	0	0	0
Operating Loan Interest & Principal	3000	6000	46400
Purchase of Fixed Assets	0	0	0
Payment of Other Assets	0	0	0
Payment of Taxes	0	0	25126
Total Cash Outflows	22200	35400	136576
Increase/Decrease in Cash	-4200	540	148544
Beginning Cash Balance	5000	800	1340
Closing Cash Balance	800	1340	149884

Tiny Tim's Premium Ginseng Ltd.

PRO FORMA BALANCE SHEET

As at Dec

	Starting Balance	1998	1999	2000
ASSETS				
Current Assets:				
Cash	5000	800	1340	149884
Accounts Receivable	0	0	0	0
Inventory	0	0	0	0
Other Assets	0	0	0	0
Total Current Assets	5000	800	1340	149884
Fixed Assets:				
Fixed Assets	240000	240000	240000	240000
Accumulated Depreciation	20000	40000	60000	80000
Total Fixed Assets	220000	200000	180000	160000
TOTAL ASSETS	225000	200800	181340	309884
LIABILITIES & OWNER'S EQUITY				
Liabilities:				
Accounts Payable	0	0	0	0
Taxes Payable	0	0	0	0
Operating Loans Payable	0	15700	43200	0
Term Loans & Mortgages	0	0	0	0
Total Liabilities	0	15700	43200	0
Owner's Equity:				
Paid-in Capital	240000	240000	240000	240000
Retained Earnings	-15000	-54900	-101860	69884
Total Owner's Equity	225000	185100	138140	309884
TOTAL LIABILITIES & OWNER'S EQUITY	225000	200800	181340	309884

Tiny Tim's Premium Ginseng Ltd.

RATIO ANALYSIS

As at Dec

RATIOS	1998	1999	2000
Gross Margin	100	-161	87
Net Profit Margin	0	-790	69
Return on Assets	-19	-25	63
Average Collection Period Days	0	0	0
Inventory Turnover	0	0	0
Total Assets Turnover	0	0	0
Debt to Net Worth	0	0	0
Return on Owner's Equity	-21	-34	63
Times Interest Coverage	-1	-2	8

<U>Note 1: Revenue Assumptions</U>

a. Our revenue projections by product and by month for the first year are:

Year 1	Ginseng Root	Seed Stock	Other	Bad Debts	Total
Month 1	0	0	0	0	0
Month 1	0	0	0	0	0
Month 2	0	0	0	0	0
Month 3	0	0	0	0	0
Month 4	0	0	0	0	0
Month 5	0	0	0	0	0
Month 6	0	0	0	0	0
Month 7	0	0	0	0	0
Month 8	0	0	0	0	0
Month 9	0	0	0	0	0
Month 10	0	0	0	0	0
Month 11	0	0	0	0	0
Month 12	0	0	0	0	0
Total	0	0	0	0	0

b. Our revenue projections by product for Years 2 and 3 are:

Year	Ginseng Root	Seed Stock	Other	Bad Debts	Total
Year 2	0	6000	0	-60	5940
Year 3	270000	18000	0	-2880	285120

Note 2: Assumptions Regarding the Collection of Sales Revenue

a. We assume that the percent of our sales which are collected in the month they are made, in the month following, in the two months, and in the three months are:

Current Month	60
In the Following Month	40
In Two Months	
In Three Months	
Total	100

b. Based on these assumptions, we have projected how much we will collect from our sales in each month. The following table also identifies any adjustments we may have made to these figures.

Year 1	Projected Collections	Adjustment	Revised Estimate
Month 1	0		0
Month 2	0		0
Month 3	0		0
Month 4	0		0
Month 5	0		0
Month 6	0		0
Month 7	0		0
Month 8	0		0
Month 9	0		0
Month 10	0		0
Month 11	0		0
Month 12	0		0
Total	0	0	0

c. Not all of our sales in the first year will be collected during that year. Based on the assumptions shown above, our Accounts Receivable at the end of Year 1 will be:

0

d. We assume that our Accounts Receivable at the end of Years 2 and 3 will be:

Year 2	0
Year 3	0

Note 3: Cost of Sales Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Cost of Sales items listed below. These figures show up on our cash flow statements.

Year 1	Production Wages	Goods & Materials	Processing	Packaging	Total
Month 1	0	300	0	0	300
Month 1	0	300	0	0	300
Month 2	0	300	0	0	300
Month 3	0	300	0	0	300
Month 4	0	600	0	0	600
Month 5	0	1500	0	0	1500
Month 6	0	2100	0	0	2100
Month 7	0	2100	0	0	2100
Month 8	0	2100	0	0	2100
Month 9	0	600	0	0	600
Month 10	0	200	0	0	200
Month 11	0	200	0	0	200

Month 12	0	200	0	0	200
Total	0	10500	0	0	10500

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Cost of Sales items listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Production Wages	Goods & Materials	Processing	Packaging	Total
Year 2	4000	11000	300	200	15500
Year 3	8000	12000	15000	1500	36500

c. Some of these payments may have been to produce or purchase goods which we won't have sold yet. We estimate the value of such goods which we will have in inventory at the end of Years 1, 2, and 3 will be:

Year	Inventory
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Apart from what we have already paid for, there may be additional Cost of Sales goods or services which we have received but we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Cost of Sales items at the end of Years 1, 2, and 3 will be:

Year	Cost of Sales Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

e. Based on these assumptions, we have calculated our Cost of Sales expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Cost of Sales	\$	%
Year 1	10500	0
Year 2	15500	261
Year 3	36500	13

Note 4: Sales and Marketing Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Sales and Marketing items are listed below. These figures show up on our cash flow statements.

Year 1	Advertising	Quality Reports	*****	*****	Total
Month 1	0	0			0
Month 1	0	0			0
Month 2	0	0			0
Month 3	0	0			0
Month 4	0	0			0
Month 5	0	0			0
Month 6	0	0			0
Month 7	0	2000			2000
Month 8	0	0			0
Month 9	0	0			0
Month 10	0	0			0
Month 11	0	0			0

Month 12	0	0	0
Total	0	2000	2000

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Sales and Marketing items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Advertising	Quality Reports	*****	*****	Total
Year 2	500	2000			2500
Year 3	4500	4000			8500

c. Apart from what we have already paid for, there may be additional Sales and Marketing items which we have received by we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Sales and Marketing items at the end of Years 1, 2, and 3 will be:

Year	Sales & Marketing Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Sales and Marketing expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Sales & Marketing	\$	%
Year 1	2000	0
Year 2	2500	42
Year 3	8500	3

Note 5: Property and Utilities Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Property & Utilities items are listed below. These figures show up on our cash flow statements.

Year 1	Rent & Property	Utilities	Telephone	Other	Total
Month 1	100	50	0	0	150
Month 1	100	50	0	0	150
Month 2	100	50	0	0	150
Month 3	100	50	0	0	150
Month 4	100	50	0	0	150
Month 5	100	100	0	0	200
Month 6	100	150	0	0	250
Month 7	100	150	0	0	250
Month 8	100	150	0	0	250
Month 9	100	100	0	0	200
Month 10	100	50	0	0	150
Month 11	100	50	0	0	150
Month 12	100	50	0	0	150
Total	1200	1000	0	0	2200

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Property & Utilities items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Rent & Property	Utilities	Telephone	Other	Total
Year 2	1300	1200	100	0	2600
Year 3	1300	3000	200	0	4500

c. Apart from what we have already paid for, there may be additional Property & Utilities items which we have received by we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Property & Utilities items at the end of Years 1, 2, and 3 will be:

Year	Property & Utilities Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Property & Utilities expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Property and Utilities	\$	%
Year 1	2200	0
Year 2	2600	44
Year 3	4500	2

Note 6: Operations Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Operations items are listed below. These figures show up on our cash flow statements.

Year 1	Supplies	Repair & Maintenance	Vehicle & Travel	Licences & Permits	Total
Month 1	0	0	50	0	50
Month 1	0	0	50	0	50
Month 2	0	0	50	0	50
Month 3	0	100	50	0	150
Month 4	0	0	50	0	50
Month 5	0	0	100	0	100
Month 6	0	200	200	500	900
Month 7	100	0	200	0	300
Month 8	0	0	200	0	200
Month 9	0	200	100	0	300
Month 10	0	0	50	0	50
Month 11	0	0	50	0	50
Month 12	0	100	50	0	150
Total	100	600	1150	500	2350

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Operations items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Supplies	Repair & Maintenance	Vehicle & Travel	Licences & Permits	Total
Year 2	200	600	1200	500	2500
Year 3	500	700	1500	550	3250

c. Apart from what we have already paid for, there may be additional Operations items which we have received by we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Operations items at the end of Years 1, 2, and 3 will be:

Year	Operations Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Operations expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Operations	\$		%
Year 1		2350	0
Year 2		2500	42
Year 3		3250	1

Note 7: Banking and Other Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Banking, Professional & Other items are listed below. These figures show up on our cash flow statements.

	Bank Charges	Accounting & Legal	Insurance	Other	Total
Month 1	0	0	0	0	0
Month 1	0	0	0	0	0
Month 2	0	0	0	0	0
Month 3	0	0	0	0	0
Month 4	0	0	0	0	0
Month 5	0	0	0	0	0
Month 6	50	100	1000	0	1150
Month 7	0	0	0	0	0
Month 8	0	0	0	0	0
Month 9	0	0	0	0	0
Month 10	0	0	0	0	0
Month 11	0	0	0	0	0
Month 12	0	0	1000	0	1000
Total	50	100	2000	0	2150

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Banking, Professional & Other items are listed below. These figures show up on our annual Cash Flow Statement.

	Bank Charges	Accounting & Legal	Insurance	Other	Total
Year 2	100	200	1000	0	1300
Year 3	200	1000	1100	0	2300

c. Apart from what we have already paid for, there may be additional Banking, Professional & Other items which we have received by we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Banking, Professional & Other items at the end of Years 1, 2, and 3 will be:

Year	Amount Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Banking, Professional & Other expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Banking and Other	\$		%
Year 1		2150	0
Year 2		1300	22
Year 3		2300	1

Note 8: Wages and Other Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Wages & Other items are listed below. These figures show up on our cash flow statements.

Year 1	Tim Tiller	****	****	****	Total
Month 1	0				0
Month 1	0				0
Month 2	0				0
Month 3	0				0
Month 4	0				0
Month 5	0				0
Month 6	0				0
Month 7	0				0
Month 8	0				0
Month 9	0				0
Month 10	0				0
Month 11	0				0
Month 12	0				0
Total	0				0

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Wages & Other items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Tim Tiller	****	****	****	Total
Year 2	5000				5000
Year 3	10000				10000

c. Apart from what we have already paid for, there may be additional Wages & Other items which we have received by we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Wages & Other items at the end of Years 1, 2, and 3 will be:

Year	Wages Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Wages & Other expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Wages and Other	\$	%
Year 1	0	0
Year 2	5000	84
Year 3	10000	4

Note 9: Other Sources of Funding

a. Our assumptions regarding other sources of funding for our business in Year 1 are:

	Investment By Owners	Operating Loan Advances	Term Loan Advances	Sale of Fixed Assets	Other Assets
Month 1	0	0	0	0	0
Month 1	0	0	0	0	0
Month 2	0	0	0	0	0
Month 3	0	0	0	0	0
Month 4	0	0	0	0	0
Month 5	0	0	0	0	0
Month 6	0	10000	0	0	0
Month 7	0	0	0	0	0
Month 8	0	8000	0	0	0
Month 9	0	0	0	0	0
Month 10	0	0	0	0	0
Month 11	0	0	0	0	0
Month 12	0	0	0	0	0
Total	0	18000	0	0	0

b. Our assumptions regarding other sources of funding for Years 2 and 3 are:

	Investment By Owners	Operating Loan Advances	Term Loan Advances	Sale of Fixed Assets	Other Assets
Year 2	0	30000	0	0	0
Year 3	0	0	0	0	0

Note 10: Other Uses of Funding

a. Our assumptions regarding payments to owners and repayment of loan principal and interest in Year 1 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnin gs Shareholders	Operating Loan Interest & Principal	Term Loan Interest & Principal
Month 1	0	0	0	0
Month 1	0	0	0	0
Month 2	0	0	0	0
Month 3	0	0	0	0
Month 4	0	0	0	0
Month 5	0	0	0	0
Month 6	0	0	0	0
Month 7	0	0	500	0
Month 8	0	0	500	0
Month 9	0	0	500	0
Month 10	0	0	500	0
Month 11	0	0	500	0
Month 12	0	0	500	0
Total	0	0	3000	0

b. Our assumptions regarding payments to owners and repayment of loan principal and interest in Years 2 and 3 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnin gs Shareholders	Operating Loan Interest &	Term Loan Interest &
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			Principal	Principal
Year 2	0	0	6000	0
Year 3	0	0	46400	0

c. Our assumptions regarding other payments in Year 1 are:

Other Uses of Funds	Purchase of Fixed Assets	Payments for Other Assets	Payment for Income Taxes
Month 1	0	0	0
Month 1	0	0	0
Month 2	0	0	0
Month 3	0	0	0
Month 4	0	0	0
Month 5	0	0	0
Month 6	0	0	0
Month 7	0	0	0
Month 8	0	0	0
Month 9	0	0	0
Month 10	0	0	0
Month 11	0	0	0
Month 12	0	0	0
Total	0	0	0

d. Our assumptions regarding other payments in Year 2 and 3 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnings Shareholders	Operating Loan Interest & Principal
Year 2	0	0	0
Year 2	0	0	0
Year 3	0	0	25126