

**Business Plan Highlights:**

- ◆ Premier agent, providing auto, home, commercial and life insurance
- ◆ Exploits growing need for broad coverage, north of metropolitan Denver
- ◆ Targeted market is \$222 million; non-targeted market is \$663 million
- ◆ Owner has a strong background and is supported by staff and advisors

**AXLE INSURANCE AGENCY**

*Exclusive Allstate Agent*

Seeks Lender Commitments  
In The Amount Of

**\$250,000**

May 1, 2003

TABLE OF CONTENTS:

|                          |                            |             |
|--------------------------|----------------------------|-------------|
| Executive Summary...     | Financial Summary.....     | PAGES 2-3   |
| Company.....             | Products and Services..... | PAGES 4-5   |
| Market.....              | Industry.....              | PAGE 6      |
| Strategy.....            | Implementation.....        | PAGE 7      |
| Management.....          | Risk Assessment.....       | PAGE 8      |
| Capitalization Plan..... |                            | PAGE 9      |
| Sales.....               | Net Income.....            | PAGES 10-11 |
| Cash Flow.....           | Balance Sheet.....         | PAGES 12-13 |
| References.....          |                            | PAGE 14     |

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# Executive Summary

*The U.S. insurance industry remains one of the bulwarks of the American economy, generating \$382 billion in property and casualty insurance premiums, along with another \$527 billion in life insurance premiums. In the State of Colorado, where an estimated 4.3 million vehicles are now registered, and where home ownership rates have reached 68.1%, the demand for automobile and homeowners' insurance, from competitive, dependable insurers, continues to rise. Axle Insurance Agency intends to exploit this demand, by establishing itself, in Thornton, CO, just north of Denver, as an exclusive insurance agent for Allstate, one of the most reputable providers in the industry. In 2003, the market for automobile and personal property insurance, in the high-growth, seven-city area that Axle Insurance has targeted, is estimated to be \$222 million. The cornerstone activity that will launch this venture will be the acquisition of an existing book of automobile and homeowners' insurance business, held by a highly regarded, Allstate agent, who has spent 20 years cultivating a loyal following of over 1,400 households, in the northern Denver area. Keys to success will include successfully concluding ownership transition, reaffirming the present customer base, and then growing the agency, through aggressive cross-selling and expansion of product lines. The new owner has a wealth of sales knowledge, an experienced staff and professional advisors.*

**Company.** Axle Insurance Agency will be the premier, exclusive Allstate agent for individuals and businesses, residing in northern, metropolitan Denver, CO. It will be established as a Colorado S corporation and will conduct its insurance sales and administrative activities from office space, located in Thornton, CO.

**Products and Services.** The agency will offer full lines of standard and specialty automobile insurance, personal property insurance, for homeowners and renters, commercial insurance for businesses, and a wide array of financial services, related to family protection, long-term education, retirement and estate planning.

**Market.** In 2003, the market for automobile and personal property insurance for individuals, aged 25 to 44, in Denver, CO, and six growing communities on its northern outskirts, is estimated to be \$222 million. This does not include non-targeted, but potential markets in the geographical vicinity, totaling over \$663 million.

**Industry.** Providers of automobile and property & casualty insurance are dominated by three large carriers and a variety of smaller insurers. In metropolitan Denver, several hundred agencies compete, primarily on the basis of types of insurances and coverages, policy premium costs, customer service and convenience.

**Strategy.** Strategic objectives include: finalizing the \$400,000 acquisition of a well established Allstate agency, with a book of business, in Thornton, CO; preserving the existing customer base through intensive relationship-building; and then growing the agency, through aggressive cross-selling and product expansion.

**Implementation.** The operating plan includes ensuring effective ownership transition, by completing all licensing requirements, obtaining Allstate approval and training and completing the planned acquisition. The multi-channel marketing plan relies upon Allstate collaterals, Yellow Pages, cable TV and word-of-mouth.

**Management.** The owner possesses a wealth of relevant management, marketing and sales experience, and is a co-principal of a highly successful sales agency, in Southern California. He will be supported by heavily experienced sales and administrative staff, along with legal and accounting professional advisors.

**Risk Assessment.** Axle Insurance Agency is poised to exploit the demand for personal and casualty insurance that exists in the rapidly growing communities, north of Denver, CO. Success in obtaining financing, continuing high market demand, and effective marketing channels, are all viewed as probable occurrences.

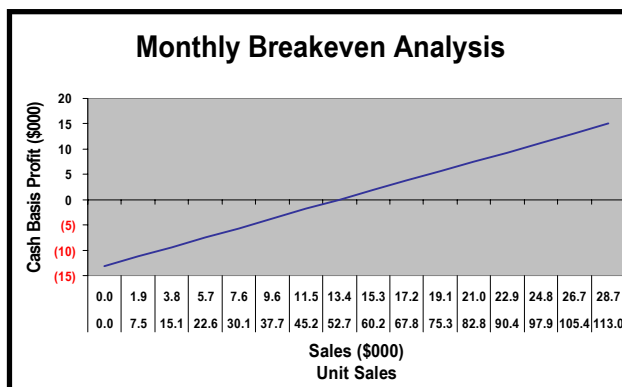
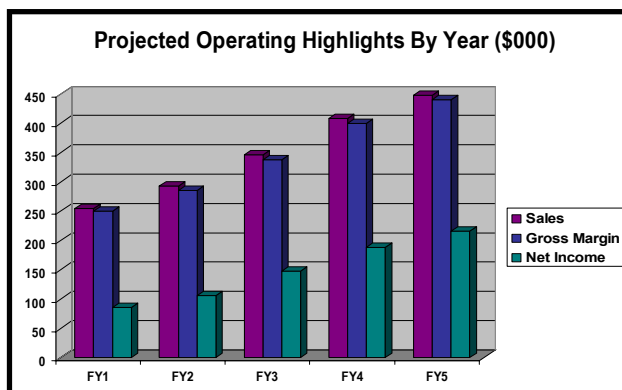
# Financial Summary

*Axle Insurance Agency is seeking lender commitments, totaling \$250,000, by May 1, 2003. This cash infusion would result in substantial revenue and income growth, during the five-year planning period, and position the company for product line expansion and growth of geographical markets.*

**Capitalization Plan.** Axle Insurance proposes to pursue its strategic objectives, by obtaining lender commitments, totaling \$250,000, by May 1, 2003. This cash infusion would be used to establish a working capital and capital expenditure reserve, totaling \$40K and provide \$210K in acquisition funds, which would be applied with \$90K in owner contributions and \$100K in seller financing, to satisfy a purchase price of \$400K.

**Projected Operating Results.** Sales are projected to rise, from \$256K, in FY1, to \$448K, in FY5. In the same period, net income is projected to rise, from \$87K, in FY1, to \$214K, in FY5. Monthly cash flow is positive, throughout the plan; the minimum cash balance is \$48K; and ending FY5 cash balance is \$464K.

| Projected Operating Highlights (\$000) |     |      |     |      |     |      |     |      |     |      |      |      |     |     |     |     |     |
|--|-----|------|-----|------|-----|------|-----|------|-----|------|------|------|-----|-----|-----|-----|-----|
| Start-Up: 5/1/03                       | May | Jun  | Jul | Aug  | Sep | Oct  | Nov | Dec  | Jan | Feb  | Mar  | Apr  | FY1 | FY2 | FY3 | FY4 | FY5 |
| Sales                                  | 21  | 21   | 21  | 21   | 21  | 21   | 21  | 21   | 21  | 22   | 22   | 22   | 256 | 292 | 342 | 405 | 448 |
| Gross Margin                           | 20  | 21   | 20  | 21   | 20  | 21   | 20  | 21   | 20  | 22   | 22   | 22   | 251 | 286 | 334 | 397 | 438 |
| Operating Expenses                     | 10  | 7    | 11  | 8    | 9   | 9    | 9   | 7    | 11  | 6    | 7    | 9    | 103 | 116 | 116 | 120 | 120 |
| Net Inc. Before Int./Taxes             | 10  | 14   | 9   | 13   | 11  | 12   | 11  | 14   | 9   | 16   | 15   | 13   | 148 | 170 | 218 | 277 | 318 |
| Net Income                             | 6   | 8    | 5   | 8    | 6   | 7    | 6   | 8    | 5   | 10   | 9    | 8    | 87  | 107 | 144 | 185 | 214 |
| Percentages:                           |     |      |     |      |     |      |     |      |     |      |      |      |     |     |     |     |     |
| Gross Margin/Sales                     | 95% | 100% | 95% | 100% | 95% | 100% | 95% | 100% | 95% | 100% | 100% | 100% | 98% | 96% | 97% | 97% | 97% |
| Net Income/Sales                       | 29% | 38%  | 24% | 38%  | 29% | 33%  | 29% | 38%  | 24% | 45%  | 41%  | 36%  | 34% | 37% | 42% | 46% | 48% |
| Net Cash Flow                          | 8   | 8    | 1   | 2    | 2   | 0    | 3   | 1    | 1   | 2    | 4    | 4    | 37  | 37  | 82  | 121 | 148 |
| Cash Balance - Ending                  | 48  | 56   | 57  | 59   | 61  | 61   | 64  | 65   | 66  | 68   | 72   | 76   | 77  | 113 | 195 | 316 | 464 |



| Financial Indicators                  |       |       |       |       |       |
|---------------------------------------|-------|-------|-------|-------|-------|
|                                       | FY1   | FY2   | FY3   | FY4   | FY5   |
| <b>Profitability %'s:</b>             |       |       |       |       |       |
| Gross Margin                          | 98%   | 97%   | 98%   | 98%   | 98%   |
| Net Profit Margin                     | 34%   | 36%   | 43%   | 46%   | 48%   |
| Return on Assets                      | 26%   | 29%   | 34%   | 34%   | 31%   |
| Return on Equity                      | 43%   | 35%   | 33%   | 30%   | 26%   |
| <b>Activity Ratios:</b>               |       |       |       |       |       |
| Accounts Receivable Turnover          | 23.18 | 23.68 | 23.20 | 24.00 | 23.58 |
| Collection Days                       | 15.53 | 15.21 | 15.52 | 15.00 | 15.27 |
| Inventory Turnover                    | N/A   | N/A   | N/A   | N/A   | N/A   |
| Accounts Payable Turnover             | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |
| Asset Turnover                        | 0.77  | 0.81  | 0.79  | 0.74  | 0.64  |
| <b>Debt Ratios:</b>                   |       |       |       |       |       |
| Debt To Equity                        | 1.43  | 0.72  | 0.33  | 0.13  | 0.01  |
| Short-Term Liabilities To Liabilities | 0.02  | 0.04  | 0.06  | 0.14  | 1.00  |
| <b>Liquidity Indicators:</b>          |       |       |       |       |       |
| Current Ratio                         | 12.43 | 15.75 | 23.33 | 30.27 | 40.25 |
| Quick Ratio                           | 12.43 | 15.75 | 23.33 | 30.27 | 40.25 |
| Net Working Capital (\$000)           | 80    | 118   | 201   | 322   | 471   |
| Interest Coverage Ratio               | 6.13  | 11.27 | 18.50 | 23.33 | 26.67 |
| <b>Additional Indicators:</b>         |       |       |       |       |       |
| Assets to Sales Ratio                 | 1.30  | 1.24  | 1.27  | 1.36  | 1.56  |
| Debt To Assets Ratio                  | 87%   | 60%   | 34%   | 15%   | 2%    |
| Current Debt To Total Assets Ratio    | 2%    | 2%    | 2%    | 2%    | 2%    |
| Acid Test                             | 10.86 | 14.13 | 21.67 | 28.73 | 38.67 |
| Sales To Equity Ratio                 | 1.26  | 0.97  | 0.77  | 0.65  | 0.53  |
| Dividend Payout %                     | 0%    | 0%    | 0%    | 0%    | 0%    |

# Company

*Axle Insurance Agency will be the premier, exclusive Allstate agent for individuals and businesses, in northern, metropolitan Denver, CO. It will be established as a Colorado S corporation and will conduct its sales and administrative activities from prime office space, located in Thornton, CO.*

**Mission-Vision.** The company's five-year mission is to become the premier, exclusive Allstate insurance agent for individuals and businesses, located in northern, metropolitan Denver, CO. By purchasing a well established, existing book of insurance business, involving 1,400 households, and building upon this stable base, through aggressive cross-selling and product line expansion, Axle Insurance Agency intends to use years of well-honed sales experience and relationship-building skills to create a preeminent Allstate insurance agency that will dominate competition. The long-term vision is to create a benchmark agency that sets new standards of excellence, within the Allstate umbrella, by providing unparalleled products and services.

**Business Opportunity.** The U.S. insurance industry remains one of the bulwarks of the American economy, generating \$382 billion in property and casualty insurance premiums, along with another \$527 billion in life insurance premiums. Among the behemoths that leads this industry is Allstate Corporation, which is the second largest publicly traded property and casualty company, with assets of \$117 billion, and the fourth largest insurance company, overall. In the State of Colorado, where an estimated 4.3 million vehicles are now registered, and where home ownership rates have reached 68.1%, the demand for automobile and homeowners' insurance, from dependable insurers, continues to rise. Axle Insurance Agency intends to exploit this demand, by establishing itself, in Thornton, CO, five miles north of Denver, as an exclusive insurance agent for Allstate, one of the most reputable providers in the industry. In 2003, the market for automobile and personal property insurance, in the high-growth, seven-city area that Axle Insurance has targeted, is estimated to be \$222 million — a figure, that by 2007, is anticipated to reach \$234 million. The cornerstone activity that will launch this venture will be the acquisition of an existing book of insurance business, held by a highly regarded, Allstate agent, who has spent 20 years cultivating a loyal following of over 1,400 households, in the northern Denver area. Keys to success will include successfully concluding ownership transition, reaffirming the present customer base, and then enlarging it, through aggressive cross-selling, and eventual expansion, of product and service line offerings. In order to achieve these strategic objectives and assure growth, Axle Insurance Agency is seeking lender financing, totaling \$250,000, by May 1, 2003.

**Legal Entity and Ownership.** The company will establish itself as a Colorado S Corporation, operating as Axle Insurance Agency. Richard E. Axle will possess a 100% ownership interest and actively manage all company operations, as an exclusive agent of Allstate.

**History.** Mr. Axle has broad management, marketing and sales experience, as the present co-owner of a sales agency in Southern California, which coordinates a network of sales representatives that promote apparel, leather, luggage and sporting goods. He intends to liquidate his interest in this business, and position himself to acquire a successful Allstate insurance agency, located north of Denver, which specializes in automobile and homeowners' insurance. This book of business, which includes 1,400 households, in the Denver metropolitan area, and in 2002, generated over \$2.3 million in policy premiums, could readily be expanded. Mr. Axle intends to obtain Series 6 and 63 licenses, and is actively coordinating other transition activities, within guidelines, provided by Allstate Corporation, in anticipation of assuming full control of operations, by June 1, 2003.

**Location and Facilities.** The agency will be headquartered, in Thornton, CO, which is a thriving community, just north of Denver. It will operate from 1,500 sq. ft. of commercial office space, from which its various insurance sales and service activities will be conducted.

| Financial History<br>Inception To Business Plan Start-Up (\$000) |                |                        |                        |
|--|----------------|------------------------|------------------------|
|  | Actual<br>2002 | YTD Actual<br>03/31/03 | Forecasted<br>04/30/03 |
| <b>NET INCOME:</b>   |                |                        |                        |
| Sales  |                |                        |                        |
| Cost of Sales  |                |                        |                        |
| Gross Margin   | 0              | 0                      | 0                      |
| Operating Expenses   |                |                        |                        |
| <b>Net Income (Loss)</b>   | <b>0</b>       | <b>0</b>               | <b>0</b>               |
| <b>ASSETS:</b>   |                |                        |                        |
| Cash or Cash Equivalents   | 0              | 0                      | 90,000                 |
| Accounts Receivable  |                |                        |                        |
| Inventory  |                |                        |                        |
| Prepaid Expenses   |                |                        |                        |
| Property, Plant & Equipment                                      | 13,300         | 13,300                 | 13,300                 |
| Intangible Assets  |                |                        |                        |
| Deferred Charges   | 945            | 5,545                  | 12,045                 |
| Less: Depreciation & Amort.                                      |                |                        |                        |
| <b>Total Assets</b>  | <b>14,245</b>  | <b>18,845</b>          | <b>115,345</b>         |
| <b>LIABILITIES:</b>  |                |                        |                        |
| Accounts Payable   |                |                        |                        |
| Other Current Liabilities  |                |                        |                        |
| Short-Term Notes Payable   |                |                        |                        |
| Long-Term Notes Payable  |                |                        |                        |
| <b>Total Liabilities</b>   | <b>0</b>       | <b>0</b>               | <b>0</b>               |
| <b>EQUITY:</b>   |                |                        |                        |
| Paid-In Capital  | 14,245         | 18,845                 | 115,345                |
| Retained Earnings  |                | 0                      | 0                      |
| <b>Total Equity</b>  | <b>14,245</b>  | <b>18,845</b>          | <b>115,345</b>         |
| <b>Total Liabilities &amp; Equity</b>                            | <b>14,245</b>  | <b>18,845</b>          | <b>115,345</b>         |

# Products and Services

*The agency will offer full lines of standard and specialty automobile insurance, personal property insurance, for homeowners and renters, commercial insurance for businesses, and a wide array of financial services, related to family protection, long-term education, retirement and estate planning.*

**Axle  
Insurance Agency**



- ◆ Automobile
- ◆ Homeowners'
- ◆ Commercial
- ◆ Financial Services

**Business Summary.** The company's mission is to become the premier, exclusive Allstate insurance agent for individuals and businesses, in metropolitan Denver, CO. Its customer base originates from the successful efforts of its prior owner, who spent 20 years building a loyal following of automobile and homeowner insurance policy holders. The new owner intends to enlarge this success, by aggressively cross-selling product lines and expanding agency offerings, to include commercial insurance and several forms of life insurance — eventually, it anticipates offering annuities and mutual funds. Revenues are derived from 10% commissions earned on new and renewal policies which are written, for automobile, personal property and commercial insurance, along with 60% commissions earned on an array of Allstate financial services.



## **Automobile Insurance**

***Avg. Commission: \$200 / 12-Mo. Term***

The agency will offer a full line of *standard* and *specialty* automobile insurance protection, relating to bodily injury liability, property damage liability, no-fault, medical payments, uninsured motorists and underinsured motorists, along with a broad range of automobile collision or comprehensive coverages.



## **Personal Property Insurance**

***Avg. Commission: \$50 / 12-Mo. Term***

A full line of personal property insurance, relating to the hazards of fire, and a variety of other covered perils, is available for homeowners, renters, condominium owners and mobile home owners — coverages include building structure, belongings, additional living expenses, theft, family liability and medical.



## **Commercial Insurance**

***Avg. Commission: \$120 / 12-Mo. Term***

In addition, non-fleet and other types of commercial insurance will be available to businesses, which cover destruction or operation of vehicles, destruction of office equipment and inventory and certain types of liability, cargo risk or theft.



## **Financial Services**

***Avg. Commission: \$500 / 12-Mo. Term***

A range of financial services that provide lifelong family protection and facilitate education, retirement and estate planning are available, including universal life, level best term, senior line, variable life, annuities and mutual funds.

**Fulfillment.** Ownership transition will involve retention of the existing staff, in order to leverage this valuable experience and preserve business continuity. The new owner, who is licensed, and has a wealth of transferable sales experience, will actively lead the overall effort to expand sales and assure service excellence.

**Competitive Comparison.** Predominantly a property and casualty insurer, Axle Insurance Agency will have the financial knowledge and clout of the industry's second largest carrier behind it. Its large, inherited book of renewal business will easily allow it to outperform newly established agencies — and its long-term commitment to continual innovation and business growth will position it to dominate the more established firms.

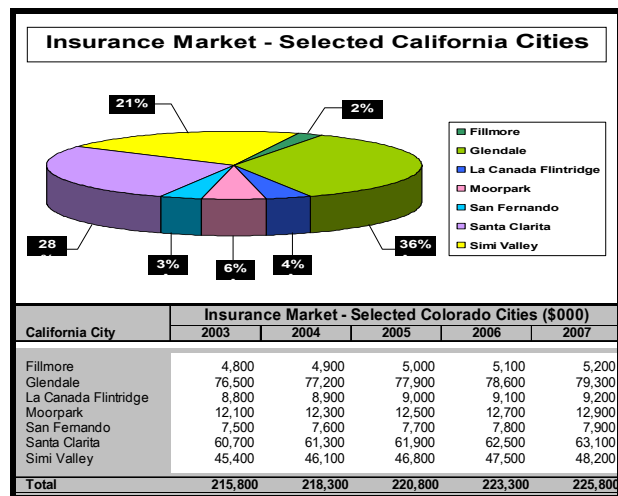
**Future Development.** The owner is committed to managing a premier Allstate agency, which ensures long-term customer satisfaction, through unparalleled service and an expanding line of effective product offerings.

# Market and Industry

In 2003, the market for automobile and personal property insurance for individuals, aged 25 to 44, in Denver, CO, and six growing communities on its northern outskirts, is \$222 million. This does not include non-targeted, but potential markets in the geographical vicinity, totaling \$663 million.

**General Market Analysis.** The U.S. insurance industry generates \$382 billion in property and casualty insurance premiums, along with another \$527 billion in life insurance premiums.<sup>1</sup> Among the industry leaders, Allstate Corporation is the second largest publicly traded property and casualty company, with assets of \$117 billion,<sup>2</sup> and ranks as the fourth largest insurance company, overall.<sup>3</sup> In Colorado, where an estimated 4.3 million vehicles are registered,<sup>4</sup> and where home ownership rates have risen to 68.1%,<sup>5</sup> the demand for automobile and homeowners' insurance, from large, competitive insurers, like Allstate, remains unabated.

**Market Segmentation.** Axle Insurance Agency has targeted individuals, aged 25 to 44, residing in Denver, CO, and six growing communities, located on its northern outskirts — these cities comprise a market for automobile and personal property insurance that, in 2003, is estimated to be \$222 million, a figure that is anticipated to reach \$234 million, by 2007.<sup>6</sup> The targeted communities include **Brighton, Broomfield, Denver, Louisville, Northglenn, Thornton and Westminster.** These estimates *do not* include individuals, aged 25 to 44, from any other communities in the greater metropolitan area, which would comprise an additional market of \$304 million, nor does it include individuals in the 20 to 24, or 45 or greater, age brackets, which would represent potential markets of \$101 million and \$258 million, respectively.<sup>7</sup>



**General Industry Characteristics.** Providers of automobile and property & casualty insurance are dominated by three large carriers and a variety of smaller insurers. In metro Denver, several hundred agencies compete, on the basis of premium costs, types of coverage and customer service. Highly targeted customers include married couples, age 25 to 44, with young children, who are homeowners, with multiple vehicles.

| KEY COMPETITOR <sup>8</sup>  | STRENGTHS  | WEAKNESSES  |
|--|--|---|
| <b>State Farm Insurance</b><br>Bloomington, IL<br>2002 Revenue: \$49.7 Billion   | Over 16,000 agents; auto, home, non-medical health, life insurance; controls 25% of Denver market. | Tightened guidelines; use of "credit score" as key indicator for calculating premiums causes wide swings. |
| <b>Farmers Group [Zurich]</b><br>Los Angeles, CA<br>2002 Revenue: \$40.4 Billion | Subsidiary of Zurich Financial Services; property & casualty, life; controls 15% of Denver market. | Tightened guidelines; use of "credit score" as key indicator for calculating premiums causes wide swings. |
| <b>American Family Insurance</b><br>Madison, WI<br>2002 Revenue: \$5.1 Billion   | One of largest mutual companies focusing on auto insurance; also, home, life & financial services. | Tightened underwriting guidelines; similar to other insurance companies, has raised premium rates.        |

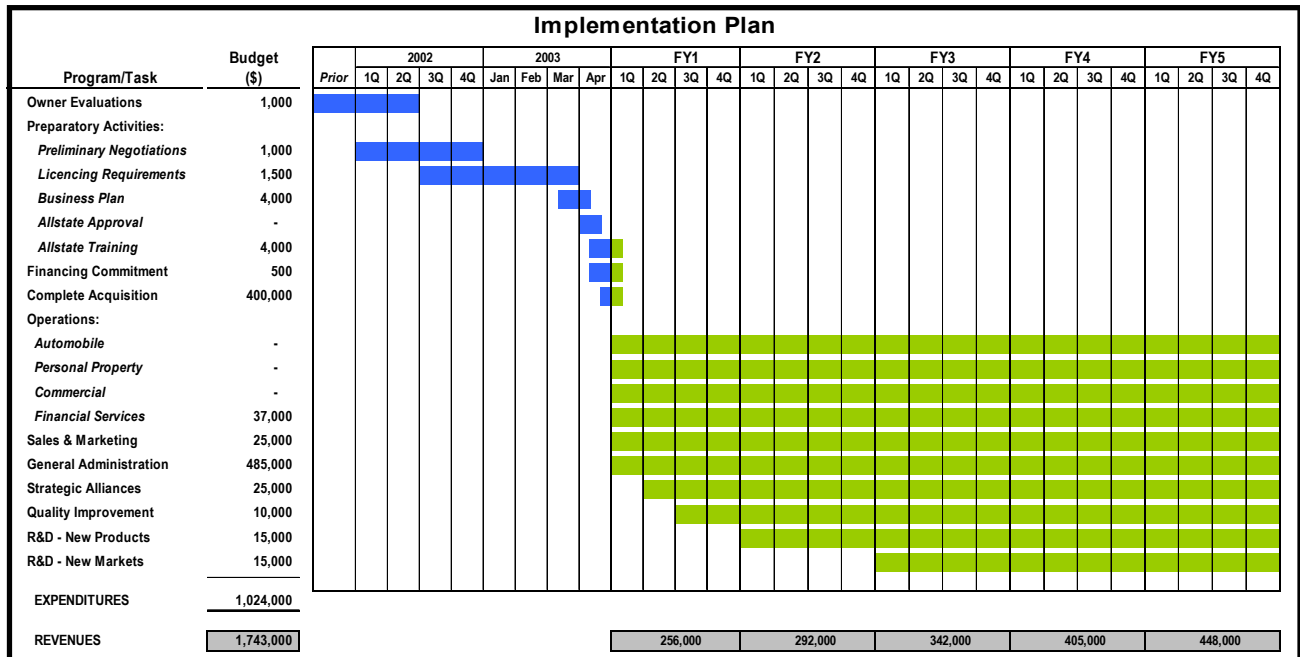
**Competitive Edge.** Axle Insurance benefits from a strong, inherited customer base, along with innovative approaches to expanding the agency's growth. Unlike its competitors, Allstate only uses credit scores as one, of several determinants, to establish premium prices — this creates better correlation and lower pricing.

# Strategy and Implementation

*Strategic objectives include: finalizing the \$400,000 acquisition of a well established book of business in Thornton, CO, north of Denver; preserving the customer base through relationship-building; and then growing the agency, through aggressive cross-selling and product expansion.*

**Strategic Objectives.** The company's five-year mission is to become the premier Allstate insurance agent for individuals and businesses, located in northern, metropolitan Denver, CO. Strategic objectives include: (1) ensuring that effective ownership transition occurs, to minimize business disruption; (2) preserving the existing customer base, to assure a foundation for future growth; (3) expanding marketing and sales activities, to maximize company revenues; and (4) promoting customer satisfaction, to assure long-term success.

- **Ensure Effective Ownership Transition:** It is imperative that activities leading to ownership transfer minimize business disruption. Critical steps will include: (a) finalizing terms & conditions of acquisition; (b) developing a business plan that demonstrates financial feasibility of the agency, in the hands of the new owner; (c) completing licensing requirements, necessary to promote Allstate products; (d) obtaining Allstate approval to acquire the existing book of customers and become an exclusive agent; (e) committing to Allstate-sponsored training, along with a 3 to 4-week "live" mentoring period, to become familiar with the business; and (6) assuring that office infrastructure is in place.
- **Preserve Existing Customer Base:** Early emphasis will be placed on preserving the existing customer base, through a concerted campaign of effective relationship-building. This will include: (a) melding the knowledge of the existing staff, with the marketing & sales skills of the new owner; and (b) developing customer appreciation initiatives that help create a solid foundation for future growth.
- **Expand Marketing and Sales Activities:** A centerpiece activity will be to expand agency revenues. Key steps will include: (a) aggressively cross-selling products to existing customers; (b) selling a full range of Allstate product lines, as licensing permits; and (c) executing a comprehensive marketing plan that utilizes Allstate collaterals, maximizes Yellow Page listings and exploits local cable TV.
- **Promote Customer Satisfaction:** Long-term success will depend upon overall customer satisfaction. This will be assured by: (a) cultivating strategic alliances with key customer and community groups; and (b) periodically evaluating key operating processes, to assure continual quality improvement.





# Capitalization Plan

*Axle Insurance Agency is seeking lender commitments, in the amount of \$250,000, by May 1, 2003, to accommodate the acquisition of a targeted insurance agency, in Thornton, CO, and provide a cash reserve of \$40,000. Collateral exists, and later rounds of financing may be required.*

**Start-Up Condition.** Start-up requirements total \$465K, including \$40K in cash, \$25K in pre-acquisition property and deferred charges, \$247K in allocable fair values of identifiable acquisition assets & liabilities, plus \$153K in goodwill, resulting from an excess of allocated values over acquisition price. Initial resources total \$100K in long-term loans, and \$115K in owner investments, resulting in a resource shortfall of \$250K.

**Capitalization Plan.** Axle Insurance proposes to cover its start-up shortfall, by obtaining lender commitments, totaling \$250,000, by May 1, 2003. This cash infusion would be used to establish a working capital and capital expenditure reserve, totaling \$40K and provide \$210K in acquisition funds, which would be applied with \$90K in owner contributions and \$100K in seller financing, to satisfy a purchase price of \$400K.

| CAPITALIZATION PLAN (\$000)               |              |                             |              |
|---|--------------|-----------------------------|--------------|
| REQUIREMENTS                              |              | RESOURCES                   |              |
| YTD Expenses Thru 4/30/03:                |              | Loans:                      |              |
| Cost of Sales                             | 0.0          | Accounts Payable            | 0.0          |
| Operating Expenses                        | 0.0          | Other Current Liabilities   | 0.0          |
| Less: Sales                               | 0.0          | Short-Term Loans            | 0.0          |
|   |              | Long-Term Loans             | 100.0        |
|   |              | <b>Lender</b>               | <b>250.0</b> |
| <b>YTD Loss (Gain)</b>                    | <b>0.0</b>   | <b>Total Loans</b>          | <b>350.0</b> |
| Start-Up Assets:                          |              | Investments (% Ownership):  |              |
| Cash                                      | 40.0         | R. Axle (100%)              | 115.3        |
| Accounts Receivable                       | 10.0         |                             |              |
| Inventory                                 | 0.0          |                             |              |
| Prepaid Expenses                          | 0.0          |                             |              |
| Property, Plant & Equipment               | 27.3         |                             |              |
| Intangible Assets                         | 230.0        |                             |              |
| Deferred Charges                          | 12.0         |                             |              |
| Accum. Deprec. & Amort.                   | 7.0          |                             |              |
| Goodwill                                  | 153.0        |                             |              |
| <b>Total Start-Up Assets</b>              | <b>465.3</b> | <b>Total Investments</b>    | <b>115.3</b> |
| <b>TOTAL REQUIREMENTS</b>                 | <b>465.3</b> | <b>TOTAL RESOURCES</b>      | <b>465.3</b> |
| ESTIMATED FINANCIAL CONDITION AT START-UP |              |                             |              |
| Total Resources Available                 | 465.3        | <b>Start-Up ASSETS</b>      | <b>465.3</b> |
| Less: Assets Purchased                    | 465.3        | <b>Start-Up LIABILITIES</b> | <b>350.0</b> |
| <b>Start-Up Loss (Gain)</b>               | <b>0.0</b>   | <b>Start-Up EQUITY</b>      | <b>115.3</b> |

| USE OF PROCEEDS                   |              |
|-----------------------------------|--------------|
| Working Capital:                  |              |
| Contingency Fund                  | 30.0         |
| <b>Total Working Capital</b>      | <b>30.0</b>  |
| Capital Expenditures:             |              |
| Purchase of Agency                | 210.0        |
| Contingency Fund                  | 10.0         |
| <b>Total Capital Expenditures</b> | <b>220.0</b> |
| <b>TOTAL USES</b>                 | <b>250.0</b> |

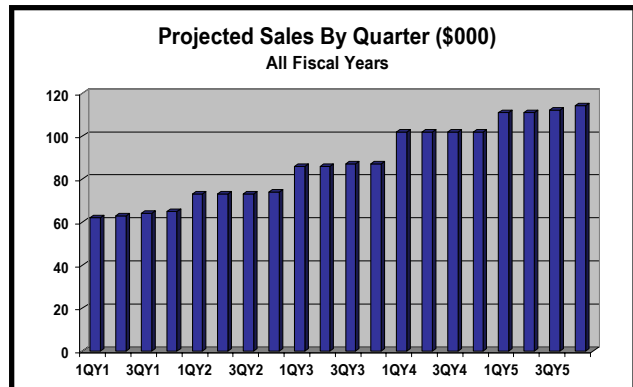
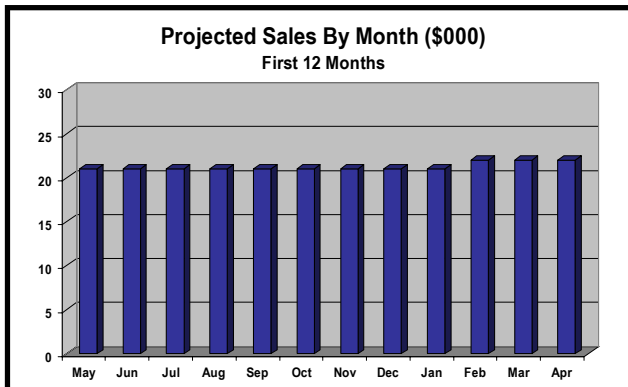
**Collateral and Possible Later-Round Financing.** As security for the loan commitments, the owner intends to make underlying agency assets, along with personal assets, available as collateral. The agency's strong book of business and competitive advantages are expected to result in broad acceptance in targeted markets. If expansion, to allow further growth is required, then Axle Insurance may seek additional financing.

# Sales

Sales for FY1 through FY5 are forecasted to be \$256K, \$292K, \$342K, \$405K and \$448K, respectively. Revenues are generated from commissions earned on new policies or renewal policies, relating automobile, personal property and commercial insurances, plus an array of financial services.

| Forecasted Sales and Cost of Sales (\$000) |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| Start-Up: 5/1/03                           | May        | Jun        | Jul        | Aug        | Sep        | Oct        | Nov        | Dec        | Jan        | Feb        | Mar        | Apr        | FY1          | FY2          | FY3          | FY4          | FY5          |
| <b>Unit Sales (\$/Unit) (1):</b>           |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| AUTO:                                      |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| Standard:                                  |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 6.7        | 6.7        | 6.7        | 6.7        | 6.7        | 6.7        | 6.8        | 6.8        | 6.8        | 6.8        | 6.8        | 6.8        | 81           | 89           | 98           | 108          | 119          |
| Renewals                                   | 57.8       | 57.8       | 57.8       | 57.8       | 57.8       | 57.8       | 57.8       | 57.8       | 57.9       | 57.9       | 57.9       | 57.9       | 694          | 763          | 839          | 922          | 1,014        |
| Specialty:                                 |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 1.4        | 1.4        | 1.4        | 1.4        | 1.4        | 1.4        | 1.4        | 1.4        | 1.4        | 1.4        | 1.5        | 1.5        | 17           | 19           | 21           | 23           | 25           |
| Renewals                                   | 4.8        | 4.8        | 4.8        | 4.8        | 4.8        | 4.8        | 4.8        | 4.8        | 4.9        | 4.9        | 4.9        | 4.9        | 58           | 72           | 88           | 106          | 126          |
| PERSONAL PROPERTY:                         |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 8.5        | 8.5        | 8.6        | 8.6        | 8.6        | 8.6        | 8.6        | 8.6        | 8.6        | 8.6        | 8.6        | 8.6        | 103          | 113          | 124          | 136          | 150          |
| Renewals                                   | 93.0       | 93.0       | 93.0       | 93.0       | 93.1       | 93.1       | 93.1       | 93.1       | 93.1       | 93.1       | 93.2       | 93.2       | 1,117        | 1,205        | 1,301        | 1,406        | 1,522        |
| COMMERCIAL                                 | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 6            | 7            | 8            | 9            | 10           |
| FINANCIAL SERVICES                         | 1.6        | 1.6        | 1.6        | 1.6        | 1.7        | 1.7        | 1.7        | 1.7        | 1.7        | 1.7        | 1.7        | 1.7        | 20           | 23           | 28           | 31           | 34           |
| <b>Total Unit Sales</b>                    | <b>174</b> | <b>174</b> | <b>174</b> | <b>174</b> | <b>175</b> | <b>175</b> | <b>175</b> | <b>175</b> | <b>175</b> | <b>175</b> | <b>175</b> | <b>175</b> | <b>2,096</b> | <b>2,291</b> | <b>2,507</b> | <b>2,741</b> | <b>3,000</b> |
| <b>Unit Price (\$/Unit) (2):</b>           |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| AUTO:                                      |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| Standard:                                  |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        | 101        |              |              |              |              |              |
| Renewals                                   | 219        | 219        | 219        | 219        | 219        | 219        | 219        | 219        | 219        | 219        | 219        | 219        |              |              |              |              |              |
| Specialty:                                 |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 124        | 124        | 124        | 124        | 124        | 124        | 124        | 124        | 124        | 124        | 124        | 124        |              |              |              |              |              |
| Renewals                                   | 369        | 369        | 369        | 369        | 369        | 369        | 369        | 369        | 369        | 369        | 369        | 369        |              |              |              |              |              |
| PERSONAL PROPERTY:                         |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         | 48         |              |              |              |              |              |
| Renewals                                   | 59         | 59         | 59         | 59         | 59         | 59         | 59         | 59         | 59         | 59         | 59         | 59         |              |              |              |              |              |
| COMMERCIAL                                 | 120        | 120        | 120        | 120        | 120        | 120        | 120        | 120        | 120        | 120        | 120        | 120        |              |              |              |              |              |
| FINANCIAL SERVICES                         | 510        | 510        | 510        | 510        | 510        | 510        | 510        | 510        | 510        | 510        | 510        | 510        |              |              |              |              |              |
| <b>Forecasted Sales (\$000) (3):</b>       |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| AUTO:                                      |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| Standard:                                  |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 0.2        | 0.2        | 0.3        | 0.3        | 0.4        | 0.4        | 0.5        | 0.5        | 0.5        | 0.6        | 0.6        | 0.7        | 5            | 9            | 10           | 11           | 13           |
| Renewals                                   | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 12.7       | 153          | 168          | 192          | 228          | 252          |
| Specialty:                                 |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 0.0        | 0.1        | 0.1        | 0.1        | 0.1        | 0.1        | 0.1        | 0.1        | 0.1        | 0.2        | 0.2        | 0.2        | 1            | 2            | 2            | 3            | 4            |
| Renewals                                   | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 22           | 24           | 36           | 48           | 48           |
| PERSONAL PROPERTY:                         |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| New Business                               | 0.0        | 0.1        | 0.1        | 0.1        | 0.2        | 0.2        | 0.2        | 0.3        | 0.3        | 0.3        | 0.4        | 0.4        | 3            | 5            | 6            | 7            | 7            |
| Renewals                                   | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 5.0        | 60           | 72           | 84           | 96           | 100          |
| COMMERCIAL                                 | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0            | 0            | 0            | 0            | 0            |
| FINANCIAL SERVICES                         | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 12           | 12           | 12           | 12           | 24           |
| <b>Total Sales</b>                         | <b>21</b>  | <b>21</b>  | <b>21</b>  | <b>21</b>  | <b>21</b>  | <b>21</b>  | <b>21</b>  | <b>21</b>  | <b>21</b>  | <b>22</b>  | <b>22</b>  | <b>22</b>  | <b>256</b>   | <b>292</b>   | <b>342</b>   | <b>405</b>   | <b>448</b>   |
| <b>Unit COS (\$/Unit) (4):</b>             |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| FINANCIAL SERVICES                         |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
|  | 255        | 255        | 255        | 255        | 255        | 255        | 255        | 255        | 255        | 255        | 255        | 255        |              |              |              |              |              |
| <b>Forecasted COS (\$000):</b>             |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
| FINANCIAL SERVICES                         |            |            |            |            |            |            |            |            |            |            |            |            |              |              |              |              |              |
|  | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 0.4        | 5            | 6            | 8            | 8            | 10           |
| <b>Total Cost of Sales</b>                 | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>0.4</b> | <b>5</b>     | <b>6</b>     | <b>8</b>     | <b>8</b>     | <b>10</b>    |

NOTES: (1) UNIT SALES -- Based on number of policies written, assuming average 12-month terms, as follows:  
 FY1, All "NEW BUSINESS" Lines: 2002 actual "New Business" Unit Sales, plus 10% assumed growth.  
 FY1, All "RENEWAL" Lines: 2002 actual "Renewal" Unit Sales, plus 85% of 2002 "New Business" Unit Sales.  
 FY2 thru FY5, All "NEW BUSINESS" Lines: Prior year actual "New Business" Unit Sales, plus 10% assumed growth.  
 FY2 thru FY5, All "RENEWAL" Lines: Prior year actual "Renewal" Unit Sales, plus 85% of prior year "New Business" Unit Sales.  
 (2) UNIT PRICE -- Contains the following commission structures:  
 FY1, ALL LINES (except "Financial Services"): Reflects 10% commission, based on premiums earned, for policies written.  
 FY1, FINANCIAL SERVICES: Reflects 60% commission, based on premiums earned, for policies written.  
 FY2 thru FY5: Reflects year-to-year percentage increases, by line, as follows --  
 ALL LINES (except "Financial Services"): 10% increases, for all years.  
 FINANCIAL SERVICES: 15%, 20%, 10% and 10%, respectively.  
 (3) FORECASTED SALES -- Reflects revenue recognition, based on commissions earned, as follows:  
 NEW BUSINESS LINES: 20% of commissions earned in Month 1; 80% of commissions earned over 12 months of installments.  
 ALL OTHER LINES: Rough approximation, assumed to be achieved by multiplying Unit Sales x Unit Rate, for each month.  
 (4) FORECASTED COST OF SALES -- Financial Services: Earned commission is shared equally, with Financial Services Specialist.



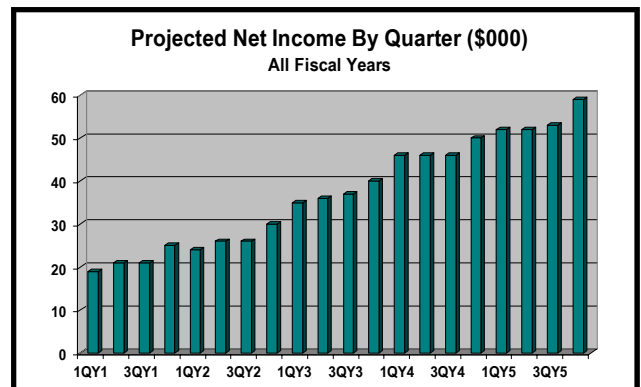
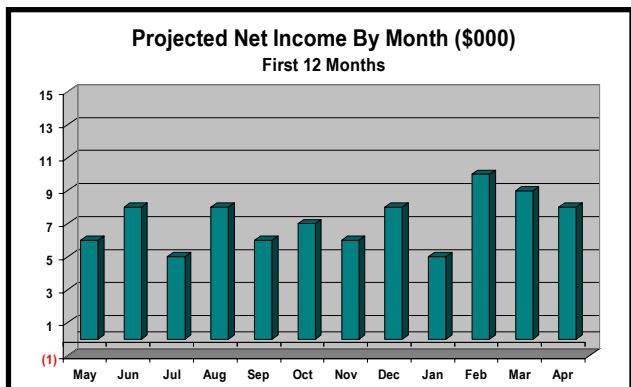
# Net Income

Net income is positive, beginning in Month 1, and for FY1 through FY5, is projected to be \$87K, \$107K, \$144K, \$185K and \$214K, respectively. During the five years, gross margin, as a percentage of sales, ranges from 96% to 98%; net income, as a percent of sales, runs from 34% to 48%.

| Projected Income Statement (\$000) * |     |      |     |      |     |      |     |      |     |      |      |      |     |     |     |     |     |
|--------------------------------------|-----|------|-----|------|-----|------|-----|------|-----|------|------|------|-----|-----|-----|-----|-----|
| Start-Up: 5/1/03                     | May | Jun  | Jul | Aug  | Sep | Oct  | Nov | Dec  | Jan | Feb  | Mar  | Apr  | FY1 | FY2 | FY3 | FY4 | FY5 |
| <b>Sales</b>                         | 21  | 21   | 21  | 21   | 21  | 21   | 21  | 21   | 21  | 22   | 22   | 22   | 256 | 292 | 342 | 405 | 448 |
| Direct Cost of Sales                 | 1   | 0    | 1   | 0    | 1   | 0    | 1   | 0    | 1   | 0    | 0    | 0    | 5   | 6   | 8   | 8   | 10  |
| Production Labor                     | 0   | 0    | 0   | 0    | 0   | 0    | 0   | 0    | 0   | 0    | 0    | 0    | 0   | 0   | 0   | 0   | 0   |
| Total Cost of Sales                  | 1   | 0    | 1   | 0    | 1   | 0    | 1   | 0    | 1   | 0    | 0    | 0    | 5   | 6   | 8   | 8   | 10  |
| <b>Gross Margin</b>                  | 20  | 21   | 20  | 21   | 20  | 21   | 20  | 21   | 20  | 22   | 22   | 22   | 251 | 286 | 334 | 397 | 438 |
| Gross Margin/Sales %                 | 95% | 100% | 95% | 100% | 95% | 100% | 95% | 100% | 95% | 100% | 100% | 100% | 98% | 96% | 97% | 97% | 97% |
| <b>Operating Expenses:</b>           |     |      |     |      |     |      |     |      |     |      |      |      |     |     |     |     |     |
| Sales & Marketing Labor              | 0   | 0    | 0   | 0    | 0   | 0    | 0   | 0    | 0   | 0    | 0    | 0    | 0   | 0   | 0   | 0   | 0   |
| Advertising & Promotion              | 1   |      | 1   |      | 1   |      | 1   |      | 1   |      |      |      | 5   | 5   | 5   | 5   | 5   |
| <b>Sales &amp; Marketing</b>         | 1   | 0    | 1   | 0    | 1   | 0    | 1   | 0    | 1   | 0    | 0    | 0    | 5   | 5   | 5   | 5   | 5   |
| Sales & Marketing/Sales %            | 5%  | 0%   | 5%  | 0%   | 5%  | 0%   | 5%  | 0%   | 5%  | 0%   | 0%   | 0%   | 2%  | 2%  | 1%  | 1%  | 1%  |
| General & Admin. Labor               | 4   | 4    | 5   | 4    | 4   | 5    | 4   | 4    | 5   | 4    | 4    | 5    | 52  | 60  | 60  | 64  | 64  |
| Payroll Burden (1)                   | 1   | 1    | 0   | 1    | 1   | 0    | 1   | 1    | 0   | 1    | 1    | 0    | 8   | 12  | 12  | 12  | 12  |
| Rent & Utilities (2)                 | 1   | 1    | 2   | 1    | 1   | 2    | 1   | 1    | 2   | 1    | 1    | 2    | 16  | 17  | 17  | 17  | 17  |
| Insurance                            |     |      |     |      |     | 1    |     |      |     |      |      |      | 1   | 1   | 1   | 1   | 1   |
| Leased Equipment                     |     |      | 1   |      |     |      |     |      |     |      |      |      | 1   | 1   | 1   | 1   | 1   |
| Office Expense                       | 1   |      |     |      | 1   |      |     |      | 1   |      |      |      | 3   | 3   | 3   | 3   | 3   |
| Communications                       |     |      | 1   |      |     | 1    |     |      |     | 1    |      |      | 4   | 4   | 4   | 4   | 4   |
| Professional Services                | 1   |      |     |      |     |      | 1   |      |     |      |      |      | 2   | 2   | 2   | 2   | 2   |
| Entertainment & Travel               |     |      |     | 1    |     |      |     |      |     |      |      |      | 1   | 1   | 1   | 1   | 1   |
| Depreciation & Amort. (3)            | 1   | 1    | 1   |      | 1   |      | 1   |      | 1   |      | 1    |      | 7   | 7   | 7   | 7   | 7   |
| Other                                |     |      |     |      |     |      |     | 1    |     |      |      |      | 3   | 3   | 3   | 3   | 3   |
| <b>Gen. &amp; Administrative</b>     | 9   | 7    | 10  | 8    | 8   | 9    | 8   | 7    | 10  | 6    | 7    | 9    | 98  | 111 | 111 | 115 | 115 |
| Gen. & Admin./Sales %                | 43% | 33%  | 48% | 38%  | 38% | 43%  | 38% | 33%  | 48% | 27%  | 32%  | 41%  | 38% | 38% | 32% | 28% | 26% |
| <b>Total Operating Expenses</b>      | 10  | 7    | 11  | 8    | 9   | 9    | 9   | 7    | 11  | 6    | 7    | 9    | 103 | 116 | 116 | 120 | 120 |
| Net Income Before Int./Taxes         | 10  | 14   | 9   | 13   | 11  | 12   | 11  | 14   | 9   | 16   | 15   | 13   | 148 | 170 | 218 | 277 | 318 |
| Interest Expense (4)                 | 2   | 2    | 2   | 2    | 2   | 2    | 2   | 2    | 2   | 2    | 2    | 2    | 24  | 15  | 12  | 12  | 12  |
| Tax Expense (5)                      | 2   | 4    | 2   | 3    | 3   | 3    | 3   | 4    | 2   | 4    | 4    | 3    | 37  | 48  | 62  | 80  | 92  |
| <b>Net Income</b>                    | 6   | 8    | 5   | 8    | 6   | 7    | 6   | 8    | 5   | 10   | 9    | 8    | 87  | 107 | 144 | 185 | 214 |
| Net Income/Sales %                   | 29% | 38%  | 24% | 38%  | 29% | 33%  | 29% | 38%  | 24% | 45%  | 41%  | 36%  | 34% | 37% | 42% | 46% | 48% |

NOTES: \* As an S Corporation, Axle Insurance is a nontaxable entity, with distributable and nondistributable earnings taxable at the shareholder level. Instead of recognizing owner distributions on the Projected Cash Flow Statement to cover individual tax liabilities, pro forma, after-tax operating results have been presented here, to provide economic comparability with a wider range of entities, including C Corporations.

- (1) Assumes 18% payroll burden rate, covering federal and state statutory burdens, plus employee, vacation and medical benefits.
- (2) Rent and utilities on 1,500 sq. ft. of commercial office space, located in Thornton, CO, approximately 5 miles north of Denver.
- (3) Reflects 5-year straightline amortization of post-acquisition, PP&E (\$27K) and Net Deferred Charges (\$5K), existing at April 30, 2003, after giving effect to a one-time, Allstate-sponsored expense reimbursement (\$7K), assumed to occur June 1, 2003.
- (4) Reflects interest on primary lender financing, assuming a 5-year loan, with a principal amount of \$250,000, bearing 7% interest, and a presumed, 5-year seller carryback loan of \$100,000, also bearing 7.0% interest.
- (5) Assumes cumulative, effective federal and state income tax rate of 30%.

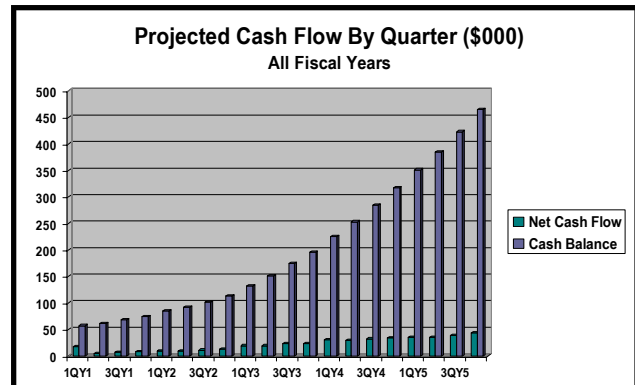
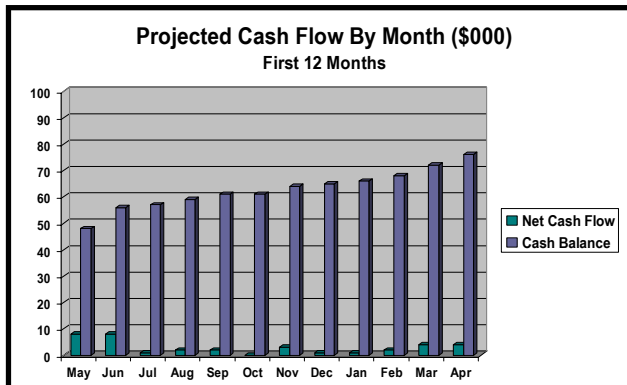


# Cash Flow

Monthly cash flow is positive, throughout the plan, due to the ongoing, profitable nature of the acquired insurance agency. Ending cash balances for FY1 through FY5 are \$77K, \$113K, \$195K, \$316K and \$464K, respectively. The minimum cash balance is \$48K, which occurs in Month 1.

| Projected Cash Flow Statement (\$000) |           |            |            |            |            |            |            |            |            |            |            |            |             |             |             |             |             |
|---------------------------------------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| Start-Up: 5/1/03                      | May       | Jun        | Jul        | Aug        | Sep        | Oct        | Nov        | Dec        | Jan        | Feb        | Mar        | Apr        | FY1         | FY2         | FY3         | FY4         | FY5         |
| <b>Net Income</b>                     | 6         | 8          | 5          | 8          | 6          | 7          | 6          | 8          | 5          | 10         | 9          | 8          | 87          | 101         | 146         | 184         | 212         |
| <b>Plus:</b>                          |           |            |            |            |            |            |            |            |            |            |            |            |             |             |             |             |             |
| Depreciation & Amort.                 | 1         | 1          | 1          | 0          | 1          | 0          | 1          | 0          | 1          | 0          | 1          | 0          | 7           | 7           | 7           | 7           | 7           |
| <b>Increase (Decrease) In:</b>        |           |            |            |            |            |            |            |            |            |            |            |            |             |             |             |             |             |
| Accounts Payable (1)                  | 8         | (2)        | 1          | 0          | 1          | (2)        | 2          | (1)        | 1          | (2)        | 0          | 1          | 7           | 1           | 1           | 2           | 1           |
| Other Current Liab.                   |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| Short-Term Notes                      |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| Long-Term Notes (2)                   | (6)       | (6)        | (6)        | (6)        | (6)        | (5)        | (6)        | (6)        | (6)        | (6)        | (6)        | (5)        | (70)        | (70)        | (70)        | (70)        | (70)        |
| Paid-In Capital                       |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| <b>Sources of Cash</b>                | <b>3</b>  | <b>(7)</b> | <b>(4)</b> | <b>(6)</b> | <b>(4)</b> | <b>(7)</b> | <b>(3)</b> | <b>(7)</b> | <b>(4)</b> | <b>(8)</b> | <b>(5)</b> | <b>(4)</b> | <b>(56)</b> | <b>(62)</b> | <b>(62)</b> | <b>(61)</b> | <b>(62)</b> |
| <b>Less:</b>                          |           |            |            |            |            |            |            |            |            |            |            |            |             |             |             |             |             |
| <b>Increase (Decrease) In:</b>        |           |            |            |            |            |            |            |            |            |            |            |            |             |             |             |             |             |
| Accounts Receivable (3)               | 1         | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 1           | 2           | 2           | 2           | 2           |
| Inventory                             | 0         | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0           | 0           | 0           | 0           | 0           |
| Prepaid Assets                        |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| Prop., Plant & Equip.                 |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| Intangible Assets                     |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| Deferred Charges (4)                  |           | (7)        |            |            |            |            |            |            |            |            |            |            | (7)         | 0           | 0           | 0           | 0           |
| Goodwill                              |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| Dividends                             |           |            |            |            |            |            |            |            |            |            |            |            | 0           | 0           | 0           | 0           | 0           |
| <b>Uses of Cash</b>                   | <b>1</b>  | <b>(7)</b> | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>(6)</b>  | <b>2</b>    | <b>2</b>    | <b>2</b>    | <b>2</b>    |
| <b>Net Cash Flow</b>                  | <b>8</b>  | <b>8</b>   | <b>1</b>   | <b>2</b>   | <b>2</b>   | <b>0</b>   | <b>3</b>   | <b>1</b>   | <b>1</b>   | <b>2</b>   | <b>4</b>   | <b>4</b>   | <b>37</b>   | <b>37</b>   | <b>82</b>   | <b>121</b>  | <b>148</b>  |
| <b>Cash Balance - Beginning</b>       | <b>40</b> | <b>48</b>  | <b>56</b>  | <b>57</b>  | <b>59</b>  | <b>61</b>  | <b>61</b>  | <b>64</b>  | <b>65</b>  | <b>66</b>  | <b>68</b>  | <b>72</b>  | <b>40</b>   | <b>76</b>   | <b>113</b>  | <b>195</b>  | <b>316</b>  |
| <b>Cash Balance - Ending</b>          | <b>48</b> | <b>56</b>  | <b>57</b>  | <b>59</b>  | <b>61</b>  | <b>61</b>  | <b>64</b>  | <b>65</b>  | <b>66</b>  | <b>68</b>  | <b>72</b>  | <b>76</b>  | <b>77</b>   | <b>113</b>  | <b>195</b>  | <b>316</b>  | <b>464</b>  |

NOTES: (1) Reflects monthly changes in account balances, as presented in the Financial History and Balance Sheet.  
 (2) Represents monthly repayment of principal, relating to two, 5-year notes of \$250,000 and \$100,000, each bearing 7.0% interest.  
 (3) Reflects monthly changes in account balances, as presented in the Financial History and Balance Sheet.  
 (4) Represents Allstate-sponsored expense reimbursement of \$6,500, applied to Deferred Charges incurred, prior to May 1, 2003.



# Balance Sheet

Total assets during the five-year planning period are projected to substantially increase, resulting in FY1 through FY5 balances of \$488K, \$520K, \$597K, \$713K and \$856K. Working capital does not fall below \$51K, in Month 1. Debt-to-equity ratio decreases from 1.43, in FY1, to 0.01, in FY5.

| Projected Balance Sheet (\$000)       |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Start-Up: 5/1/03                      | May        | Jun        | Jul        | Aug        | Sep        | Oct        | Nov        | Dec        | Jan        | Feb        | Mar        | Apr        | FY1        | FY2        | FY3        | FY4        | FY5        |
| <b>ASSETS</b>                         |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Cash                                  | 48         | 56         | 57         | 59         | 61         | 61         | 64         | 65         | 66         | 68         | 72         | 76         | 76         | 113        | 195        | 316        | 464        |
| Accounts Receivables (1)              | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 11         | 13         | 15         | 17         | 19         |
| Inventory                             | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Prepaid Expenses                      | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Current Assets</b>                 | <b>59</b>  | <b>67</b>  | <b>68</b>  | <b>70</b>  | <b>72</b>  | <b>72</b>  | <b>75</b>  | <b>76</b>  | <b>77</b>  | <b>79</b>  | <b>83</b>  | <b>87</b>  | <b>87</b>  | <b>126</b> | <b>210</b> | <b>333</b> | <b>483</b> |
| Property, Plant & Equipment           | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         | 27         |
| Intangible Assets (2)                 | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        | 230        |
| Deferred Charges                      | 12         | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          |
| Less: Depreciation & Amort.           | 8          | 9          | 10         | 10         | 11         | 11         | 12         | 12         | 13         | 13         | 14         | 14         | 14         | 21         | 28         | 35         | 42         |
| Goodwill (3)                          | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        | 153        |
| <b>Long-Term Assets</b>               | <b>414</b> | <b>406</b> | <b>405</b> | <b>405</b> | <b>404</b> | <b>404</b> | <b>403</b> | <b>403</b> | <b>402</b> | <b>402</b> | <b>401</b> | <b>401</b> | <b>401</b> | <b>394</b> | <b>387</b> | <b>380</b> | <b>373</b> |
| <b>Total Assets</b>                   | <b>473</b> | <b>473</b> | <b>473</b> | <b>475</b> | <b>476</b> | <b>476</b> | <b>478</b> | <b>479</b> | <b>479</b> | <b>481</b> | <b>484</b> | <b>488</b> | <b>488</b> | <b>520</b> | <b>597</b> | <b>713</b> | <b>856</b> |
| <b>LIABILITIES</b>                    |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Accounts Payable (4)                  | 8          | 6          | 7          | 7          | 8          | 6          | 8          | 7          | 8          | 6          | 6          | 7          | 7          | 8          | 9          | 11         | 12         |
| Other Current Liabilities             | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Short-Term Notes Payable (4)          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Current Liabilities</b>            | <b>8</b>   | <b>6</b>   | <b>7</b>   | <b>7</b>   | <b>8</b>   | <b>6</b>   | <b>8</b>   | <b>7</b>   | <b>8</b>   | <b>6</b>   | <b>6</b>   | <b>7</b>   | <b>7</b>   | <b>8</b>   | <b>9</b>   | <b>11</b>  | <b>12</b>  |
| Long-Term Notes Payable               | 344        | 338        | 332        | 326        | 320        | 315        | 309        | 303        | 297        | 291        | 285        | 280        | 280        | 210        | 140        | 70         | 0          |
| <b>Long-Term Liabilities</b>          | <b>344</b> | <b>338</b> | <b>332</b> | <b>326</b> | <b>320</b> | <b>315</b> | <b>309</b> | <b>303</b> | <b>297</b> | <b>291</b> | <b>285</b> | <b>280</b> | <b>280</b> | <b>210</b> | <b>140</b> | <b>70</b>  | <b>0</b>   |
| <b>Total Liabilities</b>              | <b>352</b> | <b>344</b> | <b>339</b> | <b>333</b> | <b>328</b> | <b>321</b> | <b>317</b> | <b>310</b> | <b>305</b> | <b>297</b> | <b>291</b> | <b>287</b> | <b>287</b> | <b>218</b> | <b>149</b> | <b>81</b>  | <b>12</b>  |
| <b>EQUITY</b>                         |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Paid-In Capital                       | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        | 115        |
| Retained Earnings                     | 6          | 14         | 19         | 27         | 33         | 40         | 46         | 54         | 59         | 69         | 78         | 86         | 86         | 187        | 333        | 517        | 729        |
| <b>Total Equity</b>                   | <b>121</b> | <b>129</b> | <b>134</b> | <b>142</b> | <b>148</b> | <b>155</b> | <b>161</b> | <b>169</b> | <b>174</b> | <b>184</b> | <b>193</b> | <b>201</b> | <b>201</b> | <b>302</b> | <b>448</b> | <b>632</b> | <b>844</b> |
| <b>Total Liabilities &amp; Equity</b> | <b>473</b> | <b>473</b> | <b>473</b> | <b>475</b> | <b>476</b> | <b>476</b> | <b>478</b> | <b>479</b> | <b>479</b> | <b>481</b> | <b>484</b> | <b>488</b> | <b>488</b> | <b>520</b> | <b>597</b> | <b>713</b> | <b>856</b> |

- NOTES: (1) Billing statements, reflecting monthly revenue recognition, are presumed to be subject to 15-day collection period.  
(2) The post-acquisition allocation of identifiable acquisition assets includes an approximation of the fair value of Intangible Assets, which was assumed to be \$2.3 million, in 2002 premiums earned, multiplied by an average earnable commission of 10%.  
(3) Reflects the excess of acquisition purchase price (\$400K) over allocable, identifiable non-cash assets (\$247K).  
(4) Estimated balances, assuming 0% of expenses paid in cash and an average 30-day payment period.

| Valuation Date: 4/30/03               | Target Insurance Agency |                | Axle Insurance Agency |                  |
|---------------------------------------|-------------------------|----------------|-----------------------|------------------|
|                                       | Book Value              | Fair Value     | Pre-Acquisition       | Post-Acquisition |
| <b>ASSETS</b>                         |                         |                |                       |                  |
| Cash                                  |                         | 0              | 400,000               | 0                |
| Accounts Receivables                  | 10,000                  | 10,000         | 0                     | 10,000           |
| Inventory                             | 0                       | 0              | 0                     | 0                |
| Other Assets                          | 0                       | 0              | 0                     | 0                |
| Property, Plant & Equipment           | 14,000                  | 14,000         | 13,300                | 27,300           |
| Intangible Assets                     | 230,000                 | 230,000        | 0                     | 230,000          |
| Deferred Charges                      |                         |                | 12,045                | 12,045           |
| Less: Depreciation & Amort.           | 7,000                   | 7,000          |                       | 7,000            |
| Goodwill                              |                         |                |                       | 153,000          |
| <b>Total Assets</b>                   | <b>247,000</b>          | <b>247,000</b> | <b>425,345</b>        | <b>425,345</b>   |
| <b>LIABILITIES</b>                    |                         |                |                       |                  |
| Accounts Payable                      |                         | 0              | 0                     | 0                |
| Other Current Liabilities             |                         | 0              | 0                     | 0                |
| Short-Term Notes Payable              |                         | 0              | 0                     | 0                |
| Long-Term Notes Payable               |                         | 0              | 310,000               | 310,000          |
| <b>Total Liabilities</b>              | <b>0</b>                | <b>0</b>       | <b>310,000</b>        | <b>310,000</b>   |
| <b>EQUITY</b>                         |                         |                |                       |                  |
| Paid-In Capital                       | 247,000                 | 247,000        | 115,345               | 115,345          |
| <b>Total Equity</b>                   | <b>247,000</b>          | <b>247,000</b> | <b>115,345</b>        | <b>115,345</b>   |
| <b>Total Liabilities &amp; Equity</b> | <b>247,000</b>          | <b>247,000</b> | <b>425,345</b>        | <b>425,345</b>   |

**Management Representation.** The financial projections included in this business plan represent, to the best of management's knowledge and belief, the results of operations, cash flow and account balances, which would likely occur, assuming Axle Insurance Agency is successful in obtaining lender commitments, totaling \$250,000, by May 1, 2003, in support of operations, commencing on that date. Management further represents that resulting projections are reasonable and were prepared in conformity with generally accepted accounting principles, but were not compiled or examined by an independent public accountant, and should not be viewed, as so prepared.

# References

## ENDNOTES:

- 1 *Market and Industry, General Analysis, Page 6:* Plunkett Research, Ltd., report, entitled "U.S. Insurance Industry At A Glance", found at [http://www.plunkettresearch.com/finance/financial\\_statistics\\_5.htm](http://www.plunkettresearch.com/finance/financial_statistics_5.htm), citing among various statistics, earned premiums, for U.S. property & casualty insurers, in 2001 and 2002, to be \$329.4 billion and \$382.1 billion, respectively, and premiums for life insurers, in 2000 and 2001, to be \$478.0 and 526.9 billion, respectively.
- 2 *Market and Industry, General Analysis, Page 6:* SNL Financial table of insurance industry vital statistics, entitled "Ten Largest Publicly Traded Property & Casualty Companies, Ranked By Asset Size, as of December 31, 2002", and found at [http://www.snl.com/insurance/vitals/property\\_casualty.asp](http://www.snl.com/insurance/vitals/property_casualty.asp), citing Allstate Corporation to be the No. 2-ranked company, with \$117.4 billion in assets, which followed No. 1-ranked Berkshire Hathaway, with \$169.5 billion.
- 3 *Market and Industry, General Analysis, Page 6:* Ibid., SNL Financial table, entitled "Ten Largest Publicly Trade Insurance Companies, Ranked By Market Value, as of March 31, 2003, citing Allstate Corporation as the No. 4-ranked company, with a market value of \$23.4 billion, behind AIG, Berkshire Hathaway and United Health Group.
- 4 *Market and Industry, General Analysis, Page 6:* U.S. Census Bureau, at <http://www.census.gov>, following links to report, entitled "Annual Population Estimates By State", found at <http://eire.census.gov/popest/data/states/tables/ST-EST2002-01.php>, citing Colorado population, at July 1, 2002, to be 4,506,542; then dividing by 951 vehicles per 1000 population, in Colorado, based on World Almanac 2002 table, "Selected Motor Vehicle Statistics", p. 229.
- 5 *Market and Industry, General Analysis, Page 6:* U.S. Census Bureau, "State Rankings, Home Ownership Rate", at <http://www.census.gov/statab/ranks/rank17.txt>, citing rise in Colorado rates, from 59.0%, in 1990, to 68.1%, in 1999.
- 6 *Market and Industry, Market Segmentation, Page 6:* U.S. Census Bureau, American Fact Finder, Geographic Comparison Table, GCT-P5, Age and Sex: 2000, Colorado by Place, found at [http://factfinder.census.gov/bf/\\_lang=en\\_vt\\_name=DEC\\_2000\\_SF1\\_U\\_GCTP5\\_ST7\\_geo\\_id=04000US08.html](http://factfinder.census.gov/bf/_lang=en_vt_name=DEC_2000_SF1_U_GCTP5_ST7_geo_id=04000US08.html), citing percent of total population, in the 25 to 44 age bracket, for each of seven selected cities; then, from the same report, multiplying total population by city, by these percentages to arrive at absolute population, by city; then dividing by statistics, relating to individuals per household, by city, found at U.S. Census Bureau, American Fact Finder, Geographic Comparison Table, GCT-P7, Households and Families: 2000, Colorado by Place, found at [http://factfinder.census.gov/bf/\\_lang=en\\_vt\\_name=DEC\\_2000\\_SF1\\_U\\_GCTP7\\_ST7\\_geo\\_id=04000US08.html](http://factfinder.census.gov/bf/_lang=en_vt_name=DEC_2000_SF1_U_GCTP7_ST7_geo_id=04000US08.html), to arrive at estimates of targeted households, by city; then multiplying these results by \$1,693, empirical information, available from target acquisition candidate, relating to historical spend per household, to estimate potential 2000 market, by city; then referring to Colorado Department of Local Affairs, Forecast of Colorado Regions, Areas and Counties, 1-Year Increments, 1990 - 2025, pp. 19-20, found at <http://www.dola.state.co.us/demog/Population/PopulationTotals/Forecasts/Table3A.pdf>, to determine average annual growth rates for four relevant counties (Adams, Boulder, Denver and Jefferson), and utilizing percentages of county distribution to total city population, available at previously cited U.S. Census report No. GCT-P5, to create weighted average, annual growth rates by city, to allow extrapolation for the period 2001 - 2007.
- 7 *Market, Market Segmentation, Page 6:* U.S. Census Table DP-1, Profile of General Demographic Characteristics: 2000, for geographic area of Denver, CO, PMSA, citing total population and sub-segments of population, by age bracket, which support the derivation of statistical analyses, relating to relevant, but non-targeted potential markets.
- 8 *Market and Industry, Key Competitor, Page 6:* Hoover's company capsule summaries, at <http://www.hoovers.com>.

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