

NewCo simulation assumptions

REVENUE ASSUMPTIONS	Implemented
Development Completion Quarter (exponential distribution)	
Preliminary Quarter	9
Development Completion Quarter	9
Development failure (1=yes)	0
Rapid Growth Period (normal distribution)	
Std deviation of rapid growth period (quarters)	1.5
Realized Length of rapid growth period (quarters)	9
Initial Unit Sales per Quarter	
Initial units/quarter	270
Unit Sales Growth during Rapid Growth (normal distribution)	
Expected growth/quarter	25.00%
Std deviation of growth/quarter	6.00%
Realized Growth Rate per Quarter	24.28%
Initial Selling Price (normal distribution)	
Expected initial selling price	\$ 200.00
Std deviation of selling price	\$ 20.00
Realized Initial Selling Price	\$ 226.74
Inflation Rate per Quarter	
Inflation/quarter	1.00%

INCOME STATEMENT ASSUMPTIONS

Cost of Sales (uniform distribution)	
Minumum Cost of sales	40.00%
Maximum Cost of sales	50.00%
Realized Cost of Sales	43.66%
Quarterly Development Expense (normal distribution)	
Quarterly development expenses (expected)	\$ 60,000
Quarterly development expenses (std. dev.)	\$ 600
Realized Development Expense	\$ 58,934
SG&A Expenses (fixed + triangular distribution)	
Quarterly Fixed SG&A Expense	\$ 90,000
Minimum Variable SG&A (expected % of Sales)	18%
Most Likely SG&A Expense	20%
Maximum SG&A Expense	30%
Realized Variable SG&A Percent of Sales	25.65%
Interest Income and Interst Expense	
Interest Expense per quarter	2%
Interest Income on surplus cash per quarter	0%
Income Tax Expense	
Income Tax Rate (on positive income)	35%

BALANCE SHEET ASSUMPTIONS

Cash Balance	
Minimum Cash Balance	\$ 15,000
Continuing Cash Percent of Prior Quarter Sales	10%
Accounts Receivable Policy	
Percent of Current Quarter Sales	50%
Inventory and Payables Policy	
Percent of Next Quarter Cost of Sales	50%
Initial Investment	
Initial Equity Investment	\$ 500,000