

XYZ COMPANY
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING
POLICIES

1. NATURE OF THE PROJECTION

This financial projection presents, to the best of Management's knowledge and belief, the Company's results of operations and significant changes in financial position for the projection period if the hypothetical assumptions occur. Accordingly, the projection reflects management's judgment as of January 12, 2012, the date of this projection, of the expected conditions if the hypothetical assumptions occur. The presentation is designed to provide information for management to raise capital from investors and obtain financing and should not be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. Furthermore, even if the hypothetical assumptions occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The assumptions disclosed herein are those that management believes are significant to the projection.

2. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company was formed in the State of RI on January 1, 2012. The Company was formed to provide unique and innovative solutions to the widget industry, including the highest and mid level rated companies in the industry located in the northeast, mid-Atlantic and southeastern United States. Future expansion on the west coast is expected in 2014 (year 3) and global expansion is expected in 2016 (year 5).

Our initial primary target customers are ABC Company, Inc. located in Massachusetts, DEF Company located in New York and GHI Company located in Chicago. Other target Companies include JKL Company located in Florida. If successful in obtaining these four companies as customers, they will comprise 40-50% of our revenue stream.

Basis of Accounting

This financial projection is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Depreciation

Depreciation is provided over the life of the equipment using the straight line method in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

The Company is a limited liability company organized under the laws of the State of Rhode Island. The Company is not a taxpaying entity for federal income tax purposes, and thus, no income tax expense has been recorded in the accompanying projected financial statements. Members of limited liability companies are required to report on their individual tax returns the company's income, gains, losses, deductions and credits. Distributions to members solely to cover taxes are provided for in the projection based on a Federal and state blended income tax rate of 40% net of previous losses.

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The Company's legal entity structure is anticipated to change to a corporation effective January 1, 2017 (year 6). The Company will assume a blended federal and state income tax rate of 40% on taxable earnings.

3. EQUITY FINANCING

On January 1, 2012, the Company expects to issue \$100,000 of convertible debt instruments that accrue interest at 10% through January 1, 2013 at which time the debt and accrued interest will be converted into equity.

The accompanying projection is based on the assumption that the Company will raise capital from outside investors in the amount of \$200,000 during January 2013.

The accompanying projection is based on the assumption that the Company will further raise capital from outside investors in the amount of \$1,000,000 during September, 2014.

4. LOAN

As of January 1, 2012, the Company has obtained a loan from a family member related to the majority stockholder in the amount of \$250,000. Interest is to be paid at 5% annually and principal payments of \$5,000 a month are to begin January 2015.

5. ACCOUNTS RECEIVABLE

Accounts receivable are projected to include an average of two months (60 days) of total net sales for the year then ended.

6. ACCOUNTS PAYABLE

Accounts payable are projected to include an average of two months (60 days) of cost of goods sold for the year then ended.

7. REVENUE

The accompanying projection assumes that the Company will be able to bring to market its product lines, X, Y and Z in the fourth quarter of 2012. The Company has projected revenues for these product lines and growth in its existing product line using market research as follows:

There are 15,000 prospective customers in the world. We anticipate penetrating into the market in 2012 by earning approximately a 3-5% market share. We anticipate growing and having 10% of the market in year 2 and 20% of the market in year 3. By year 4 we anticipate servicing approximately 1/3 of the global market. By year 5, research shows we will be able to service over 50% of the worldwide customers and see efficiencies in our costs begin to be realized.

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8. EXPENSES

Operating expenses are projected using Management's assumptions based on industry research and projected revenue. Assumptions include:

Payroll - Management

Payroll - Management is projected to be \$100,000 per year beginning January 1, 2013 and increase 20% per year based on the prior year's amount.

Payroll - Operations

Payroll - Operations is projected to begin in 2013 and account for 20% of net sales.

Payroll Taxes

Payroll taxes are projected to be 10% of Payroll – Management and Payroll – Operations.

Employee Benefits

Employee benefits are projected to be 20% of Payroll – Management and Payroll – Operations.

Advertising

Advertising is projected to increase 20% per year based on the prior year's amount. Once entering the market, initial year advertising is expected to be \$50,000.

Insurance

Insurance is projected to increase 20% per year based on the prior year's amount.

Professional Fees

Professional fees are projected to be \$50,000 per year.

Rent

Rent is projected to be \$5,000 per year until a larger facility is needed in 2014. At that time rent will increase to \$20,000.

Research and Development

Research and development is projected to be \$10,000 per year until 2014 when it will increase to \$50,000 per year.

Supplies

Supplies are projected to be \$10,000 per year.