

CYBER HOMESCHOOLING, Inc.

Business Plan V. 2

Team #2

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Executive Summary

Background

Parents today are searching for better ways to educate their children. Many are turning to the alternative idea of homeschooling.

Within a decade, it is expected that half of the children in the U.S. will be homeschooled. Currently, it is estimated that one to two million children in the U.S. are homeschooled. The Canadian market is about ten years behind the U.S. in terms of services available for parents who want to homeschool their children. In Canada, it is estimated that approximately thirty to sixty thousand children are homeschooled. Moreover, governments are having trouble administering school boards as it is becoming more costly.

The explosion of the Internet has created a new paradigm on which to build the education of tomorrow.

The Company

Cyber Homeschooling, Incorporated, will be a private Ontario-based company providing on-line courses over the Internet for homeschooling children in North America. Internet-related services are among the fastest growing, and the Cyber Homeschooling intends to capitalize on the opportunities in that area, taking advantage of services such as the World Wide Web, e-mail, newsgroups, mailing lists, and exploring the opportunities of video conferencing over the Internet.

Cyber Homeschooling views its mission as providing high-quality on-line educational support for homeschooling children that increases the efficiency of learning and improves the quality of life. Its objective is to become the market leader in the field of on-line education for homeschoolers.

Products and Services

The courses will be prepared by highly qualified, certified teachers, and the course environment will be highly interactive, where the children will be encouraged to experiment. The courses will have a higher standard than the curriculum that local school boards offer. As the base of its initial operations, the company will provide courses in mathematics for students in grades 8 - 12.

All teaching, socializing and assessment will be done electronically via the Internet. By accessing the course web site, students will be able to download lessons for that course. Each lesson package will include lecture notes, exercises and suggested homework assignments. A tutoring service using real-time video and audio feed will be made available for subscribers who choose this option. Students will be able to interact with their peers and teachers by means of e-mail, newsgroups and interactive web sites.

Target Market

The company's main potential customers are homeschoolers. As the base for its initial operations, the company is planning to target homeschooling parents in Ontario with children in grades 8 - 12 as its customers. There are approximately 15,000 - 20,000 homeschooling children in Ontario, and this number is expected to grow.

Competitive Position

No market leaders have yet emerged in the field of on-line education, and competition is weak and diverse, creating substantial market opportunities. This enables a well-conceived and well-executed company to secure a leading position in the field.

Cyber Homeschooling will distinguish itself from the

competition by offering real-time interactive tutorials in addition to the services provided by its competitors (such as e-mail, newsgroups, downloadable course notes, etc.). Cyber Homeschooling will be among the pioneers in the emerging field of real-time interactive on-line education.

Entrepreneurial Team

Title/Name	Primary Responsibilities
Desmond Leong - C.E.O	Recruiting teachers and designing classes.
Halyna Batsoura - Sales and Marketing Director	Sales and marketing of services.
Sai Vallurupalli - Vice President - Market Analyst Director	Market research and trends analysis.
Stanley Won - Technical Services Director	Technical architecture and planning, and for technical service.
Jeremy Sills - Strategic Consultant	

Financials

The financial strategy of Cyber Homeschooling emphasizes reinvestment of income for growth during the first few years of operation, funding growth internally rather than through additional investment beyond that currently sought.

Our break-even analysis shows that the break-even point will be reached by the first quarter of the third year.

Funds Sought

The company anticipates only one round of financing with \$50,000 being sought in loan. These funds will be utilized to buy hardware and software, necessary to set up the service and to hire teachers.

The Company

Cyber Homeschooling, Incorporated, will be a private Ontario-based company providing on-line courses over the Internet for homeschooling children in North America (primarily in Ontario), taking advantage of services such as the World Wide Web, e-mail, newsgroups, mailing lists, and exploring the opportunities of video conferencing over the Internet.

The Company's Mission

Cyber Homeschooling's mission is to provide high-quality on-line educational support for homeschooling children that increases the efficiency of learning and improves the quality of life. Our slogan is "We educate the world!"

Objectives

The company's objective is to become the market leader in the emerging field of on-line educational services for homeschoolers by taking advantage of the newest Internet technologies, including real-time video conferencing. In order to achieve this, the following major ingredients are required, if Cyber Homeschooling is to capitalize on the homeschooling market:

- Providing a greater educational experience than traditional schools.
- Hiring or contracting positive, experienced and qualified teachers.
- Catering to the needs of special groups of children i.e. gifted children, handicapped children.

The short term objectives of Cyber Homeschooling are:

- Achieve \$200,000 amount in revenue by the fifth year.
- Be included in the top 5 names mentioned in any post-

1997 survey of the top
cyberspace on-line schools

Capture 3% of the market share in homeschooling by the
fifth year/

Long term objectives include:

- 1) Creating and maintaining a market of 10% of the growing homeschooling market.
- 2) Expanding our services to cater to professionals. This includes "pay-per-view"
lectures or seminars from leading experts in various fields.

Market Analysis

Market research shows that estimated 1.2 million to 2 million children in the U.S. are schooled at home today at an estimated \$400 per child per year, the market is worth more than U.S. \$500 million annually and growing (source: Canadian Business, December 1996). It is estimated that 30,000 - 60,000 Canadian children are schooled at home. In Ontario alone, there are approximately 15,000 - 20,000 homeschooling children. (source: Ontario Federation of Teaching Parents).

Market Place for the Service

Home-base education is not limited to one socio-economic group, nor is limited to people with an academic or post-secondary education background. So the market consists of all homeschooling parents with children in grades K - 12, both in Canada and U.S. All kinds of people homeschool. The diversity exists both with respect to location and family background. Homeschoolers live in the country, city, suburbs, small towns. The homeschooling movement is growing, and this is evident by a number of different cultural groups forming support groups for homeschoolers.

Cyber Homeschooling sees its main potential customers among homeschoolers: parents and their children who are not satisfied with the traditional classroom methods of education. People homeschool for many reasons. However, as analysis of the market reveals, their overwhelming reason is to get the best possible education for their children.

Homeschoolers are parents who take parenting very seriously. Moreover, these families also have a desire to be involved with their children's education, and to ensure that their children are able to live up to their personal potential. These parents also gain personal enrichment from helping their children learn, and homeschooling tends to strengthen the family bond. Most of them feel that the educational needs of their children are not generally catered for, or adequately catered for, in mainstream classes. Specific groups of customers include frustrated parents of both gifted and disabled students who cannot find any educational opportunities which would provide the educational experience they want their children to have.

Moreover, children who live in areas where schools are not readily available would choose the homeschooling alternative. Thus our service would meet their needs. The increase in violence in schools, especially in the U.S., is another reason why parents choose the homeschooling option.

Other customers may include children and/or parents who would like to complement the traditional classroom education with the advantages offered by Cyber Homeschooling.

The Segment to be Pursued

>From an interview with a member of Ontario Federation of Teaching Parents, it was revealed that most homeschooling parents prefer to teach through personal interaction to children in elementary level of schooling, rather than

children themselves learning with the aid of a computer. Moreover, statistics show that among homeschooling parents, 66% of families have at least one parent with college graduation (source: Natural Life, 1990). So teaching children at elementary level of schooling is not a big challenge for parents. Parents are facing real challenge in teaching higher level mathematics and science courses.

Based on these facts, Cyber Homeschooling targets homeschooling parents in Ontario with children in grades 8 - 12 as its customers. The subject to be targeted for these children is mathematics.

Intermediate Influences on Buyers

There are several homeschooling support groups both in Canada and U.S., who are helping and supporting homeschooling parents in achieving their goals. In Ontario, our main source will be Ontario Federation of Teaching Parents. These groups are considered to be good means to influence the ultimate buyers of the service.

Competitive Conditions

Cyber Homeschooling sees its competition coming from two primary categories.

The first category consists of companies that are providing resources like computer software, video tapes of lectures, CD-ROM, etc. for homeschooling children. America Online has extensive homeschooling forum which includes downloadable lesson plans and message boards. Major disadvantage of these services are as follows: children cannot interact with other children by any means and they can not get enough feedback about their progress.

The second category consists of companies that provide on-line courses for homeschoolers by making use of facilities like e-mail, newsgroups and Internet. One such known

competitor is "Virtual School for Gifted" (VSG), an Australian based company. But their main customers are in Australia, and they have not captured the U.S. or Canadian market yet (source: management team of VSG).

The key feature that makes Cyber Homeschooling different >from its competitors is that it provides real-time on-line tutorials for homeschoolers, in addition to the services (email, newsgroups, downloadable lesson plans, adequate feedback from our teaching staff) provided by competitors. So Cyber Homeschooling will be among the pioneers in this emerging field.

Pricing Conditions

More than 60% of homeschooling parents have a computer and over 55% of them have the Internet access (source: Ontario Federation of Teaching Parents). This shows that most of the potential Cyber Homeschooling customers have the basic equipment needed for accessing the service. Our market research shows that similar services on the Internet charge on average \$200 per course. Our course prices will range between \$200 - \$300; and the span of each course will be 3 months. As technology advances and equipment costs reduce, it is anticipated that the service can be provided at a lower cost.

Governmental Influence

We need to get school boards permission to access their information in setting up curriculum for our courses. We may also need to get their permission to become an accredited institution (more details will be provided later).

Production and Technology

The Service

One advantage of traditional homeschooling was that the student was able to learn at his or her own pace. If the student didn't do a specific lesson that day, then it could be made up at another time. Homeschooling allowed students to follow their own schedule. Cyber Homeschooling intends to bring in homeschooling education into the 21st century. At Cyber Homeschooling students learn at their own pace, when they want to.

By accessing the course web site, students can download lessons for that course. Each lesson package includes lecture notes, exercises and suggested homework assignments. Should the student feel compelled with continuing to the next lesson, all the student has to do is download the next lesson package. If the student desires to take the lesson late in the evening, the student only has to access the web site at that particular time. The only time constraints are deadlines for marking of assignments and examinations. All of the on-line courses are designed by qualified teachers. Cyber Homeschooling is here to provide about the same amount of flexibility as traditional homeschooling.

A tutoring service, using real-time video and audio feed, will be made available for subscribers who choose this option. This tutoring service will be offered three times a week at different times to provide students with more flexibility and/or to alleviate with any time-zone conflicts (as a result of future expansion). Using a computer equipped with a camera and audio software, each student can then see and hear the teacher, regardless of their respective location. Each student can also hear and be able to read other students' questions. By providing education in real-time over the Internet, students can get fast responses and interaction from their teachers just like being at a real school. As well, the student can arrange for a one-on-one real-time private tutorial session with a qualified instructor for a fee. This option will permit the instructor to achieve greater success for the student's

understanding.

The interface will include a screen that is divided into different windows. One window will show the teacher, another will show the "blackboard" and other windows will be used as necessary to aid the teacher. As well as the real-time tutoring sessions, the students can maintain contact with their peers and their teacher by means of e-mail (class mailing lists will be available on-line), newsgroups and interactive web sites designed to supplement and enhance each lesson. Access to any of the Cyber Homeschooling facilities will be controlled by passwords.

Cyber Homeschooling will provide 24 hour technical support as well.

Current courses will focus on mathematics but will increase to meet demands. As Cyber Homeschooling expands into the future, so will the services provided. Among those services will be "pay-per-view" lectures geared towards professional upgrading and interests. The guest lecturer will be seen in real-time audio and video, so that professionals can gain insight without having to leave their location.

Equipment and Other Requirements

Cyber Homeschooling will require 4 fully equipped Pentium computers, each with the following hardware and associated software: a camera, microphone, modems and phone lines. The estimated cost for one of the previously described system is \$5,000. In addition, a server will be necessary to support the web sites. This server will cost approximately \$6,500. More and advanced equipment will be used as the need and company grows.

The students will require to have a Pentium computer, a modem, related software, such as operating system software and Internet browsers. That cost has a minimum of \$3,000. If the student chooses the real-time tutoring package, then

he or she is required to have the video camera, microphone, the associated video card and software. Such a package can be purchased for as low as \$300. The student can choose to purchase such equipment on their own or may buy/lease a packaged system from Cyber Homeschooling.

As for the educators themselves, the process of procuring and maintaining a pool of teachers will be out-sourced to a head hunter company or through an alliance with an existing homeschooling association. The requirements of employment are that the teachers must be positive and enthusiastic. The curriculum set by the teachers will be regulated by local Boards of Education.

Competitive Edge

Cyber Homeschooling provides everything that other on-line educators provide. But Cyber Homeschooling has real-time video and audio feed for tutoring. The students are permitted to learn at the speed that they feel comfortable with. The students can take the lessons when they want. That is the flexibility offered by Cyber Homeschooling as well as other homeschooling and on-line education providers. But where does the student turn to for help? At Cyber Homeschooling, the student can go to a live tutorial session where his or her questions will be answered by a qualified instructor. These tutorial sessions will be offered three times a week at different times to accommodate student lifestyles and (later) different time-zones. The student also has the option to arrange for a private tutorial session with an instructor to provide more attention to the needs of the student.

To complement the lesson packages and live tutorial, the student is encouraged to use the interactive web sites, e-mail other students, use the associated newsgroups. But Cyber Homeschooling isn't just for the student, parents can have their own e-mail and Internet access as well. At Cyber Homeschooling, we provide our subscribers the flexibility

and education of homeschooling with the technology of the future.

Marketing and Sales Strategy

Cyber Homeschooling will establish its position in the market by understanding and aiming to satisfy the needs of its customers. The company will make a strong marketing emphasis on the innovative educational approach that increases the efficiency of learning and improves the quality of life.

Cyber Homeschooling will Meet Customers' Needs

We identify a number of discrete positions around which we are planning to weave our marketing effort. The company's services could be promoted as having the features that can offer its potential customers the following benefits:

Our students will be able to get support of competent professionals in the areas / subjects that present challenge to the homeschooling children and their parents.

Cyber Homeschooling will provide about the same amount of flexibility as traditional homeschooling. Children will be able to learn at their own pace, at the time they want (advantage over the traditional classroom setting).

Our real-time interactive tutorials will offer students all the advantages of the traditional classroom setting within the conveniences of their own homes. Students will be able to get fast responses and interaction from their teachers just like being at a real school.

The student will also have the option to arrange for a one-on-one real-time private tutorial session with a qualified instructor. This option will provide more attention to the needs of an individual student and will permit the instructor to achieve greater success for the

student's understanding.

Technology is fun, it's entertaining. It has been scientifically proven that children learn best when they enjoy, or have interest in what they are learning or doing.

Cyber Homeschooling will allow its students to interact with each other and to socialize by taking advantage of services such as e-mail, mailing lists, WWW and newsgroups. This will help homeschooling children to overcome a potential problem of feeling isolated.

By taking courses at the Cyber Homeschooling, children will learn to work with the Internet and to use advantages of the latest technologies. This meets with the objective of homeschooling to be more sophisticated than classroom education and to adapt the latest technologies more quickly.

The Cyber Homeschooling will offer highly effective, easy-to-use educational programs, whereas, as many homeschooling parents believe, today's schools seem to be heading in the different direction.

Cyber Homeschooling will offer the opportunity to take high quality courses to the homeschooled children that live in areas where schools are not readily available (e.g. rural areas).

The courses will be prepared and offered by a team of highly qualified, professional teachers who are also

- very enthusiastic,
- have a passion for teaching,
- are flexible in their mental outlook,
- are able to enjoy humor and unusual solutions to problems,
- flexible in their tailoring of instructions and tasks to suit the individual needs of students.

Their approach will ensure the overall high quality of

the learning process.

Cyber Homeschooling will offer flexible curriculum models which would better suit the needs of special groups of children (i.e. gifted or handicapped children).

Different children have different learning styles and preferences: some prefer to learn by listening, while others may learn best by reading. Cyber Homeschooling will address these individual learning preferences by offering the following options:

- students can listen to, and interact with, the instructor as well as their peers by participating in our real-time interactive tutorials (to some children, this may present a significant advantage over self-education)
- students can read and download lessons for the courses they take (yet another advantage over the traditional classroom setting!).

Cyber Homeschooling will provide 24 hour technical support.

Enrollment in a virtual course will not limit the student's ability to travel. One can log in and participate in a virtual class even while on trip in a different country or a different continent!

Advertising and Sales

We will advertise the company's service to our potential customers by placing article write-ups and advertisements in homeschooling newspapers, magazines and on-line publications. As most of the homeschooling publications are non-profit, it will cost very little to advertise.

As another non-costly and efficient way to reach to our potential customers, we can distribute flyers to homeschooling support groups (e.g. Ontario Federation of

Teaching Parents). Our established presence on the Internet will also serve as an advertisement - those potential customers who have access to the Internet will be able to find our web site by means of various Internet search engines.

As we grow and expand, so will our marketing effort. We can then start participating as one of the exhibitors at the homeschooling conferences held in Canada and the U.S.

The Cyber Homeschooling will promote its courses by making course descriptions available on-line for public access. Moreover, it will offer free introductory lessons.

A potential customer will be able to enroll in courses on-line by filling out the enrollment form which will require him/her to provide a valid credit card number. Alternatively, he/she should be able to print out the form and mail it to a given address along with the money order or certified cheque.

Program for Initial Time Period

As a pilot test, for the first six months we are planning to charge as little as \$100 per course, and the class size will be limited to the maximum of 20 students.

Results Expected

As a result of our marketing effort, we are expecting to double the number of students enrolled in the Cyber Homeschooling courses every year, for the period of the first 5 years. If we realize that this objective is hard to achieve, we will start advertising in the U.S. market.

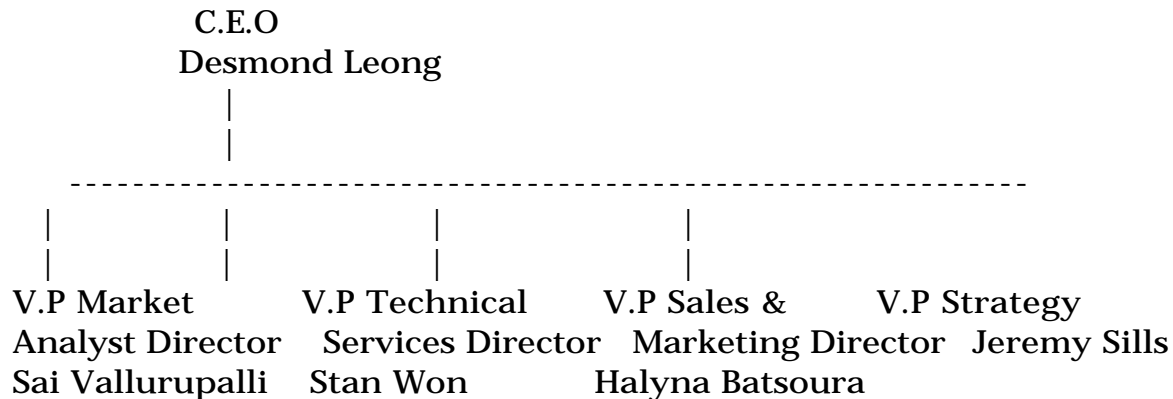
Organization and People

Below is the organizational chart for Cyber Homeschooling.

The board currently consists of five members:

- Desmond Leong: C.E.O.
- Sai Vallurupalli: V.P. Market Analyst Director
- Stanley Won: V.P. Technical Services Director
- Halyna Batsoura: V.P. Sales & Marketing Director
- Jeremy Sills: V.P. Strategic Consultant

Organizational Chart



In the first year, we will hire one teacher and two part-time salary tutors. In the second year, we are going to add another teacher. In the fourth year, we are planning to add two more teachers.

Funds Flow & Financial Projections

The financial projections are based on the assumption that marketing efforts will double the amount of students that enroll in our courses. The projected amount of students that the financial projections were based on can be found in Appendix D. Note that in the projections Q1 is from June to August, Q2 is from September to November, Q3 is from December to February, and Q4 is from March to May. This breakdown coincides with the length of our individual

courses.

The necessary startup costs include the following:

- one web server - \$6,500

- Personal computers for technical development @ \$5,000 each - \$20,000

- Educational material used to teach the courses - \$25,000

- Video conferencing software, e-mail software - \$1,000.

In the financial projections, we used the straight line method of depreciation to depreciate the computers, and we amortized the cost of the software and educational material over the course of five years. Note we have not taken into account any receivables, payables, taxes, interest, and inflation. However these numbers will not impact the business greatly.

Forecasts

Break-even analysis

The break even analysis shows that the break-even point will be reached by the first quarter of the third year.

Ownership

Funding Requirements

Cyber Homeschooling is fifty percent funded by its principles. The other fifty percent will be acquired through a bank loan. The total funds needed to start this venture is one hundred thousand dollars. The funding will mainly be used to finance the initial capital expense needed to set up the infrastructure of the business. This includes capital equipment and educational materials needed to develop courses.

Business Structure

Cyber Homeschooling will be incorporated and privately held. Each partner will invest ten percent each to cover half of the initial start up costs.

Funding Sources

Cyber Homeschooling will seek funding from banks or investment firms as a small business.

Ownership

The following is a break down of the ownership of the company.

Name	Number of Shares	Percent of Share Ownership
Desmond Leong (CEO)	10	20
Halyna Batsoura (V.P Sales and Marketing)	10	20
Sai Vallurupalli (V.P Market Analyst)	10	20
Stanley Won (V.P Technical Services)	10	20
Jeremy Sills (V.P Strategic Consultant)	10	20

Appendix A

Cyber Homeschooling Pro Forma Cash Flow Statement as at Quarterly Endings, Year 1HoH

Quarter	Q1	Q2	Q3	Q4
Operating activities:				
Net income	-8,125	1,875	1,875	-4,125
Depreciation of Computer	1,325	1,325	1,325	1,325
Amortization of Curriculum Materials	1,250	1,250	1,250	1,250
Amortization of Software	50	50	50	50
Cash flow - operations	-5,500	4,500	4,500	-1,500
Investing activities:				
Net increase in capital assets	-52,000	0	0	0
Cash flow - investing	-52,000	0	0	0
Financing activities:				
Issue debt	50,000	0	0	0
Cash flow - financing	50,000	0	0	0
Total Cash flow	-7,500	4,500	4,500	-1,500

Cyber Homeschooling
 Pro Forma Cash Flow Statement
 as at Quarterly Endings, Year 2HoH

Quarter	Q1	Q2	Q3	Q4
Operating activities:				
Net income	-10,125	6,375	6,375	-4,125
Depreciation of Computer	1,325	1,325	1,325	1,325
Amortization of Curriculum Materials	1,250	1,250	1,250	1,250
Amortization of Software	50	50	50	50
Cash flow - operations	-7,500	9,000	9,000	-1,500
Investing activities:				
Net increase in capital assets	0	0	0	0
Cash flow - investing	0	0	0	0
Financing activities:				
Issue debt	0	0	0	0
Cash flow - financing	0	0	0	0
Total Cash flow	-7,500	9,000	9,000	-1,500

Cyber Homeschooling
 Pro Forma Cash Flow Statement
 as at Quarterly Endings, Year 3HoH

Quarter	Q1	Q2	Q3	Q4
Operating activities:				
Net income	12,375	42,375	42,375	12,375
Depreciation of Computer	1,325	1,325	1,325	1,325
Amortization of Curriculum Materials	1,250	1,250	1,250	1,250
Amortization of Software	50	50	50	50
Cash flow - operations	15,000	45,000	45,000	15,000
Investing activities:				
Net increase in capital assets	0	0	0	0
Cash flow - investing	0	0	0	0
Financing activities:				
Issue debt	0	0	0	0
Cash flow - financing	0	0	0	0
Total Cash flow	15,000	45,000	45,000	15,000

Cyber Homeschooling
 Pro Forma Cash Flow Statement
 as at Quarterly Endings, Year 4HoH

Quarter	Q1	Q2	Q3	Q4
Operating activities:				
Net income	12,375	57,375	57,375	27,375
Depreciation of Computer	1,325	1,325	1,325	1,325
Amortization of Curriculum Materials	1,250	1,250	1,250	1,250
Amortization of Software	50	50	50	50
Cash flow - operations	15,000	60,000	60,000	30,000
Investing activities:				
Net increase in capital assets	0	0	0	0
Cash flow - investing	0	0	0	0
Financing activities:				
Issue debt	0	0	0	0
Cash flow - financing	0	0	0	0
Total Cash flow	15,000	60,000	60,000	30,000

Cyber Homeschooling
 Pro Forma Cash Flow Statement
 as at Quarterly Endings, Year 5HoH

Quarter	Q1	Q2	Q3	Q4
Operating activities:				
Net income	27,375	117,375	124,875	27,375
Depreciation of Computer	1,325	1,325	1,325	1,325
Amortization of Curriculum Materials	1,250	1,250	1,250	1,250
Amortization of Software	50	50	50	50
Cash flow - operations	30,000	120,000	127,500	30,000
Investing activities:				
Net increase in capital assets	0	0	0	0
Cash flow - investing	0	0	0	0
Financing activities:				
Issue debt	0	0	0	0
Cash flow - financing	0	0	0	0
Total Cash flow	30,000	120,000	127,500	30,000

Appendix B

Cyber Homeschooling Pro Forma Income Statement as at Quarterly Endings, Year 1HoH

Quarter	Q1	Q2	Q3	Q4
Revenue				
Course Fees	2,000	12,000	12,000	6,000
Gross margin	2,000	12,000	12,000	6,000
Operating expenses				
Depreciation of computer equipment	1,325	1,325	1,325	1,325
Amortization of educational materials	1,250	1,250	1,250	1,250
Amortization of software	50	50	50	50
Teacher's salaries(1)(\$30,000/year *1/4)	7,500	7,500	7,500	7,500
Tutors Salaries(2 TA @ \$15,000/year *1/4)	7,500	7,500	7,500	7,500
Total operating expenses	10,125	10,125	10,125	10,125
Net income before taxes	-8,125	1,875	1,875	-4,125

Cyber Homeschooling
 Pro Forma Income Statement
 as at Quarterly Endings, Year 2HoH

Quarter	Q1	Q2	Q3	Q4
Revenue				
Course Fees	7,500	24,000	24,000	13,500
Gross margin	7,500	24,000	24,000	13,500
Operating expenses				
Depreciation of computer equipment	1,325	1,325	1,325	1,325
Amortization of educational materials	1,250	1,250	1,250	1,250
Amortization of software	50	50	50	50
Teacher's Salaries(2)(\$60,000/year *1/4)	15,000	15,000	15,000	15,000
Tutors Salaries(2 TA @ \$15,000/year *1/4)	7,500	7,500	7,500	7,500
Total operating expenses	17,625	17,625	17,625	17,625
Net income before taxes	-	6,375	6,375	-4,125
	10,125			

Cyber Homeschooling
 Pro Forma Income Statement
 as at Quarterly Endings, Year 3HoH

Quarter	Q1	Q2	Q3	Q4
Revenue				
Course Fees	30,000	60,000	60,000	30,000
Gross margin	30,000	60,000	60,000	30,000
Operating expenses				
Depreciation of computer equipment	1,325	1,325	1,325	1,325
Amortization of educational materials	1,250	1,250	1,250	1,250
Amortization of software	50	50	50	50
Teacher's Salaries(2)(\$60,000/year *1/4)	15,000	15,000	15,000	15,000
Tutors Salaries(2 TA @ \$15,000/year *1/4)	7,500	7,500	7,500	7,500
Total operating expenses	17,625	17,625	17,625	17,625
Net income before taxes	12,375	42,375	42,375	12,375

Cyber Homeschooling
 Pro Forma Income Statement
 as at Quarterly Endings, Year 4HoH

Quarter	Q1	Q2	Q3	Q4
Revenue				
Course Fees	45,000	90,000	90,000	60,000
Gross margin	45,000	90,000	90,000	60,000
Operating expenses				
Depreciation of computer equipment	1,325	1,325	1,325	1,325
Amortization of educational materials	1,250	1,250	1,250	1,250
Amortization of software	50	50	50	50
Teacher's Salaries(4)(\$120,000/year *1/4)	30,000	30,000	30,000	30,000
Tutors Salaries(2 TA @ \$15,000/year *1/4)	7,500	7,500	7,500	7,500
Total operating expenses	32,625	32,625	32,625	32,625
Net income before taxes	12,375	57,375	57,375	27,375

Cyber Homeschooling
 Pro Forma Income Statement
 as at Quarterly Endings, Year 5HoH

Quarter	Q1	Q2	Q3	Q4	
Revenue					
Course Fees	60,000	150,00	157,50	60,000	
	0	0			
Gross margin	60,000	150,00	157,50	60,000	
	0	0			
Operating expenses					
Depreciation of computer equipment		1,325	1,325	1,325	1,325
Amortization of educational materials		1,250	1,250	1,250	1,250
Amortization of software		50	50	50	50
Teacher's Salaries(4) (\$120,000/year *1/4)		30,000	30,000	30,000	30,000
Tutors Salaries(2 TA @ \$15,000/year *1/4)		7,500	7,500	7,500	7,500
Total operating expenses		32,625	32,625	32,625	32,625
Net income before taxes		27,375	117,375	124,875	27,375

Appendix C

Cyber Homeschooling Pro Forma Balance Sheet as at Quarterly Endings, Year 1HoH

Quarter	Q1	Q2	Q3	Q4
Assets				
Current Assets				
Cash	42,000	46,500	51,000	49,500
Accounts Receivable	0	0	0	0
Total Current Assets	42,000	46,500	51,000	49,500
Fixed Assets				
Computer Equipment	26,500	26,500	26,500	26,500
Less: Accumulated depreciation of Computer Equipment	1,325	2,650	3,975	5,300
Educational curriculum material	25,000	25,000	25,000	25,000
Amortization of curriculum material	1,250	2,500	3,750	5,000
Computer software	1,000	1,000	1,000	1,000
Amortization of software	50	100	150	200
Total Fixed Assets	49,875	47,250	44,625	42,000
Total Assets	91,875	93,750	95,625	91,500
Liabilities and Owner's Equity				
Current Liabilities				
Bank Loan	50,000	50,000	50,000	50,000
Accounts Payable	0	0	0	0
Total Current Liabilities	50,000	50,000	50,000	50,000
Long-term Liability	0	0	0	0
Total Liabilities	50,000	50,000	50,000	50,000
Equity				
Share Capital	50,000	50,000	50,000	50,000
Retained Earnings	-8,125	-6,250	-4,375	-8,500
Total Equity	41,875	43,750	45,625	41,500

Total Liabilities and Equity	91,875	93,750	95,625	91,500
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Cyber Homeschooling
Pro Forma Balance Sheet
as at Quarterly Endings, Year 2HoH

Quarter	Q1	Q2	Q3	Q4
Assets				
Current Assets				
Cash	42,000	51,000	60,000	58,500
Accounts Receivable	0	0	0	0
Total Current Assets	42,000	51,000	60,000	58,500
Fixed Assets				
Computer Equipment	26,500	26,500	26,500	26,500
Less: Accumulated depreciation of Computer Equipment	6,625	7,950	9,275	10,600
Educational curriculum material	25,000	25,000	25,000	25,000
Amortization of curriculum material	6,250	7,500	8,750	10,000
Computer software	1,000	1,000	1,000	1,000
Amortization of software	250	300	350	400
Total Fixed Assets	39,375	36,750	34,125	31,500
Total Assets	81,375	87,750	94,125	90,000
Liabilities and Owner's Equity				
Current Liabilities				
Bank Loan	50,000	50,000	50,000	50,000
Accounts Payable	0	0	0	0
Total Current Liabilities	50,000	50,000	50,000	50,000
Long-term Liability	0	0	0	0
Total Liabilities	50,000	50,000	50,000	50,000
Equity				
Share Capital	50,000	50,000	50,000	50,000
Retained Earnings	-18,625	-12,250	-5,875	-10,000
Total Equity	31,375	37,750	44,125	40,000
Total Liabilities and Equity	81,375	87,750	94,125	90,000

Cyber Homeschooling
 Pro Forma Balance Sheet
 as at Quarterly Endings, Year 3HoH

Quarter	Q1	Q2	Q3	Q4
Assets				
Current Assets				
Cash	73,500	118,500	163,500	178,500
Accounts Receivable	0	0	0	0
Total Current Assets	73,500	118,500	163,500	178,500
Fixed Assets				
Computer Equipment	26,500	26,500	26,500	26,500
Less: Accumulated depreciation of Computer Equipment	11,925	13,250	14,575	15,900
Educational curriculum material	25,000	25,000	25,000	25,000
Amortization of curriculum material	11,250	12,500	13,750	15,000
Computer software	1,000	1,000	1,000	1,000
Amortization of software	450	500	550	600
Total Fixed Assets	28,875	26,250	23,625	21,000
Total Assets	102,375	144,750	187,125	199,500
Liabilities and Owner's Equity				
Current Liabilities				
Bank Loan	50,000	50,000	50,000	50,000
Accounts Payable	0	0	0	0
Total Current Liabilities	50,000	50,000	50,000	50,000
Long-term Liability	0	0	0	0
Total Liabilities	50,000	50,000	50,000	50,000
Equity				
Share Capital	50,000	50,000	50,000	50,000
Retained Earnings	2,375	44,750	87,125	99,500
Total Equity	52,375	94,750	137,125	149,500
Total Liabilities and Equity	102,375	144,750	187,125	199,500

Cyber Homeschooling
Pro Forma Balance Sheet
as at Quarterly Endings, Year 4HoH

Quarter	Q1	Q2	Q3	Q4
Assets				
Current Assets				
Cash	193,500	253,500	313,500	343,500
Accounts Receivable	0	0	0	0
Total Current Assets	193,500	253,500	313,500	343,500
Fixed Assets				
Computer Equipment	26,500	26,500	26,500	26,500
Less: Accumulated depreciation of Computer Equipment	17,225	18,550	19,875	21,200
Educational curriculum material	25,000	25,000	25,000	25,000
Amortization of curriculum material	16,250	17,500	18,750	20,000
Computer software	1,000	1,000	1,000	1,000
Amortization of software	650	700	750	800
Total Fixed Assets	18,375	15,750	13,125	10,500
Total Assets	211,875	269,250	326,625	354,000
Liabilities and Owner's Equity				
Current Liabilities				
Bank Loan	50,000	50,000	50,000	50,000
Accounts Payable	0	0	0	0
Total Current Liabilities	50,000	50,000	50,000	50,000
Long-term Liability	0	0	0	0
Total Liabilities	50,000	50,000	50,000	50,000
Equity				
Share Capital	50,000	50,000	50,000	50,000
Retained Earnings	111,875	169,250	226,625	254,000
Total Equity	161,875	219,250	276,625	304,000
Total Liabilities and Equity	211,875	269,250	326,625	354,000

Cyber Homeschooling
Pro Forma Balance Sheet
as at Quarterly Endings, Year 5HoH

Quarter	Q1	Q2	Q3	Q4
Assets				
Current Assets				
Cash	373,500	493,500	621,000	651,000
Accounts Receivable	0	0	0	0
Total Current Assets	373,500	493,500	621,000	651,000
Fixed Assets				
Computer Equipment	26,500	26,500	26,500	26,500
Less: Accumulated depreciation of Computer Equipment	22,525	23,850	25,175	26,500
Educational curriculum material	25,000	25,000	25,000	25,000
Amortization of curriculum material	21,250	22,500	23,750	25,000
Computer software	1,000	1,000	1,000	1,000
Amortization of software	850	900	950	1,000
Total Fixed Assets	7,875	5,250	2,625	0
Total Assets	381,375	498,750	623,625	651,000
Liabilities and Owner's Equity				
Current Liabilities				
Bank Loan	50,000	50,000	50,000	50,000
Accounts Payable	0	0	0	0
Total Current Liabilities	50,000	50,000	50,000	50,000
Long-term Liability	0	0	0	0
Total Liabilities	50,000	50,000	50,000	50,000
Equity				
Share Capital	50,000	50,000	50,000	50,000
Retained Earnings	281,375	398,750	523,625	551,000
Total Equity	331,375	448,750	573,625	601,000
Total Liabilities and Equity	381,375	498,750	623,625	651,000

Appendix D

Estimates in Enrollment By Quarter

Year	Q1	Q2	Q3	Q4
1	20	40	40	20
2	25	80	80	45
3	100	200	200	100
4	150	300	300	200
5	200	500	525	200

Note that in year one, Q1 we will run a pilot test of the on-line courses. Thus we plan to charge a special fee of \$100 and we will limit the courses to 20 students.