

BUSINESS PLAN

LYSAKOV ART COMPANY, INC.

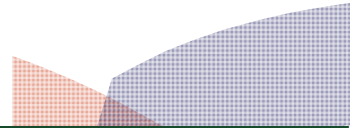


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I. Executive Summary

Introduction

Lysakov Art Company, Inc. (Lysakov Art Company or the Company) is an art publishing company that features the exciting and innovative work of Russian artist Victor Lysakov. The Company owns exclusive rights to all of Mr. Lysakov's works and will be the sole publisher of Lysakov's art work throughout the world.

Victor Lysakov is an established artist in the international art world. He creates modern, expressionistic work and was been named one of "The Best European Artists" in 1991. Lysakov has participated in several prestigious exhibitions and auctions in Russia, Germany, France and Italy. Now, with great pleasure and gusto, he makes his grand debut in the United States.

Lysakov's paintings typically correspond with one of eight different categories, or motifs, where there is a recurrence of thematic elements, ideas, color or design. The eight predominant motifs include *Biblical*, *Carnival*, *Close Ones*, *Contemplation*, *Melodies*, *Traditional*, *Viridian Night* and *Women*.

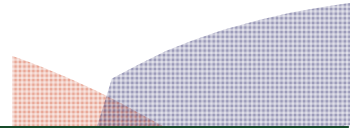
Using oil and acrylic on canvas, Lysakov prefers vibrant, unmistakable colors – his color palette is very distinct. Each painting is its own unique creation and exudes a certain depth. New or seasoned, trusting or suspicious, frightened or fearless – the artist challenges you to grow bored with his paintings. The message, significance and impact are in the "eye of the beholder".

Lysakov Art Company will sell numbered giclee prints of Lysakov works through the Internet, its own Gallery, and a network of dealers. The Company will also represent Lysakov for commissioned art work and sales of his originals.

In its first twelve months, the Company will sell 604 prints and 3 commissioned works. This will generate revenue of \$1.4 million in that twelve month period. By its fifth year of business, Lysakov Art Company will achieve almost \$6.5 million in revenues and more than \$2.49 million of net income.

The Market Opportunity

Victor Lysakov is a renowned artist whose brilliant artistic works have won awards throughout Europe. Yet, he is virtually unknown in the US. Lysakov Art Company intends to promote Lysakov paintings in the US. It will serve as the fine art publisher of all of Lysakov's works worldwide.



Consumer art sales of all types exceed \$30 billion in the US. Almost half of US households buy some kind of art, print or picture annually. Compared to other accessory items consumers use to decorate their walls, art is by far the favorite.

Artists at all levels and in a wide variety of media are creating prints using giclée technology. Buyers, attracted by the high quality and dynamic reproduction of giclées, have triggered a giclée explosion; while the fine art print market increases by about three percent annually, the giclée market is growing at more than 60 percent annually. In a \$2.8 billion print market dominated by lithographs and serigraphs, giclées now total \$160 million annually - and growing, mostly at the expense of much-more-costly serigraphs. According to CAP Ventures, digital fine art is expected to reach a retail value of \$600 million by 2007.

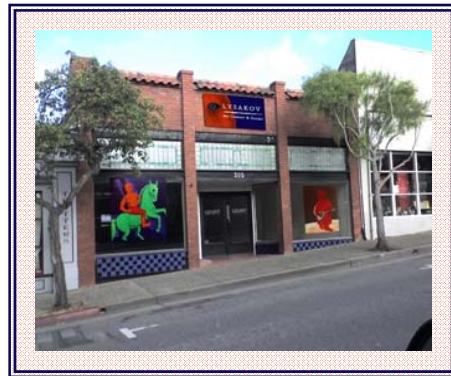
As the sole owner of all publishing rights to Mr. Lysakov's paintings and art, the Company has a unique opportunity. There is a large opportunity to build a dominant and respected art publishing business and make Lysakov paintings better known in the US and other countries.

Business Model

Lysakov Art Company targets art lovers throughout the world. The Company publishes numbered prints of many of Lysakov's original art works. These prints are carefully limited and only a certain number of works will be placed into the market place at any one time.

The Company will offer art work for sale through its web site. In addition, the Company will have its own gallery to display Lysakov prints and originals. Lysakov Art Company will also establish a network of art dealers that will be granted the privilege of buying prints wholesale and then reselling in their own galleries. Additionally, the

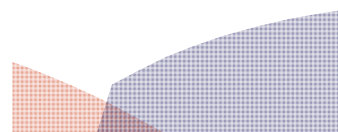
Company will license various works for commercial use.



The Company will market through a variety of methods. These include print advertising, art shows, artist exhibits, the Internet and its web site.

Services and Products

Lysakov Art Company provides Lysakov art works to customers. These include limited sets of numbered prints, original works and commissioned works.



Growth Opportunity

The Company's growth opportunities are many. First is to launch its gallery and web site utilizing various marketing strategies. Next is to set up a network of dealers across the US who will resell Lysakov prints.

Lysakov Art Company will build a solid dealer base in its first year that it can use to leverage its growth in succeeding years. Once a domestic dealer base is established, the Company will expand to international dealers.

Financial Projections

Lysakov Art Company's financial projections show that the Company can utilize the requested funding to catalyze its growth efforts. The Company projects a steady growth with significant net income over the next five years as its business plan is implemented.

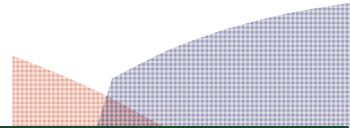
Five Year Projections (\$1,000's)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$1,402	\$2,921	\$4,090	\$5,258	\$6,493
COGS	\$215	\$511	\$742	\$978	\$1,234
Gross Profit	\$1,187	\$2,410	\$3,348	\$4,281	\$5,259
Total Expenses	\$643	\$784	\$900	\$1,021	\$1,147
Operating Income	\$543	\$1,627	\$2,448	\$3,260	\$4,112
	39%	56%	60%	62%	63%
Net Income	\$283	\$935	\$1,441	\$1,951	\$2,493
	20%	32%	35%	37%	38%
Change in Cash	\$341	\$845	\$1,459	\$2,026	\$2,621
Revenue Growth		208%	140%	129%	123%
CapEx as % Revenue	14.1%	1.2%	0.9%	0.7%	0.5%

Financial Needs and Use of Funds

The Company is seeking a \$500,000 loan to execute this business plan. Lysakov Art Company intends to use these funds primarily for sales, marketing and staffing expense. Remaining funds will be used for administrative and general working capital needs.

Lender Return Strategy

The loan will be repaid on a monthly basis out of operating profits from the business. The pro forma projections indicate that the business will have sufficient excess cash flow to cover the amortization of the loan.



II. The Enterprise

Mission Statement

Lysakov Art Company, Inc. will be the exclusive world supplier of Lysakov artwork. The Company will continually provide the world with Mr. Lysakov's best and most recent original works. Our products will be sought after for their uniqueness, artistic excellence and value. We will treat each customer with respect and we will be known for our outstanding customer service.

Business Objectives

Lysakov Art Company will become a profitable and growing business. To accomplish this, the Company in the next twelve months will:

- Sell 604 prints
- Generate 3 commissioned works
- Establish 20 dealers
- Obtain license revenues
- Build a staff of 6 professional employees
- Grow twelve month revenue in excess of \$1.4 million

In succeeding years, Lysakov Art Company will:

- Grow the annual number of prints sold each year
- Grow its dealer network
- Develop a worldwide reputation
- Achieve excellent customer loyalty by placing strong emphasis in the areas of outstanding service
- Maintain an experienced and professionally trained staff of 8 employees
- Attain \$6.5 million in annual sales in Year 5

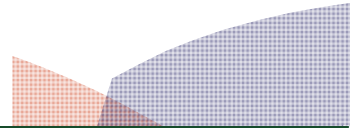
Organization

1. Legal Structure

Lysakov Art Company is a Corporation organized in the state of California Mr. Randall Swanson owns 100% of the Company.

2. Location

The Company's gallery and publishing offices is located at 305 Forest Ave., Pacific Grove, CA 93953. The Company leases suitable facilities capable of supporting its efforts. This facility will



include a reception area, meeting room, offices, and production areas. It will provide easy access to clients with ample free parking. Options for additional office space will be included in the lease.

3. Intellectual Property

Lysakov Art Company will maintain a web site at www.lysakovartcompany.com to market its products. It also owns the following domain names: lysakovartcompany.net, lysakovartcompany.org, lysakovartco.com, lysakovartco.net, lysakovartco.org, lysakovart.com, lysakovart.net, lysakovart.org, lysakov.com, lysakov.net, lysakov.org.

The Company owns copyrights on 177 original Lysakov works or art and will be adding 123 more copyrights shortly.

Lysakov Art Company is the sole and exclusive owner of all of Lysakov's art work worldwide.

Historical Background

The Company is a new business with no previous operations or list experience in this industry.

Much work has been done in preparation for launching this business. **Lysakov Art Company** has developed a substantial amount of research related to the viability, need, demand, operational difficulties and opportunities for this type of business.

The Founder has consulted with or been mentored by numerous people for this project. They include:

Rick and Susan with Brown Barn Publishing
www.brownbarnpublishing.com

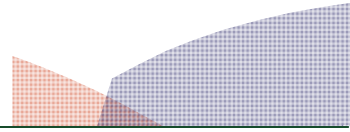
Fred Smith and Jacob Perl with Simon Bull International, Inc.
www.bullart.com

Alyson Stanfield, writer for Art Business News magazine
www.artbizcoach.com

Heather Neal, worked for Thomas Kinkade for 6 years
www.executivedetails.com

Rick Forschino, professional fine art printmaker
www.coastalgiclee.com

Genecia Johnson, Gallery Director for Lynn Lupetti Gallery
www.lynnlupettigallery.com



Cara Weston, daughter of world famous photographer
www.edward-weston.com

Bill Nordstrom, professional printmaker and owner of
www.laslight.com

Nina Temple, world class graphic artist and designer
www.ntemple.com

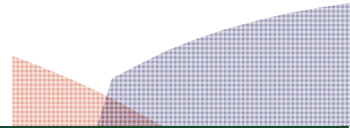
Business areas assessed include, but are not limited to:

- Market Need
- Competition
- Economics
- Client demographics
- Start-up & Operational costs
- Availability of qualified personnel
- Facilities

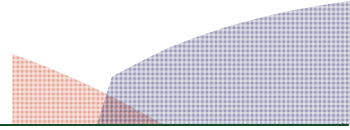
Start-up Analysis

The Company anticipates an initial capital requirement of \$500,000 to begin operations. The funds are required to launch the company's business expansion, develop software, purchase equipment and hardware, hire key personnel and fund working capital requirements.

The Company balance sheet prior to this investment and immediately after start-up is shown in the table on the following page. Upon investment, **Lysakov Art Company** will spend \$197,000 on Capital Equipment and leasehold improvements. Cash on hand after these expenditures will be \$296,000. (See table on next page)



Balance Sheet Prior To and After Investment		
	Prior to Investment	After Investment
Assets		
Current Assets		
Cash	\$0	\$296,000
Accounts Receivable	\$0	\$0
Inventory	\$0	\$0
Other Current Assets	\$0	\$0
Total Current Assets	\$0	\$296,000
Fixed Assets		
Equipment	\$0	\$197,000
Accumulated Depreciation	\$0	\$0
Total Fixed Assets	\$0	\$197,000
Intangibles		
Intangibles	\$0	\$7,000
Accumulated Depreciation	\$0	\$0
Total Intangible Assets	\$0	\$7,000
Total Assets	\$0	\$500,000
Liabilities and Equity		
Current Liabilities		
Accounts Payable	\$0	\$0
Other Current Liabilities	\$0	\$0
Total Current Liabilities	\$0	\$0
Long Term Liabilities		
Bank Note	\$0	\$500,000
Total Long Term Liabilities	\$0	\$500,000
Total Liabilities	\$0	\$500,000
Shareholder Equity		
Preferred Stock	\$0	\$0
Common Stock	\$0	\$0
Additional Paid in Capital	\$0	\$0
Retained Earnings	\$0	\$0
Current Year Income (Loss)	\$0	\$0
Total Shareholder Equity	\$0	\$0
Total Liabilities and Equity	\$0	\$500,000



III. The Business Concept and Need

Market Need

The fine print art market is growing in the U.S. as more and more persons seek out fine art work. While the overall industry is growing at a few percent per year, the gleece fine print market has experienced 60% growth rates. It would appear that the consumer's demand for art that they would like to exhibit in their homes remains very strong.

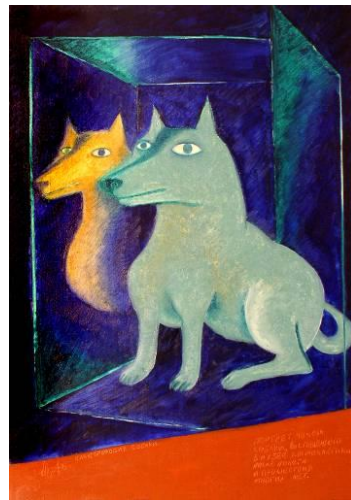
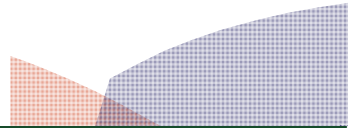
As a Russian artist, Victor Lysakov is not well known in the US. Although he has received critical acclaim, his works have not had large scale public exposure throughout the states. There is a need on the artist's part to have his works more broadly available.

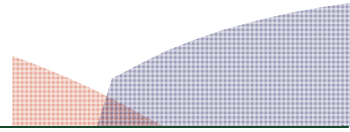
Consequently, **Lysakov Art Company** can fulfill a strong market need. There is clearly a market opportunity for Lysakov's works in the US and elsewhere. The Company is uniquely positioned to attract customers from around the world.

Products and Services

Lysakov Art Company provides prints, originals and commissioned work by the artist Lysakov. A few examples of some of his incredible paintings follow.





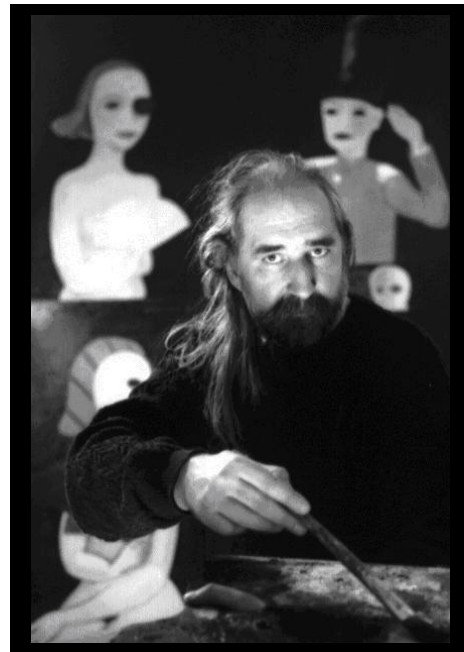


The Artist

At first glance, the modern expressionistic work of Victor Lysakov might invoke an unexpected reaction -- curiosity, mystery and even fear. But after closer inspection, the eccentric becomes extraordinary and the weird, wonderful.

Lysakov challenges the viewer to conquer their fear – paintings should not be scary. “They merely depict life,” he says. “Sometimes the scariest things in life are the most trivial ones.”

Lysakov is celebrated for his vibrant, unmistakable colors and his distinct color palette. His contemporary motifs include creatures, figures, animals and nature. Each painting is its own unique creation and exudes a certain depth. New or seasoned, trusting or suspicious, frightened or fearless – one can never grow bored with Lysakov’s paintings. The message, significance and impact are in the eye of the beholder.

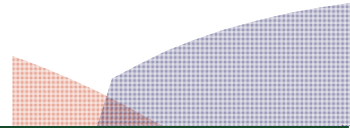


Born in Siberia in 1952, Lysakov discovered his artistic talent at a young age. “It was when I was six years old that I realized, for the first time, that the most natural and the most fitting way for me to carry on a conversation with the world was through the visual language.”

In early adulthood, Lysakov veered off the creative path and focused on a more traditional education – engineering. In 1975, he earned his MS in Physical Chemistry from Moscow State Institute of Steel and Alloys. In the decade following, he established a successful career in various military machine building plants. At one time, he was even accountable for over 700 employees under his command. In 1984, he attained his Ph. D. in Technical Sciences from Lomonosov State Institute of Fine Chemical Technology in Moscow.

But it was his conviction to art that brought him back to his craft full-time. He began experimenting first with watercolor, but now paints almost exclusively with oil on canvas. Though never classically trained, Lysakov studied Rembrandt’s and Bryullov’s techniques. A self-taught artist, he read books incessantly, and spent hours upon hours in museums.

In 1987, he became a founding partner of the first truly independent artists’ union, “Arbatr.” He created history again in 2001 when, for the first time, a graduate student dedicated her entire master’s thesis to a living artist.



Lysakov has enjoyed a quick rise in the international art world, and is particularly renowned in Russia and Europe. He has participated in several prestigious exhibitions and auctions in Russia, Germany, France and Italy and was named one of “The Best European Artists” in 1991.

Now, Lysakov is pleased to formerly introduce his work to the American public. He has a vast personal collection, but only a select 40 out of over 300 paintings will be available immediately to the public. They range in image size from a humble 14x14 to a majestic 58x50. All are offered at an extremely low edition size of 395 Giclée Canvas Prints and 30 Artist Proofs.

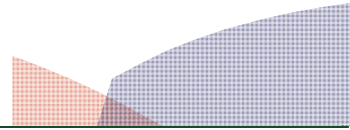
In addition to a triumphant military career and flourishing artistic profession, Lysakov has achieved success in his personal life as well. He has upheld a solid marriage to his wife, Elena, for over 30 years. They both currently work and reside in Moscow and have a grown son named Constantin.

The Artist's Motifs

Close Ones Motif



It was during a family health crisis that Victor Lysakov made an extraordinary connection with animals. While his wife was about to face open heart surgery, Lysakov and his pet cat took vigil at home. With a cryptic look and telling body language, the cat consulted and comforted him. At that moment, Lysakov knew that “we were of one blood and belonged to the same pack.”



Biblical Motif

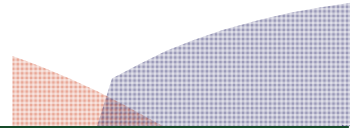


Victor Lysakov is not a religious man in the traditional sense of the word. But he's had religious encounters and experiences that have ultimately shaped his world view. As a young man brought up in the Soviet Union, communism was thriving. It wasn't until high school that he was able to get his hands on a Bible – even then, it was forbidden. If caught, there would be dire consequences.

Melodies Motif



Back in the late 1970s, Victor Lysakov discovered that several of his paintings became more expressive when accompanied with certain music. He would experience them separately – painting without music, music without painting. When united, the music and his works of art would together create an amazing phenomenon.



ViridianNight Motif

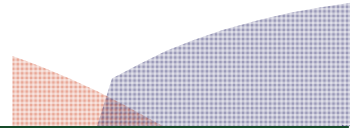


The color viridian is a very stable and powerful cold, chrome green. It's a remarkably fine pigment, solid and brilliant even in artificial light. Discovered in 1859, viridian originates from the Latin word, viridis, meaning green¹. Victor Lysakov embraced this color when he realized that the summer night could be painted in viridian.

Carnival Motif



What is a Carnival? It could be a festival, fête, parade or pageant; an event of merrymaking, feasting or masquerading, perhaps. Carnival has even been defined as an instance of riotous excess. Furthermore, Carnival represents the title of one of Victor Lysakov's beloved masterpieces.



Contemplation Motif

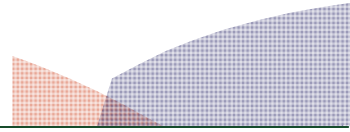


The paintings from Victor Lysakov’s Contemplation Motif collection are primarily united in one way – the images effortlessly come to the artist’s mind, born out of “nothingness.” There is otherwise no common denominator. His future images can befall him at a different time of day, assorted locations and in diverse states of consciousness. The images can emerge while he’s taking a stroll; others appear in his sleep. “Sometimes they come while I am calm and relaxed,” he says. “Others come unannounced like sudden thunder.”

Traditional Motif



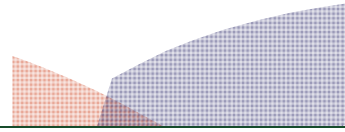
Just as a pianist plays scales to warm up his fingers and check his musical ear, an artist draws studies to calibrate the relationship between his sight and hands. As a well-rounded artist, Victor Lysakov has explored numerous types of studies. Although mostly recognized for his modern, expressionist pieces, Lysakov has also mastered more traditional genres. These Traditional Motifs include still-life, landscapes and portraits.



Women Motif



One of Victor Lysakov's distinguished themes is the female form. The Women Motif includes works of art that focus on feminine torsos, Madonnas, dolls and women of all ages. Their strong hips "shape our moves and actions," Lysakov says. But although the shapes may be similar in these paintings, the figures can indeed be very different.



IV. The Market

Industry Overview and Trends

Global Fine Art Market

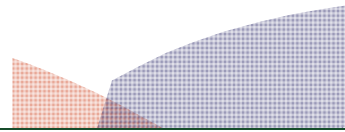
So far this year the global figure for total fine art sales revenue is 4 times higher than what it was 10 years ago. The growth rate is +48.2%, as compared to the first half of 2005. Artprice, a world leader in art market information, says the 2006 spring/summer season has been one of the most dynamic on record. The Artprice Global Index is up 16.5% over twelve months (+86.8% over ten years). Since July 2005, United States fine art prices have risen 32%. The most active segments over the last twelve months have been Contemporary Art and Modern Art, both showing average price increases of 19.9%. Artprice stated, “*The number of million-dollar-plus hammer prices has risen sharply; 454 lots were sold for over USD 1 million during the first six months of 2006 sales compared with only 253 in 2005 and 130 in 2003.*”

Two markets have each notched up 200 million-dollar-plus sales -- the UK and the U.S. New York has been the setting for the highest bid of the season, as in 2003. Once again the bid was generated by an important work by Pablo Picasso; a portrait of his muse Dora Maar, painted in 1941, and selling at Sotheby’s prestigious “*Impressionist & Modern Art – evening sale*” for 85 million (USD). In London, the highest bid of the season was generated by another modern artist; Modigliani’s *Jeanne Hébuterne au Chapeau* sold for 14.6 million (GBP) at Sotheby’s London on June 19, 2006 in a session that generated a total sales revenue of no less than GBP 109 million (USD - \$202 million). This sale set a new record for an organized sale in London. And, Sotheby’s is not alone. Christie’s has hosted three exceptional sales above 30 million (USD): 36 million (USD) for *L’Arlesienne, Madame Ginoux (1890)* by Vincent Van GOGH; 32 million (USD) for a splendid view of Venice by William TURNER; and 31 million (USD) for another important work by Pablo PICASSO painted in 1932.

The two major auction houses so far in 2006 are more or less on an equal footing in terms of sales revenue. Sotheby’s has generated just over one billion dollars in fine art sales revenue; Christie’s is less than 50 million dollars behind. Comparing the same month in 2005, Christie’s was ahead with total sale revenue for the year of 695 million dollars vs. 570 million dollars for Sotheby’s. Over the full year, Christie’s generated a total of 1,372 million dollars in fine art sales revenue.

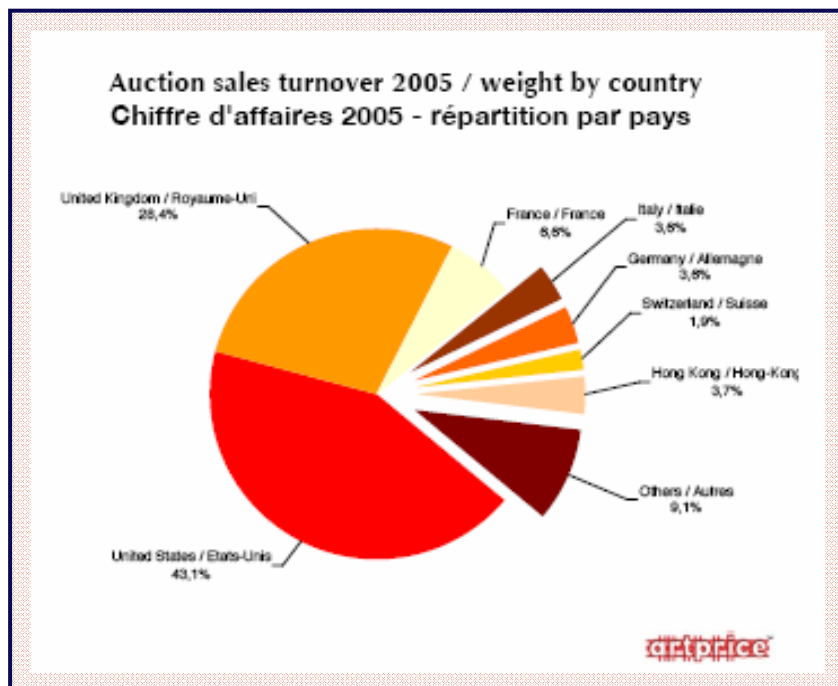
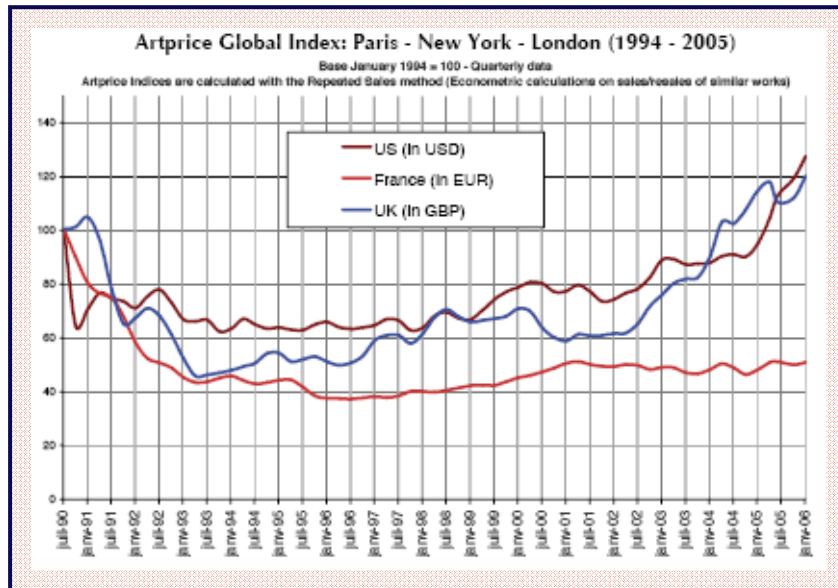
Of global fine art sales revenue, the Anglo-American market accounts for the bulk (76%) (40.7% for the US and 35.4% for the UK); however, in the future they are likely to face increasing competition from Switzerland, China, Canada and Sweden.¹

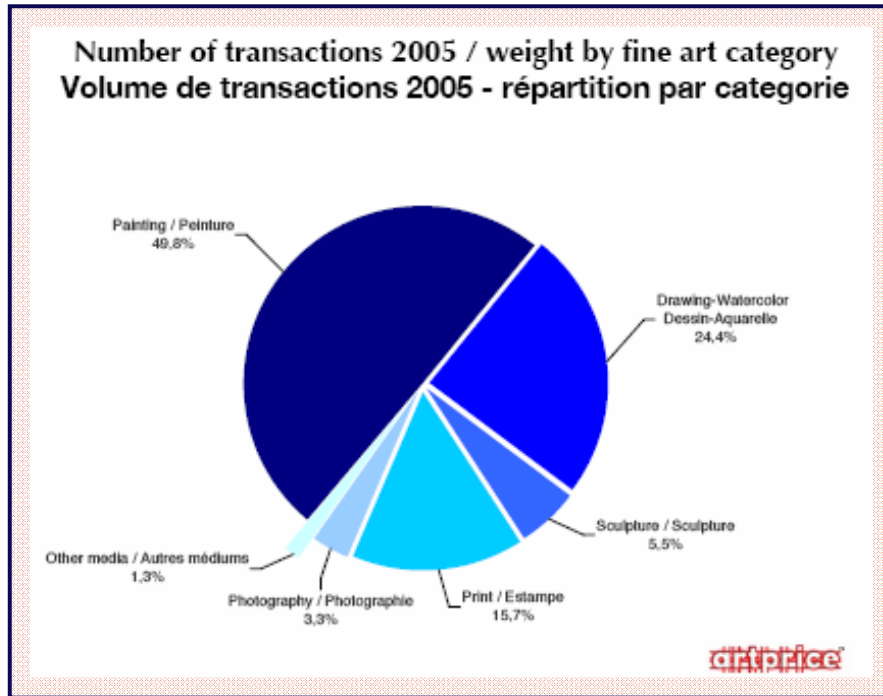
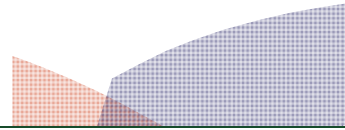
As compared to 1990, artwork prices in the United States are now 27% higher. The market has never experienced such a boom. This price increase also boosted the US



auction turnover which rose 6.7% in 2005, accompanied by a stable volume of sales. Following this recent surge in prices across the market (Impressionist & Modern Art, Photography and Contemporary Art), US auctions are setting countless records! There were no less than 265 millionaire lots in New York. And many works were sold for over a million dollars at contemporary art auctions.

As far as the international art market, it has never performed so well; the figures are literally record-breaking. Despite a practically stable volume of 320,000 lots on offer, in 2005 the turnover for fine art sales exceeded \$4 billion, vs. \$3.6 billion the previous year. The following charts give an overview of the global market from 1994-2005: ²





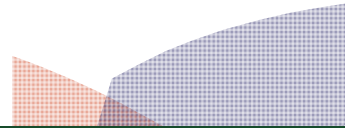
Giclee Prints and Digital Art Market

How big is the Giclee print market? In the fine art business they have taken over lithographs and screen prints as the dominant and preferred way for artists, galleries and publishers to make reproductions and prints. And, the American Giclee market has been growing in popularity, with more than 70% growth in the past 5 years. It has been reported that on average more than 50% of a gallery's income is now coming from Giclee print sales.

The word Giclee (pronounced ghee-clay) is derived from the French word 'gicler'. This word means 'spraying' or 'spurting', to indicate a technique which uses non-interrupted fine streams of ink to get ink colors onto the substrate. The technology was first developed as a proofing process for digital prepress applications, and remains the ultimate soft proof in the digital workflow. Pioneers of Gicl  printing like Graham Nash and Jon Coons noticed the high quality of the process in the mid 1980s. In the mid 1990s this fine art printing technique started to increase in popularity and has become mature and widely accepted since the turn of the century.³

Art reproductions have traditionally been created by using one of three methods:

- Lithographic
- Serigraphic (screen printing)
- Digital printing

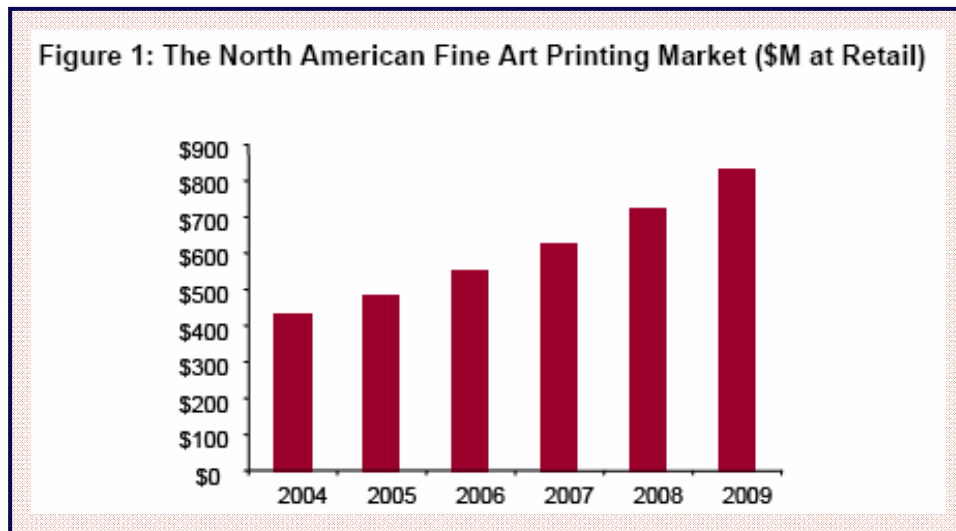


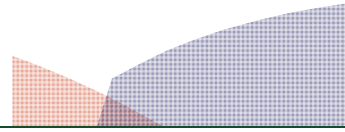
Dan Halkyard of Digital Output says, “Today, artists can produce original digital fine art by creating the piece on computer and outputting the hardcopy image with digital printers. If using traditional methods such as painting or drawing, images can be scanned or digitally photographed then printed digitally as originals, limited editions or large-scale reproductions. Museums and galleries, corporate institutions such as hotels, restaurants, retail establishments, corporate buildings and individual customers such as artists and collectors all display digital fine art.

An increasing number of print providers are expanding into high-end application areas, such as digital fine art printing, as a means to increase revenue and overall profitability. This community, both the artists themselves and their patrons, is rapidly accepting digital imaging. Rapid growth within this market segment presents digital service providers with an attractive opportunity to expand their business into another realm.”

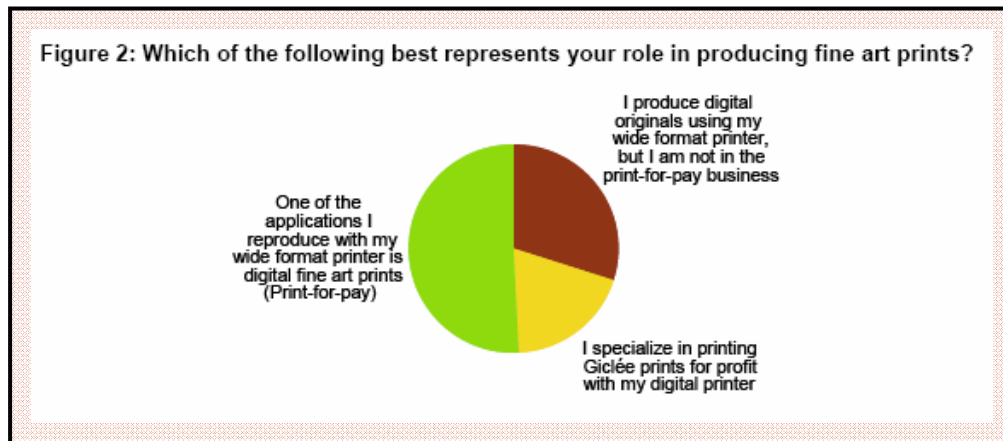
In 2005, digital will make up almost 50% of the overall art reproduction market according to I.T. Strategies. Wide format inkjet retail revenues were predicted to reach \$650 million.⁴

Representing a CAGR of 18.1% over the forecast period, InfoTrends/CAP Ventures expects the retail value of digitally printed fine art to grow from \$430 million in 2004 to over \$830 million in 2009. The chart below (Figure 1) shows the growth in the North American Digital Fine Art Market from 2004 to 2009:⁵





InfoTrends/CAP Ventures' white paper entitled "2005 Digital Fine art Market Study", reported that approximately 70% of their survey participants are in the print-for-pay business. There are a wide variety of companies that are currently producing fine art. Art studios consist of digital artists who produce digital originals or photographic output using digital printers. When asked the question, "Which of the following best represents your role in producing fine art prints", respondents stated the following: (See Figure 2) ⁵

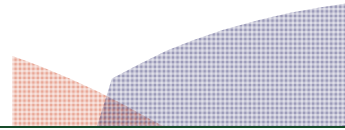


Wikipedia, an online encyclopedia, says, "The term, sometimes anglicized as giclee, is used to describe any high-resolution, large-format ink-jet printer output with fade-resistant dye- or pigment-based inks. It is common for these printers to use between six and twelve color inks. The use of dye based inks requires special coating to avoid fading.

The word giclée was coined by Jack Duganne to represent any digital print used as fine art. Its intent was to distinguish commercial digital prints from fine art prints. In much the same way that the word serigraph is used to denote a fine art silk screen print, the word giclée is to be used to denote a fine art digital print."

Many artists and photographers use ink-jet printers as an alternative to lithography, serigraphy or serilith for limited edition original prints or reproductions, though originally intended for proofing. The cost of producing limited edition runs is greatly reduced compared to alternative printing methods. ⁶

Giclée printing creates museum-quality reproductions and can be a very profitable new source of revenue for those in the graphic arts market. Consequently, Giclée technology has become tremendously popular among fine artists. Due to the accessibility, affordability, and convenience of these prints, Giclée fine art reproductions are in high-demand worldwide. A survey of leading giclée service providers of ink, media, and hardware manufacturers stated that the giclée process can yield a lifespan up to 100 and 125 years with controlled light and humidity conditions. Many people believe the color gamut and accuracy for giclées go far beyond that of lithography, producing brighter, more archival prints with a non-pixelated tone. ⁷



Online Retail Market

According to Jupiter Research, in 2005 Americans bought \$81 billion worth of goods and services from online retailers. Analysts predict that this figure will jump to \$95 billion by the end of this year and to \$144 billion in 2010; representing a 12% increase for the period. E-tailing will remain attractive for many years to come in Jupiter Research’s opinion. Patti Freeman Evans, a Jupiter Research analyst and author of the study, titled “*U.S. Online Retail Forecast, 2005 to 2010*”, says the convenience of the Internet will “*Reinforce the strength and longevity of online shopping.*”

Until recently the dominant driver for online sales growth has been fueled by the steady stream of new online shoppers but that will change as the market matures; Evans says existing buyers will fuel online shopping growth in the next five years. “*Retailers need to think strategically about developing a loyal customer base,*” Evans said.

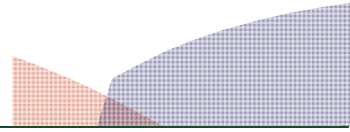
A proportion Evans described as “enormous”, the study found that offline and online purchases will increasingly be influenced by buyers' online research activities, from 27% of total retail sales in 2005 to almost 50% in 2010. Evans stated, “*This talks to the need by retailers to have a cross-channel, multi-channel strategy and become much more integrated over the next five years. They need to be savvier about the value of online in terms of influencing purchases.*” ⁸

North America Internet Usage and Population					
<u>NORTHERN AMERICA</u>	Population (2006 Est.)	Internet Users, Latest Data	% Population (Penetration)	% Users in N.A.	Use Growth (2000- 2005)
United States	299,093,237	205,493,713	68.7 %	90.3 %	115.5 %

NOTE: *Internet Usage and Population Statistics for the United States was updated for June 30, 2006.*

Nielsen//NetRatings senior analyst, Heather Dougherty said in regards to online shopping, “*Double-digit expansion seems possible for another couple of years.*” And, the eHoliday report showed a continued shift from offline to online retail. Just three years ago 78% of shopping took place in stores, now only 68% of spending is done in these locations.

Consulting firm KPMG stated that more than 50% of all shoppers bought something online, including older consumers. KPMG’s report showed that the typical Web shopper is armed with more buying power than those in stores. John Rittenhouse, a national partner in charge of KPMG's Operations Risk Management practice, said in a recent



release, “*The Internet continued to attract the most desirable customer, as the higher the income, the more the likelihood to buy on the Internet. People with incomes over \$75,000 were twice as likely to use the Internet compared with people with incomes under \$30,000.*”⁹

The market trend clearly indicates a growing need for the types of art that **Lysakov Art Company** provides. It suggests that the Company should have excellent growth prospects.

Target Market

Lysakov Art Company will target the following types of persons as customers:

- Consumers of all ages
- Single or married
- Professional art collectors

The Company will initially target these types of customers within the US and will expand internationally as it proves its business model.

Customer Buying Decisions

Lysakov Art Company has identified the following factors that can be used to encourage potential customers to select the Company’s products:

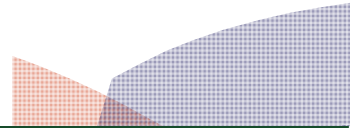
- Uniqueness of the art
- Increasing value of the art
- Excellent service

The Company believes it is well positioned to take advantage of these key factors to help assure its success.

Business Opportunities

Market Size

Lysakov Art Company is initially focused on attracting customers within the US. It will then expand internationally.



Art Dealers and Art Galleries in the US

SIC Code	SIC Descr.	Number of Establishments	Total Sales per Establishment	Avg. Sales per Establishment
5999-1601	Art Dealers	8,330	1,762	0.20
8412-0100,0101	Art Galleries	4,755	951	0.90

International Art Market

Country	% of Sales	Total Sales	Art Market Worth
	2001	2001	1999
United States	47%	\$11 billion	\$9.6 million
Europe	45%	\$10.6 billion	\$10.3 million
All other Countries	8%	n/a	n/a

Competition

The following is a partial list of competitors:

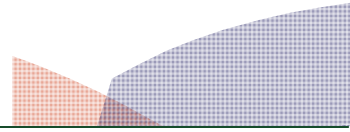
Brown Barn Publishing

<http://www.brownbarnpublishing.com>

Brown Barn Publishing represents the works of Russian artist Alexander Volkov. They are based out of Sandpoint, Idaho.

Competitive Advantage

Lysakov Art Company is the **ONLY** Company with the rights to Victor Lysakov's works. As such, the Company has an exclusive advantage in the marketplace.



V. Growth Strategy

Strategic Initiatives

Lysakov Art Company has developed the following initiatives to achieve its growth goals:

- Open its Gallery
- Launch its marketing efforts to reach its target audience
- Establish an aggressive sales program to identify and secure dealers
- Hire and train qualified staff
- Provide a satisfying experience for every customer

The Company believes it can reasonably achieve these goals with the proper financing.

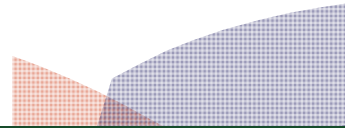
Marketing Strategy

Lysakov Art Company's marketing strategy will be a focused effort. The Company will closely integrate all of its marketing and sales efforts to project a consistent brand image and a consistent positioning of Lysakov's works. **Lysakov Art Company** will employ a variety of marketing activities to fuel its customer acquisition process. These include:

- **Optimize its web site to describe and promote the business.**
The Company will build its web site to communicate to all targeted market segments. It will present a consistent message to all market segments and the key decision makers that will be targeted as part of the integrated sales and marketing strategy. The web site will also present useful information and assurances to customers wanting to utilize the product.

The comprehensive strategy will focus providing a professional appearance of the site, demonstrating the uniqueness and value of the artwork to a varied audience.

- **Direct mail activities to targeted audiences**
The Company will buy lists of art dealers and vendors to send direct mail pieces (postcards, letters, etc.) to attract them as customers. The Company may utilize a list source such as *ListsSource*, a leading online source for business sales leads, email lists, direct mail lists and telemarketing lists with more than 32 million names.



- **Utilize Bzzz Marketing**

Today, people own marketing through word-of-mouth. Companies like BzzAgent.com (www.bzzagent.com) utilize the power of word-of-mouth and honest opinions to help drive product sales.

The Company may engage outside experts to help it build a powerful and inexpensive word-of-mouth marketing campaign.

- **Print advertising**

The Company will take out ads in local, regional and national ad consumer and trade publications that are matched to its targeted audiences

- **Public relations**

The Company will issue regular press releases to local and national publications/newspapers. It will also make donations to a well-known national charity

- **Events**

- Artist Signings

- Have Mr. Lysakov participate in signing events. Having the artist's signature on the certificate of authenticity is very coveted and has additional "perceived" value on the secondary market.

- Gallery/Dealer Events

- Coordinate numerous galleries to showcase Mr. Lysakov's work with customer incentives to purchase his paintings

- Attend upscale Tradeshow (i.e., ArtExpo)

- Display Lysakov's work and hand out brochures, etc. to attract potential dealers and customers.

- Events with Constantin

- Promote Lysakov's son, Constantin, to represent his father's work.

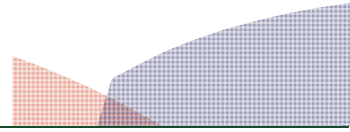
- Originals on Tour

- Display Lysakov's original paintings in original form at different galleries.

- **Web advertising (pay-per-click)**

The Company will buy ads for various search words and phrases (e.g. "Lysakov") on Google and Yahoo

- **Search engine optimization (SEO)**



The Company will optimize its web site so that people doing ‘natural’ searches will see the web site link on the first page of the search. **Lysakov Art Company** will invest in improving its yield in search engine results. The Company will continue to refine its SEO strategy by optimizing to new key words. The Company may also engage an SEO expert to help in its SEO strategy.

- **Online affiliate programs and customer loyalty programs**

The Company will develop a strong online affiliate program to help generate leads. Using tools from LinkShare (www.linkshare.com) or similar programs, the Company will implement and manage customer loyalty programs and affiliate programs.

Sales Strategy

The Company will sell through direct, indirect and Internet distribution channels.

In the direct channel, an in house professional art team will be supported by effective marketing, innovative advertising and publicity campaigns. A portion of the sales force’s compensation will be commission based in order to motivate them to achieve maximum sales.

For the indirect channel, the Company will form alliances with existing art dealers/stores that demonstrate and adhere to the same high quality standards.

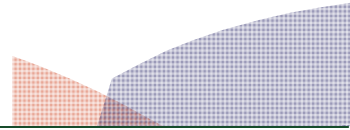
For the Internet Channel, appropriate and heavy Internet marketing (banner ads, popups), link exchange programs, SEO and keywords will be utilized to attract the Company’s target markets.

Dealerships

The Company will develop a nationwide (and eventually worldwide) network of dealers that will buy prints at a fixed wholesale price and resell them. Only high-end galleries that will be committed to Lysakov’s art will be considered.

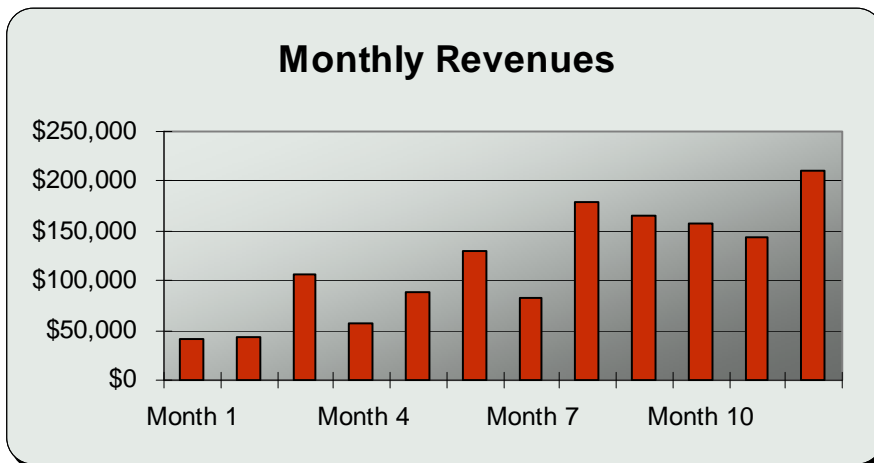
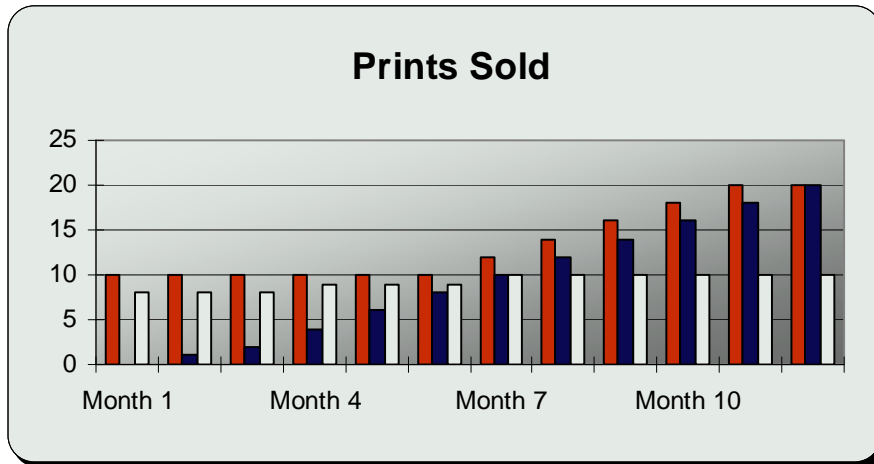
Each dealer will sign a contract or agreement that outlines the dealer responsibilities. The agreement will cover such things as the minimum quantity they must purchase in a year to maintain their dealership status, obligation to not discount, commitment to marketing/advertising each year, commitment to a certain number of events each year and directions on how the art work must be displayed.

Dealerships may be stratified into different levels such as Authorized, Premier, Showcase and Signature galleries.

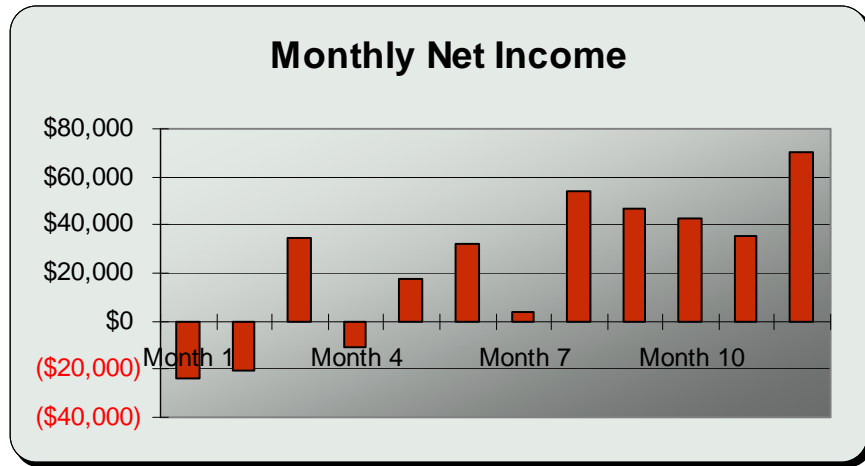
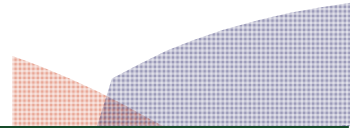


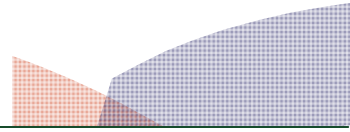
Sales Forecast First Year

The Company will achieve significant sales in the next twelve months. By the end of twelve months, **Lysakov Art Company** expects to have sold 604 prints. This will result in twelve-month revenues of \$1.4 million. This is shown in the following graphs.



Based on these sales, **Lysakov Art Company** believes it will obtain the following net income targets in the next twelve months.





VI. Management and Personnel

Management

The Company's management team is well balanced in talents and experience and is supported by a highly qualified Board of Advisors. Key personnel are as follows

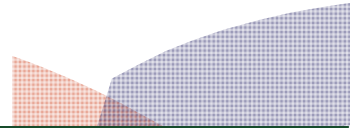
President: Mr. Randall Swanson

Mr. Randall L. Swanson, age 43, is President and CEO of Lysakov Art Company, Inc. Mr. Swanson has great experience after living and working in a variety of settings. He has lived in a number of large and interesting cities such as Chicago, IL, Dallas, TX, Phoenix, AZ and Moscow, Russia. He has worked as a salesman in the telecommunications and computer software industries. Mr. Swanson has also served in senior management positions in the internet and environmental remediation industries. He has also been an active angel investor over the past 10 years focusing on high-tech start-ups. Mr. Swanson holds a notable B.A. degree in Russian Language.

While living in Moscow, Russia with his family and working on a private consulting venture, he was introduced to Victor Lysakov and his awe-inspiring artwork. It is because of this personal connection to the artist and his affection for Russian culture, that Mr. Swanson has a vested interest in the success of **Lysakov Art Company, Inc.** In his spare time, he is an avid golfer, enjoys playing tournament chess, and loves to spend time traveling with his family. He currently resides with his wife and two children in Pebble Beach, CA.

Vice President Sales and Marketing: Ms. Heather Neal

Ms. Heather Neal, 33, is the owner of Executive Details, a consulting company that currently provides exclusive services for **Lysakov Art Company, Inc.** She offers marketing, public relations, website content and business writing assistance. Heather previously worked six years at Thomas Kinkade Company, the publishing house and world headquarters of the acclaimed artist, Thomas Kinkade. There, as the Director of Sales Operations, she managed seven staff members, coordinated sales programs for 28 District Sales Managers, managed a multi-million dollar sales budget, tracked sales trends, prepared presentations and planned quarterly sales meetings. Her insight, expertise and hands-on experience with the art world provide tremendous benefit to the U.S. launch of Victor Lysakov.



Heather attained her B.S. degree from California Polytechnic State University, where she majored in Journalism with a concentration in Public Relations. She currently resides in Reno, NV, with her husband and two children.

Director of Operations: Mr. Ken Kelley

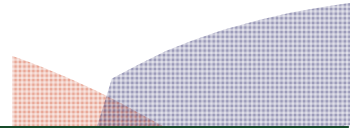
As Director of Operations, Mr. Kelley drives the shipping and service departments of Lysakov Company, Inc. His prolific resume includes extensive military, international business, computer sales and art industry experience. Mr. Kelley, 73, has served in numerous senior positions within the U.S. Navy, and for 17 years, was a successful Marketing Representative for some of the military's most advanced aerospace products. He then worked with leading computer and printing companies, where he helped develop a cutting-edge electronic system for advanced photographic digital image processing, which is widely used by photographers, artists, and publishers today. For 35 years, Mr. Kelley owned and operated several fine art galleries, where he conducted sales, marketing, art print publishing, framing and art restoration.

Mr. Kelley is a graduate of the U.S. Naval Officer Candidate School. He also attained a B.A. degree in art from St. Olaf, a nationally ranked, highly selective private liberal arts college. In addition to his career commitments, Mr. Kelley also volunteers in the community and has held positions with several local associations and foundations. Mr. Kelley currently resides in Carmel, CA.

Artistic Manager: Mr. Joshua Cook

Mr. Cook, 23, serves as the Artistic Manager for [Lysakov Art Company](#). As an up-and-coming photographer and graphic designer, he provides a fresh, ambitious and creative approach to his work.

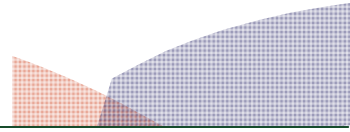
Mr. Cook graduated Summa Cum Laude from The Master's College, where he received a B.A. degree in Biblical Studies. Throughout his college career, he also grew particularly fond of art history. The Master's College, located in Santa Clarita, CA has been ranked 2nd in the West as one of America's Best Colleges 2007 by U.S. News & World Report. Outside of work Joshua is engaged in a variety of activities such as rock climbing, soccer, surfing, backpacking, and serving in his local Church. Mr. Cook currently resides in Monterey, CA.



Personnel Plan

The Company will maintain the following positions over the next several years:

Staff					
	Year 1	Year 2	Year 3	Year 4	Year 5
President	1	1	1	1	1
Vice President	1	1	1	1	1
Shipping Manager	1	1	1	1	1
Admin/Bookkeeper	1	1	1	1	1
Sales Consultants	2	2	2	2	2
Gallery Director	0	1	1	1	1
Shipping Asst.	0	1	1	1	1



VII. Risk Factors

Distinguishing the Company to Customers

The Company generates its revenues from selling artwork to customers. The Company must be able to reach these customers in an economical fashion and prove itself as a reliable vendor.

Mitigation Strategy:

Execute marketing programs. Participate in industry events. Maximize sales activities. Build large dealer network.

Attracting and Retaining Qualified Staff

Lysakov Art Company must be able to attract qualified professionals to its staff. This is critical to the growth and reputation of the business. It will be imperative that the Company develops loyalty among its employees in order to reduce turnover.

Mitigation Strategy:

Provide excellent working conditions. Provide competitive pay. Implement an industry competitive benefit plan. Provide an enjoyable work environment and give incentives. Compensate employees fairly and timely. Implement employee recognition programs.

Retaining a Loyal Dealer Network

Lysakov Art Company must be certain that it maintains loyalty among its dealers

Mitigation Strategy:

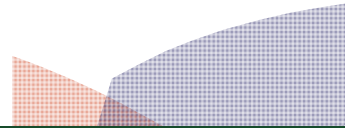
Provide material promptly as requested. Provide fresh and new prints on a regular basis. Minimize channel conflict. Mitigate dealer issues fairly and expeditiously.

Large Receivable Balances

The Company must be certain to collect on its accounts receivables balances.

Mitigation Strategy:

Manage accounts receivable closely. Call dealers at 30 days and at 45 days. Perform credit checks and obtain D&B ratings on all dealers prior to accepting orders.



VIII. Financial Projections

Assumptions

Revenue Projections

Revenue Assumptions					
	Year 1	Year 2	Year 3	Year 4	Year 5
Direct Internet Sales					
# prints	160	220	300	400	500
Dealer Sales					
# dealers	20	40	60	80	100
Gallery Sales					
# prints	111	130	175	200	250
Licensing	\$45,000	\$60,000	\$80,000	\$100,000	\$130,000
Commissioned Work	\$75,000	\$100,000	\$100,000	\$100,000	\$100,000

- a) Average print sells for \$2,245
- b) Dealers pay average of \$1,122

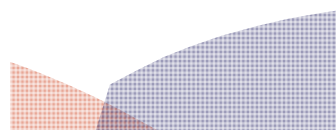
Cost of Goods Projections

- a) Average \$200 per print
- b) Credit card fees of 2.5%
- c) Gallery sales commissions of 10%
- d) Commissioned works sales commission of 10%

Projected expenses

- a) Payroll

Payroll Expenses					
	Year 1	Year 2	Year 3	Year 4	Year 5
President	\$0	\$0	\$0	\$0	\$0
Vice President	\$80,000	\$81,600	\$84,048	\$87,410	\$91,780
Shipping Manager	\$50,000	\$51,000	\$52,530	\$54,631	\$57,363
Admin/Bookkeeper	\$30,000	\$30,600	\$31,518	\$32,779	\$34,418
Sales Consultants	\$75,000	\$102,000	\$105,060	\$109,262	\$114,726
Gallery Director	\$0	\$40,800	\$42,024	\$43,705	\$45,890
Shipping Asst.	\$0	\$28,560	\$29,417	\$30,593	\$32,123
SubTotal	\$235,000	\$334,560	\$344,597	\$358,381	\$376,300
Payroll Taxes & Benefits	\$70,500	\$100,368	\$103,379	\$107,514	\$112,890
TOTAL	\$305,500	\$434,928	\$447,976	\$465,895	\$489,190



b) Expenses will average the following:

Expenses					
	Year 1	Year 2	Year 3	Year 4	Year 5
Payroll Expense (from emp sheet)	\$235,000	\$334,560	\$344,597	\$358,381	\$376,300
Payroll Taxes & Benefits	\$70,500	\$100,368	\$103,379	\$107,514	\$112,890
Travel & Entertainment	\$36,000	\$36,720	\$37,454	\$38,203	\$38,968
Rent & Utilities	\$72,000	\$73,440	\$74,909	\$76,407	\$77,935
Phone	\$9,000	\$9,180	\$9,364	\$9,551	\$9,742
Professional Fees	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495
Supplies	\$9,600	\$9,792	\$9,988	\$10,188	\$10,391
Marketing Expenses	\$192,000	\$200,000	\$300,000	\$400,000	\$500,000
Insurance - Liability	\$8,400	\$8,568	\$8,739	\$8,914	\$9,092
Other	\$4,800	\$4,896	\$4,994	\$5,094	\$5,196
Total Expenses	\$643,300	\$783,644	\$899,666	\$1,020,619	\$1,147,008

Capital Expenditures

a) Capital expenditures for the next five years are shown below

Capital Expenditures					
	Year 1	Year 2	Year 3	Year 4	Year 5
CapEx Expenses	\$197,000	\$35,000	\$35,000	\$35,000	\$35,000

Taxes

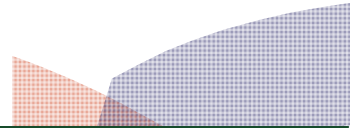
Taxes are calculated at a combined state and federal rate of 40%.

Cash Flow

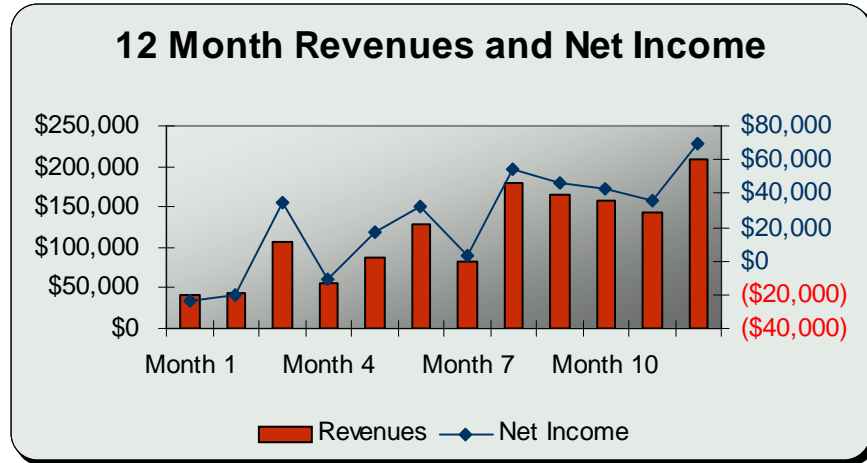
- a) Receivables average 45 days
- b) Payables average 30 days.

Profit and Loss

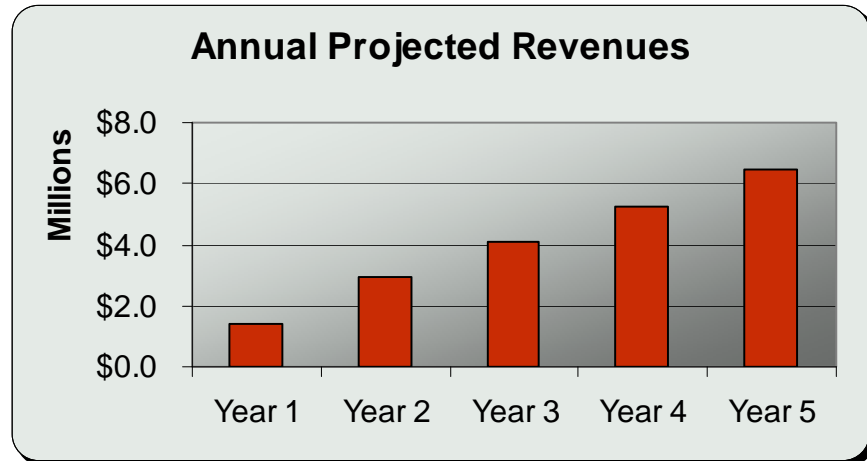
Lysakov Art Company projects significant revenue growth over the next twelve months. The Company anticipates it can grow monthly revenues to \$209,000. This will generate

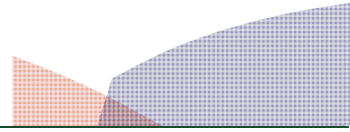


revenues of \$1.4 million and a net income of more than \$263,000 in this twelve-month period. The graph below shows the twelve-month growth in revenues and net income.

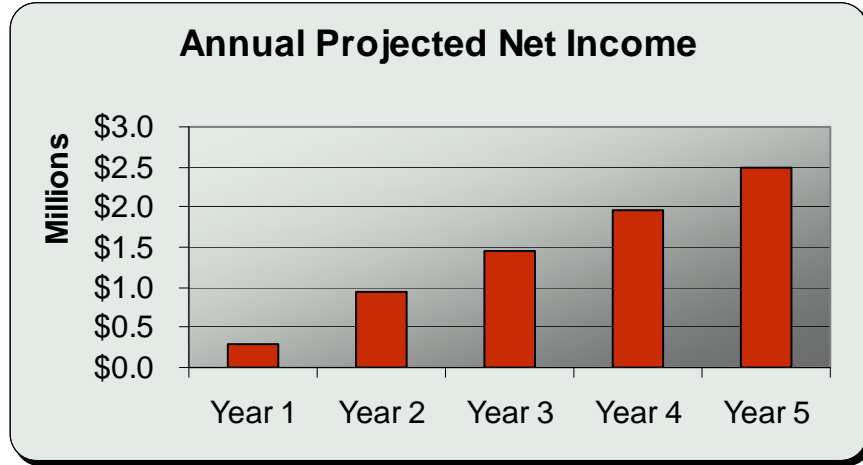


On an annualized basis, Lysakov Art Company’s planned operations will result in a revenue stream of \$2.9 million in Year 2 and almost \$6.5 million within five years. (See graph)





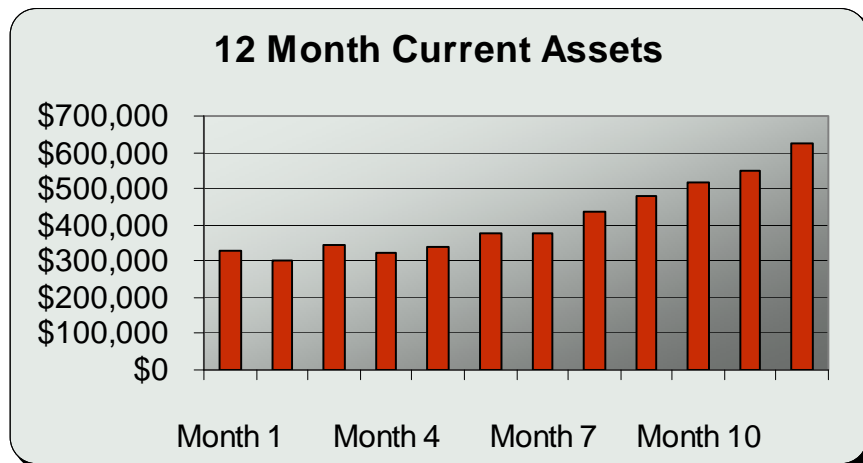
The Company believes it will be profitable on an annual basis. Profitability (net income) grows to \$2.5 million in Year 5.



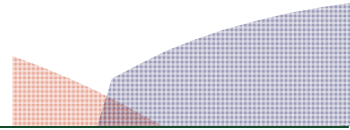
A full set of P&L projections (monthly for twelve months and annually for five years) is shown in the Appendix.

Balance Sheet

With the projected top line revenues, management of expenses and the expected financial investment the Company's balance sheet remains strong. (See graph below)

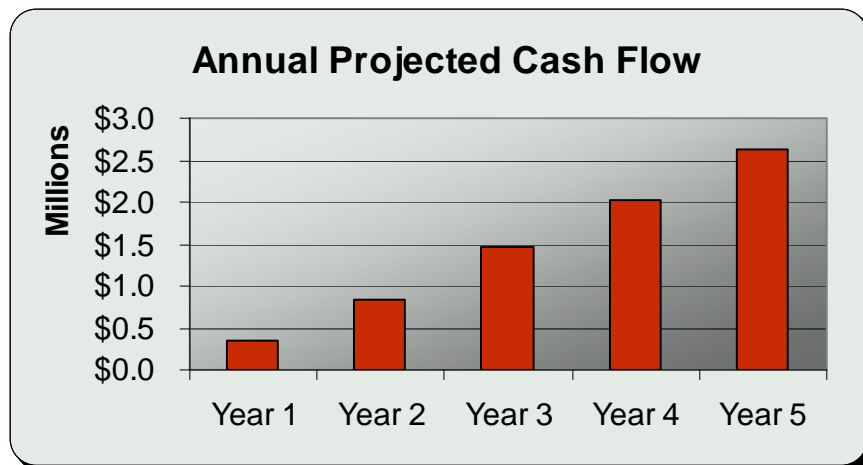
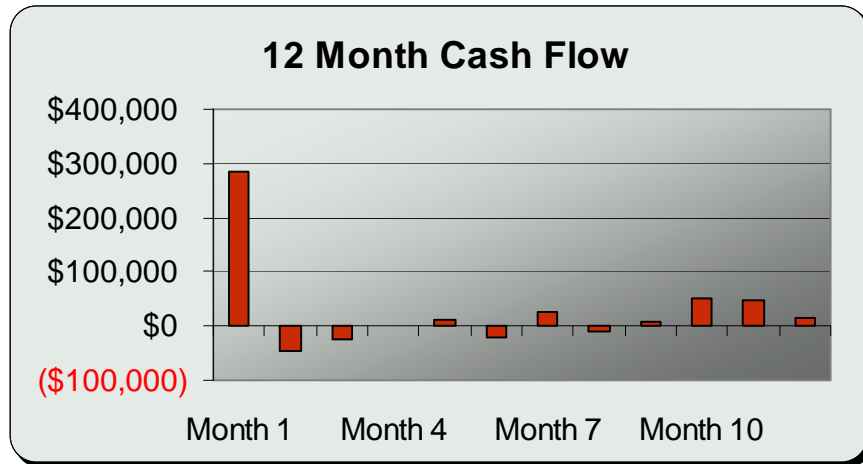


Full balance sheet details (monthly for twelve months and annually for five years) are shown in the Appendix.

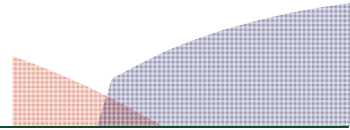


Cash Flow

Lysakov Art Company's operations show adequate cash flow to support the business. The twelve-month and five-year cash flow projections are positive, as profitability remains strong. This is shown in the following graphs.

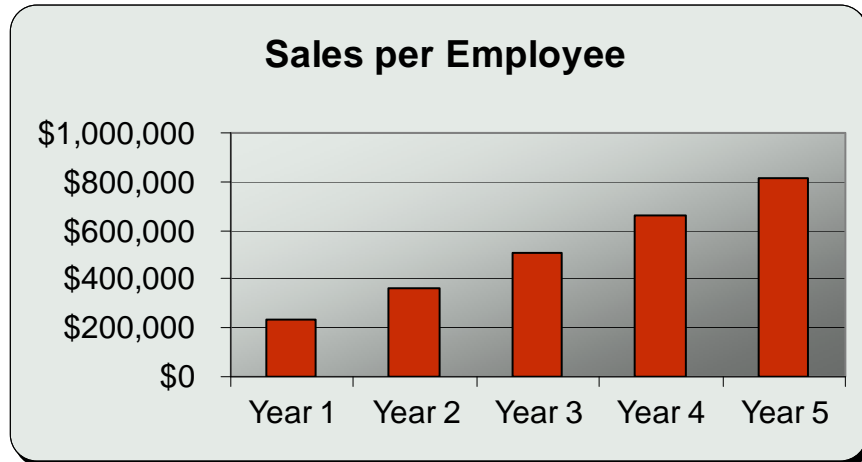


Complete monthly cash flow statements for the next twelve months and annually for the next five years are shown in the Appendix.



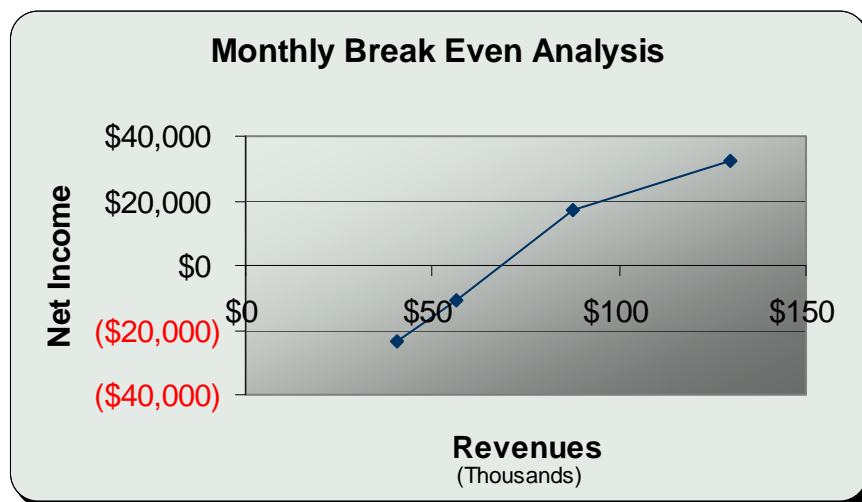
Employee Productivity

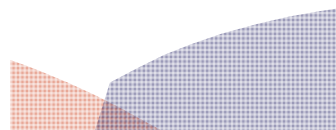
The Company anticipates that it will increase employee productivity as measured by sales per employee as the business grows. This is shown in the following graph.



Break Even Analysis

Lysakov Art Company's operations reach monthly profitability with about \$70,000 in monthly revenues. This is shown in the graph below.





IX. Use of Proceeds

Use of Proceeds

The Company requires \$500,000 in capital to execute this business plan. The following table shows the sources and uses of those funds.

Sources and Uses of Proceeds	
Sources	
Loan	\$500,000
Equity	\$0
Total Sources	\$500,000
Uses	
Equipment	\$12,000
Computers/printers	\$20,000
Furniture/equipment	\$25,000
Leasehold Improvements	\$135,000
Other	\$5,000
Working Capital	\$303,000
Total Uses	\$500,000

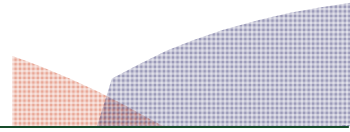
Capital Improvements

The Company will open operations by leasing its space. It is anticipated that capital improvements of \$135,000 will be needed.

Equipment, Computer, Software, and Furniture Purchases

Lysakov Art Company will spend \$62,000 in Year 1 and \$35,000 in Year 2 on items to equip the office area and install necessary IT infrastructure. These purchases will include, but not be limited to, the following:

Capital Expenditures					
	Year 1	Year 2	Year 3	Year 4	Year 5
Equipment	\$12,000	\$10,000	\$10,000	\$10,000	\$10,000
Computers/printers	\$20,000	\$10,000	\$10,000	\$10,000	\$10,000
Furniture/equipment	\$25,000	\$10,000	\$10,000	\$10,000	\$10,000
Leasehold Improvements	\$135,000	\$0	\$0	\$0	\$0
Other	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Total Expenditures	\$197,000	\$35,000	\$35,000	\$35,000	\$35,000

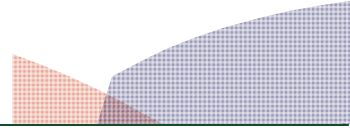


Staff Additions

As has been detailed earlier in this plan, the Company will be hiring professional staff to support operations and service customers. By the end of Year 1, six employees will be on staff and some of the funds will be used to cover hiring and employee start-up expenses.

Working Capital

The remaining capital investment will be used for working capital to support sales, marketing, and administrative expenses.

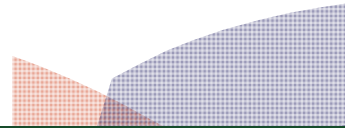


X. Lender Return Strategy

Lysakov Art Company is seeking a \$500,000 loan to execute its business plan. The Company believes that the lender can achieve interest on this loan.

This plan is predicated on the assumption that the lender will receive monthly payments of both interest and principle against the loan. The loan is calculated at an 8% interest rate and amortized over five years. Cash flow projections indicate that the Company will have sufficient operating flexibility and capability to meet monthly payments.

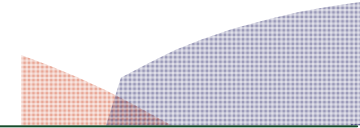
Management believes the business plan and pro forma's presented here illustrate that this investment carries a reasonable level of risk to the investor.



XI. References

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- ² 2005 “Art Market Trends: 2006” (Artprice 2006 Global Figure for Total Fine art Sales Revenue); Article Found at:
<<http://www.google.com/search?q=2006+global+figure+for+total+Fine+Art+Sales+revenue+&hl=en&lr=&ie=UTF-8&start=10&sa=N>>
- ³ 2006 “How Big is the Fine art Giclee Print Market”, (Giclee Landscape, wllart); Article Found at:
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- ⁴ 2006 “Expanding Your Business, Exploring the Fine Art Market”; (By Dan Halkyard Digital Output 2006); Article Found at:
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- ⁵ 2005 “Visual Communication Technologies Consulting Service”; (Info Trends Research: 2005 Digital Fine Art Market Study, December 2005); Article Found at:
<<http://www.infotrendsresearch.com/ProductDetails.asp?ProductCode=65930&Click=494>>
- ⁶ 2006 “Giclée Definition”; (Wikipedia Online Encyclopedia, 2006); Article Found at:
<<http://en.wikipedia.org/wiki/Giclee>>
- ⁷ 2006 “A First Hand View of Giclée Technology”; (Giclée Applications, By Kim Crowley & Alexis Golini, Digital Publishing Solutions Magazine, April 2006); Article Found at:
<<http://www.dpsmagazine.com/content/ContentCT.asp?P=256>>
- ⁸ 2006 “U.S. E-tailing Sales to have Brisk Growth through 2010: Americans Bought \$81 Billion Worth of Goods and Services from Online Retailers In 2005”; (By Juan Carlos Perez, IDG News Service, Infoworld, February 7, 2006); Article Found at:
<http://www.infoworld.com/article/06/02/07/75135_HNetailingsales_1.html?B-TO-C>
- ⁹ 2006 “Online Holiday Shopping Roars Past Forecasts”, (By Keith Regan, E-Commerce Times, December 30, 2005); Article Found at:
<<http://www.ecommercetimes.com/story/48061.html>>

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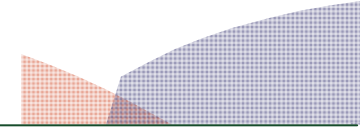


APPENDICES

Pro Forma - 12 Month P & L

Profit and Loss Statement														
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	12 Month Total	
	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj		
Revenues														
Direct Internet Sales	\$22,450	\$22,450	\$22,450	\$22,450	\$22,450	\$22,450	\$26,940	\$31,430	\$35,920	\$40,410	\$44,900	\$44,900	\$359,200	
Dealer Sales	\$0	\$3,366	\$6,732	\$13,464	\$20,196	\$26,928	\$33,660	\$40,392	\$47,124	\$53,856	\$60,588	\$67,320	\$373,626	
Gallery Sales	\$17,960	\$17,960	\$77,960	\$20,205	\$20,205	\$80,205	\$22,450	\$82,450	\$82,450	\$22,450	\$22,450	\$82,450	\$549,195	
Licensing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$15,000	\$15,000	\$45,000	
Commissioned Work	\$0	\$0	\$0	\$0	\$25,000	\$0	\$0	\$25,000	\$0	\$25,000	\$0	\$0	\$75,000	
Total Revenues	\$40,410	\$43,776	\$107,142	\$56,119	\$87,851	\$129,583	\$83,050	\$179,272	\$165,494	\$156,716	\$142,938	\$209,670	\$1,402,021	
			\$191,328			\$273,553			\$427,816			\$509,324		
Cost of Goods Sold														
Print Costs	\$3,600	\$4,200	\$4,800	\$6,200	\$7,400	\$8,600	\$10,400	\$12,000	\$13,600	\$15,200	\$16,800	\$18,000	\$120,800	
Credit Card Fees	\$1,010	\$1,094	\$2,679	\$1,403	\$1,571	\$3,240	\$2,076	\$3,857	\$4,137	\$2,918	\$3,198	\$4,867	\$32,051	
Licensing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Commissioned Work Commissions	\$0	\$0	\$0	\$0	\$2,500	\$0	\$0	\$2,500	\$0	\$2,500	\$0	\$0	\$7,500	
Total COGS	\$6,406	\$7,090	\$15,275	\$9,623	\$13,492	\$19,860	\$14,721	\$26,602	\$25,982	\$22,863	\$22,243	\$31,112	\$215,270	
Gross Profit	\$34,004	\$36,686	\$91,867	\$46,496	\$74,359	\$109,723	\$68,329	\$152,670	\$139,512	\$133,853	\$120,695	\$178,558	\$1,186,751	
	84%	84%	86%	83%	85%	85%	82%	85%	84%	85%	84%	85%		
Expenses														
Payroll and payroll taxes	\$22,750	\$22,750	\$22,750	\$22,750	\$22,750	\$22,750	\$28,167	\$28,167	\$28,167	\$28,167	\$28,167	\$28,167	\$305,500	
Operating Expenses	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$28,150	\$337,800	
Total Expenses	\$50,900	\$50,900	\$50,900	\$50,900	\$50,900	\$50,900	\$56,317	\$56,317	\$56,317	\$56,317	\$56,317	\$56,317	\$643,300	
Operating Profit (Loss) - EBITDA	(\$16,896)	(\$14,214)	\$40,967	(\$4,404)	\$23,459	\$58,823	\$12,012	\$96,354	\$83,195	\$77,536	\$64,378	\$122,242	\$543,451	
Other Income/Expense														
Depreciation	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$3,342)	(\$40,100)	
Other Income/(Expense)	\$0	\$596	\$498	\$445	\$444	\$468	\$421	\$475	\$453	\$469	\$577	\$679	\$5,526	
Loan Interest	(\$3,333)	(\$3,288)	(\$3,242)	(\$3,196)	(\$3,150)	(\$3,103)	(\$3,057)	(\$3,009)	(\$2,962)	(\$2,914)	(\$2,866)	(\$2,817)	(\$36,938)	
Total Other	(\$6,675)	(\$6,034)	(\$6,086)	(\$6,093)	(\$6,047)	(\$5,977)	(\$5,977)	(\$5,876)	(\$5,850)	(\$5,787)	(\$5,631)	(\$5,480)	(\$71,513)	
EBT	(\$23,571)	(\$20,248)	\$34,882	(\$10,497)	\$17,412	\$52,846	\$6,035	\$90,478	\$77,345	\$71,750	\$58,747	\$116,761	\$471,938	
Taxes	\$0	\$0	\$0	\$0	\$0	\$20,329	\$2,414	\$36,191	\$30,938	\$28,700	\$23,499	\$46,704	\$188,775	
Net Income	(\$23,571)	(\$20,248)	\$34,882	(\$10,497)	\$17,412	\$32,517	\$3,621	\$54,287	\$46,407	\$43,050	\$35,248	\$70,057	\$283,163	

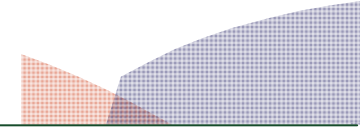
APPENDICES



Pro Forma - 12 Month Balance Sheet

Balance Sheet													
	Opening	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
		Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Assets													
Current Assets													
Cash	\$0	\$285,862	\$239,218	\$213,681	\$213,272	\$224,685	\$202,279	\$228,105	\$217,530	\$225,150	\$276,864	\$325,730	\$340,832
Accounts Receivable	\$0	\$40,410	\$63,981	\$129,030	\$109,690	\$115,911	\$173,509	\$147,842	\$220,797	\$255,130	\$239,463	\$221,296	\$281,139
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$0	\$326,272	\$303,199	\$342,711	\$322,962	\$340,596	\$375,788	\$375,947	\$438,327	\$480,280	\$516,327	\$547,026	\$621,971
Fixed Assets													
Equipment	\$0	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000
Accumulated Depreciation	\$0	(\$3,283)	(\$6,567)	(\$9,850)	(\$13,133)	(\$16,417)	(\$19,700)	(\$22,983)	(\$26,267)	(\$29,550)	(\$32,833)	(\$36,117)	(\$39,400)
Total Fixed Assets	\$0	\$193,717	\$190,433	\$187,150	\$183,867	\$180,583	\$177,300	\$174,017	\$170,733	\$167,450	\$164,167	\$160,883	\$157,600
Intangibles													
Intangibles	\$0	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Accumulated Depreciation	\$0	(\$58)	(\$117)	(\$175)	(\$233)	(\$292)	(\$350)	(\$408)	(\$467)	(\$525)	(\$583)	(\$642)	(\$700)
Total Intangible Assets	\$0	\$6,942	\$6,883	\$6,825	\$6,767	\$6,708	\$6,650	\$6,592	\$6,533	\$6,475	\$6,417	\$6,358	\$6,300
Total Assets	\$0	\$526,930	\$500,516	\$536,686	\$513,595	\$527,887	\$559,738	\$556,555	\$615,594	\$654,205	\$686,911	\$714,267	\$785,871
Liabilities and Equity													
Current Liabilities													
Accounts Payable	\$0	\$57,306	\$57,990	\$66,175	\$60,523	\$64,392	\$70,760	\$71,038	\$82,918	\$82,299	\$79,180	\$78,560	\$87,428
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Liabilities	\$0	\$57,306	\$57,990	\$66,175	\$60,523	\$64,392	\$70,760	\$71,038	\$82,918	\$82,299	\$79,180	\$78,560	\$87,428
Long Term Liabilities													
Bank Note	\$0	\$493,195	\$486,345	\$479,449	\$472,507	\$465,519	\$458,484	\$451,403	\$444,274	\$437,097	\$429,873	\$422,601	\$415,280
Total Long Term Liabilities	\$0	\$493,195	\$486,345	\$479,449	\$472,507	\$465,519	\$458,484	\$451,403	\$444,274	\$437,097	\$429,873	\$422,601	\$415,280
Total Liabilities	\$0	\$550,501	\$544,335	\$545,624	\$533,031	\$529,911	\$529,244	\$522,441	\$527,192	\$519,396	\$509,053	\$501,161	\$502,708
Shareholder Equity													
Preferred Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Common Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Paid in Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retained Earnings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Year Income (Loss)	\$0	(\$23,571)	(\$43,820)	(\$8,938)	(\$19,435)	(\$2,023)	\$30,494	\$34,115	\$88,401	\$134,808	\$177,858	\$213,106	\$283,163
Total Shareholder Equity	\$0	(\$23,571)	(\$43,820)	(\$8,938)	(\$19,435)	(\$2,023)	\$30,494	\$34,115	\$88,401	\$134,808	\$177,858	\$213,106	\$283,163
Total Liabilities and Equity	\$0	\$526,930	\$500,516	\$536,686	\$513,595	\$527,887	\$559,738	\$556,555	\$615,594	\$654,205	\$686,911	\$714,267	\$785,871

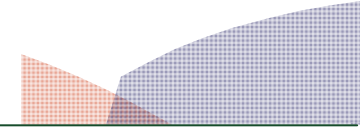
APPENDICES



Pro Forma - 12 Month Cash Flow

Cash Flow Analysis	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	
Cash from Operations													
Net Income	(\$23,571)	(\$20,248)	\$34,882	(\$10,497)	\$17,412	\$32,517	\$3,621	\$54,287	\$46,407	\$43,050	\$35,248	\$70,057	\$283,163
Accounts Receivable Increase	(\$40,410)	(\$43,776)	(\$107,142)	(\$56,119)	(\$87,851)	(\$129,583)	(\$83,050)	(\$179,272)	(\$165,494)	(\$156,716)	(\$142,938)	(\$209,670)	(\$1,402,021)
Accounts Receivable Paid	\$0	\$20,205	\$42,093	\$75,459	\$81,631	\$71,985	\$108,717	\$106,317	\$131,161	\$172,383	\$161,105	\$149,827	\$1,120,882
Change in Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Payable Increase	\$57,306	\$57,990	\$66,175	\$60,523	\$64,392	\$70,760	\$71,038	\$82,918	\$82,299	\$79,180	\$78,560	\$87,428	\$858,570
Accounts Payable Paid	\$0	(\$57,306)	(\$57,990)	(\$66,175)	(\$60,523)	(\$64,392)	(\$70,760)	(\$71,038)	(\$82,918)	(\$82,299)	(\$79,180)	(\$78,560)	(\$771,142)
Add Back Note interest	\$3,333	\$3,288	\$3,242	\$3,196	\$3,150	\$3,103	\$3,057	\$3,009	\$2,962	\$2,914	\$2,866	\$2,817	\$36,938
Add Back Depreciation&Amortization	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$3,342	\$40,100
Total Cash from Operations	\$0	(\$36,506)	(\$15,399)	\$9,730	\$21,551	(\$12,268)	\$35,964	(\$437)	\$17,758	\$61,853	\$59,003	\$25,241	\$166,491
Cash from Investing													
Purchases of P&E	(\$197,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$197,000)
Purchases of Intangibles	(\$7,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$7,000)
Total Cash from Investing	(\$204,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$204,000)
Cash from Financing													
Proceeds from Debt	\$500,000												
Payments on Debt	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$121,658)
Equity	\$0												\$0
Total Cash from Financing	\$489,862	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	(\$10,138)	\$378,342
Change in Cash	\$285,862	(\$46,644)	(\$25,537)	(\$409)	\$11,413	(\$22,406)	\$25,826	(\$10,575)	\$7,620	\$51,715	\$48,865	\$15,103	\$340,832
Opening Balance	\$0	\$285,862	\$239,218	\$213,681	\$213,272	\$224,685	\$202,279	\$228,105	\$217,530	\$225,150	\$276,864	\$325,730	
Ending Cash Balance	\$285,862	\$239,218	\$213,681	\$213,272	\$224,685	\$202,279	\$228,105	\$217,530	\$225,150	\$276,864	\$325,730	\$340,832	

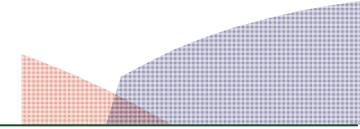
APPENDICES



Pro Forma – 5 Year P & L

Profit and Loss Statement						
		Year 1	Year 2	Year 3	Year 4	Year 5
		Proj	Proj	Proj	Proj	Proj
Revenues						
	Direct Internet Sales	\$359,200	\$493,900	\$673,500	\$898,000	\$1,122,500
	Dealer Sales	\$373,626	\$1,615,680	\$2,423,520	\$3,231,360	\$4,039,200
	Gallery Sales	\$549,195	\$651,850	\$812,875	\$929,000	\$1,101,250
	Licensing	\$45,000	\$60,000	\$80,000	\$100,000	\$130,000
	Commissioned Work	\$75,000	\$100,000	\$100,000	\$100,000	\$100,000
	Total Revenues	\$1,402,021	\$2,921,430	\$4,089,895	\$5,258,360	\$6,492,950
Cost of Goods Sold						
	Print Costs	\$120,800	\$366,950	\$553,350	\$748,200	\$957,000
	Credit Card Fees	\$32,051	\$69,036	\$97,747	\$126,459	\$156,574
	Licensing	\$0	\$0	\$0	\$0	\$0
	Commissioned Work Commi	\$7,500	\$10,000	\$10,000	\$10,000	\$10,000
	Total COGS	\$215,270	\$511,171	\$742,385	\$977,559	\$1,233,699
		15.4%	17.5%	18.2%	18.6%	19.0%
	Gross Profit	\$1,186,751	\$2,410,259	\$3,347,510	\$4,280,801	\$5,259,251
		84.6%	82.5%	81.8%	81.4%	81.0%
Expenses						
	Payroll and payroll taxes	\$305,500	\$434,928	\$447,976	\$465,895	\$489,190
	Operating Expenses	\$337,800	\$348,716	\$451,690	\$554,724	\$657,819
	Total Expenses	\$643,300	\$783,644	\$899,666	\$1,020,619	\$1,147,008
	Operating Profit (loss)	\$543,451	\$1,626,615	\$2,447,844	\$3,260,182	\$4,112,243
		38.8%	55.7%	59.9%	62.0%	63.3%
Other Income/Expense						
	Depreciation	(\$40,100)	(\$47,100)	(\$54,100)	(\$61,100)	(\$68,100)
	Other Income/(Expense)	\$5,526	\$8,521	\$29,640	\$66,116	\$116,778
	Loan Interest	(\$36,938)	(\$29,907)	(\$22,291)	(\$14,044)	(\$5,112)
	Total Other	(\$71,513)	(\$68,486)	(\$46,752)	(\$9,028)	\$43,566
	EBT	\$471,938	\$1,558,129	\$2,401,092	\$3,251,154	\$4,155,809
	Taxes	\$188,775	\$623,252	\$960,437	\$1,300,462	\$1,662,324
	Net Income	\$283,163	\$934,878	\$1,440,655	\$1,950,693	\$2,493,486
		20.2%	32.0%	35.2%	37.1%	38.4%

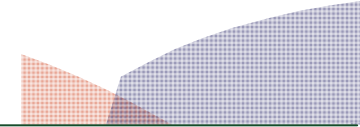
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Pro Forma – 5 Year Balance Sheet

Balance Sheet		Year 1	Year 2	Year 3	Year 4	Year 5
		<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>
Assets						
Current Assets						
Cash		\$340,832	\$1,185,581	\$2,644,650	\$4,671,122	\$7,291,745
Accounts Receivable		\$281,139	\$471,065	\$617,123	\$763,181	\$917,505
Inventory		\$0	\$0	\$0	\$0	\$0
Other Current Assets		\$0	\$0	\$0	\$0	\$0
Total Current Assets		\$621,971	\$1,656,646	\$3,261,773	\$5,434,304	\$8,209,250
Fixed Assets						
Equipment		\$197,000	\$232,000	\$267,000	\$302,000	\$337,000
Accumulated Depreciation		(\$39,400)	(\$85,800)	(\$139,200)	(\$199,600)	(\$267,000)
Total Fixed Assets		\$157,600	\$146,200	\$127,800	\$102,400	\$70,000
Intangibles						
Intangibles		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Accumulated Depreciation		(\$700)	(\$1,400)	(\$2,100)	(\$2,800)	(\$3,500)
Total Other Assets		\$6,300	\$5,600	\$4,900	\$4,200	\$3,500
Total Assets		\$785,871	\$1,808,446	\$3,394,473	\$5,540,904	\$8,282,750
Liabilities and Equity						
Current Liabilities						
Accounts Payable		\$87,428	\$266,877	\$511,616	\$814,968	\$1,179,875
Other Current Liabilities		\$0	\$0	\$0	\$0	\$0
Total Current Liabilities		\$87,428	\$266,877	\$511,616	\$814,968	\$1,179,875
Long Term Liabilities						
Bank Note		\$415,280	\$323,528	\$224,161	\$116,547	(\$0)
Total Long Term Liabilities		\$415,280	\$323,528	\$224,161	\$116,547	(\$0)
Total Liabilities		\$502,708	\$590,405	\$735,777	\$931,515	\$1,179,875
Shareholder Equity						
Preferred Stock		\$0	\$0	\$0	\$0	\$0
Common Stock		\$0	\$0	\$0	\$0	\$0
Additional Paid in Capital		\$0	\$0	\$0	\$0	\$0
Retained Earnings		\$0	\$283,163	\$1,218,041	\$2,658,696	\$4,609,389
Current Year Income (Loss)		\$283,163	\$934,878	\$1,440,655	\$1,950,693	\$2,493,486
Total Shareholder Equity		\$283,163	\$1,218,041	\$2,658,696	\$4,609,389	\$7,102,874
Total Liabilities and Equity		\$785,871	\$1,808,446	\$3,394,473	\$5,540,904	\$8,282,750

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Pro Forma – 5 Year Cash Flow

Cash Flow Analysis						
	Year 1	Year 2	Year 3	Year 4	Year 5	
	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>
Cash from Operations						
Net Income	\$283,163	\$934,878	\$1,440,655	\$1,950,693	\$2,493,486	
Accounts Receivable Increase	(\$1,402,021)	(\$2,921,430)	(\$4,089,895)	(\$5,258,360)	(\$6,492,950)	
Accounts Receivable Paid	\$1,120,882	\$2,731,504	\$3,943,837	\$5,112,302	\$6,338,626	
Change in Inventory	\$0	\$0	\$0	\$0	\$0	
Accounts Payable Increase	\$858,570	\$1,294,815	\$1,642,051	\$1,998,178	\$2,380,707	
Accounts Payable Paid	(\$771,142)	(\$1,115,366)	(\$1,397,312)	(\$1,694,826)	(\$2,015,800)	
Add Back Note interest	\$36,938	\$29,907	\$22,291	\$14,044	\$5,112	
Add Back Depreciation&Amortization	\$40,100	\$47,100	\$54,100	\$61,100	\$68,100	
Total Cash from Operations	\$166,491	\$1,001,407	\$1,615,727	\$2,183,131	\$2,777,281	
Cash from Investing						
Purchases of P&E	(\$197,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	
Purchases of Intangibles	(\$7,000)	\$0	\$0	\$0	\$0	
Total Cash from Investing	(\$204,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	
Cash from Financing						
Proceeds from Debt	\$500,000					
Payments on Debt	(\$121,658)	(\$121,658)	(\$121,658)	(\$121,658)	(\$121,658)	
Equity	\$0	\$0	\$0	\$0	\$0	
Total Cash from Financing	\$378,342	(\$121,658)	(\$121,658)	(\$121,658)	(\$121,658)	
Change in Cash	\$340,832	\$844,749	\$1,459,069	\$2,026,472	\$2,620,622	
Opening Balance	\$0	\$340,832	\$1,185,581	\$2,644,650	\$4,671,122	
Ending Cash Balance	\$340,832	\$1,185,581	\$2,644,650	\$4,671,122	\$7,291,745	

