

# Green Legacy



## Business Plan

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## Executive Summary

### Concept Description

Green Legacy is a Green funeral service provider. Our company will provide a wide variety of eco-friendly funeral services ranging from Green burials using biodegradable caskets to Green cremations in a state-of-the-art low emission crematorium.

### Opportunity

In 2006, the funeral service industry generated \$14B in revenue and served the 2.5 million Americans who passed away. Over the next 30 years the U.S. death rate will increase by 40%, driven primarily by the Baby Boomer population. This increased demand coincides with the rise of the Green Movement. These two macro-trends, the Baby Boom and the Green Movement, create tremendous opportunity for Green-oriented funeral homes.

### Solution

Current practices for disposal of the remains of over 6,800 people every day creates a significant strain on the environment. Harsh embalming chemicals and toxic finishes dissipate into the ground. Green Legacy will differentiate itself from the competition by addressing these issues head-on. We will install a state-of-the-art low emission cremation facility and establish an environmentally friendly Memorial Park for burials and scattering or interment of ashes. Further, Green Legacy will demonstrate our Green commitment in every aspect of our business.

### Value Proposition

Green Legacy will initially target Green-aligned Baby Boomers living in the Denver metro area. Green Legacy's clientele will benefit from a funeral home that shares their core value of respect for the environment.

### Competitive Advantage

Green Legacy will establish the first exclusively Green funeral service in the Rocky Mountain region. We will maintain a strong market presence by building a well-recognized brand name associated with respect and stewardship.

### Management

The founders, Thomas Morley, James Rowe, Trent Tarkenton and Krystina Byrd will establish Green Legacy and assume the key management roles in the organization. This team will continue to manage Green Legacy into the foreseeable future.

### Financial

Green Legacy will achieve profitability in year two, and will exceed an annual revenue of \$2.2M by year five. Initial funding will be drawn from three sources. The founders will collectively provide \$480k, Angel Investors will provide \$600k and a \$500k bank loan will be secured to purchase and beautify the land for our Memorial Park.

## Company Overview

### Introduction

This business plan is for Green Legacy Funeral Home. This eco-centered company will be formed in the Denver Metro area in 2009. Green Legacy will have two physical locations; a storefront in downtown Denver and a memorial garden outside Nederland. The company will be organized as a partnership with the four founding members as equal partners. Additionally, we will engage with Angel Investors who will gain some ownership through their investment.

### Mission Statement

Green Legacy provides a variety of eco-friendly funeral options to our customers. We specialize in honoring the deceased while cherishing the future. Our commitment to the Green philosophy is evident in everything we do – from our low emission crematorium to our biodegradable urns and caskets. Our guiding values are loyalty and commitment to our environment, our customers and their loved ones.

### Development of Green Legacy

Green Legacy will establish a presence in the Denver-Boulder market. This will be measured by market share, with a five-year goal of capturing 4% (100 persons annually) of the Boulder market and 1.5% (303 persons annually) of the Denver market. The nature of the funeral business is founded upon personal relationships and long-term customer commitment; therefore, the management team will grow the company at a moderate pace. This will be measured by the sales volume growth of our primary two services: cremation and burial. Cremation services are projected to grow 18% annually, while burial services are projected to grow 10% annually. The founders view this company as a long-term investment, with the intention to manage it into the foreseeable future. However, in the event that Green Legacy requires an exit strategy, we will consider selling the company to one of the national funeral conglomerates, such as Dignity Memorial. Green Legacy will strive to maintain an equal balance between serving “immediate need” and “pre-plan” clientele.

### Objectives

Green Legacy has three primary objectives.

- Our first objective is to become recognized as Colorado’s premier Green Funeral Home within five years.
- Our second objective is to provide Green product leadership in the Funeral Home Industry nation-wide. This is an ongoing goal, with no specified end-date.
- Our ultimate and longest term goal is to change the way people view death in America. Green Legacy will help death in America become more harmonious with nature and more forward-looking.

Service Description

Features

Green Legacy offers thoroughly Green products and services including environmentally responsible cremation and burials, in a natural memorial park that is beautiful, eco-friendly and economical.

- Custom eco-caskets and urns – Green Legacy’s custom biodegradable caskets feature high quality tongue-in-groove and dovetail construction. A variety of elegant designs made by local artisans and natural materials, along with a variety of Green finishes made from vegetable dyes are available.
- State-of-the-art low-emission cremations – The crematorium has near zero emissions, and uses a wide range of environmental technologies to further reduce our carbon footprint.
- Memorial Park in Nederland – Green Legacy offers commemorative plots in our well-maintained memorial park. Completing an eco-friendly funeral service, the family can plant a tree of their choice in remembrance of their loved one
- Non-toxic embalming fluids
- Natural burials = no cement vaults
- Green transportation – A small fleet of hybrid and/or electric hearses are used to transport the deceased person from/to a location along the Front Range.
- Mercury disposal (optional)– A dental technician will safely and respectfully remove mercury-based fillings prior to cremation and dispose of the waste in an approved method to eliminate this potential source of contamination.

Benefits

Features	Benefits
Near Zero Emission Crematorium	Customer feels good about not polluting the air
Natural Memorial Park	A serene site to see life continuing, and to pay respect and remember departed loved ones
Bio-degradable caskets and urns	The good feeling that comes from being part of the natural cycle, rather than part of the destruction of that cycle.
Eco-friendly utilities (i.e. Solar Panels and Heat Recovery)	Knowledge that Green Legacy is thoroughly Green
Optional mercury removal	Feeling that you have gone the extra mile to protect the environment

## Market and Industry Analysis

### Market Size and Growth

Green Legacy will position itself among the funeral service market with special emphasis on truly Green burials and cremations. The funeral service industry currently generates \$14B in annual revenue and is steadily growing, primarily due to the Baby Boomer population.

Our initial market will be the residents of Colorado's Front-Range. In addition to Colorado's rapidly growing population (4.3 million in 2000), Denver is a haven for Green Legacy's target market – the Baby Boomer population. According to the 1998 US Census, 32% of Denver's residents are Baby Boomers.

### Market Trends

A major trend amidst the funeral industry is the steadily growing rate of cremation:

- 18,825 cremations were preformed in Colorado in 2007, equaling 58% of all funeral arrangements (CANA 2005)
- The Cremation Association of North America (CANA) projects that cremations will account for 64% of all Colorado funeral services by 2010.

	2004	2005	2006	2007
<b>Cremations</b>	<b>15,427</b>	<b>16,718</b>	<b>16,934</b>	<b>18,825</b>
<b>Deaths</b>	<b>28,309</b>	<b>29,962</b>	<b>29,502</b>	<b>32,457</b>

Economic:

- Traditional funeral cost: average \$4,600
- Traditional cremation cost: \$2k-\$5k (economics are the main driver for selecting cremation over burial)
- Green funerals (two dominate Green funeral homes):
  - Memorial Ecosystem Green burial in South Carolina: \$1,950
  - Memorial Ecosystem burying of ashes: \$500
  - Forever Fernwood Burial in California: \$2,100 - \$4,750
  - Forever Fernwood Cremation: \$1,200 - \$3,250

Socio-cultural:

- Increased cremation rates are correlated with the individual's increased level of education (expert #4).
- Cremation rates are not correlated with political orientation or affiliation (expert #9 and #10)

Environmental:

- Al Gore's "An Inconvenient Truth" wins the Nobel Peace Prize.
- An estimated \$10B is being spent on the Green building process this year (2007) in the United States (NPR).
- Green Party at greens.org is a global effort to promote sustainable living.

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## Demographic:

- Nationally 2.5 million Americans died in 2006; this number is projected to rise 1% annually through 2040 due specifically to the Baby Boomer population Baby Boomers are encountering parents' funeral plans (US Census Bureau)
- Population Reference Bureau counts 79 million Baby Boomers in the U.S.
- Baby Boomers make up 32% (approx. 800,000) of Denver's population (1998 Census).

## Technological:

- Modern cremation facilities can generate near zero emissions, however existing Colorado crematoriums employ out dated, polluting technology.

## Target Market

As the Green movement explodes, the Baby Boomers are planning their own funerals and funerals of their loved ones, giving Green Legacy a point of entry in the Denver Metro area. Colorado is an opportune state for Green Legacy to cater to those seeking a Green burial in the Rocky Mountain area of the United States.

## Consumer Market

Green Legacy is a funeral service provider to a consumer market that is dominated by the Baby Boomer population.

### Demographics:

- Adults born between 1946 and 1964
- Those living in the Denver Metro area and surrounding cities

### Social Status:

- Education: high school graduate, post-secondary education
- Class: middle to upper class
- Family oriented activities (spending time with children, active parents)
- Those conducting estate planning and wills

### Psychographics or life style:

- Those interested in the Green movement
- Those who believe in protecting the environment for the future
- Family values include taking care of loved ones
- Organized life style
- Organ Donors

## Industry Structure

The death care industry is highly segmented. More than 22,000 funeral homes exist in America today, and 87% of them are family-owned and operated (Market Research.com). The three biggest players perform just under 20% of all American funerals. These three players are Service Corporation International (12%), The Alderwoods Group (5%) and Stewart Enterprises (4%). (Business and Company Resource Center).

## Industry Analysis and Competitive Environment

Death care in the United States is currently a \$14B a year industry (Business and Company Research). Experts project stable, long-term expansion of the industry due to the aging U.S.

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population. Nationally, gross profit margins average 8.08% (Business & Company Resource Center), with the average funeral costing \$4,600 (Federal Funeral Directors of America 2000).

- Research indicates gross profit margins of 8-10% in urban areas that identify themselves as Green-friendly and Baby Boomer centers, such as Denver and Vancouver.
- The most significant trend in death care today is the rise of cremation. Today the national cremation rate is 34-36%. However, this rate varies greatly by region.
  - Cremation is relatively unpopular in the Southeastern region (20%) and much more popular in the Pacific Northwest and Rocky Mountains (51%).
- By 2020, cremations will account for 65% of all funeral services nationwide. (Market Research.com)

## Competition

Green Legacy will encounter competition in two distinct forms:

1. Major funeral homes in Denver.
2. Green funeral homes on the east and west coasts.

Due to Green Legacy's product leadership strategy, competition is initially expected to be limited. Denver-based competitors serve the same geographic region, but do not currently offer comparable products or services. Green-oriented competitors provide similar services, but currently serve only the east and west coasts. Green Legacy anticipates that currently established Green-oriented funeral homes will remain regional and not grow to encompass the Rocky Mountain region. (Please see the competitive matrix that is included in appendix III for a detailed breakdown of the major competitors in the Denver market).

## Opportunity

The funeral service industry served over 2.5 million Americans in 2006, an increase of more than 100,000 over 2005 (U.S. Census Bureau, National Funeral Directors of America). Population demographics strongly indicate that the number of annual deaths will continue to rise into the foreseeable future, driven largely by 76 million American Baby Boomers approaching their life expectancies. The U.S. Census Bureau calculates that by 2040, 4.1 million Americans will die each year; a 64% increase over today. America's growing need for funeral services, particularly for Baby Boomers, reflects a significant business opportunity.

In July 2007, the New York Times reported that 35 million Americans regularly buy products that are perceived to be earth-friendly. The majority of these 35 million consumers are Baby Boomers. As the Green movement continues to grow, this number will certainly increase. Expert predictions for the next 10-15 years vary widely, from a mere doubling of earth-friendly consumption to a full five-fold increase. A recent study by Accenture surveyed more than 7,500 U.S. consumers. Nearly two-thirds (64%) of respondents reported being willing to pay an average of 11% premium for products and services that produce lower greenhouse gas emissions.

Due to the Baby Boom and the Green movement, the current opportunity for Green-oriented funeral homes is tremendous. The opportunity is particularly exciting in urban-centers in the Rocky Mountain region, because this is where a large portion of the target demographic lives and thoroughly Green-oriented funeral services are not offered.



## Marketing Plan

Green Legacy is the first thoroughly Green funeral service provider in the state of Colorado. Branding our company name with an instantly recognizable Green philosophy will help differentiate us from the competition.

Customer research shows a broad and deep commitment to the Green movement within the Rocky Mountain region. However, the nuances of Green burials are largely unfamiliar to today's consumers. Consequently, a major pillar within our marketing plan is education – to teach our customers about the Green options that are available and how those options benefit the world, the future and consequently themselves.

### Consumer Market Analysis

Through extensive expert and customer research, we have concluded that among our customers:

- Men generally initiate the planning of funeral service, but women make the final decisions.
- Reputation and cost are the biggest influence in the decision-making process.
- Currently, the consumer feels that the products and services provided by the funeral industry are quite costly and not environmentally friendly.
- Consumers are willing to pay more for low emission, Green cremation than for traditional cremation.
- Many Baby Boomers intend to uphold their parent's traditional funeral wishes; however, for themselves, they would prefer to be more environmentally conscious.

### Target Market Strategy

- The Baby Boomers' eco-aligned values make them a prime target market for Green Legacy.
- The Green movement is currently estimated at over 35 million consumers in the US, and they are generally willing to pay a premium for Green products and services (NY Times).
- Religion has become much less influential on the funeral process.
- Repeat Business: Baby Boomers consider a funeral home/service to be like a doctor - a place that the entire family, from generation to generation, can depend on the customer service, pride in one's work and philosophy of the business. (expert #2)

### Channel

Green Legacy will provide services directly to the consumer. Current industry standards and customer expectations necessitate a face-to-face consultation prior to buying funeral services. E-commerce may change the nature of this personal relationship in the future. The internet will serve as a tool for Green Legacy to educate the public about Green burial services and to advertise our biodegradable products.

# Green Legacy

## Product/Service Strategy

Green Legacy's core services are Green cremation and burial. Truly Green products and services include environmentally responsible cremations and scattering ashes in a natural memorial park; services both beautiful and eco-friendly. The Green Legacy philosophy emphasizes remembrance of those that have departed by planting flowers or trees in their honor.

Green Legacy differentiates itself from other funeral service providers by focusing and remaining Green throughout the entire funeral process. Where many cemeteries are zoning areas for Green burials, they are not Green in their entirety. As for crematoriums, we will provide a crematorium that has low emissions and offers filling removal, minimizing mercury pollution.

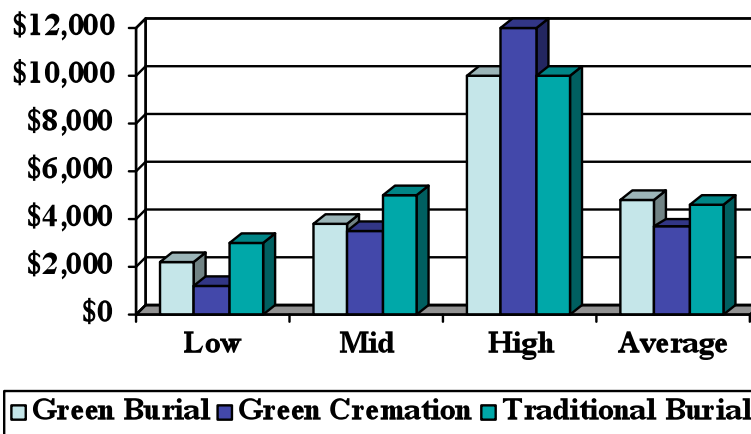
Our state-of-the-art, low-emission crematorium has near zero emissions and uses a wide range of environmental technologies to further reduce our carbon footprint. Green Legacy's loyalty to the environment includes using biodegradable caskets and urns. Additionally, we will employ non-toxic embalming fluids, we will not use vaults and we will go the extra mile by transporting the deceased in a Hybrid Hearse.

Green Legacy will spend quality time training employees to recognize and understand the needs of the consumer, addressing the situation/sale appropriately. It is often difficult for grieving families to make arrangements for services that have not been preplanned. Green Legacy will to console and connect with each and every customer.

At Green Legacy, a significant portion of our resources will go toward purchasing, restoring and maintaining a natural memorial park. These parks serve as a tangible demonstration of the ongoing commitment to the Green philosophy – from the time of death through the indefinite time of remembrance.

## Pricing Strategy

### **Comparative Pricing**



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Green Legacy will initially charge a 20% premium for our Green funeral services. Customer surveys indicate that potential clients will pay this premium for Green cremation. However customers are slightly hesitant about paying more for Green burials until we educated them on the topic.

Green Legacy's competitors are numerous funeral service providers in the state of Colorado, but our pricing reflects the cost of Green burials rather than traditional costs. As the graph displays, Green Legacy will price our services relative to the most profitable pre-existing Green funeral providers, Memorial Ecosystem and Forever Fernwood.

## E-Commerce

The funeral industry necessitates a face-to-face meeting before finalizing the burial or cremation; however, Green Legacy will utilize the internet for many other elements:

- To advertise, educate, and display burial options.
- To educate the consumer about the Green movement and Green Legacy's involvement within that movement.
- Individuals have the opportunity to sit in the comfort of their own home and think about their footprints on this earth; for them to address an emotional time with little stress.
- In the future we will offer online catalogs.

## Communication Strategy

- E-commerce will be one of Green Legacy's main advertising methods. It is important to make ourselves known and remembered so when the time does come for one to plan a funeral, Green Legacy is locked into their mind.
- Catalogs and Brochures will be short in length but include casket and urn options, variations of services with price, small artwork from the local artisans that we collaborate with, and a write-up about Green Legacy's commitment to the family and the future. It will also include information about the various trees, flowers and plant life that can be planted by the families at the time of burial. Green Legacy intends to issue catalogs once a year, with any corrections or changes in the products or the price.
- Ads in local newspapers and magazines, such as 5280, would also be a good way for people to encounter Green Legacy even if they are not in need of a service right now. As long as the public's knowledge about Green burials is growing, then Green Legacy is one step closer to positive revenue.
- Annual open house at Green Legacy's Denver storefront and Memorial Park in order to both advertise and educate new-comers and pre-existing clientele.
- Estate Planners and organizations like AARP will receive information to distribute to their customers.

## Sales Strategy

Denver is one of the most concentrated areas of Baby Boomers at 32% of its total population creating an ideal place for the Green Legacy storefront (US Census). The storefront will be a large component of our sales strategy (expert #4). Located on a busy city corner, Green Legacy easily accessible storefront has the opportunity to attract potential clients shopping in the area, as well as influence the minds of the public (for when they encounter planning a funeral). Similar to

# Green Legacy

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Horan & McConaty, one of Denver's larger funeral service providers with six storefronts, Green Legacy must accommodate the company's growth by establishing multiple storefronts.

According to the revenue model, our customers will be divided equally between immediate need clients and pre-need, pre-plan clients. Green Legacy will also take any opportunity to speak at conventions, conferences and gatherings that relate to the Green movement.

## Revenue Model

Revenue will be split between "immediate need" (burial or cremation) and "pre-plan" customers. Only 20% of "pre-plan" revenue will be recognized, with the remaining 80% held in trust until such time as the funds are needed for funeral services.

### **Revenue Projections**

#### **Years 1 to 5**

(\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Product A - Burial</b>					
Number of Units	21	92	102	112	123
Price per unit	5,760	5,933	5,805	5,680	5,558
Total	120,960	548,191	590,045	635,095	683,585
<b>Product B - Cremation</b>					
Number of Units	32	151	178	210	248
Price per unit	4,758	4,901	4,795	4,692	4,591
Total	152,256	740,208	854,666	986,823	1,139,416
<b>Service A - Prepay</b>					
Number of Customers	53	243	280	322	371
Fee per Customer	1,052	1,083	1,060	1,037	1,015
Total	55,745	263,732	296,677	334,117	376,704
<b>Net Revenue</b>	<b><u>328,961</u></b>	<b><u>1,552,130</u></b>	<b><u>1,741,388</u></b>	<b><u>1,956,036</u></b>	<b><u>2,199,704</u></b>

## Operations Plan

Green Legacy's strategic concept is to provide eco-friendly funeral services. Our operations strategy will include:

- An easily accessible location for customers to plan and pre-plan funerals.
- A beautiful cemetery and memorial park in a natural setting.
- Dedicated staff who will build long-term relationships with clients.
- An excellent relationship with suppliers.

### Operations Strategy

Green Legacy will acquire two properties: a storefront/service center and a cemetery/memorial park. The service center will be positioned in a four-story 15,000 sq. ft. building located at Larimer Square, 1228 15th St Denver, CO 80202. The Larimer Square location is in the historic business district of Denver, Colorado. As the administrative headquarters, this location will provide a professional office space for the daily company operations including body preparation/storage, and housing of the crematorium. This will also serve as the storefront, where clients will engage in pre-planning counseling and viewing/funeral services. This location also meets our parameters of the marketing criteria: the traffic level is high, the storefront is easily accessible, and there is ample parking available.

Green Legacy will also acquire thirty-five acres of land for the Memorial Park location. This plot of land is conveniently located one-half mile from the highway and just five miles outside the town of Nederland. The terrain is mostly flat with rock-outcroppings, divided views, aspens, and pines. During the second year of the business, small portions of the land will be professionally landscaped and a multi-use structure will be built to provide space for a storefront, viewings and funerals.

### Scope of Operations

#### Supply & Distribution:

Green Legacy is currently negotiating terms and conditions with at least two suppliers. Memorial Gallery is being considered as a supplier for urns and legacy objects and Natural Burial Company as a supplier for coffins, urns, and shrouds. Suppliers should:

- Produce products made out of recycled and/or biodegradable materials.
- Communicate effectively with representatives from Green Legacy.
- Have an understanding of our eco-friendly specifications and standards.
- Consistently deliver our products.
- Provide product development information on all new products available to customers.

Green Legacy will build and maintain excellent business relations with suppliers. Invoices will be paid to our suppliers within terms, and good service will continually be acknowledged.

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## Inventory Management:

It is anticipated that most of the products Green Legacy provides to clients will be custom ordered, however, a minimal inventory of caskets, urns and legacy objects will be available for the customer's viewing. Once an order has been placed, we will utilize a computerized Management Information System in order to immediately place replacement orders with suppliers.

## Outsourcing:

As a full service funeral home, Green Legacy will not outsource any of the core services related to burial or cremation.

## Customer Service:

The opportunity to develop quality relationships with clients is a priority and a key component to building a strong customer base and a loyal reputation. Clear communication with clients and outstanding customer service are opportunities to foster the company's image.

## Ongoing Operations

By year five, the management team of Green Legacy will oversee all aspects of providing 123 burials, 248 cremations and 371 pre-planned agreements per year.

## Equipment & Technology:

The following specialty equipment will be purchased, leased or rented: low emissions crematorium, storage freezer, GPS, hybrid hearses, excavation equipment, four-wheeler, telephones, computers, server, printer, and copier. Additionally, a management information system will be used to store client information and to track and follow up all pre-paid funeral plans.

## Financial Control:

The following procedures have been established to ensure the financial information is handled promptly and accurately:

- Invoices will be sent out within two days of the completion of contracted services.
- Accounts become delinquent 25 days after invoice and will incur additional charges.
- Accounts payable records will be disseminated to appropriate decision-makers.
- Data will be accessible on all sales and expenses, providing constant feedback.

## Environmental Responsibility:

Since our business is geared toward providing eco-friendly burial solutions, and has embraced the "Green" movement, every opportunity to be environmentally friendly will be used, including the use of hybrid hearses to transport the deceased, recycling and moving toward a virtually paperless office.

## Problem Addressed:

There is no identifiable green funeral service provider in the Colorado Front Range area. Green Legacy will create and fill this market space.

## Development Plan

The management team plans to grow the company steadily over the next 5 years, becoming the premier provider of environmentally friendly funeral services in the greater Denver area. By 2014, the company plans to achieve annual net revenues of \$2.2M with market shares of 1.5% (approximately 303 services) in the Denver metro area and 4% (approximately 100 services) in the Boulder area.

### Strategy for Achieving Goals

In the first year of business \$911k of the initial funding from the four founders and angel investors will be used for remodeling and furnishing of the store front site in the Denver area. This initial investment will also include the purchase of the low emissions crematorium, a storage freezer, necessary office equipment, and the acquisition of two hybrid hearses. With \$500k in funding from a bank loan we will secure 35 acres of land in Nederland for location of the Memorial Park.

Providing employees with competitive compensation and good benefits is a priority, since employees will directly determine the overall performance of the company. Management will strive to hire outstanding performers who are committed to being environmentally friendly, have the ability to build relationships and demonstrate a solid work ethic. The company will allocate significant time and resources to on-going staff training and hiring additional personnel as the company grows.

Each year, a significant amount of funds are earmarked for supporting an aggressive education and marketing campaign. Green Legacy's strategy is to gain a foothold in the market by introducing our unique products and services, and obtain sufficient sales to sustain our initial development and invest in future expansion.

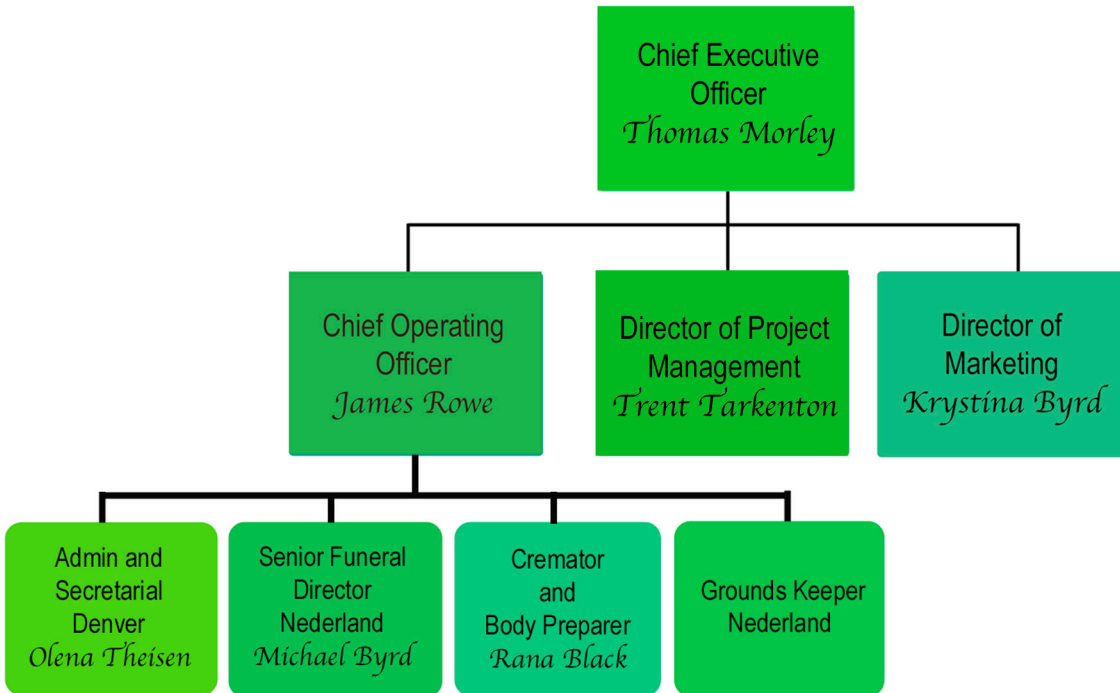
### Greater Expansion Plans

In year two, the area of priority for the expenditure of funds include construction of a funeral home facility and professional landscaping at the Nederland, Colorado Memorial Park location. Projected \$250k in funding for this expansion will come from revenue generated by Green Legacy and federal green initiative grants. In the event that conventional or non-conventional financing is not secured, funds will be sought from investors.

The growing concern for the environment throughout the United States creates great opportunity for the acceptance of Green funeral services. The Green Legacy company plans to expand throughout the Front Range region of the U.S. and eventually even extend into Canada.

## Management Plan

### Company Organization



### Management Team

The Founders of Green Legacy will hold the key management positions within the company.

- Thomas Morley: founder of Green Legacy and Chief Executive Officer. Currently a production manager, he is familiar with all components of the production process; this enables him to communicate the necessary tasks to his fellow founders.
- Trent Tarkenton: co-founder of Green Legacy and the Director of Project Management. His past experience includes managing a team of six assigned to completing various tasks and a variety of projects.
- James Rowe: co-founder of Green Legacy and the Chief Operating Officer. Has experience in managing personnel and project management.
- Krystina Byrd: co-founder and Director of Marketing. Her past experience with almost every advertising medium will help direct the marketing effort.

### Board of Advisors

Green Legacy will establish a Board of Advisors to include representatives from AARP, CHaRM (a Denver-based Green organization), community leaders and a CPA to review the finances quarterly.



## Competitive Advantage

### Sustainable Competitive Advantage

Green Legacy will be the first funeral service provider in the Rocky Mountain region to focus exclusively on Green burial and cremation. This market leadership will form our initial competitive advantage. Our substantial investment in technology (i.e. low-emission crematorium) will form a barrier to imitators. However, ultimately our sustainable competitive advantage will come from our strong branding. Establishing this brand will be the principle task of our aggressive education & marketing campaigns.

## Financial Plan

<b>Summary Financials (\$)</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>	<b><u>Year 4</u></b>	<b><u>Year 5</u></b>
Revenue	328,961	1,552,130	1,741,388	1,956,036	2,199,704
Gross Profit	(170,968)	874,010	978,773	1,164,844	1,329,789
EBIT	(589,026)	520,453	521,445	702,953	846,600
EBITDA	(529,426)	606,903	609,145	786,903	931,800
Net Earnings	(635,526)	475,503	350,805	398,010	486,478
Net Cash from Operating Activities	(605,533)	545,182	432,641	475,520	564,368
Capital Expenditures	911,000	268,500	12,500	12,500	12,500
Interest Income/(Expense)	(46,500)	(44,950)	(43,452)	(39,603)	(35,803)
Dividends	0	142,651	105,242	119,403	145,943
Cash	80,134	196,943	495,194	822,718	1,213,086
Total Equity	444,474	777,326	1,022,889	1,301,496	1,642,031
Total Debt	516,667	499,444	482,796	466,703	451,146
 <b>Growth</b>					
Revenue Growth Rate - CAGR:		372%	12%	12%	12%
Net Earnings Growth Rate - CAGR:		Nil	Nil	13.5%	22.2%
 <b>Ratios</b>					
Current Ratio	1.3	1.2	1.4	1.5	1.7
Debt to Capital (LT Debt + Equity)	0.5	0.4	0.3	0.3	0.2
 <b>Profitability</b>					
Gross Profit %	-52.0%	56.3%	56.2%	59.6%	60.5%
Operating Expenses %	119.5%	28.5%	26.8%	24.2%	22.5%
Net Earnings %	-193.2%	30.6%	20.1%	20.3%	22.1%
 <b>Returns</b>					
Return on Assets	-49.9%	19.2%	12.1%	12.0%	12.6%
Return on Equity	-143.0%	61.2%	34.3%	30.6%	29.6%
Return on Capital (LT Debt + Equity)	-66.1%	37.2%	23.3%	22.5%	23.2%

### Key Assumptions

- 50-50 split between immediate need clients and pre-pay clients
- 80% of pre-pay contract value held in trust until time of need
- Government grant for \$80,000 available in year 2

### Risks

- Slower than expected acceptance of the green philosophy regarding funerals
- Regulatory issues with the land purchase or crematorium construction
- Fast-follower funeral home with established clientele

## Funding Plan

### Funding Requirements

- Green Legacy requires \$1.13M to begin operations

### Funding Strategies

- A total of \$480k will be invested by each of the four founders (at \$120k each)
- \$600k will be funded by Angel Investors who have an interest in supporting eco-friendly opportunities.
- \$50k will be funded by a long-term debt to a bank for the land in Nederland (a 30-year loan)

### Offering

- Green Legacy is valued at \$7.3M by year five using the venture capital method of valuation.

### Exit Strategy:

- Green Legacy and its founders intend to see this company through many years of operation.
- Green Legacy also has a potential exit strategy to sell to an established funeral service provider, such as Dignity Memorial in Colorado.

### Sources and Uses of Funds

- Equity:
  - Founders
  - Angel Investors
- Debt:
  - Bank loan
- Non-traditional funding
  - Federal grant for green initiatives

Appendices

I. Financial Statements

Income Statement

**Income Statement**

**Years 1 to 5**

**(\$)**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>NET REVENUES</b>	328,961	1,552,130	1,741,388	1,956,036	2,199,704
<b>COST OF REVENUE</b>	499,929	678,120	762,615	791,191	869,915
% of Revenues	152.0%	43.7%	43.8%	40.4%	39.5%
<b>GROSS PROFIT</b>	(170,968)	874,010	978,773	1,164,844	1,329,789
% of Revenues	-52.0%	56.3%	56.2%	59.6%	60.5%
<b>OPERATING EXPENSES</b>					
Sales & Marketing	167,579	195,883	205,392	210,371	219,494
Research & Development	3,290	15,521	17,414	19,560	21,997
General and Administration	222,190	230,901	244,242	242,760	253,697
Total Operating Expenses	393,058	442,305	467,048	472,691	495,188
% of Revenues	119%	28%	27%	24%	23%
<b>EARNINGS FROM OPERATIONS</b>	(564,026)	431,705	511,725	692,153	834,600
<b>EXTRAORDINARY INCOME / (EXPENSE)</b>	(25,000)	88,748	9,720	10,800	12,000
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>	(589,026)	520,453	521,445	702,953	846,600
<b>INTEREST INCOME / (EXPENSE)</b>	(46,500)	(44,950)	(43,452)	(39,603)	(35,803)
<b>NET EARNINGS BEFORE TAXES</b>	(635,526)	475,503	477,993	663,349	810,797
<b>TAXES</b>	0	0	(127,188)	(265,340)	(324,319)
<b>NET EARNINGS</b>	(635,526)	475,503	350,805	398,010	486,478
% of Revenues	-193.2%	30.6%	20.1%	20.3%	22.1%

# Green Legacy

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## Balance Sheet

### **Balance Sheet**

#### **Years 1 to 5**

**(\$)**

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	480,000	80,134	196,943	495,194	822,718	1,213,086
Accounts Receivable	0	98,688	154,592	174,139	195,604	219,970
Inventories	0	9,869	15,459	17,414	19,560	21,997
Other Current Assets	0	232,850	1,079,305	1,246,674	1,405,200	1,584,238
Total Current Assets	480,000	421,542	1,446,299	1,933,421	2,443,082	3,039,291
<b>PROPERTY &amp; EQUIPMENT</b>	0	851,400	1,033,450	958,250	886,800	814,100
<b>TOTAL ASSETS</b>	480,000	1,272,942	2,479,749	2,891,671	3,329,882	3,853,391
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short Term Debt	0	0	0	0	0	0
Accounts Payable & Accrued Expn	0	78,951	123,674	139,311	156,483	175,976
Other Current Liab	0	232,850	1,079,305	1,246,674	1,405,200	1,584,238
Current portion of long term debt	0	16,667	16,111	15,574	15,055	14,553
Total Current Liabilities	0	328,468	1,219,090	1,401,559	1,576,738	1,774,767
<b>LONG TERM DEBT (less current portion)</b>	0	500,000	483,333	467,222	451,648	436,593
<b>STOCKHOLDERS' EQUITY</b>						
Common Stock	480,000	480,000	480,000	480,000	480,000	480,000
Preferred Stock	0	600,000	600,000	600,000	600,000	600,000
Retained Earnings		(635,526)	(302,674)	(57,111)	221,496	562,031
Total Equity	480,000	444,474	777,326	1,022,889	1,301,496	1,642,031
<b>TOTAL LIABILITIES &amp; EQUITY</b>	480,000	1,272,942	2,479,749	2,891,671	3,329,882	3,853,391

# Green Legacy

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## Cash Flow Statement

### **Cash Flow Statement**

**Years 1 to 5**

**(\$)**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>OPERATING ACTIVITIES</b>					
Net Earnings	(635,526)	475,503	350,805	398,010	486,478
Depreciation	59,600	86,450	87,700	83,950	85,200
Working Capital Changes					
(Increase)/Decrease Accounts Receivable	(98,688)	(55,904)	(19,547)	(21,465)	(24,367)
(Increase)/Decrease Inventories	(9,869)	(5,590)	(1,955)	(2,146)	(2,437)
(Increase)/Decrease Other Current Assets	(232,850)	(846,455)	(167,369)	(158,526)	(179,037)
Increase/(Decrease) Accts Pay & Accrd Expenses	78,951	44,723	15,637	17,172	19,493
Increase/(Decrease) Other Current Liab	232,850	846,455	167,369	158,526	179,037
Net Cash Provided/(Used) by Operating Activities	(605,533)	545,182	432,641	475,520	564,368
<b>INVESTING ACTIVITIES</b>					
Property & Equipment	(911,000)	(268,500)	(12,500)	(12,500)	(12,500)
Other					
Net Cash Used in Investing Activities	(911,000)	(268,500)	(12,500)	(12,500)	(12,500)
<b>FINANCING ACTIVITIES</b>					
Increase/(Decrease) Short Term Debt	0	0	0	0	0
Increase/(Decrease) Curr. Portion	16,667	(556)	(537)	(519)	(502)
Increase/(Decrease) Long Term Debt	500,000	(16,667)	(16,111)	(15,574)	(15,055)
Increase/(Decrease) Common Stock	0	0	0	0	0
Increase/(Decrease) Preferred Stock	600,000	0	0	0	0
Dividends Declared	0	(142,651)	(105,242)	(119,403)	(145,943)
Net Cash Provided / (Used) by Financing	1,116,667	(159,873)	(121,890)	(135,496)	(161,500)
<b>INCREASE/(DECREASE) IN CASH</b>	<b>(399,866)</b>	<b>116,809</b>	<b>298,252</b>	<b>327,524</b>	<b>390,368</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>480,000</b>	<b>80,134</b>	<b>196,943</b>	<b>495,194</b>	<b>822,718</b>
<b>CASH AT END OF YEAR</b>	<b>80,134</b>	<b>196,943</b>	<b>495,194</b>	<b>822,718</b>	<b>1,213,086</b>

## Break-Even Analysis

### Break-Even Analysis

Years 1 to 5

(\$)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Revenue</b>	328,961	1,552,130	1,741,388	1,956,036	2,199,704
<b>Cost of Revenue</b>					
Variable	211,329	284,850	304,264	323,929	393,161
Fixed	288,600	393,270	458,351	467,262	476,754
Total	499,929	678,120	762,615	791,191	869,915
<b>Operating Expenses</b>					
Variable	13,158	62,085	69,656	78,241	87,988
Fixed	379,900	380,220	397,392	394,450	407,200
Total	393,058	442,305	467,048	472,691	495,188
<b>Total Costs &amp; Expenses</b>					
Variable	224,488	346,935	373,920	402,170	481,149
Fixed	668,500	773,490	855,743	861,712	883,954
Total	892,988	1,120,425	1,229,663	1,263,883	1,365,103
<b>Variable Costs/Revenue Ratio</b>	0.68	0.22	0.21	0.21	0.22
<b>Break-Even Point Revenues</b>	2,104,938	996,152	1,089,737	1,084,740	1,131,438

## II. Employee Job Descriptions & Customer Survey Results

### Job Descriptions

Senior Funeral Director Nederland: With experience in conducting ceremonies, Michael Byrd will be living in and conducting business for the Nederland branch. This position will take care of all elements in running the memorial park and the small storefront. From answering phones to overseeing the groundskeeper, this position is vital since the Board members will invest the majority of their time in Denver for the first 3 years.

Groundskeeper Nederland: This position will be employed by an experienced landscaper. Important to designing the layout of the memorial park, the Groundskeeper will also report to the senior funeral director providing options for burials (plants, plots, etc.).

Admin and Secretarial in Denver: Olena Theisen's past experience organizing files and completing secretarial tasks in a timely manner will help her be the business coordinator for the Denver storefront. Responsibilities will include: answering phones, bookkeeping and the overall running of the Denver storefront. The employees must be organized, patient and efficient.

Cremator and Body Preparer: Rana Black will be filling this position. She will be responsible for preparing a body and creating a comfortable representation of who they were in life; and her past experience as a make-up artist in the film industry will help her in doing so.

### Customer Survey Methodology and Results

#### General Consensus

The Baby Boomer generation definitely portrays an age group that is willing to consider change, go against traditions (specifically funerals) despite religious background, and pay a little more to take care of the environment. However, paying more for a Green burial than a traditional burial is hard to consider, while paying a little more for a Green cremation is a little easier on the wallet and appeals to the eco-friendly. Most of the customers, either before or by the end of the interview, find it a good idea to preplan for their death.

Green Legacy's response to the surveys:

- We must offer walk-ins as well as preplanning.
- Focus marketing plan on advertising the existence of Green funerals and truly Green options.
- Price burials slightly cheaper or equal to traditional burials
- Price cremation slightly higher than traditional cremation
- Stress the benefit of feeling better about the entire burial service
- Establish the fact that the vault and embalming is not only bad on the environment but only a hundred years old.