

## ABSTRACT

VigoR Healthcare Solutions

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Currently, there is an ever-growing elderly population suffering from a variety of issues such as dementia, depression, anxiety, and cognitive decline. According to the U.S. Census Bureau, the elderly population is expected to double to 83.7 million by 2050 and the World Health Organization estimates the total worldwide amount of elderly with dementia to triple by 2050. VigoR Healthcare Solutions seeks to promote, create, and maintain good mental health for the elderly by increasing cognitive function, decreasing symptoms of depression, offering emotional respite for dementia patients, and allowing the elderly to experience technology firsthand. VigoR offers a subscription model for nursing homes, retirement communities, in-home care services, and assisted living facilities that provides virtual reality headsets with our own user-friendly software for resident-use to help improve mood, decrease depression symptoms, and stimulate cognitive functions. VigoR feels there is an underserved market in Texas, Oklahoma, Louisiana, and Arkansas for this solution and plan on implementing an aggressive growth strategy.

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By

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## EXECUTIVE SUMMARY

VigoR. Noun. “Active bodily or mental strength or force” (Merriam-Webster). At VigoR, we want to promote, create, and maintain good mental health for the elderly of our nation by increasing cognitive function, decreasing symptoms of depression, offering emotional respite for dementia patients, and allowing the elderly to experience technology firsthand. The core of our business lies within the definition: mental strength. VigoR offers a subscription model for nursing homes, retirement communities, in-home care services, and assisted living facilities that provides virtual reality headsets using our own user-friendly software to help improve mood, decrease depression symptoms, and stimulate cognitive function using a client’s existing activities budget.

Currently, there is an ever-growing elderly population suffering from a variety of issues such as dementia, depression, anxiety, and cognitive decline. According to the U.S. Census Bureau, the elderly population is expected to double to 83.7 million by 2050 (Census) and the World Health Organization estimates the total worldwide amount of elderly with dementia to triple by 2050 (WHO).

VigoR plans on creating barriers through proprietary software combined with a wireless Oculus Go headset. With initial plans of starting in Dallas, Austin, Houston, and Tulsa, which currently have no direct competitors and host one of the highest percentages of senior care facilities in the nation, our high margins, low startup cost, and socially responsible mission make VigoR a great investment opportunity while also bringing joy to the elderly.

## DESCRIPTION OF BUSINESS

VigoR is a subscription-based company that provides virtual reality (VR) headsets to nursing homes and retirement communities to decrease depression, stimulate cognitive functions, and improve mood in the elderly. Through this technology, users could scale mountains, explore deserts, watch movies, attend sporting events, and even stand in front of their childhood home. The possibilities are limitless, and we will continually be improving the experience as more applications are created by preloading applications that are custom tailored towards elderly users.

VigoR will provide a subscription-based service to retirement communities, assisted living facilities, in-home care agencies, and nursing homes by providing pre-loaded Oculus Go VR headsets with elderly-focused content. Subscribers will routinely receive new custom-tailored content curated for senior users through partnerships with third party developers. Our goal is to decrease external help as greatly as possible by creating an intuitive, user-friendly design through leveraging voice commands and the single hand control of the Oculus Go VR while creating a safe environment for the elderly to explore. Our target customers are nursing homes, assisted living facilities, retirement communities, and in-home care agencies.

## MISSION AND PROBLEM

Our mission is to improve the quality of life for the elderly by improving their mood, reversing depression symptoms, offer respite from the emotional effects of dementia, and increase their cognitive functions while having fun.

There is a continually growing elderly population that have a variety of issues, including depression, anxiety, and cognitive decline. According to the World Health Organization, in 2010 suicide rates were the highest for people aged 70 or older (World Health Organization) and according to the U.S. Census Bureau, the elderly population is expected to double to 83.7 million by 2050 (Census). According to the National Alliance on Mental Illness, depression affected more than 18.57% of Americans aged 65 or older (Duckworth). As found in Appendix A, the National Center of Health Statistics found depression prevalent in 25.5% of adult day services centers, 37.9% of home health agencies, 22.9% of hospices, 48.7% of nursing homes, and 23.2% of residential care communities (Harris-Kojetin L, et al., 40). Moreover, dementia is a problem with elderly, with an estimated four million to five million Americans currently having dementia in the United States (Kolata) and the World Health Organization estimating the amount of elderly with dementia worldwide to almost triple by 2050.

Additionally, senior care facilities constantly battle with patients over their mood, feelings, and cognitive state, according to our interview with Ken Wahnshaffe. VR headsets have the ability to calm and relax seniors who are upset as well as offer a new, unique activity for them to participate in while being exposed to technology.

## SOLUTION

Due to the high percentages of depression and suicide found in the elderly, there are emerging approaches to facilitate a healthy ageing process, which include Cognitive Behavior Therapy (CBT), Problem Solving Therapy (PST), and Positive Psychology (PP) (Salvi, 1272). We offer solutions to both depression symptoms in elderly and an emotional respite from the effects of dementia.

### *Cognitive Behavior Therapy (CBT)*

CBT is “a collaborative, active, structured, goal directed and interactive form of psychotherapy which helps patients deal with maladaptive functioning with increased self-efficacy and self-actualization in or dysfunctional thinking styles and behavioral patterns” (Salvi, 1272). The most common form of CBT is Lewinsohn’s “Coping with Depression” (CWD) course, which has participants learn skills to manage depressive feelings such as scheduling and completing pleasant activities, developing social skills, relaxation, and techniques for restructuring one’s maladaptive thought processing (Lewinsohn).

### *Problem Solving Therapy (PST)*

PST is “a behavioral approach which aims to reduce depression by targeting inaccurate appraisals of problems and teaching skills to solve these problems systematically” (Salvi, 1272). The most effective PST approach has been created by primary care physicians for late-life depression, which involves the elderly patient and therapist working through a prescribed process for problem-solving along with the final

component of activity scheduling in which the therapist helps the patient plan daily pleasurable events to combat the vicious cycle of worsening mood and decreased activity (Hegal and Arian).

### *Positive Psychology (PP)*

Positive Psychology is “a field concerned with well-being and optimal functioning with increased self-efficacy and self-actualization in elderly by broadening the focus of mental health professionals to think beyond symptomatology and its direct alleviation” (Salvi, 1272). Savoring intervention is used to deal with depressive features by being mindful of positive experiences and being aware of and regulate positive feelings about these experiences.

### *Dementia*

According to a new study conducted by researchers at the University of Michigan, the prevalence of dementia has fallen by 24 percent from 2000 to 2012 (Langa). Virtual Reality can continue to maintain this trend as well. According to the Wired article “For people with dementia, virtual reality can be life-changing”, giving the elderly frequent references to fragments of childhood memories can help bring them respite through “remembrance therapy”, which LookBack VR aims at doing (Johnston). The most harrowing quote from the article that helped shape our solutions was the final paragraph, which states “While there are many ‘smart home’ offerings being developed that aim to support the care experience . . . it’s the technologies that can offer respite from the emotional effects of dementia that I find most compelling, to support both people suffering with dementia and their loved ones” (Johnston). Our aim is to help the elderly

suffering from dementia by giving them an escape and chime into their childhood memories. According to YC Lin of National Taiwan University concerning the use of remote memory in the elderly, “Remote memory, within which reminiscence processes occur, is usually the last system to deteriorate in the elderly. Increased use of remote memory in older adults improves general cognitive function.” (Lin). Lin further talks about the positive effect VR could have on inciting the memories in dementia patients.

### *Virtual Reality*

Current evidence supports the use of virtual reality in treatment of mental disorders and has also found virtual reality beneficial to mental health. For mental disorders, VR has been shown to benefit children with autism (Didehbani), adults with post-traumatic stress disorder (Morina), and rehabilitation medicine such as stroke, Parkinson’s disease, and developmental disabilities (McEwen). Additionally, VR exposure therapy (VRET) studies have been conducted to address treatment of anxiety and depression by using the approaches mentioned above.<sup>1</sup> Of the five studies examined by Zeng relating to VRET, four reported significant improvements on the outcomes associated with these conditions such as reduced tiredness, increased energy, and increased enjoyment (Zeng). Seniors have also reported a 40% reduction in depression a month after using a VR headset (Rendever

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<sup>1</sup> 5 separate studies have been done on the topic by researchers McCann, Krijn, Powers, Valmaggia, and Falconer in References section.

## DESCRIPTION OF SERVICE

Our business relies on the subscription model by leasing out Oculus VR headsets with our proprietary software pre-installed for \$150 per month for the first device, and \$100 per month for each additional device. Our competitive advantage revolves around the proprietary software we download onto each device. With our software, we will be able to mass deploy the headsets with predownloaded apps, videos, and services all for a single monthly price. We will preload the Oculus with three primary types of applications: travel, creative, and reminiscent events. We feel these encompass the user experience for people who have very little to no motor functionality to the spry who want to create art within their own world. The Oculus Go headset is completely wireless, which means there is no tripping hazard associated with using the device, and we are strongly recommending the senior care facilities have their residents seated with a strap while using our device to further limit the possibility of a fall.

### *Why Oculus Go?*

The reason we have decided to choose the Oculus Go instead of other virtual reality headsets is because it runs off the AndroidOS, which gives us flexibility for other platforms, it's completely wireless so there will be no tripping hazards, it's affordable, and it does not require a computer or phone to operate. For these reasons, we feel this will decrease the complexity for the nursing homes and retirement communities. We also have the flexibility in our design to quickly switch to another headset if something were

to happen to Oculus. An Oculus Go retails for \$199 for the 32GB version and \$249 for the 64GB version.

### *The Platform*

The purpose of our platform is to simplify the user experience of accessing multiple applications. We plan on implementing voice control for the user to navigate menus, increase font sizes within all menus, and developing a companion application to remotely control the headset so family or staff can navigate for the user. During our interview, we found that retirement homes were spending most of their entertainment budget on things that could be included within our platform, such as Netflix or Hulu, which gives them another avenue to access those subscriptions.

The main content on our platform will involve travelling, creativity, reminiscent events, and potentially live streams. Some of the application opportunities that work well in these areas and are already offered on the Oculus Go store are Google Maps VR, Hulu VR, Nature Treks VR, Sonar, Paint VR, Our Dinosaur Era, ShapeSpaceVR, LookBack VR, and ESPN. Our plan is to work closely with content creators to get their content on our platform and utilize as many free applications as possible. We will push updates through the senior care facility's WiFi onto our platforms to keep the content fresh and exciting for our clients. Our platform is attractive to senior care facilities because it relies on senior vocal cues, such as "I want to go to the beach", combined with an application that workers can navigate to assist seniors that might not be able to speak. The software itself is intuitive and requires very little "control" from the senior to operate, which is different than our competitor's approach.

In the future, we could involve Facebook Watch, an application developed by Facebook (the owners of Oculus) that allows you to view live streams directly from Facebook. The use case for this would be a family participating in an activity they want their loved one to be able to attend, but they are unable to attend due to health reasons and must stay at the facility. We could work on helping those families 360-degree live stream the event and provide cameras and helpers to set it up. We also plan on working closely with Virtue, the creators of LookBack, to help families create custom curated memories for their loved one in order to access their reminiscent memories to combat dementia.

## MARKET ANALYSIS AND TARGET MARKET

### *Nursing Care Facilities in the United States*

The nursing care facilities industry generated \$139.8 billion in revenue in 2018 with over \$16.1 billion in profit and a projected growth of 3.5% from 2019 – 2024 (Oliver). There are currently 23,052 nursing care facilities in the United States with a highly fragmented industry characterized by several local and regional providers, which makes it extremely competitive (Oliver). Purchases make up 15.1% of the total revenue of the industry, which have slowly been increasing to accommodate the needs of their residents (Oliver). The largest share of nursing care facilities can be found in Appendix B with the Southeast accounting for 23.9% of total establishments. California (9.6%), Texas (8.5%), Ohio (5.3%), Florida (4.9%), and Illinois (4.4%) are the major market locations. There are no major players that account for more than 5.0% of market share and the top four industry operators account for less than 25.0% of industry revenue in 2018. The top 2 companies are Genesis HealthCare Corporation (3.6%) and HCR ManorCare (3.0%) (Oliver).

### *Nursing Care Facilities in Texas*

Nursing care facilities in Texas generated \$8.3 billion in revenue 2017 with \$791.9 million in profit and a 3.9% increase in 2017 alone with an average projected growth of 4.4% from 2017 to 2022 (Son). There are currently 2,437 nursing care facilities in Texas with a fragmented and highly competitive market. According to the report, roughly 6.5% of revenue was spent on purchases in 2017, which amounts to \$539.5

million. The largest share of nursing care facilities in Texas are Dallas-Ft. Worth / North (25.0%), Houston / Gulf (14.6%), and Austin / Central (13.9%). A detailed map of business locations in Texas can be found in Appendix C. The top 5 players for nursing care facilities in Texas are Creative Solutions, which operated 46 skilled nursing and 13 assisted living facilities across Texas and is headquartered in Fort Worth, Genesis HealthCare Corporation, which operates 24 locations in the state within metropolitan markets, HCR ManorCare, which operates 10 nursing care facilities across Texas and offers high-quality care standards with investments in technology, Kindred Healthcare LLC, which has 35 facilities in the Dallas-Fort Worth Metroplex as well as 3 hospice centers in Dallas and 1 in Grapevine with a heavy North Texas presence, and finally, StoneGate Senior Living LLC, a prominent provider of skilled nursing care, assisted living, dementia care and independent living in Texas, Missouri, and Oklahoma and operating 29 facilities in Texas (Son).

#### *Home Care Providers in the United States*

The home care provider industry generated \$92.8 billion in revenue in 2017 with \$6.7 billion in profit and a 3.3% increase in 2018 alone and a projected growth of 5.7% from 2018 to 2024 (Diment). There are currently 427,724 home care providers within the United States with an extremely fragmented industry characterized by high competition and constant differentiation solutions being sought (Diment). Purchases currently account for 11.5% of industry revenue, but IBISWorld expects industry companies to continue to implement cost-cutting measures. The largest share of home care providers can be found in Appendix D with the Southeast accounting for 26.0% of the establishments. Texas, California, and Florida account for 12.9%, 10.5%, and 8.3% of industry establishments,

respectively (Diment). There are no major players with more than 90.0% of industry establishments consisting of sole proprietorships and no player accounting for more than 5.0% of industry revenue in 2017. The top 3 companies are Kindred Healthcare Inc (2.8%), Lincare Holdings Inc (2.8%), and Amedisys Inc (1.8%).

#### *Home Care Providers in Texas*

The home care provider industry in Texas generated \$10.3 billion in revenue in 2017 with \$657.5 million in profit and an average projected increase of 3.3% from 2017 to 2022 (Guattery). There are currently 35,356 home care providers within Texas with a fragmented industry characterized by high competition. According to the IBIS World report, roughly 6.0% of revenue was spent on purchases in 2017, which is \$618 million (Guattery). The largest share of home care providers in Texas are Dallas – Ft. Worth / North (33.6%), Houston / Gulf (25.4%), and South (11.7%). A detailed map of business locations in Texas can be found in Appendix E. The top players for home care providers in Texas are Kindred Healthcare LLC, which operates 1,459 licensed beds in Texas, Comfort Keepers, which has 32 of its 750 franchise units within Texas, Home Instead Inc., which has 42 of its 637 locations across the US within Texas, and Interim HealthCare Inc., which operates 20 franchises in Texas as well as boasting more than 300 independently owned franchises across the US and nearly 200 international facilities (Guattery).

#### *Retirement Communities in the United States*

The retirement community industry, which includes assisted living facilities, generated \$69.6 billion in 2018 with \$5.4 billion in profit with a projected annual growth

of 2.8% from 2019 – 2024 (Curran). There are currently 38,722 retirement communities within the United States with a highly fragmented market where the 4 largest operators accounting for only 11.4% of revenue in 2018 (Curran). Purchases currently account for only 5.9% of revenue; however, marketing accounts for an additional 1.0% of revenue. The largest share of retirement communities can be found in Appendix D with California accounting for 15.5% of total establishments and the West region accounting for 29.0% of total establishments. There is only 1 major player that has a market share greater than 5.0% and that is Brookdale Senior Living Inc (6.6%), which owns and operates 1,023 properties in 46 states (Curran).

#### *Realized Market*

Texas alone spent a combined \$1.37 billion<sup>2</sup> on purchases in 2017 and Oklahoma spent a combined \$628.6 million<sup>3</sup> on purchases in 2017 with a steady growth rate predicted soon. According to our interview with Ken Wahnshaffe, Operation Manager at Life Care Services Corporation (currently The Delaney in Waco), senior care centers allocate 2.0% of their budget for activities for the seniors. The average cost per living unit in Texas for nursing homes is \$4,000 per month with each facility typically having around 100 units, this would put the yearly revenue of senior care centers on average at \$4,800,000 with the budget for an activity director plus activities being 2.0%, or roughly \$96,000 per year. The average base salary for an activity director is \$46,617, according to

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<sup>2</sup> Combined total of Nursing Care, Home Care, and Retirement Communities based off Texas IBISWorld Reports

<sup>3</sup> Combined total of Nursing Care, Home Care, and Retirement Communities based off Nationwide averages on Purchases

Salary.com<sup>4</sup>, which means nursing homes have \$49,383, or \$4,115 per month, to spend on activities.

Our initial target markets are Texas and Oklahoma. According to an aggregate of the various IBIS World reports, there are currently 39,768 target customers in Texas<sup>5</sup> and 8,003 target customers in Oklahoma<sup>6</sup> for a total market of 47,771. In our most-likely scenario, we capture 1.4% of the market by year 3 with 675 customers. In our worst-case scenario, we capture 0.5% of the market by year 3 with 270 customers. In our best-case scenario, we capture 2.2% of the market by year 3 with 1,080 customers.

### *Competition*

We have only found one direct competitor within our target space: Rendevery<sup>7</sup>. Rendevery is a company based out of Boston, Massachusetts founded by 2 MIT MBA students. They won the MIT Healthcare Innovations Prize in 2017 with a similar business model. Rendevery has also partnered with the MIT AgeLab, Harvard University, Massachusetts General Hospital, and BettVR with Age. They primarily operate in the northeast and have a few facilities they are working with in Virginia and Tennessee. Their approach focuses on sending representatives to a senior care facility to conduct a “session” involving a lot of seniors with an employee on hand to guide them through pre-determined processes. According to an article written by Kimberly Wethal in May of 2018, “The senior center budgeted \$6,000 for the virtual reality hardware for the six headsets, and the Friends group agreed to pay the \$400 monthly subscription fee, which

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<sup>4</sup> <https://www1.salary.com/Activity-Director-Nursing-Home-Salaries.html>

<sup>5</sup> 35,356 Home Care | 1,975 Retirement Communities | 2,437 Nursing Care Facilities

<sup>6</sup> 7,271 Home Care | 271 Retirement Communities | 461 Nursing Care Facilities

<sup>7</sup> <https://www.rendevery.com/facility/>

provides all the videos and access to Google Maps for the first year. Rendeever has created 70 videos that are available through subscription, and because the Samsung tablet can't store all of them, the videos periodically rotate in and out of use." (Wethal). Our business model is more attractive for senior care facilities because it gives them flexibility on spending and gives the activities director less risk by testing out our equipment before allocating part of their budget to our service.

Other indirect competitors would be other entertainment organizations like magicians, comedians, and artists, but we feel we could easily overcome these obstacles through our clear, medically-backed science and broader opportunity of entertainment for the residents.

### *SWOT Analysis*

We will be able to capture our market by using a facility's existing budget to price, having a low cost-per-unit, using an innovative, non-pharmacological therapy to help residents, lack of a strong competitor within the Texas or California markets, and our own platform of proprietary software to be used within each facility. Our current opportunities are a growing elderly population, highly competitive market requiring nursing homes to stay competitive against one another, predetermined room within a nursing home's budget not being fully spent, and an alternative to antidepressants or other prescribed medications for elderly. Our weakness will be selling the benefits to the nursing homes and convincing them to spend their budget on our service, a large, fragmented market with no major players requires more visits and more sales force hiring, and lack of a clear strategic partner or university. Our threats are the direct competitors within our industry, our reliance on Oculus VR headsets as our sole supplier,

and the low barrier to entry of our business model. We can mitigate some of our risks by targeting areas that our competitor does not currently service, partner with Oculus or another manufacturer to supply the headsets, develop proprietary software to be able to be used on any VR platform, and lock in year-long contracts with our customers.

## GO-TO-MARKET STRATEGY

Our business model revolves around business-to-business (B2B) sales. We will hire a sales force of 3 people to sell directly to retirement communities, nursing homes, and home care companies in Texas and Oklahoma after our application has been developed. Initially, our sales representatives will be in 3 major cities (Dallas, Austin, and Houston) with Andrew Kuykendall, our founder, taking over Tulsa sales. An advantage within this industry and our strategy is that most senior care facilities in Oklahoma and Texas are located within dense metropolitan areas, so they are very easily accessible for our sales representatives, and most of the major players within Texas and Oklahoma have facilities located around the United States so it would be easier to penetrate new markets with strategic partnerships. Our service will include the Oculus Go headset and our platform for a flat monthly fee of \$150 per month for the first unit, and \$100 per month for each additional unit. Each sales representative will setup and demonstrate the Oculus at each customer location and allow them to test out the product on a one-month trial basis. If a customer needs help with their system, they are encouraged to call their sales representative while the company is initially starting within the first year then will be given a direct customer service line starting the second year. We will work on signing year-long contracts with customers to guarantee income on an annual basis, while also allowing to customer to lock in their rate. Our customers will have the option to pay either monthly or in one single installment for the year. Our subscription will be per device with discounts being offered after the first device at \$100 per each additional device. The major players we will try to meet and partner with are

Kindred Healthcare Inc, StoneGate Senior Living LLC, Interim Healthcare Inc., Brookdale Senior Living Inc, Genesis Healthcare Corporation, and HCR ManorCare. We feel our service will sell exceptionally well within nursing homes and retirement communities and feel there is a strong opportunity for home care providers to utilize our platform for multiple customers per day. We are aiming for companies that own multiple nursing homes, senior living facilities, or retirement communities due to higher conversion rates, stable financials, and the prospect of expansion to other states.

After we have captured some initial customers, we plan on sending articles highlighting our business, impact, and mission to magazines seen by the elderly such as AARP and Reader's Digest. We also plan on appearing on TV shows and the news to promote our business such as Good Morning America, ABC, Fox News, and other stations as well as distribute press releases. Our sales representatives will also attend major healthcare conventions, such as the Home Care and Hospice Conference and Expo in Grapevine, Texas, to network and build our customer base. After the second year, we plan on hiring a tech support full-time to answer all customer questions and troubleshoot for them since the sales representatives will be extremely busy looking for new market opportunities.

Once we have established ourselves in the Texas and Oklahoma markets, we plan on expanding to Arkansas and Louisiana by hiring an additional 3 sales representatives for Little Rock, New Orleans, and Oklahoma City.

### *Strategic Partnerships*

Our initial plan is to partner with 5 development studios or independent developers to bring their applications onto our platform and pay them a small royalty per

subscription use. We are looking at partnering with Facebook and Oculus to have them become the official VR provider for the elderly and help fight depression and dementia. Due to the success Rendever has had with partnering with universities, we feel it would be smart to partner with research labs within the South, Southwest, and West United States such as Baylor University, University of Texas, Rice, Texas A&M, University of California – San Francisco, Duke University, and University of Florida.

According to the Wired article “For people with dementia, virtual reality can be lifechanging”, the CEO of Virtue, the company creating LookBack VR, Arfa Rehman states “We are starting to seek partnerships with organizations and individuals to gather content from around the world.” (Johnston). I feel we would be able to strategically partner with Virtue by providing them with the platform and audience they require to test their product and help people with dementia.

## FINANCIALS AND ASSUMPTIONS

### *Startup Costs*

Our startup cost strategy revolves around a 6-month burn rate plan after the platform has been developed. Initially, we will need money to develop our platform (3 months estimate) and purchase 20 headsets for each sales representative. This would roughly mean \$52,500 and \$15,920<sup>8</sup> respectively. Additionally, we plan on hiring 3 sales representatives starting in month 4 at \$40,000 each, which would be \$68,190 for 6 months of salaries plus payroll. We will be paying \$3,400 for 6 months of co-working memberships<sup>9</sup> for our sales representatives. We have allocated \$2,000 per month for 6 months for marketing costs like signs, pens, demonstrations, and booths at conventions. We will use QuickBooks for our invoicing, accounting, and payroll, which ends up being \$360 for 1 year. We will reimburse our sales representatives roughly \$116 per week for gas because we are required by law within the State of Texas to reimburse \$0.58 per mile and we have estimated 200 miles per week on average for each sales representative, which would put our 6-month total at \$8,352. We plan on filing as an LLC, which will cost \$325 in the State of Texas. Finally, our last cost would be hosting services for our application, which will cost \$1,883 for 6 months. We also plan on paying \$640 for 1 year of business liability insurance upfront. Our team will utilize free platforms like Slack, Basecamp, and Google Drive to collaborate and work together. In total, we will need

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<sup>8</sup>  $((\$199 \times 20) \times 4 \text{ representatives}) + 8.25\% \text{ sales tax in Texas}$

<sup>9</sup>  $((\$189 \times 3 \text{ employees}) \times 6 \text{ months})$

\$163,570 for all startup costs and 6 months of burn rate cash and only \$68,420 to develop our application and test it in market for iterations.

### *Overall Assumptions*

We have made some overall assumptions that apply to all 3 scenarios. For Oculus Go equipment costs, we assumed that we would not receive a discount and would pay the retail price of \$199 per unit plus tax. We also assumed we would pay a credit card processing fee of 2.5% each month through our invoicing system. For software development costs, we weighed the simplicity of the platform with the average cost of VR development for a beta program<sup>10</sup> of around \$35,000, multiplied that by 1.5 for padding, and came up with \$52,500 and decided we would spend roughly \$2,000 every 3 months on improvements until we hire a software developer. For our 3 initial sales professionals, we decided to give them an initial starting salary of \$40,000 with a 5% commission per customer, based off the national average according to PayScale<sup>11</sup> and total employee benefits of FICA (6.2% of salary), Medicare (1.45% of salary), unemployment (1% of salary), and other benefits (5% of salary) totaling out to an additional 13.65% of salary being paid per employee. At the end of the year, we will pay a small business accounting firm roughly \$1,000 to complete our taxes, based off past tax accounting costs incurred on previous ventures. For hosting, we plan on using a cloud server to store our information and platform. After doing some research, we found that the average cost for a cloud-based configuration is roughly \$314 per month<sup>12</sup>. For office space, we plan on utilizing shared coworking spaces for our sales representatives and

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<sup>10</sup> <https://www.avrspot.com/much-vr-application-development-cost-2018/>

<sup>11</sup> [https://www.payscale.com/research/US/Job=Salesperson\\_%2F\\_Salesman\\_%2F\\_Saleswoman/Salary](https://www.payscale.com/research/US/Job=Salesperson_%2F_Salesman_%2F_Saleswoman/Salary)

<sup>12</sup> <https://www.sherweb.com/blog/total-cost-of-ownership-of-servers-iaas-vs-on-premise/>

employees initially because they will spend most of their time meeting with customers, which will cost \$189 per month per employee for 10 co-working days according to Regus, one of the largest shared office space providers in the United States.<sup>13</sup> For travel and expenses, we plan on reimbursing the sales representatives for their gas consistent with Texas law. Since our sales representatives are each located within a specific major metropolitan city to start, we do not plan on them flying often and believe that 200 miles per week is a conservative estimate. We are required to pay \$0.58 per mile as of January 1, 2019 in the State of Texas. For depreciation, we used a straight-line depreciation with a 5-year useful life since technology is constantly evolving and Oculus is continually developing and creating new products. For insurance, we decided to use the Insureon median<sup>14</sup> for general liability insurance for IT businesses for \$1 million occurrence and \$2 million aggregate insurance, which comes out to \$640 per year. For marketing, we assumed a base marketing budget of \$2,000 per month for the first year, 20% of revenues for the second year, and 15% of revenues for the third year. For the developer salaries, we used PayScale<sup>15</sup> to determine the average pay for a software developer in Dallas, Texas of \$71,034, which is 2% above the national average. For the tech support associate, we will pay them the average pay of \$35,539, based off of industry averages from PayScale. Our CEO, Andrew Kuykendall, has elected to not receive a formal base salary and instead gain a percentage of profits based on his equity stake. We assumed that 50% of all profits will be reinvested into the business for the first 2 years and the remaining 50% will be distributed among the stakeholders with 5% of the 50% distributed to

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<sup>13</sup> <https://www.regus.com/membership/membership-checkout-page#cowork>

<sup>14</sup> <https://www.insureon.com/small-business-insurance/general-liability/cost>

<sup>15</sup> [https://www.payscale.com/research/US/Job=Software\\_Developer/Salary/f73042ed/Dallas-TX](https://www.payscale.com/research/US/Job=Software_Developer/Salary/f73042ed/Dallas-TX)

employees as a year-end bonus. In year 3, we plan on distributing 75% of all profits to stakeholders and 25% back to the business.

### *Most-Likely Scenario*

For our most-likely scenario, we have assumed that each customer will purchase an average of 1.5 units per month. The reason we chose 1.5 units for our most-likely scenario is that some customers will only stay with the initial 1 unit based off budget constraints and other customers will most-likely purchase 2 on average, so we evened those two out. We assumed we would be able to gain an additional 15 customers per month (5 per sales representative) for our first two years and an additional 30 customers per month (5 per sales representative) for year 3 based off varying markets and the volume of senior care facilities just in Texas alone. After the first year, we plan on hiring 2 software developers full-time to work on our platform and continually make updates as well as a tech support associate for any client needs after the second year.<sup>16</sup> After the second year, we plan on hiring an additional 3 sales representatives for Oklahoma, Arkansas, and Louisiana respectively and doubling the amount we pay each month on hosting. Our most-likely first-year earnings before taxes, depreciation, and amortization (EBITDA) is \$53,536, second-year EBITDA is \$69,480, and EBITDA is \$507,407.

### *Worst-Case Scenario Assumptions*

For our worst-case scenario, we have assumed that each customer will purchase an average of 1 unit per month. We assumed we would be able to gain 6 customers per month (2 per sales representative) for our first two years and an additional 12 customers

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<sup>16</sup> <https://www1.salary.com/Technical-Support-Representative-I-salary.html>

per month (4 per sales representative) after our second year based off stronger marketing, growing acceptance, and quick turnaround times. Due to a lack of sales and low overall profit, we decided to continue paying \$2,000 every 3 months to keep our software improved rather than hire a software developer and push back the hiring of a developer until year 3. We are also not hiring a technician due to low customer amount and will not hire an additional 3 sales representatives after year 2. In year 3, we have hired an additional software developer to work on improving the software in house. Our worst-case first-year EBITDA is a loss of \$48,254, second-year EBITDA is a loss of \$90,906, and third-year EBITDA is \$40,917 when loan payments are included.

#### *Best-Case Scenario Assumptions*

For our best-case scenario, we have assumed that each customer will purchase an average of 3 units to use per month. We assumed that we would be able to gain 24 customers per month (8 per sales representative) for our first two years and an additional 48 customers per month (8 per sales representative) for year 3. After the second year, we plan on hiring an additional 3 sales representatives for Oklahoma, Arkansas, and Louisiana respectively and doubling the amount we pay each month on hosting. Our best-case scenario first-year EBITDA is \$227,473, second-year EBITDA is \$672,989, and third-year EBITDA is \$1,907,105.

#### *Financing*

We initially plan on pursuing an angel investment from one or more investors. If we are not able to receive angel funding for our venture, we plan on pursuing an SBA loan at a 7.75% annual interest rate for 7 years for \$130,856 after 20% was put down on

the loan. This would put our monthly payment at \$2,077 per month for 7 years, assuming we do not pay off the loan early.

### *Most-Likely Valuation*

According to research taken from BVR Resources in September 2018, the healthcare services industry's last twelve months multiples are 15.4 times EBITDA or 2.42 times revenue.

Our EBITDA calculated for Year 3 is \$582,165 after taking out loan payments. At 15.4 times multiple, our value is at \$8,965,335. With \$145,541 in cash on hand and no long-term debt, our equity value is \$9,110,876. If we were to discount that future value to present day money at a 25% internal rate of return (IRR), our company would be worth \$4,664,769 post-money and \$4,795,625 pre-money. If an investor were to invest the initial \$163,570 for 15% of the company, it would be worth \$1,366,631 by year 3 with a return on investment (ROI) of 836%.<sup>17</sup>

Additionally, if we were to use the revenue multiple for our business, our calculated year 3 revenue is \$1,530,000. At a 2.42 multiple, our value is at \$3,702,600. With \$145,541 in cash on hand and no long-term debt, our equity value is \$3,848,141. If we were to discount that future value to present value numbers at a 25% IRR, our company would hold a value of \$1,970,248 post-money and \$2,133,818 pre-money. If an investor were to invest the initial \$163,570 for 15% of the company, their investment would be worth \$577,221 by year 3 with a ROI of 353%.<sup>18</sup>

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<sup>17</sup> Appendix K

<sup>18</sup> Appendix K

### *Worst-Case Valuation*

Our EBITDA calculated for Year 3 is \$115,675 after taking out loan payments. At 15.4 times multiple, our value is at \$1,781,390. With \$28,919 in cash on hand and no long-term debt, our equity value is \$1,810,309. If we were to discount that future value to present day money at a 25% internal rate of return (IRR), our company would be worth \$926,878 post-money and \$1,057,734 pre-money. If an investor were to invest the initial \$163,570 for 15% of the company, it would be worth \$923,257 by year 3 with a return on investment (ROI) of 564%.<sup>19</sup>

Additionally, if we were to use the revenue multiple for our business, our calculated year 3 revenue is \$367,200. At a 2.42 multiple, our value is at \$888,624. With \$28,919 in cash on hand and no long-term debt, our equity value is \$917,543. If we were to discount that future value to present value numbers at a 25% IRR, our company would hold a value of \$469,782 post-money and \$633,352 pre-money. If an investor were to invest the initial \$163,570 for 15% of the company, their investment would be worth \$467,947 by year 3 with a ROI of 286%.<sup>20</sup>

### *Best-Case Valuation*

Our EBITDA calculated for Year 3 is \$1,981,863 after taking out loan payments. At 15.4 times multiple, our value is at \$30,520,684. With \$495,466 in cash on hand and no long-term debt, our equity value is \$31,016,150. If we were to discount that future value to present day money at a 25% internal rate of return (IRR), our company would be worth \$15,880,269 post-money and \$16,011,125 pre-money. If an investor were to invest

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<sup>19</sup> Appendix L

<sup>20</sup> Appendix L

the initial \$163,570 for 15% of the company, it would be worth \$4,652,423 by year 3 with a return on investment (ROI) of 2844%.<sup>21</sup>

Additionally, if we were to use the revenue multiple for our business, our calculated year 3 revenue is \$3,427,200. At a 2.42 multiple, our value is at \$8,293,824. With \$495,466 in cash on hand and no long-term debt, our equity value is \$8,789,290. If we were to discount that future value to present value numbers at a 25% IRR, our company would hold a value of \$4,500,116 post-money and \$4,663,686 pre-money. If an investor were to invest the initial \$163,570 for 15% of the company, their investment would be worth \$1,318,393 by year 3 with a ROI of 806%.<sup>22</sup>

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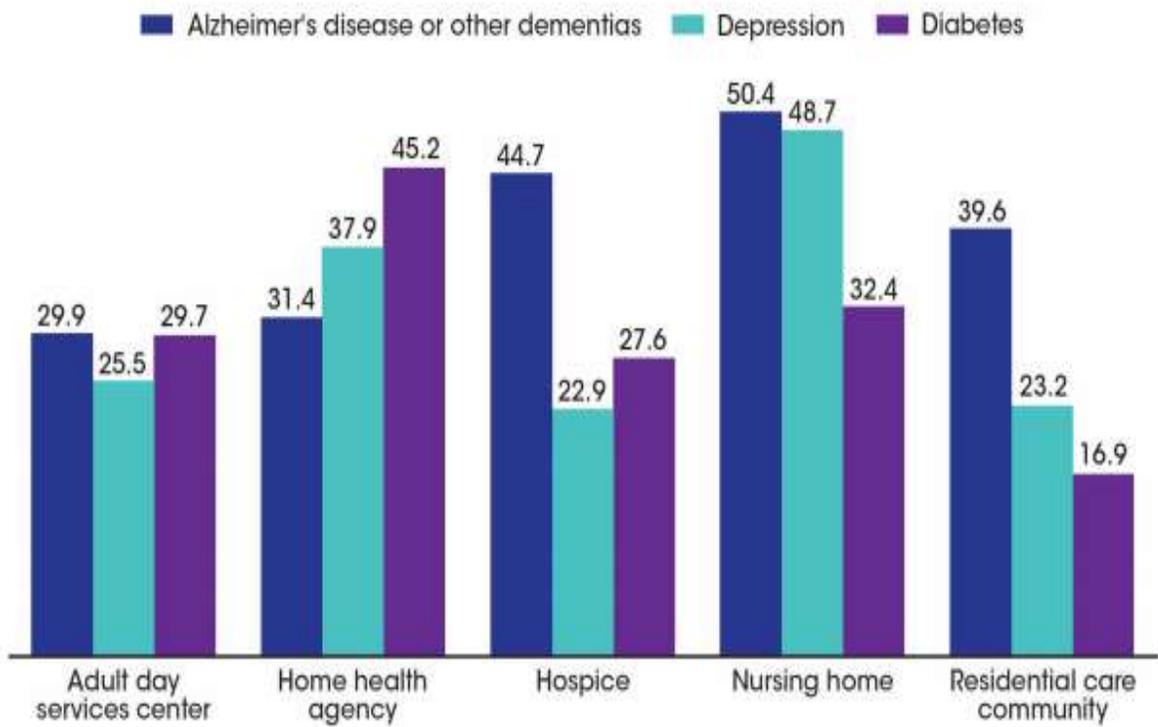
<sup>21</sup> Appendix M

<sup>22</sup> Appendix M

## APPENDIX

APPENDIX A: DEPRESSION IN ELDERLY

**Figure 26. Percentage of long-term care services users with a diagnosis of Alzheimer's disease or other dementias, depression, and diabetes, by sector: United States, 2013 and 2014**

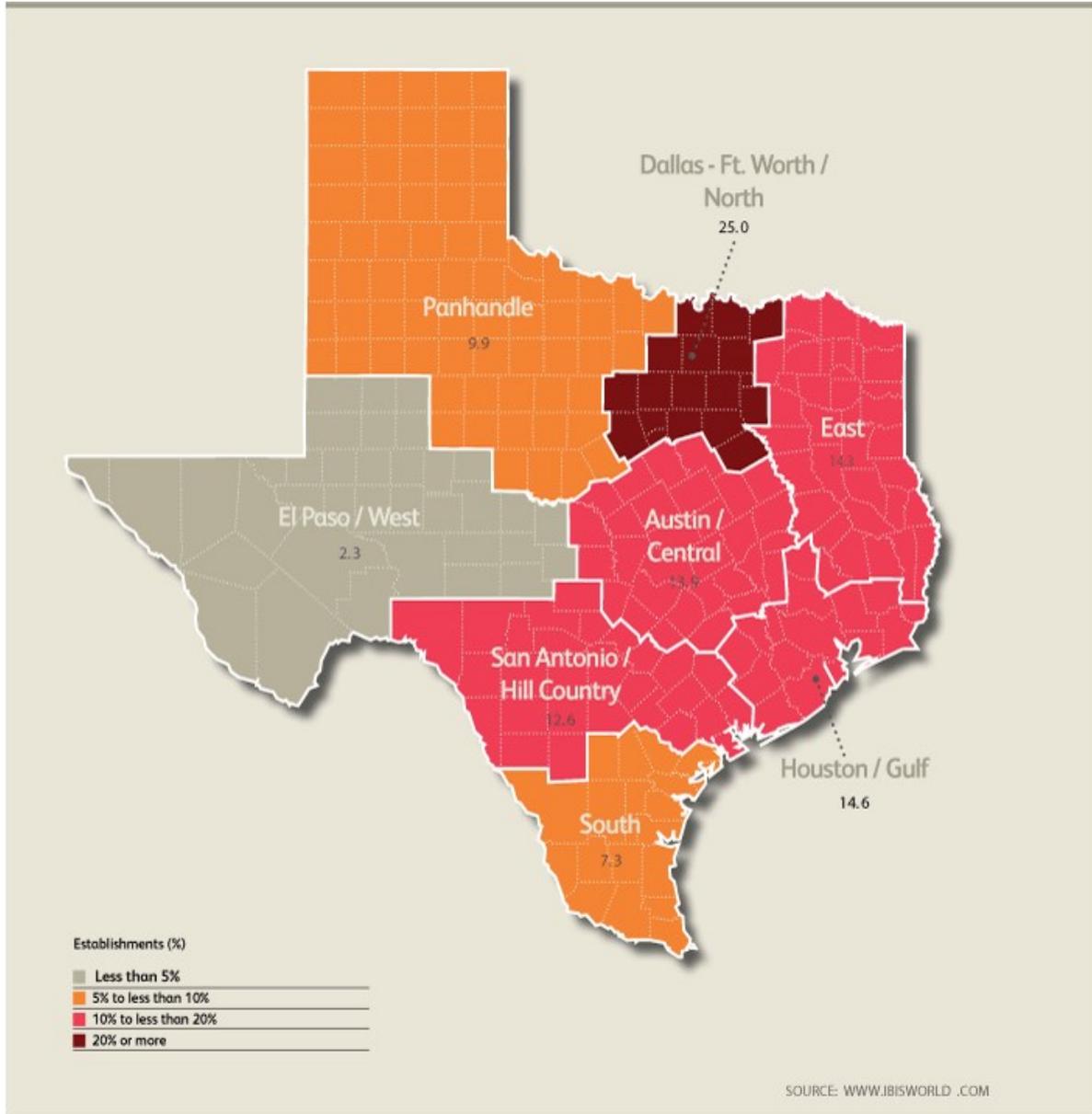


NOTES: Denominators used to calculate percentages for adult day services centers, nursing homes, and residential care communities were the number of current participants enrolled in adult day services centers, the number of current residents in nursing homes, and the number of current residents in residential care communities in 2014, respectively. Denominators used to calculate percentages for home health agencies and hospices were the number of patients who received care from Medicare-certified home health agencies at any time in 2013 and the number of patients who received care from Medicare-certified hospices at any time in 2013, respectively. See Technical Notes for more information on the data sources used for each sector. Percentages are based on the unrounded numbers.

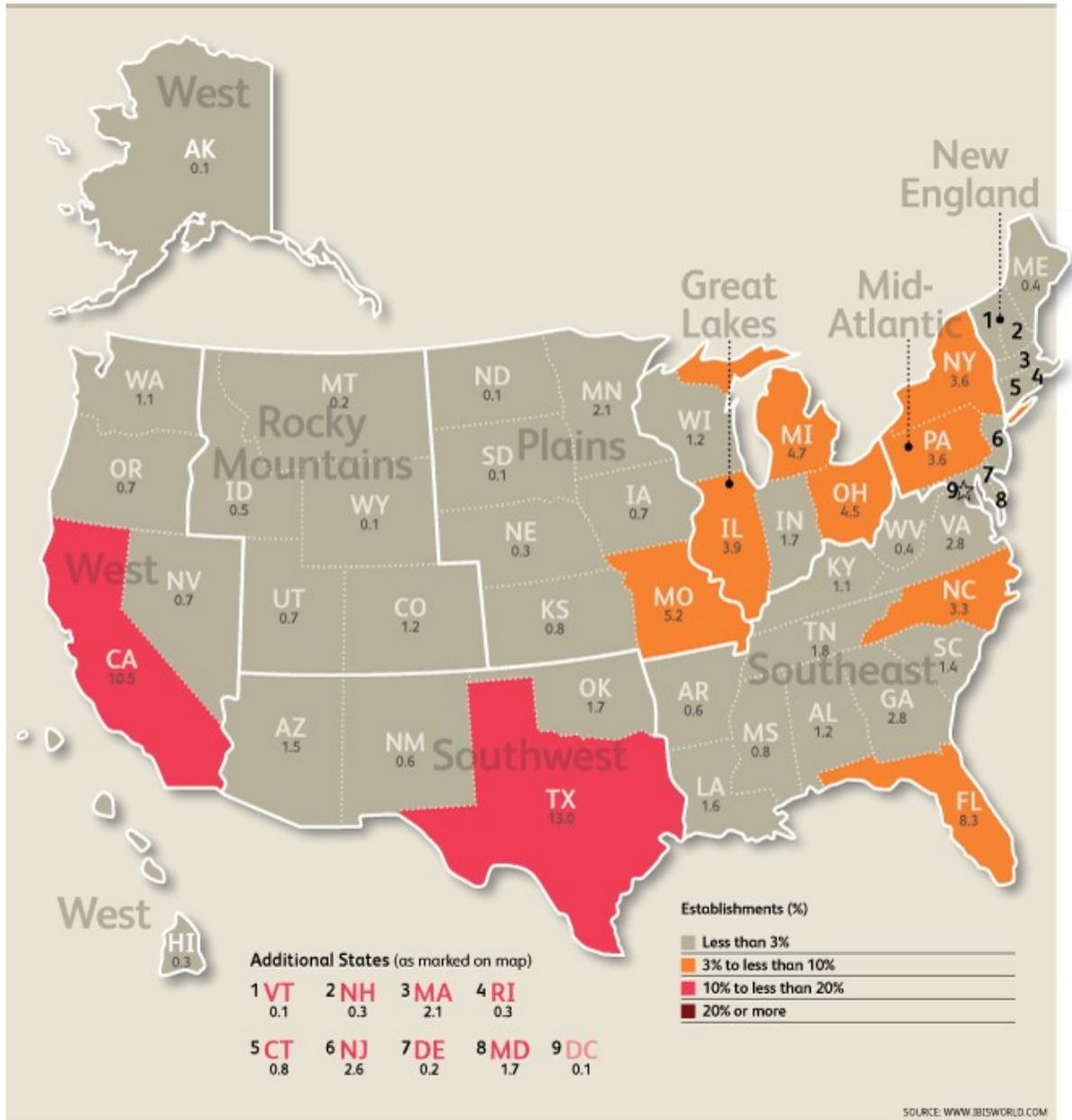
SOURCES: CDC/NCHS, National Study of Long-Term Care Providers and Table 4 in Appendix B.



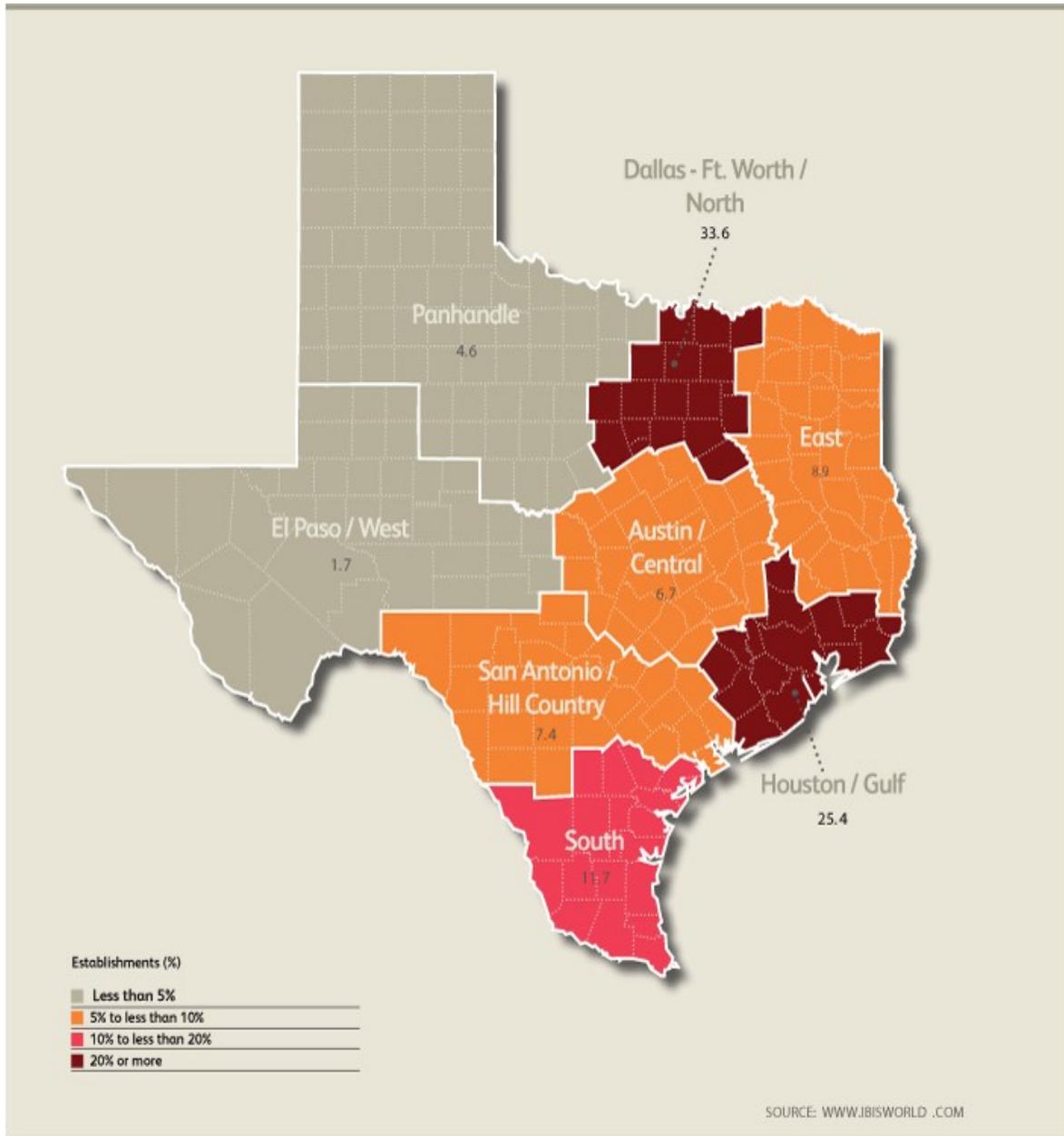
## APPENDIX C: NURSING CARE FACILITIES IN TEXAS



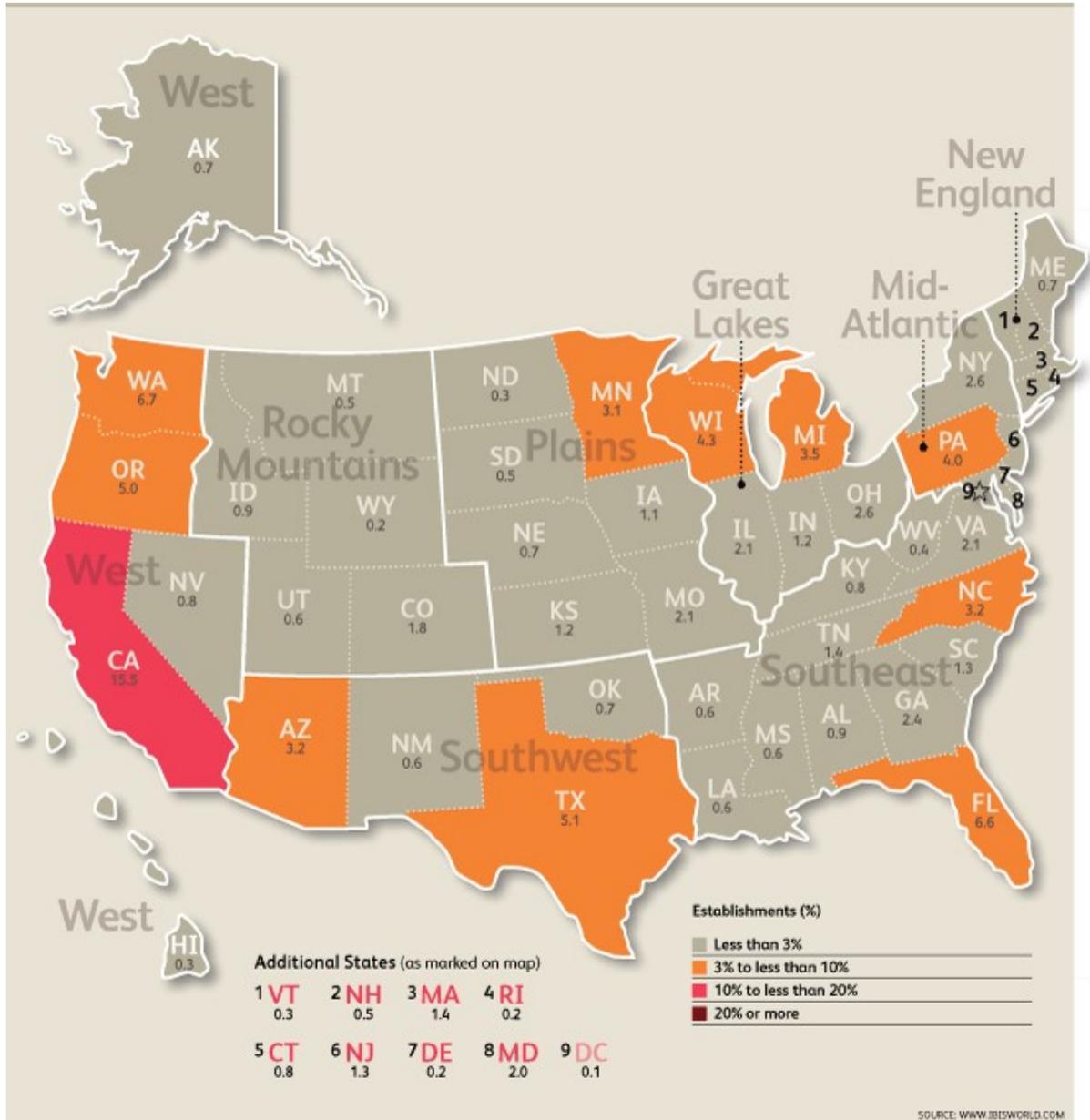
APPENDIX D: BUSINESS LOCATIONS OF HOME CARE PROVIDERS



## APPENDIX E: HOME CARE BUSINESSES IN TEXAS



APPENDIX F: BUSINESS LOCATIONS OF RETIREMENT COMMUNITIES



APPENDIX G: STARTUP COSTS

## VigoR Startup Costs

Beta Platform Development (3 months)	\$ 52,500.00
Initial Inventory (80 headsets)	\$ 15,920.00
Salaries and Payroll (6 months)	\$ 68,190.00
Co-working Membership (6 months)	\$ 3,400.00
Marketing Expenses (6 months)	\$ 12,000.00
Gas Reimbursement (6 months)	\$ 8,352.00
General Business Liability Insurance (6 months)	\$ 640.00
LLC Filing (State of Texas)	\$ 325.00
Quickbooks (1 year)	\$ 360.00
Server Hosting (6 months)	\$ 1,883.00
<b>Total Startup Costs</b>	<b>\$163,570.00</b>

**APPENDIX H: 3-YEAR PRO FORMA (MOST LIKELY)**

**YEAR 1**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	-	-	-	250	250	250	250	250	250	250	250	250	
Customers			-	15	30	45	60	75	90	105	120	135	
<b>Gross Sales</b>	-	-	-	3,750	7,500	11,250	15,000	18,750	22,500	26,250	30,000	33,750	168,750
<b>Cost of Goods Sold</b>													
Unit Cost				*	*	6,104	3,270	3,270	3,270	3,270	3,270	3,270	
Commission (5%)				188	375	563	750	938	1,125	1,313	1,500	1,688	
<b>Gross Profit</b>	-	-	-	3,563	7,125	4,584	10,980	14,543	18,105	21,668	25,230	28,793	134,589

**Operating Expenses**

Credit Card Processing Fee	-	-	-	94	188	281	375	469	563	656	750	844	4,219
Coworking Space	-	-	-	*	*	*	*	*	*	567	567	567	1,701
Hosting Services	-	-	-	*	*	*	*	*	*	314	314	314	942
Gas Reimbursements	-	-	-	*	*	*	*	*	*	1,392	1,392	1,392	4,176
Software Improvements	-	-	-	*	*	*	2,000	-	-	-	2,000	-	4,000
Insurance	-	-	-	*	*	*	*	*	*	*	*	*	-
Salaries	-	-	-	*	*	*	*	*	*	10,000	10,000	10,000	30,000
Payroll taxes/benefits	-	-	-	*	*	*	*	*	*	1,365	1,365	1,365	4,095
Loan Payment	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	24,919
Legal & Accounting	-	-	-	*	*	*	*	*	*	*	*	1,000	1,000
Marketing	-	-	-	*	*	*	*	*	*	2,000	2,000	2,000	6,000
<b>Total Operating Expenses</b>	<b>2,077</b>	<b>2,077</b>	<b>2,077</b>	<b>2,170</b>	<b>2,264</b>	<b>2,358</b>	<b>4,452</b>	<b>2,545</b>	<b>2,639</b>	<b>18,371</b>	<b>20,465</b>	<b>19,558</b>	<b>81,052</b>
<b>EBITDA</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>1,392</b>	<b>4,861</b>	<b>2,226</b>	<b>6,528</b>	<b>11,997</b>	<b>15,466</b>	<b>3,297</b>	<b>4,765</b>	<b>9,234</b>	<b>53,536</b>
Depreciation- Equipment				82	163	245	327	409	490	572	654	736	3,678
<b>EARNINGS BEFORE TAXES</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>1,310</b>	<b>4,697</b>	<b>1,980</b>	<b>6,201</b>	<b>11,588</b>	<b>14,975</b>	<b>2,724</b>	<b>4,111</b>	<b>8,498</b>	<b>49,858</b>

<b>Total Gain / Loss</b>	<b>(2,077)</b>	<b>(4,153)</b>	<b>(6,230)</b>	<b>(4,838)</b>	<b>23</b>	<b>2,249</b>	<b>8,777</b>	<b>20,774</b>	<b>36,240</b>	<b>39,537</b>	<b>44,302</b>	<b>49,858</b>	
Back to Stakeholders (50% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,929
Back to Business (50% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,929

\* Included in Startup Costs

**APPENDIX H: 3-YEAR PRO FORMA (MOST LIKELY)**

**YEAR 2**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	250	250	250	250	250	250	250	250	250	250	250	250	
Customers	150	165	180	195	210	225	240	255	270	285	300	315	
<b>Gross Sales</b>	37,500	41,250	45,000	48,750	52,500	56,250	60,000	63,750	67,500	71,250	75,000	78,750	697,500
<b>Cost of Goods Sold</b>													
Unit Cost	3,270	3,270	3,270	3,270	3,270	3,270	3,270	3,270	3,270	3,270	3,270	3,270	
Commission (5%)	1,875	2,063	2,250	2,438	2,625	2,813	3,000	3,188	3,375	3,563	3,750	3,938	
<b>Gross Profit</b>	32,355	35,918	39,480	43,043	46,605	50,168	53,730	57,293	60,855	64,418	67,980	71,543	623,385
<b>Operating Expenses</b>													
Credit Card Processing Fee	938	1,031	1,125	1,219	1,313	1,406	1,500	1,594	1,688	1,781	1,875	1,969	17,438
Coworking Space	945	945	945	945	945	945	945	945	945	945	945	945	11,340
Hosting Services	314	314	314	314	314	314	314	314	314	314	314	314	3,768
Gas Reimbursements	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	16,704
Software Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	640	-	-	-	-	-	-	-	-	640
Salaries	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	297,612
Payroll taxes/benefits	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	40,624
Loan Payment	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	2,077	24,919
Legal & Accounting	-	-	-	360	-	-	-	-	-	-	-	-	1,360
Marketing	7,500	8,250	9,000	9,750	10,500	11,250	12,000	12,750	13,500	14,250	15,000	15,750	139,500
<b>Total Operating Expenses</b>	41,351	42,195	43,039	44,883	44,726	45,570	46,414	47,258	48,101	48,945	49,789	51,633	553,905
<b>EBITDA</b>	(8,996)	(6,278)	(3,559)	(1,840)	1,879	4,597	7,316	10,035	12,754	15,472	18,191	19,910	69,480
Depreciation- Equipment	817	899	981	1,063	1,144	1,226	1,308	1,390	1,471	1,553	1,635	1,717	15,205
<b>EARNINGS BEFORE TAXES</b>	(9,814)	(7,177)	(4,540)	(2,903)	734	3,371	6,008	8,645	11,282	13,919	16,556	18,193	54,275

<b>Total Gain / Loss</b>	(8,996)	(15,274)	(18,833)	(20,673)	(18,795)	(14,197)	(6,881)	3,153	15,907	31,379	49,570	54,275	
Back to Stakeholders (50% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,137
Back to Business (50% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,137

APPENDIX H: 3-YEAR PRO FORMA (MOST LIKELY)

YEAR 3

Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	250	250	250	250	250	250	250	250	250	250	250	250	
Customers	345	375	405	435	465	495	525	555	585	615	645	675	
<b>Gross Sales</b>	86,250	93,750	101,250	108,750	116,250	123,750	131,250	138,750	146,250	153,750	161,250	168,750	1,530,000
<b>Cost of Goods Sold</b>													
Unit Cost	45,780	6,540	6,540	6,540	6,540	6,540	6,540	6,540	6,540	6,540	6,540	6,540	
Commission (5%)	4,313	4,688	5,063	5,438	5,813	6,188	6,563	6,938	7,313	7,688	8,063	8,438	
<b>Gross Profit</b>	36,158	82,523	89,648	96,773	103,898	111,023	118,148	125,273	132,398	139,523	146,648	153,773	1,335,780
<b>Operating Expenses</b>													
Credit Card Processing Fee	2,156	2,344	2,531	2,719	2,906	3,094	3,281	3,469	3,656	3,844	4,031	4,219	38,250
Coworking Space	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	18,144
Hosting Services	628	628	628	628	628	628	628	628	628	628	628	628	7,536
Gas Reimbursements	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	33,408
Software Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	640	-	-	-	-	-	-	-	-	640
Salaries	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	417,612
Payroll taxes/benefits	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	57,004
Loan Payment	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	24,919
Legal & Accounting	-	-	-	360	-	-	-	-	-	-	-	1,000	1,360
Marketing	12,938	14,063	15,188	16,313	17,438	18,563	19,688	20,813	21,938	23,063	24,188	25,313	229,500
<b>Total Operating Expenses</b>	61,646	62,958	64,271	66,583	66,896	68,208	69,521	70,833	72,146	73,458	74,771	77,083	828,373
<b>EBITDA</b>	(25,488)	19,564	25,377	30,189	37,002	42,814	48,627	54,439	60,252	66,064	71,877	76,689	507,407
Depreciation- Equipment	1,880	2,044	2,207	2,371	2,534	2,698	2,861	3,025	3,188	3,352	3,515	3,679	33,354
<b>EARNINGS BEFORE TAXES</b>	(27,368)	17,521	23,170	27,819	34,468	40,117	45,766	51,415	57,064	62,713	68,362	73,011	474,053
<b>Total Gain / Loss</b>	(25,488)	(5,924)	19,453	49,642	86,644	129,458	178,085	232,524	292,776	358,841	430,717	474,053	
Back to Stakeholders (75% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 355,540
Back to Business (25% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,513

**APPENDIX I: 3-YEAR PRO FORMA (WORST CASE)**

**YEAR 1**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	-	-	-	150	150	150	150	150	150	150	150	150	
Customers			-	6	12	18	24	30	36	42	48	54	
<b>Gross Sales</b>	-	-	-	900	1,800	2,700	3,600	4,500	5,400	6,300	7,200	8,100	40,500
<b>Cost of Goods Sold</b>													
Unit Cost				*	*	*	*	2,180	1,308	1,308	1,308	1,308	
Commission (5%)				45	90	135	180	225	270	315	360	405	
<b>Gross Profit</b>		-	-	855	1,710	2,565	3,420	2,095	3,822	4,677	5,532	6,387	31,063
<b>Operating Expenses</b>													
Credit Card Processing Fee	-	-	-	23	45	68	90	113	135	158	180	203	1,013
Coworking Space	-	-	-	*	*	*	*	*	*	567	567	567	1,701
Hosting Services	-	-	-	*	*	*	*	*	*	314	314	314	942
Gas Reimbursements	-	-	-	*	*	*	*	*	*	1,392	1,392	1,392	4,176
Software Improvements	-	-	-	*	*	*	2,000	-	-	-	2,000	-	4,000
Insurance	-	-	-	*	*	*	*	*	*	*	*	*	-
Salaries	-	-	-	*	*	*	*	*	*	10,000	10,000	10,000	30,000
Payroll taxes/benefits	-	-	-	*	*	*	*	*	*	1,365	1,365	1,365	4,095
Loan Payment	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	24,919
Legal & Accounting	-	-	-	*	*	*	*	*	*	*	*	*	1,000
Marketing	-	-	-	*	*	*	*	*	*	2,000	2,000	2,000	6,000
<b>Total Operating Expenses</b>	<b>2,077</b>	<b>2,077</b>	<b>2,077</b>	<b>2,099</b>	<b>2,122</b>	<b>2,144</b>	<b>4,167</b>	<b>2,189</b>	<b>2,212</b>	<b>17,872</b>	<b>19,895</b>	<b>18,917</b>	<b>77,846</b>
<b>EBITDA</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(1,244)</b>	<b>(412)</b>	<b>421</b>	<b>(747)</b>	<b>(94)</b>	<b>1,610</b>	<b>(13,195)</b>	<b>(14,363)</b>	<b>(12,530)</b>	<b>(46,783)</b>
Depreciation- Equipment				33	65	98	131	163	196	229	262	294	1,471
<b>EARNINGS BEFORE TAXES</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(1,277)</b>	<b>(477)</b>	<b>323</b>	<b>(877)</b>	<b>(258)</b>	<b>1,414</b>	<b>(13,424)</b>	<b>(14,624)</b>	<b>(12,824)</b>	<b>(48,254)</b>
<b>Total Gain / Loss for Year</b>	<b>(2,077)</b>	<b>(4,153)</b>	<b>(6,230)</b>	<b>(7,474)</b>	<b>(7,886)</b>	<b>(7,465)</b>	<b>(8,211)</b>	<b>(8,305)</b>	<b>(6,695)</b>	<b>(19,890)</b>	<b>(34,253)</b>	<b>(48,254)</b>	
Back to Stakeholders (50% back) \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (48,254)
Back to Business (50% back) \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* Included in Startup Costs

**APPENDIX I: 3-YEAR PRO FORMA (WORST CASE)**

**YEAR 2**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	150	150	150	150	150	150	150	150	150	150	150	150	
Customers	60	66	72	78	84	90	96	102	108	114	120	126	
<b>Gross Sales</b>	9,000	9,900	10,800	11,700	12,600	13,500	14,400	15,300	16,200	17,100	18,000	18,900	167,400
<b>Cost of Goods Sold</b>													
Unit Cost	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	
Commission (5%)	450	495	540	585	630	675	720	765	810	855	900	945	
<b>Gross Profit</b>	7,242	8,097	8,952	9,807	10,662	11,517	12,372	13,227	14,082	14,937	15,792	16,647	143,334
<b>Operating Expenses</b>													
Credit Card Processing Fee	225	248	270	293	315	338	360	383	405	428	450	473	4,185
Coworking Space	567	567	567	567	567	567	567	567	567	567	567	567	6,804
Hosting Services	314	314	314	314	314	314	314	314	314	314	314	314	3,768
Gas Reimbursements	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	16,704
Software Improvements	-	-	2,000	-	-	-	2,000	-	-	-	2,000	-	6,000
Insurance	-	-	-	640	-	-	-	-	-	-	-	-	640
Salaries	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Payroll taxes/benefits	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	16,380
Loan Payment	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	24,919
Legal & Accounting	-	-	-	360	-	-	-	-	-	-	-	1,000	1,360
Marketing	1,800	1,980	2,160	2,340	2,520	2,700	2,880	3,060	3,240	3,420	3,600	3,780	33,480
<b>Total Operating Expenses</b>	17,740	17,942	20,145	19,347	18,550	18,752	20,955	19,157	19,360	19,562	21,765	20,967	234,240
<b>EBITDA</b>	(10,498)	(9,845)	(11,193)	(9,540)	(7,888)	(7,235)	(8,583)	(5,930)	(5,278)	(4,625)	(5,973)	(4,320)	(90,906)
Depreciation- Equipment	327	360	392	425	458	490	523	556	589	621	654	687	6,082
<b>EARNINGS BEFORE TAXES</b>	(10,825)	(10,205)	(11,585)	(9,965)	(8,345)	(7,726)	(9,106)	(6,486)	(5,866)	(5,246)	(6,627)	(5,007)	(96,988)
<b>Total Gain / Loss for Year</b>	(10,498)	(20,343)	(31,535)	(41,075)	(48,963)	(56,198)	(64,781)	(70,711)	(75,989)	(80,614)	(86,586)	(96,988)	
Back to Stakeholders (50% back) \$	-	-	-	-	-	-	-	-	-	-	-	-	(96,988)
Back to Business (50% back) \$	-	-	-	-	-	-	-	-	-	-	-	-	-

**APPENDIX I: 3-YEAR PRO FORMA (WORST CASE)**

**YEAR 3**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	150	150	150	150	150	150	150	150	150	150	150	150	
Customers	138	150	162	174	186	198	210	222	234	246	258	270	
<b>Gross Sales</b>	20,700	22,500	24,300	26,100	27,900	29,700	31,500	33,300	35,100	36,900	38,700	40,500	367,200
<b>Cost of Goods Sold</b>													
Unit Cost	18,312	2,616	2,616	2,616	2,616	2,616	2,616	2,616	2,616	2,616	2,616	2,616	
Commission (5%)	1,035	1,125	1,215	1,305	1,395	1,485	1,575	1,665	1,755	1,845	1,935	2,025	
<b>Gross Profit</b>	1,353	18,759	20,469	22,179	23,889	25,599	27,309	29,019	30,729	32,439	34,149	35,859	301,752
<b>Operating Expenses</b>													
Credit Card Processing Fee	518	563	608	653	698	743	788	833	878	923	968	1,013	9,180
Coworking Space	567	567	567	567	567	567	567	567	567	567	567	567	6,804
Hosting Services	314	314	314	314	314	314	314	314	314	314	314	314	3,768
Gas Reimbursements	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	16,704
Software Improvements	-	-	2,000	-	-	-	2,000	-	-	-	2,000	-	6,000
Insurance	-	-	-	640	-	-	-	-	-	-	-	-	640
Salaries	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Payroll taxes/benefits	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	16,380
Loan Payment	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	24,919
Legal & Accounting	-	-	-	360	-	-	-	-	-	-	-	1,000	1,360
Marketing	3,105	3,375	3,645	3,915	4,185	4,455	4,725	4,995	5,265	5,535	5,805	6,075	55,080
<b>Total Operating Expenses</b>	19,337	19,652	21,967	21,282	20,597	20,912	23,227	21,542	21,857	22,172	24,487	23,802	260,835
<b>EBITDA</b>	(17,984)	(893)	(1,498)	897	3,292	4,687	4,082	7,477	8,872	10,267	9,662	12,057	40,917
Depreciation- Equipment	752	817	883	948	1,014	1,079	1,144	1,210	1,275	1,341	1,406	1,471	13,341
<b>EARNINGS BEFORE TAXES</b>	(18,736)	(1,711)	(2,381)	(51)	2,278	3,608	2,937	6,267	7,597	8,926	8,256	10,585	27,575

<b>Total Gain / Loss for Year</b>	(17,984)	(18,877)	(20,375)	(19,478)	(16,187)	(11,500)	(7,418)	59	8,931	19,198	28,860	27,575	
Back to Stakeholders (75% back) \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,681
Back to Business (25% back) \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,894

**APPENDIX J: 3-YEAR PRO FORMA (BEST CASE)**

**YEAR 1**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month Customers	-	-	-	350	350	350	350	350	350	350	350	350	378,000
<b>Gross Sales</b>	-	-	-	8,400	16,800	25,200	33,600	42,000	50,400	58,800	67,200	75,600	378,000
<b>Cost of Goods Sold</b>													
Unit Cost			*	*		13,952	5,232	5,232	5,232	5,232	5,232	5,232	
Commission (5%)				420	840	1,260	1,680	2,100	2,520	2,940	3,360	3,780	
<b>Gross Profit</b>	-	-	-	7,980	15,960	9,988	26,688	34,668	42,648	50,628	58,608	66,588	313,756
<b>Operating Expenses</b>													
Credit Card Processing Fee	-	-	-	210	420	630	840	1,050	1,260	1,470	1,680	1,890	9,450
Coworking Space	-	-	-	*	*	*	*	*	*	567	567	567	1,701
Hosting Services	-	-	-	*	*	*	*	*	*	314	314	314	942
Gas Reimbursements	-	-	-	*	*	*	*	*	*	1,392	1,392	1,392	4,176
Software Improvements	-	-	-	*	*	*	2,000	-	-	-	2,000	-	4,000
Insurance	-	-	-	*	*	*	*	*	*	*	*	*	-
Salaries	-	-	-	*	*	*	*	*	*	10,000	10,000	10,000	30,000
Payroll taxes/benefits	-	-	-	*	*	*	*	*	*	1,365	1,365	1,365	4,095
Loan Payment	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	24,919
Legal & Accounting	-	-	-	*	*	*	*	*	*	*	*	1,000	1,000
Marketing	-	-	-	*	*	*	*	*	*	2,000	2,000	2,000	6,000
<b>Total Operating Expenses</b>	<b>2,077</b>	<b>2,077</b>	<b>2,077</b>	<b>2,287</b>	<b>2,497</b>	<b>2,707</b>	<b>4,917</b>	<b>3,127</b>	<b>3,337</b>	<b>19,185</b>	<b>21,395</b>	<b>20,605</b>	<b>86,283</b>
<b>EBITDA</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>5,693</b>	<b>13,463</b>	<b>7,281</b>	<b>21,771</b>	<b>31,541</b>	<b>39,311</b>	<b>31,443</b>	<b>37,213</b>	<b>45,983</b>	<b>227,473</b>
Depreciation- Equipment				131	262	392	523	654	785	916	1,046	1,177	5,885
<b>EARNINGS BEFORE TAXES</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>(2,077)</b>	<b>5,563</b>	<b>13,202</b>	<b>6,889</b>	<b>21,248</b>	<b>30,887</b>	<b>38,527</b>	<b>30,528</b>	<b>36,167</b>	<b>44,806</b>	<b>221,587</b>
<b>Total Gain / Loss</b>	<b>(2,077)</b>	<b>(4,153)</b>	<b>(6,230)</b>	<b>(536)</b>	<b>12,927</b>	<b>20,208</b>	<b>41,980</b>	<b>73,521</b>	<b>112,832</b>	<b>144,276</b>	<b>181,489</b>	<b>221,587</b>	
Back to Stakeholders (50% back) \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,794
Back to Business (50% back) \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,794

\* Included in Startup Costs

**APPENDIX J: 3-YEAR PRO FORMA (BEST CASE)**

**YEAR 2**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	350	350	350	350	350	350	350	350	350	350	350	350	
Customers	240	264	288	312	336	360	384	408	432	456	480	504	
<b>Gross Sales</b>	84,000	92,400	100,800	109,200	117,600	126,000	134,400	142,800	151,200	159,600	168,000	176,400	1,562,400
<b>Cost of Goods Sold</b>													
Unit Cost	5,232	5,232	5,232	5,232	5,232	5,232	5,232	5,232	5,232	5,232	5,232	5,232	
Commission (5%)	4,200	4,620	5,040	5,460	5,880	6,300	6,720	7,140	7,560	7,980	8,400	8,820	
<b>Gross Profit</b>	74,568	82,548	90,528	98,508	106,488	114,468	122,448	130,428	138,408	146,388	154,368	162,348	1,421,496
<b>Operating Expenses</b>													
Credit Card Processing Fee	2,100	2,310	2,520	2,730	2,940	3,150	3,360	3,570	3,780	3,990	4,200	4,410	39,060
Coworking Space	945	945	945	945	945	945	945	945	945	945	945	945	11,340
Hosting Services	314	314	314	314	314	314	314	314	314	314	314	314	3,768
Gas Reimbursements	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	16,704
Software Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	640	-	-	-	-	-	-	-	-	640
Salaries	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	24,801	297,612
Payroll taxes/benefits	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	3,385	40,624
Loan Payment	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	24,919
Legal & Accounting	-	-	-	360	-	-	-	-	-	-	-	-	1,000
Marketing	16,800	18,480	20,160	21,840	23,520	25,200	26,880	28,560	30,240	31,920	33,600	35,280	312,480
<b>Total Operating Expenses</b>	51,814	53,704	55,594	58,484	59,374	61,264	63,154	65,044	66,934	68,824	70,714	73,604	748,507
<b>EBITDA</b>	22,754	28,844	34,934	40,024	47,114	53,204	59,294	65,384	71,474	77,564	83,654	88,744	672,989
Depreciation- Equipment	1,308	1,439	1,570	1,700	1,831	1,962	2,093	2,224	2,354	2,485	2,616	2,747	24,329
<b>EARNINGS BEFORE TAXES</b>	21,446	27,405	33,364	38,324	45,283	51,242	57,201	63,160	69,120	75,079	81,038	85,997	648,660
<b>Total Gain / Loss</b>	22,754	51,598	86,532	126,556	173,670	226,874	286,168	351,552	423,026	500,591	584,245	648,660	
Back to Stakeholders (50% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324,330
Back to Business (50% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324,330

**APPENDIX J: 3-YEAR PRO FORMA (BEST CASE)**

**YEAR 3**

**Pro Forma Income 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	TOTAL
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
<b>Revenues</b>													
Subscription per month	350	350	350	350	350	350	350	350	350	350	350	350	
Customers	552	600	648	696	744	792	840	888	936	984	1,032	1,080	
<b>Gross Sales</b>	193,200	210,000	226,800	243,600	260,400	277,200	294,000	310,800	327,600	344,400	361,200	378,000	3,427,200
<b>Cost of Goods Sold</b>													
Unit Cost	73,248	10,464	10,464	10,464	10,464	10,464	10,464	10,464	10,464	10,464	10,464	10,464	
Commission (5%)	9,660	10,500	11,340	12,180	13,020	13,860	14,700	15,540	16,380	17,220	18,060	18,900	
<b>Gross Profit</b>	110,292	189,036	204,996	220,956	236,916	252,876	268,836	284,796	300,756	316,716	332,676	348,636	3,067,488
<b>Operating Expenses</b>													
Credit Card Processing Fee	4,830	5,250	5,670	6,090	6,510	6,930	7,350	7,770	8,190	8,610	9,030	9,450	85,680
Coworking Space	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	1,512	18,144
Hosting Services	628	628	628	628	628	628	628	628	628	628	628	628	7,536
Gas Reimbursements	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	2,784	33,408
Software Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	640	-	-	-	-	-	-	-	-	640
Salaries	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	34,801	417,612
Payroll taxes/benefits	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	57,004
Loan Payment	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	2077	24,919
Legal & Accounting	-	-	-	360	-	-	-	-	-	-	-	1,000	1,360
Marketing	28,980	31,500	34,020	36,540	39,060	41,580	44,100	46,620	49,140	51,660	54,180	56,700	514,080
<b>Total Operating Expenses</b>	80,362	83,302	86,242	90,182	92,122	95,062	98,002	100,942	103,882	106,822	109,762	113,702	1,160,383
<b>EBITDA</b>	29,930	105,734	118,754	130,774	144,794	157,814	170,834	183,854	196,874	209,894	222,914	234,934	1,907,105
Depreciation- Equipment	3,008	3,270	3,532	3,793	4,055	4,316	4,578	4,840	5,101	5,363	5,624	5,886	53,366
<b>EARNINGS BEFORE TAXES</b>	26,922	102,464	115,222	126,981	140,739	153,498	166,256	179,014	191,773	204,531	217,290	229,048	1,853,739

<b>Total Gain / Loss</b>	29,930	135,664	254,418	385,192	529,986	687,800	858,634	1,042,488	1,239,362	1,449,257	1,672,171	1,853,739	
Back to Stakeholders (75% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,390,304
Back to Business (25% back) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 463,435

## APPENDIX K: VALUATION (MOST LIKELY)

### EBITDA Valuation

EBITDA (Year 3)	582,165
Multiple*	15.4
Value	8,965,335
+ Cash*	145,541
- Debt*	0
<b>Equity Value</b>	<b>9,110,876</b>

#### Discounted to PV

FV	9,110,876
N	3
IRR	25%
PV	(\$4,664,769)

<u>Owner</u>	<u>Equity %</u>	<u>FV</u>	<u>Orig Invest</u>	<u>Length</u>	<u>ROI</u>
Investor's	15% \$	1,366,631	\$ (163,570)	3	836%

	<u>EBITDA</u>
Post Money	\$ 4,664,769
Pre Money	\$ 4,795,625

### Revenue Valuation

Revenue (Year 3)	1,530,000
Multiple*	2.42
Value	3,702,600
+ Cash*	145,541
- Debt*	0
<b>Equity Value</b>	<b>3,848,141</b>

#### Discounted to PV

FV	3,848,141
N	3
IRR	25%
PV	(\$1,970,248)

<u>Owner</u>	<u>Equity %</u>	<u>FV</u>	<u>Orig Invest</u>	<u>Length</u>	<u>ROI</u>
Investor's	15% \$	577,221	\$ (163,570)	3	353%

	<u>EBITDA</u>
Post Money	\$ 1,970,248
Pre Money	\$ 2,133,818

APPENDIX L: VALUATION (WORST CASE)

**EBITDA Valuation**

EBITDA (Year 3)	115,675
Multiple*	15.4
Value	1,781,390
+ Cash'	28,919
- Debt'	0
<u>Equity Value</u>	<u>1,810,309</u>

Discounted to PV	
FV	1,810,309
N	3
IRR	25%
PV	(\$926,878)

<u>Owner</u>	<u>Equity %</u>	<u>FV</u>	<u>Orig Invest</u>	<u>Length</u>	<u>ROI</u>
Investor's	51% \$	923,257	\$ (163,570)	3	564%

	<u>EBITDA</u>
Post Money	\$ 926,878
Pre Money	\$ 1,057,734

**Revenue Valuation**

Revenue (Year 3)	367,200
Multiple*	2.42
Value	888,624
+ Cash'	28,919
- Debt'	0
<u>Equity Value</u>	<u>917,543</u>

Discounted to PV	
FV	917,543
N	3
IRR	25%
PV	(\$469,782)

<u>Owner</u>	<u>Equity %</u>	<u>FV</u>	<u>Orig Invest</u>	<u>Length</u>	<u>ROI</u>
Investor's	51% \$	467,947	\$ (163,570)	3	286%

	<u>EBITDA</u>
Post Money	\$ 469,782
Pre Money	\$ 633,352

## APPENDIX M: VALUATION (BEST CASE)

### EBITDA Valuation

EBITDA (Year 3)	1,981,863
Multiple*	15.4
<hr/> Value	<hr/> 30,520,684
+ Cash'	495,466
- Debt'	0
<hr/> <u>Equity Value</u>	<hr/> <u>31,016,150</u>

Discounted to PV

FV	31,016,150
N	3
IRR	25%
PV	(\$15,880,269)

<u>Owner</u>	<u>Equity %</u>		<u>FV</u>	<u>Orig Invest</u>	<u>Length</u>	<u>ROI</u>
Investor's	15%	\$	4,652,423	\$ (163,570)	3	2844%

### EBITDA

Post Money	\$ 15,880,269
Pre Money	\$ 16,011,125

### Revenue Valuation

Revenue (Year 3)	3,427,200
Multiple*	2.42
<hr/> Value	<hr/> 8,293,824
+ Cash'	495,466
- Debt'	0
<hr/> <u>Equity Value</u>	<hr/> <u>8,789,290</u>

Discounted to PV

FV	8,789,290
N	3
IRR	25%
PV	(\$4,500,116)

<u>Owner</u>	<u>Equity %</u>		<u>FV</u>	<u>Orig Invest</u>	<u>Length</u>	<u>ROI</u>
Investor's	15%	\$	1,318,393	\$ (163,570)	3	806%

Post Money	\$ 4,500,116
Pre Money	\$ 4,663,686

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