

BUDGET ASSUMPTIONS –EXHIBIT I

MAJOR ASSUMPTIONS USED IN DEVELOPING THE ESTIMATED FUTURE FINANCIAL DATA FOR THE GEM HUNTERS – GEM AND MINERAL MUSEUM/SHOP

The financial data is presented on a cash basis. A key assumption used in developing the estimated future financial data is that \$50,000 in common stock will be issued and paid for by investors during the period February 1, 2005 to June 1, 2006. If the stock proceeds are received at a later time, then all completion dates listed in the following assumptions should be adjusted accordingly.

The following major assumptions are an integral part of the data presented in financial forecast:

REVENUE

1. Starting in November 2005 total sales for 2005/06 are estimated at \$490,000 for the first full year of operations. This is historically possible as on June 1, 1970 Gary W. Bowersox with another partner purchased The Gem Tree jewelry store in Waikiki from Vern Peck. The first year the sales were \$639,400. On June of 1979 the annual sales were reported as \$914,959.14.
2. For the next two years, it is anticipated that total sales volume will increase by 30 percent per year.
3. Product sales are anticipated to approximately breakdown as follows:
 - Colored Gems 40 percent of total sales
 - Diamonds 30 percent of total sales
 - Finished jewelry, design and make up 20 percent
 - Mineral specimens and samples 10 percent

COST OF GOODS SOLD

4. Beginning Colored Gem Inventory will be \$500,000 (cost)
5. Diamond Inventory of \$75,000 will be on memo
6. Mineral specimens of \$30,000 will be on memo
7. Inventory Purchases – Calculated for the first year of operations
 - Gems = 60 percent of the expected gem sales for the year.
 - Diamonds = 90 percent of expected diamond sales for the year.
 - Jewelry = 70 percent of the expected jewelry sales for the year.
8. Ending Inventory – Calculated for 2005 to 2012, as follows:
 - Gems = The year's beginning inventory plus purchases less 50 percent of expected gem sales.

- Diamond = The year's beginning inventory plus purchases less 85 percent of expected diamond sales.
- Jewelry = The year's beginning inventory plus purchases less 65 percent of expected jewelry sales.

GROSS PROFIT:

9. Gross profit as a percentage of sales is anticipated to be about 60 percent on gems, diamonds under 20 points and jewelry and 25 percent on large diamonds over 20 points.

OPERATING EXPENSES:

10. Salaries and Wages – Estimated by anticipating the following personnel cost (Bonus to be offered to all employees if profit is over budget):

<u>Position</u>	<u>1st Year</u> <u>cost</u>	<u>2nd Year</u> <u>cost</u>	<u>3rd Year</u> <u>cost</u>	<u>4th Year</u> <u>cost</u>	<u>5th Year</u> <u>cost</u>
President	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000
Vice President	-0-	25,000	30,000	35,000	40,000
Secretary/Treasure	24,000	26,000	28,000	30,000	32,000
Sales Manager (1)	30,000	40,000	45,000	50,000	55,000
Salesman #1 (2)	24,000	30,000	35,000	40,000	50,000
Salesman #2 (2)	24,000	30,000	35,000	40,000	50,000
Salesman #3	-0-	24,000	30,000	35,000	40,000
Salesman #4	-0-	-0-	24,000	30,000	35,000
Geologist (3)	12,000	20,000	25,000	30,000	40,000
Office Assistant (4)	<u>15,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
TOTAL	<u>\$154,000</u>	<u>\$215,000</u>	<u>\$307,000</u>	<u>\$350,000</u>	<u>\$407,000</u>

Many people including the President will also be serving as consultants for GeoVision, Inc. Thus only a portion of their salaries will be paid by GHC.

- (1) The Sales Manager will receive \$500/month plus 5 percent of personal sales and an override of 2% on salesman's sales.
- (2) The Salesmen will receive \$500/month plus 5 percent of personal sales.
- (3) The Geologist will work two hours per day and increase one hour each year.
- (4) The office assistant will be a part time position.

11. Professional Fees – Expenses for yearly review and consulting work.
 12. Payroll Taxes – Estimated \$245 per employee (FUTA) and seven percent of total salaries and wages (FICA).
 13. Interest – Calculated at the rate of 10 percent a year on each year's average balance of the corporate loan by GeoVision, Inc.

14. Depreciation – Calculated on a straight-line basis for an average life of five years for each of the following fixed asset purchases.

<u>Year</u> <u>Purchase</u>	<u>Items</u>	<u>Estimated Cost</u>
1 st Year	Office fixture and equipment	\$20,000
	Office Design and decor	\$20,000
	Vault and displays	\$70,000
2 nd Year	Office fixtures and equipment	\$20,000
	Office design and décor	\$10,000

15. Total Operating Expenses – Total operating expenses as a percent of sales are anticipated to be from 5 to 15 percent.

16. Corporate Tax – An average effective corporate tax rate of 35 percent on net income.

CASH TO BE PROVIDED BY:

17. Net Income – Sales are assumed to be in cash. Operating expenses are assumed to be paid in cash in the year incurred.

18. Accounts payable - Accounts payable are calculated at 20 percent of the year's inventory purchases. The increase in the year-to-year accounts payable is an addition to expected cash sources.

19. Increases in Inventory – Inventory purchases are assumed to be paid in cash in the year incurred and adjusted by changes in the accounts payable balance.

20. Common Stock – Common stock will be offered in the first, third and fifth year's of operations.

CASH TO BE USED FOR:

21. Acquisition of Equipment, Office Makeup – Item 14 above lists the type of equipment, it's estimated costs and the fiscal year it is anticipated to be purchased.

FINANCING ACTIVITIES:

22. Proceeds from Sale of Common Stock – The following chart provides information on the anticipated source and the timing of the sale of equity:

<u>Year</u>	<u>GeoVision, Inc.</u>	<u>New Stockholders</u>	<u>Total</u>
2005	\$ 500,000	\$50,000	\$550,000
2006	50,000	100,000	150,000
2007	50,000	50,000	100,000
2008	30,000	70,000	100,000
2009	<u>-0-</u>	<u>100,000</u>	<u>100,000</u>
<u>TOTAL</u>	<u>\$ 630,000</u>	<u>\$ 370,000</u>	<u>\$ 1,000,000</u>

COMMISSIONS:

Liberal Commissions offered to build customer list:

1. OUTSIDE JEWELERS – 25%
2. TOUR AGENTS – 12%
3. OUTSIDE SALES STAFF – 10%
4. INSIDE SALES STAFF – 5%
5. INSIDE ADMINISTRATION – 2.5%