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BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

In Re Application of No. GA-079331 of
SURE-WAY SYSTEMS, INC.

DOCKET NO. TG-042089

For A Certificate of Public Convenience and
Necessity to Operate Motor Vehicles in
Furnishing Solid Waste Collection Service

**PREFILED TESTIMONY OF
NANETTE M. WALKER, CPA**

Nanette M. Walker, subject to penalties of perjury under the laws of the State of
Washington, declares and states as follows:

1. I am a Certified Public Accountant and the owner of my own Certified Public
Accounting firm, located in Ridgefield, Washington. I received a Bachelor of Business
Administration degree with a major in Accounting from Washington State University in 1977.
I have practiced public accounting since 1977. Prior to starting my own CPA firm in 1993, I
worked as a CPA in several positions with business entities and CPA firms. Immediately prior
to opening my own firm, I was a partner with the Certified Public Accounting firm of Moss
Adams in Vancouver, Washington, where I practiced public accounting for over 12 years.

1 2. During my years as a CPA with Moss Adams and subsequently with my own
2 firm, I have worked with solid waste collection companies engaged in business in the state of
3 Washington. I have assisted a number of Washington solid waste collection companies
4 regulated by the Washington Utilities & Transportation Commission in preparing their annual
5 reports to the Commission, in setting up their accounting systems to meet Commission
6 requirements, revising and filing tariffs and in making presentations to the Commission on rate
7 making issues. I have prepared the annual reports submitted to the Commission by Stericycle
8 for the last several years. I am familiar with the accounting standards and practices that the
9 Commission requires solid waste collection companies to follow in making their annual reports
10 to the Commission and that the Commission uses in regulating the rates of solid waste
11 collection companies, including biomedical waste collection companies. A copy of my resume
12 with additional information about my professional qualifications and work history is attached
13 hereto as Exhibit NMW-2.

14 3. I have analyzed the financial information presented by Sure-Way Systems, Inc.
15 (“Sure-Way”) in the attachments to the Prefiled Testimony of David Sullivan (Exhibit DS-1T)
16 and have received additional financial information, including revised 2003 and 2004 financial
17 statements directly from Sure-Way.¹ I have compared Sure-Way’s financial estimates and
18 projections to the cost and revenue experience of Stericycle of Washington, Inc. (“Stericycle”)
19 in serving eastern Washington biomedical waste generators in 2004. In some cases, the data on
20 Stericycle’s 2004 cost and revenue experience that I used for comparison purposes is found in
21 Stericycle’s 2004 annual report to the Commission. I have also relied on Stericycle’s internal
22 financial statements for 2004. A copy of Stericycle’s 2004 annual report to the Commission
23 and 2004 internal financial statements are exhibits to the Prefiled Testimony of Michael
24 Philpott. I have relied on some additional data from Stericycle’s records on its eastern
25

26 ¹ Sure-Way prepared revised financial statements for 2003 and 2004 after I identified certain
discrepancies or anomalies in the financial statements previously provided to Stericycle for those years.

1 Washington transportation and labor costs that are also presented in the Prefiled Testimony of
2 Michael Philpott.

3 4. Based on my analysis of Sure-Way's financial projections and historical
4 financial results and the historical experience of Stericycle in serving eastern Washington and
5 considering other reliable information referenced below, I have reached the following
6 conclusions:

7 (a) The data and projections presented by Sure-Way do not demonstrate that Sure-
8 Way can make a profit providing medical waste collection services within Sure-Way's
9 proposed service territory. In fact, at the revenue levels assumed by Sure-Way, Sure-Way is
10 likely to incur substantial losses for the foreseeable future.

11 (b) Sure-Way has assumed that it can achieve revenue levels equal to 25% of
12 Stericycle's existing revenues in eastern Washington at the end of Sure-Way's first 12 months
13 of operation and then has simply assumed costs that will allow it to make a profit by the end of
14 that period. Sure-Way has not demonstrated that it can actually serve the proposed service
15 territory at the costs assumed. The Commission will require Sure-Way to serve all generators
16 within its service territory without discrimination if its application for authority is granted. At
17 the revenue level assumed by Sure-Way, Stericycle's cost of operation in eastern Washington
18 demonstrate that Sure-Way will incur substantial losses in it first two years of operation and on
19 into the indefinite future.

20 (c) Sure-Way's pro forma projections do not reflect service to the entire service
21 territory covered by their application for authority. In particular, the transportation costs
22 projected by Sure-Way do not accurately reflect the cost of serving rural eastern Washington.
23 The number of miles and the number of driver hours projected are not realistic for a service that
24 must extend to the entire 12-county service territory covered by Sure-Way's application.

25 (d) Sure-Way's transportation cost assumptions indicate that Sure-Way does not
26 plan to serve the entire territory covered by its application. Because the Commission will

1 require Sure-Way to serve all Washington generators who request service in the territory
2 covered by its application without discrimination if its application for authority is granted, I
3 have revised Sure-Way's pro forma projections to reflect the costs that would be required to
4 serve customers in all of the 12 counties covered by Sure-Way's application. My estimates of
5 Sure-Way's financial results are set out in the "Revised Sure-Way Pro Forma" attached hereto
6 as Exhibit NMW-3.

7 (e) In preparing Exhibit NMW-3, I have revised Sure-Way's projected
8 transportation and labor costs based on Stericycle's actual experience serving generators in
9 eastern Washington. I have assumed that Sure-Way would have customers throughout its
10 proposed service territory. Route data for Stericycle's eastern Washington drivers described in
11 the Prefiled Testimony of Michael Philpott show that the average number of miles driven each
12 month by this group of drivers is 9,947. 97% of the stops made by these Stericycle drivers are
13 within the service territory covered by Sure-Way's application. See Exhibit NMW-4 which I
14 prepared from the route data presented in the Philpott testimony. Based on this relationship, I
15 have estimated that Stericycle's eastern Washington route truck drivers drive 97% of their
16 miles within the proposed Sure-Way service territory -- an average of 9,685 average miles per
17 month or 116,220 miles per year.

18 (f) Sure-Way would have to travel approximately the same distances to serve 25%
19 of Stericycle's existing customer base. Yet, Sure-Way has assumed that its route drivers would
20 drive an average of 2,000 miles per month (24,000 miles per year) in its first year of operation
21 and 3,500 miles per month (42,000 miles per year) in its second year. Sure-Way's mileage
22 assumptions are unrealistic.

23 (g) Driving 9,685 miles per month would require the services of at least three full
24 time drivers and vehicles. The 12 eastern Washington counties in which Sure-Way seeks
25 operating authority cover a large expanse of land. Stericycle advises that service once per
26 month to the locations where Stericycle currently has customers would require Sure-Way's

1 route truck drivers to cover an average of almost 10,000 miles per month from Sure-Way's
2 transportation base in Haden, Idaho. Even if Sure-Way only serves 25% of the generator
3 population in the proposed service territory, its drivers would have to cover almost 100% of the
4 ground. Although Sure-Way might not secure customers in all the counties right away, the
5 number of miles necessary to adequately service this area is much greater than the 2,000 miles
6 per month that Sure-Way has assumed in year 1 and 3,500 miles per month assumed in year 2.

7 (h) Stericycle has analyzed the time its route truck drivers spend performing the
8 three principal activities in which they are engaged: transportation (driving); customer service;
9 and yard activities (paperwork, truck safety checks, transfer of containers from route trucks to
10 highway trailers, etc.). Stericycle estimates that Sure-Way's route truck drivers would have
11 about the same driving time as Stericycle's route drivers and about 75% of the yard time to
12 serve 25% of Stericycle's existing customer base. Even if Sure-Way's route drivers spend only
13 25% of the time that Stericycle's drivers spend on direct customer service, the driver-hours
14 required for Sure-Way to serve 25% of the generators in the proposed service territory would
15 be 6,360 hours per year or 530 hours per month. Assuming Sure-Way's drivers work a 40-hour
16 week, Sure-Way's proposed service would require three (3) full-time drivers.² However, Sure-
17 Way's financial projections are based on the assumption that Sure-Way will serve the entire 12-
18 county service territory with only one part-time (70% FTE) driver. This is not realistic.

19 (i) I have prepared revised pro forma income statements for Sure-Way's first two
20 years of operation, based on Stericycle's transportation cost data. See Exhibit NMW-3. As
21 shown in the revised pro formas, Sure-Way would lose \$120,000 in the first year as service
22 revenue is growing and \$177,000 each year thereafter. The revised pro forma shows that Sure-
23 Way cannot generate a profit securing only 25% of the market if it serves the entire area it
24 covered by its application.

25
26 ² 40 hrs./week x 4.33 weeks/month = 173 hours per month.

1 (j) The adjustments incorporated into the Revised Sure-Way Pro Forma (Exhibit
2 NMW-3) that I believe are necessary to more accurately project Sure-Way's likely financial
3 results in the first two years of its operations, if the application is granted, are as follows:

4 Additional Driver expense -- 3 full time route drivers instead of one part-time (70%)
5 route driver -- add \$36,610 to Labor and related fringes in year 1 and \$93,134 to Labor and
6 related fringes in year 2³

7 Additional Route Truck expense for additional mileage -- add \$ 31,772 to Pickup
8 Vehicle cost in year 1 and \$ 74,036 to Pickup Vehicle cost in year 2.⁴

9 Additional Long Haul Truck expense -- add \$13,442 to Long Haul Vehicle cost in year
10 1 and \$11,664 to Long Haul Vehicle cost in year 2.⁵

11 Add Other Equipment Expense in Year 2 -- Sure-Way had an expense for this item in
12 year 1 but none in year two, so I added the same cost of \$1,000 to year 2.

13 Add sales auto expense -- add \$7,147 to Travel Fuel for Manager cost in year 1 and
14 \$13,365 in year 2.⁶

15 Add general liability and property insurance -- add \$ 1,433 in year 1 and \$ 2,680 in year
16 2.⁷

17 (k) Sure-Way indicates in the Prefiled Testimony of David Sullivan that it would
18 fund the new operation out of the cash flow of generated by its existing business. However,
19 Sure-Way's financial statements for 2004 indicate that Sure-Way's existing business is cash
20 flow negative. Even in the revised 2004 income statement provided by Sure-Way (Exhibit
21 NMW-5); Sure-Way does not show a positive cash flow. After a discussion with Sure-Way
22 representatives in which they indicated a suspense account that was called "Holding" was
23 going to be expensed for 2004, I adjusted Sure-Way's revised 2004 financial statement which

24 ³ \$15 per hour per Sure-Way pro forma x 2,080 hours per year x 3 drivers plus fringes and payroll taxes
25 using Sure-Way's load factors.

26 ⁴ 9,685 miles = average route miles per month x \$.89 per mile (Stericycle's Truck Operating Expenses
of \$671,585 divided by 752,558 operating miles in Washington per WUTC Annual Report for 2004).

⁵ At Stericycle's \$1.31 cost per mile actual experience vs. University of Iowa national average of \$1 per
mile. \$1.31 per mile x 14,400 miles per Sure-Way pro forma.

⁶ Sure-Way has assumed that its Regional Sales Manager will travel two weeks per month and has
provided for related "per diem" expense of \$50/day but has not provided for expenses associated with
the vehicle or its fuel (9,685 miles @ 20 mpg x \$ 2.30 per gallon gas for 12 months = \$ 13,365).

⁷ As a percentage of revenue, based on Stericycle insurance cost. Sure-Way did not project any
insurance expense.

1 then shows a loss of \$96,288 and a cumulative negative cash flow of \$ 26,939. Thus, Sure-
2 Way's existing business does not generate cash that could be used to fund the start-up costs and
3 losses anticipated from its proposed service in Washington. The cash requirements of Sure-
4 Way's existing business are being funded by borrowing.

5 (l) Sure-Way would need to obtain financing from a bank or additional capital
6 contributions from its shareholders to fund the losses expected in the proposed Washington
7 operations. However, Sure-Way's "current ratio" -- the ratio of its current assets to its current
8 liabilities⁸ -- would probably not permit Sure-Way to borrow sufficient funds to initiate the
9 proposed Washington service. A company's "current ratio" is an indication of a company's
10 ability to pay its most immediate debt obligations. Most banks require a potential borrower to
11 maintain a current ratio of 1.50 to 2.00; i.e., most banks require that a borrower's current assets
12 exceed its current liabilities by 50% to 100%. However, Sure-Way's current ratio at December
13 31, 2004 was 0.57; i.e., Sure-Way's current liabilities substantially exceeded its current assets.
14 In fact, Sure-Way's current assets were only about 56% of its current liabilities. Sure-Way's
15 current ratio describes a company that is having difficulty paying its most immediate debts as
16 they become due. It would be very difficult and very expensive for Sure-Way to obtain
17 additional financing with this current ratio.

18 (m) In response to Stericycle's data requests in this proceeding, Sure-Way reported
19 that it had not filed its 2003 or 2004 federal income tax returns. Even with extensions
20 permitted by the Internal Revenue Service, Sure-Way has violated its obligations under the
21 Internal Revenue Code by failing to file its 2003 federal income tax return by this late date.
22 Sure-Way's 2003 federal income tax return is clearly delinquent. When asked to explain why it
23 had failed to file its 2003 federal tax return within the time required by law, Sure-Way reported
24

25 ⁸ "Current assets" are cash assets and assets (primarily accounts receivable) that can be expected to
26 convert to cash within 12 months. "Current liabilities" are liabilities that must be paid within the same
period. The "current ratio" is an indicator of whether a company is able to pay its debts as they come
due.

1 that it owed money to its auditors at the end of 2003 and did not pay its auditors what was owed
 2 to them until late in 2004, when it was decided to combine the accounting work needed to
 3 prepare the 2003 tax return and audited financial statements with the work required to prepare
 4 the 2004 tax return and audited financial statements. Sure-Way's inability to fund the basic
 5 financial requirements of its existing business are thus apparent. There is no reason to believe
 6 that Sure-Way's existing business can fund the start-up costs of a new service in Washington
 7 when Sure-Way's existing operations cannot even fund normal and prudent business practices,
 8 including one of the most basic requirements of its existing business -- compliance with the
 9 Internal Revenue Code.

10 DATED this 18 day of July, 2005.

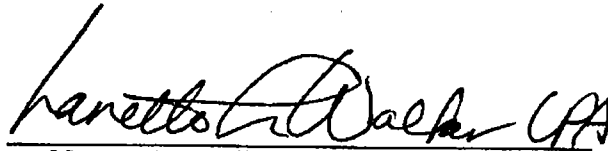
11 
 12 Nanette M. Walker, CPA

Exhibit NMW-2

ANETTE M. WALKER C.P.A.

745 S. 21ST PLACE
RIDGEFIELD, WA. 98642
(360) 887-4659 (360) 887-1614 – Fax
nwcpa@wscpa.net – e-mail

EXHIBIT NMW-2

PROFESSIONAL EXPERIENCE

- ◆ Owner - Nanette M. Walker C.P.A. - a Certified Public Accounting firm. Primarily engaged in providing accounting, tax, and business management services to construction, marine, manufacturing and service businesses as well as testifying for solid waste clients at the WUTC, litigation proceedings and analysis projects for large international businesses. 1993 to Present.
- ◆ Strategic partner – Veber Partners – Portland, OR. Private Investment Banking Services including mergers and acquisitions. 1999 – Present.
- ◆ Partner - Moss Adams - Accounting services, tax, management consulting and general business consulting for manufacturing, solid waste and construction companies. Supervised staff, supervisors and managers. Coordinated management meetings and was instrumental in developing, writing and implementing a regional firm strategic plan. Testified for clients at State agencies. Able to handle many diverse projects and clients at any one time while maintaining high productivity and timeliness. 1981-1993
- ◆ Internal Auditor - Red Lion Hotels and Inns - Executive Office
Responsible for internal audits, hiring and training of accounting office managers in three states, and preparation of year-end financial statements for large hospitality company. 1978-1981
- ◆ Staff Accountant - Franklin, Mayhan, Mains and Pfaff C.P.A.s
Experience in a local CPA firm working with many supervisors on tax and accounting projects. 1977-1978
- ◆ Teaching positions and speaking engagements - numerous programs and courses at colleges and professional groups. 1978-1996

EDUCATION

Washington State University - Bachelor of Business Administration - Major - Accounting 1977
Clark Community College - Associates of Arts and Sciences 1975
Stanford Business Management College 1992

PROFESSIONAL ACTIVITIES

Strategic Planning Committee – WSCPA – 2000 to Present Two years as Chair.
Chair – 21st Century Task Force – WSCPA to 1999
Secretary - Washington Society of CPAs - 1998
Board of Directors - Washington Society of CPAs 1989 - 1994
Treasurer - Washington Society of CPAs 1991
Chair/Member - Individual Practitioners Committee - WSCPA 1995-1999
Environmental Management Committee - WSCPA 1993-1995
President, Vice president, Treasurer and Board of local chapter of WSCPA 1982-1993
Board of Directors, Secretary, Treasurer, V.P. - Clark County Estate Planning Council 1987-1993
Board of Directors and President - Vancouver Trade Club 1984-1990
Executive Round Table Committee - Columbia River Economic Development Council 92-94

COMMUNITY ACTIVITIES

WSU Vancouver - College of Business and Economics Advisory Board – 2000 - Present
Planned Giving Advisory Board – Portland, Or. - Washington State University – 1996 – Present
Portfolio Committee – Clark County YWCA – 2002-Present
Chair - Finance committee - YWCA 1985 to 2002
Treasurer of Clark County YWCA 1992-1994
Board of Directors - Clark County YWCA 1990-1991
Founding member of the Bon Vivante Societe' 1981 to Present

Exhibit NMW-3

SURE-WAY SYSTEMS, INC.
 REVISED SURE-WAY PRO FORMA INCOME STATEMENTS

EXHIBIT NMW-3

	Year 1 REVISED Net Proforma	Year 2 REVISED Net Proforma	NOTE
Sales Revenue	\$162,833	\$304,519	3
Operations Expenses:			
Labor Wages	50,048	93,600	2,4
Payroll Taxes	5,775	10,801	5
Workers Comp	3,684	6,889	5
Empl Health Insur	5,448	10,188	5
Installation Costs: Collection Containers	6,513	12,180	
Pickup Vehicle Cost	48,573	103,436	6
Rent Idaho transfer station	450	450	
Long-Haul Vehicle Cost @ \$1.00/mile	17,292	18,864	7
Plant Processing Expense (incl Landfill)	50,883	95,158	
Operating Taxes	16,609	31,061	
Taxes (B&O) @ Rev X .00484	788	1,474	
Other Taxes	2,400	2,400	
Supplies	1,628	1,628	
Other Equipment Expense	1,000	1,000	8
Sales & Marketing (Regional Sales Mgr)	28,800	28,800	
Payroll Taxes	3,323	3,323	
Workers Comp	2,120	2,120	
Empl Health Insur	2,717	2,717	
Travel	6,000	6,000	
Licensing	1,680	1,680	
Other Labor	12,513	23,400	
Payroll Taxes	1,070	2,001	
Admin Workers Comp	921	1,722	
Office supplies	600	600	
Postage	1,048	1,048	
Printing	1,416	1,413	
Telephone	1,200	1,200	
Travel fuel for Mgr	7,147	13,365	9
General Liability & property insurance	1,433	2,680	10
All Operating expenses	283,076	481,200	
Net Profit (Loss)	(\$120,243)	(\$176,681)	

SURE-WAY SYSTEMS, INC.
REVISED SURE-WAY PRO FORMA INCOME STATEMENTS

EXHIBIT NMW-3

NOTE A - **

Adjusted those expenses for an increasing activity totalling 53.47% for the year

NOTE B -

Year 2 - see Revised SW proforma tab for details

SURE-WAY SYSTEMS, INC.
 REVISED SURE-WAY PRO FORMA INCOME STATEMENTS
 WITH STERICYCLE ADJUSTMENTS

EXHIBIT NMW-3

	Year 1		Year 1		Year 2		Year 2		NOTE
	per SWS	Adjustments Note A	REVISIED Net Proforma Assuming monthly increase in activity	REVISIED Net Proforma	per SWS	Adjustments Note B	REVISIED Net Proforma		
Sales Revenue	162,833		\$162,833		304,519		\$304,519	3	
<u>Operations Expenses:</u>									
Labor Wages	21,840	28,208	50,048		21,840	71,760	93,600	2,4	
Payroll Taxes	2,520	3,255	5,775		2,520	8,281	10,801	5	
Workers Comp	1,607	2,077	3,684		1,607	5,282	6,889	5	
Empl Health Insur	2,377	3,071	5,448		2,377	7,811	10,188	5	
Installation Costs: Collection Containers	6,513	0	6,513		12,180	0	12,180	6	
Pickup Vehicle Cost	16,800	31,773	48,573		29,400	74,035	103,435	6	
Rent Idaho transfer station	450	0	450		450	0	450	7	
Long-Haul Vehicle Cost @ \$1.00/mile	3,850	13,442	17,292		7,200	11,664	18,864	7	
Plant Processing Expense (incl Landfill)	50,883	0	50,883		95,158	0	95,158	8	
Operating Taxes	16,609	0	16,609		31,061	0	31,061	8	
Taxes (B&D) @ Rev X .00484	788	(0)	788		1,474	0	1,474	8	
Other Taxes	2,400	0	2,400		2,400	0	2,400	8	
Supplies	1,628	0	1,628		1,628	0	1,628	8	
Other Equipment Expense	1,000	0	1,000		0	1,000	1,000	8	
Sales & Marketing (Regional Sales Mgr)	28,800	0	28,800		28,800	0	28,800	8	
Payroll Taxes	3,323	0	3,323		3,323	0	3,323	8	
Workers Comp	2,120	0	2,120		2,120	(0)	2,120	8	
Empl Health Insur	2,717	0	2,717		2,717	(0)	2,717	8	
Travel	6,000	0	6,000		6,000	0	6,000	8	
Licensing	1,680	0	1,680		1,680	0	1,680	8	
Other Labor	12,513	0	12,513		23,400	0	23,400	8	
Payroll Taxes	1,070	0	1,070		2,001	0	2,001	8	
Admin Workers: Comp	921	0	921		1,722	0	1,722	8	
Office supplies	600	0	600		600	0	600	8	
Postage	1,048	0	1,048		1,048	0	1,048	8	
Printing	1,416	0	1,416		1,416	0	1,416	8	
Telephone	1,200	0	1,200		1,200	0	1,200	8	
Travel fuel for Mgr	0	7,147	7,147		0	13,365	13,365	9	
General Liability & property insurance	0	1,433	1,433		0	2,680	2,680	10	
All Operating expenses	192,672	90,405	283,076		285,322	195,878	481,200		
Net Profit before Income Tax	(29,839)	(90,405)	(\$120,243)		19,197	(195,878)	(\$176,681)		

SURE-WAY SYSTEMS, INC.
REVISED SURE-WAY PRO FORMA INCOME STATEMENTS
WITH STERICYCLE ADJUSTMENTS

NOTE A-
Adjusted variable expenses for an increasing
activity totalling 53.47% for the year

NOTE B -
Year 2 - see Revised SW proforma tab
for details

SURE-WAY SYSTEMS, INC.
 REVISED SURE-WAY PRO FORMA CASH FLOW

EXHIBIT NMW-3

	<u>Year 1</u>	<u>Year 2</u>	<u>NOTE</u>
<u>Cash Flow from Operations</u>			
Net Income (Loss)	(\$120,243)	(\$176,681)	
(Increase) Decrease in Current Assets	\$13,569	\$11,807	12
Increase (Decrease) in Current Liabilities	\$23,590	\$16,510	13
Cash Provided by (Used In) Operations	<u>(\$83,084)</u>	<u>(\$148,363)</u>	
<u>Financing Cash Flows</u>			
Cash Needed	<u>\$83,084</u>	<u>\$148,363</u>	14,15
Net Increase (Decrease) in Cash	\$0	\$0	
Beg Cash Balance	\$1,000	\$1,000	3
End Cash Balance	<u>\$1,000</u>	<u>\$1,000</u>	
Accumulated cash need year 1 & 2		<u>\$231,447</u>	

SURE-WAY SYSTEMS, INC.
 REVISED SURE-WAY PRO FORMA BALANCE SHEET

EXHIBIT NMW-3

	Year 1	Year 2	NOTE
ASSETS			
CURRENT ASSETS:			
CASH	\$0	\$0	
ACCOUNTS RECEIVABLE	13,569	25,377	12
TOTAL CURRENT ASSETS	13,569	25,377	
LONG TERM ASSETS:			
	0	0	
TOTAL ASSETS	\$13,569	\$25,377	
LIABILITIES AND EQUITY			
LIABILITIES:			
ACCRUED ACCOUNTS PAYABLE	\$23,590	\$40,100	13
ACCRUED Liabilities	110,223	282,200	14
TOTAL LIABILITIES	133,813	322,300	
EQUITY			
CAPITAL INVESTMENT			
<i>Note:</i> No funding available from other SWS operations - see Exhibit NMW -5			
RETAINED EARNINGS	(120,243)	(296,924)	
TOTAL EQUITY	(120,243)	(296,924)	
TOTAL LIAB & EQUITY	\$13,569	\$25,377	

SURE-WAY SYSTEMS, INC.
 REVISED SURE-WAY PRO FORMA INCOME STATEMENT, BALANCE SHEET & CASH FLOW
 NOTES TO REVISED PROFORMA

	Year 1	Year 2
NOTE 1	Based on Sales increasing, expenses as projected or adjusting for entire area to be covered	Adj remarks
NOTE 2	9,685 is average route miles per month to cover entire area in application	9,685 is average route miles per month to cover entire area in application
NOTE 3	Per Sure Way	Used Sure Way assumption sales increased over time
NOTE 4	3 drivers necessary to cover area once per month. \$15/hr x 3 drivers x 2080 hrs/yr	3 drivers necessary to cover area once per month. \$15/hr x 3 drivers x 2080 hrs/yr
NOTE 5	Corresponding tax & fringe increases based on Sure-Way	Corresponding tax & fringe increases based on Sure-Way
NOTE 6	Will need to cover area applied for even if only one customer is present in each area and \$.70/m is low based on actual experience in area.	Stericycle \$.89/m is an actual number for this type of service vs a national average. Additional miles added - see above

SURE-WAY SYSTEMS, INC.
 REVISED SURE-WAY PRO FORMA INCOME STATEMENT, BALANCE SHEET & CASH FLOW
 NOTES TO REVISED PROFORMA
 NOTE 7

Used Stericycle's Long Haul cost per mile in Eastern Washington. It appears as if the \$1 used is an Iowa University statistic and not an actual experience number.

Assume error in omitting

Used Stericycle's Long Haul cost per mile in Eastern Washington. It appears as if the \$1 used is an Iowa University statistic and not an actual experience number.

NOTE 8 Assume error in omitting

Assume one trip per month to cover all of the application area - 9,685 miles @ 20 mpg (conservative est) @ \$2.30/gallon (conservative est)

NOTE 9 Assume one trip per month to cover all of the application area - 9,685 miles @ 20 mpg (conservative est) @ \$2.30/gallon (conservative est)

NOTE 10

Insurance is a necessary expense in operating any business - Stericycle's insurance is .88 % of sales

Insurance is a necessary expense in operating any business. Stericycle's insurance is .88 % of sales

No cash available from other Sure-Way operations

NOTE 11 No cash available from other Sure-Way operations

Assume same 1/12 as Sure-Way

NOTE 12 Assume same 1/12 as Sure-Way

Assume 1/12 of expenses

NOTE 13 Assume 1/12 of expenses

Debt needed to fund loss less Accts. Payable

NOTE 14 Debt needed to fund loss less Accts. Payable

No cash available from other Sure-Way operations

NOTE 15 No cash available from other Sure-Way operations

Sure-Way 2004 operations as adjusted show no ability to fund

NOTE 16 Sure-Way 2004 operations as adjusted show no ability to fund

Debt is the only mechanism to fund loss

NOTE 17 Debt is the only mechanism to fund loss

SURE-WAY SYSTEMS, INC.	WA BICHAZARD WASTE DISPOSAL DIVISION PROFORMA PROFIT & LOSS STATEMENT												Annualized Year Mth 12 '12	
	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12		Year
No. of Hospital Beds Serviced (target 25% market share of 1,700 bed Eastern WA market)	60	60	60	60	60	60	60	60	60	60	60	60	100	500
Total Hospital beds serviced	60	60	60	60	60	60	60	60	60	60	60	60	100	500
Gallons of waste estimate (Sharps and RIMM)	7,200	7,200	7,200	14,400	14,400	21,600	21,600	31,200	38,400	48,000	48,000	60,000	312,000	720,000
Pickup Route Miles/month	1,300	1,300	1,300	1,600	1,600	1,900	1,900	2,300	2,600	3,000	3,000	3,500	24,000	42,000
Long-Haul Miles/month	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	13,200	14,400
\$50 \$ Revenue per bed per month														
Sales Revenue	\$4,229	\$5,344	\$6,344	\$8,459	\$10,574	\$12,688	\$14,803	\$16,918	\$19,032	\$21,147	\$23,262	\$25,377	\$162,833	\$304,519
Average revenues per gallon	#DIV/0!	\$0.59	\$0.88	\$0.59	\$0.73	\$0.59	\$0.69	\$0.54	\$0.50	\$0.44	\$0.48	\$0.42	\$0.42	\$0.42
Operational Expenses:														
Labor Hours	121	121	121	121	121	121	121	121	121	121	121	121	1,456	1,456
Labor Wages	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$1,820	\$21,840	\$21,840
Payroll Taxes	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$2,520	\$2,520
Workers Comp	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$1,607	\$1,607
Empl Health Insur	\$198	\$198	\$198	\$198	\$198	\$198	\$198	\$198	\$198	\$198	\$198	\$198	\$2,377	\$2,377
Installation Costs: Collection Containers	\$169	\$254	\$338	\$423	\$508	\$592	\$677	\$761	\$846	\$930	\$930	\$1,015	\$6,513	\$12,180
Pickup Vehicle Cost	\$910	\$910	\$910	\$1,120	\$1,120	\$1,330	\$1,330	\$1,610	\$1,820	\$2,100	\$2,100	\$2,450	\$16,800	\$29,400
Rent Idaho transfer station	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$450	\$450
Long-Haul Veh. cle Cost @ \$1.00/mile	\$100	\$150	\$200	\$250	\$300	\$350	\$400	\$450	\$500	\$550	\$550	\$600	\$3,850	\$7,200
Plant Processing Expense (incl Landfill)	\$1,322	\$1,982	\$2,643	\$3,304	\$3,965	\$4,626	\$5,287	\$5,947	\$6,608	\$7,269	\$7,930	\$8,591	\$50,883	\$95,158
Operating Taxes	\$431	\$647	\$863	\$1,079	\$1,294	\$1,510	\$1,726	\$1,941	\$2,157	\$2,373	\$2,588	\$2,804	\$16,609	\$31,061
Taxes (BEO) @ Rev X .00484	\$20	\$31	\$41	\$51	\$61	\$72	\$82	\$92	\$102	\$113	\$123	\$133	\$788	\$1,474
Other Taxes	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$2,400	\$2,400
Supplies	\$42	\$63	\$85	\$106	\$127	\$148	\$169	\$190	\$211	\$233	\$254	\$275	\$1,628	\$1,628
Other Equipment Expense	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal Direct Expenses	\$4,000	\$5,394	\$6,437	\$8,290	\$9,985	\$11,627	\$13,350	\$15,073	\$16,841	\$18,609	\$20,377	\$22,145	\$129,266	\$209,295
Gross Profit	(\$4,000)	(\$1,165)	(\$93)	\$169	\$1,841	\$2,703	\$3,176	\$4,568	\$5,431	\$6,523	\$7,295	\$8,017	\$33,567	\$85,224
Gross Profit %	#DIV/0!	(28)%	(1)%	2%	17%	21%	21%	27%	29%	27%	31%	32%	21%	31%

	WA BIOHAZARD WASTE DISPOSAL DIVISION PROFORMA BALANCE SHEET												Selected Inc (Dec)				
	Initial Values	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11		Mth 12	Year 1		
ASSETS																	
CURRENT ASSETS:																	
CASH	\$1,000	\$2,377	\$1,651	\$1,923	\$1,269	\$1,099	\$1,602	\$1,789	\$1,981	\$1,847	\$1,616	\$1,669	\$1,356	\$1,867	\$1,867		
ACCOUNTS RECEIVABLE			\$4,729	\$5,344	\$9,459	\$10,574	\$12,686	\$14,503	\$16,916	\$19,032	\$21,147	\$23,262	\$25,377	\$25,377	\$25,377		
MATERIALS (Containers expensed as put in service.)																	
SUPPLIES																	
TOTAL CURRENT ASSETS	\$1,000	\$2,377	\$5,880	\$8,267	\$9,728	\$11,672	\$14,290	\$16,592	\$18,898	\$20,879	\$22,763	\$24,931	\$26,732	\$27,244	\$27,244		
LONG TERM ASSETS:																	
EQUIPMENT (Other miscellaneous equipment. Vehicles are already owned, and are charged as an "all-in" mileage rate.)	\$1,000																
TOTAL LONG TERM ASSETS	\$1,000																
TOTAL ASSETS	\$2,000	\$2,377	\$5,880	\$8,267	\$9,728	\$11,672	\$14,290	\$16,592	\$18,898	\$20,879	\$22,763	\$24,931	\$26,732	\$27,244	\$27,244		
LIABILITIES AND EQUITY																	
LIABILITIES:																	
ACCRUED ACCOUNTS PAYABLE																	
ACCRUED Liabilities																	
ACCRUED other																	
Operations funding allocated from Corporate	\$2,000	\$12,000	\$21,000	\$28,000	\$34,000	\$39,000	\$44,000	\$48,400	\$51,600	\$53,800	\$55,900	\$56,600	\$56,800	\$44,800	\$44,800		
TOTAL LIABILITIES	\$2,000	\$12,000	\$21,000	\$28,000	\$34,000	\$39,000	\$44,000	\$48,400	\$51,600	\$53,800	\$55,900	\$56,600	\$56,800	\$44,800	\$44,800		
EQUITY																	
CAPITAL INVESTMENT																	
Retained Earnings																	
RETAINED EARNINGS																	
TOTAL EQUITY																	
TOTAL LIAB & EQUITY	\$2,000	\$2,377	\$5,880	\$8,267	\$9,728	\$11,672	\$14,290	\$16,592	\$18,898	\$20,879	\$22,763	\$24,931	\$26,732	\$27,244	\$27,244		

	WA BIOHAZARD WASTE DISPOSAL DIVISION PROFORMA CASH FLOW STATEMENT												Year		
	Initial Values	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11		Mth 12	
Cash Flow from Operations		(\$9,623)	(\$5,497)	(\$4,613)	(\$4,539)	(\$3,056)	(\$2,382)	(\$2,098)	(\$894)	(\$219)	(\$216)	\$1,268	\$1,801	(\$30,068)	\$12,512
Net Income (Loss)			(\$4,229)	(\$2,115)	(\$2,115)	(\$2,115)	(\$2,115)	(\$2,115)	(\$2,115)	(\$2,115)	(\$2,115)	(\$2,115)	(\$2,115)	(\$25,377)	
(Increase) Decrease in Current Assets															
Increase (Decrease) in Current Liabilities															
Cash Provided by (Used in) Operations		(\$9,623)	(\$9,726)	(\$6,728)	(\$6,654)	(\$5,171)	(\$4,497)	(\$4,212)	(\$3,009)	(\$2,354)	(\$2,351)	(\$847)	(\$313)	(\$55,444)	\$12,512
Investing Cash Flows															
(Assets are already owned by SWS. Vehicles and Plant are expensed as utilized.)															(\$1,000)
Financing Cash Flows															
Cash Flow from Operations directed to WA for startup phase	\$2,000	\$10,000	\$9,000	\$7,000	\$6,000	\$5,000	\$5,000	\$4,400	\$3,200	\$2,200	\$2,100	\$900		\$56,800	(\$12,000)
Debt Financing															
	\$2,000	\$10,000	\$9,000	\$7,000	\$6,000	\$5,000	\$5,000	\$4,400	\$3,200	\$2,200	\$2,100	\$900		\$56,800	(\$12,000)
Net Increase (Decrease) in Cash	\$2,000	(\$623)	(\$726)	(\$272)	(\$654)	(\$171)	\$503	\$188	\$191	(\$134)	(\$231)	\$53	(\$313)	\$356	\$512
Beg Cash Balance	\$1,000	\$3,000	\$2,377	\$1,651	\$1,923	\$1,269	\$1,039	\$1,602	\$1,789	\$1,847	\$1,616	\$1,616	\$1,669	\$1,000	\$1,356
End Cash Balance	\$3,000	\$2,377	\$1,651	\$1,923	\$1,269	\$1,039	\$1,602	\$1,789	\$1,981	\$1,847	\$1,616	\$1,669	\$1,356	\$1,356	\$1,867

Cell: A10
Comment: DS: Mileage outside Spokane is estimated at 1,000 per month. One monthly trip is expected. Other pickups are estimated at approximately 5 mi each to have a reasonable match between service revenues and cost to service.
Annualized mileage at 42,000 miles is reasonable compared with Stericycle mileage of 86,850 mileage for ALL of WA.
Mileage is likely too high given SW would only have 25% of a market that's not even 1/2 of WA State, but inherently conservative and more financially safe in terms of cash needed of service.

DS 6/16/05
Cell: A11
Comment: DS: ID Transfer station to Butte 300 mi. rounded. Round trip.
2 trips per month. Below 11 the prorata % of WA vs ID waste is allocated.
Total trip mileage is used here for clarity of communication and verifiable.

DS 6/16/05
Cell: A14
Comment: DS: Stericycle Revenue \$7.6MM * 16% of population is in Eastern WA = \$\$ * 25% market share target. Revenue growth toward market share at 1/12 each month.

Cell: A21
Comment: DS: FUTA, Medicare, SSI, WA unemployment
Cell: A24
Comment: DS: 4% of revenues. Stericycle Total Container expenses are approx 3% of revenues at (209194 / 7,612,966).

Cell: A25
Comment: DS: Utilized \$7 per mile. Independent van size rates showing over \$.50. The trucks are bigger and more expensive. (est).
Cell: A28
Comment: DS: \$150 per month in ID * 25%

Cell: A27
Comment: DS: "Ajit" vehicle cost of \$1.00 per mile for long-haul transportation. Independent trucking companies (Roehl) currently charge over \$1.00 for independent driver hauling. Independent driver rate is the market rate for drivers using their own equipment.
Cell: A28
Comment: DS: Plant processing expense allocated based on population comparisons with MT and pro-rata as revenues increase. (MT Plant 2004 Exp /12) * 20% expected WA share of Plant Utilization * (% of monthly revenue as revenues increase toward 100% of monthly revenue in month 12). 20% = (Market share 20% of 1,007,625 Eastern WA population) resulting in 20% compared with MT 1,000,000 population. Per US Census Bureau the 2004 population for estimate for Eastern WA counties is 1,007,625. Rounded population up to 600,000 to include outlying regions (est).

Cell: A29
Comment: DS: city of Spokane tax 17% * 60% of revenues from Spokane area.
Cell: A32
Comment: DS: 1% of revenues

Cell: A53
Comment: DS: FUTA, Medicare, SSI, MT State Unemployment (MT admin staff)
DS 6/14/05 1:30pm MST

Cell: Af3

Comment: DS: FUTA, Medicare, SSI, WA unemployment rate.

Cell: A66

Comment: DS: \$50 per diem travel * (5 days per week * 2 (# of weeks travel per month)).

Cell: A68

Comment: DS:

\$200 WUTC paid with Application for Certificate...

\$1,000 license per Gary Chilcott.

\$4--8 remaining licenses estimated based on experience in other states.

Cell: A70

Comment: DS:

See attached labor sheet with people, annual \$, and time allocation. Other labor is allocated prorata as sales increase.

Cell: A71

Comment: DS:

FUTA, Medicare, SSI, M¹ State Unemployment

Cell: A74

Comment: DS:

\$37 per stamp * (5,900 Stereocyclin customers * 16% of population in Eastern WA * 20% SMS market share)

Cell: C76

Comment: DS:

\$150 per month in ID * 25%

Sure-Way Systems
 WA UTC Permit Application Process
 Additional Supporting Information and Sources
 Data Request #51 - Labor Services

	Annual \$	% time	Allocated \$
<u>Sales & Regional Mgr</u>			
Cory Miller	\$36,000	80%	\$28,800
<u>Driver</u>			
Don Crossler	\$31,200	70%	\$21,840
Darren Shelton	\$41,000	5%	\$2,050
Richard Eklund	\$19,000	10%	\$1,900
Roger Rolando	\$19,000	10%	\$1,900
Dustin LeProwse	\$19,000	10%	\$1,900
James Close	\$36,000	10%	\$3,600
Kimberly Lamb	\$23,000	5%	\$1,150
Amy Graveley-Tate	\$23,000	5%	\$1,150
Christie Shelton	\$55,000	5%	\$2,750
Lual Krautter	\$10,000	5%	\$500
Gary Chilcott	\$75,000	5%	\$3,750
Dudley Chilcott	\$55,000	5%	\$2,750
	<u>\$375,000</u>		<u>\$23,400</u>

Market_Share_Target

25%

Exhibit NMW-4

EXHIBIT NMW - 4

STERICYCLE OF WASHINGTON, INC.
 EASTERN WASHINGTON COUNTY RECAP - CONTAINERS, STOPS & REVENUE 2004

	ANNUAL TOTAL EASTERN WASHINGTON AREA (See County Route Extract)	ANNUAL SWS PROPOSED SERVICE AREA (See County Route Extract)	% OF TOTAL
Container Count	71,408	63,412	89%
Stops	9,955	9,693	97%
Revenue	1,481,757	1,401,388	95%

9,947
9,685

Miles Driven per Month - Average - (See Route Data for April & May for E WA Drivers)
 Miles Assumed to be Driven based on % of Stops in SWS Proposed Service Area - 97%

Exhibit NMW-5

REVISED SURE-WAY 2004 FINANCIAL STATEMENTS AND CASH FLOW ANALYSIS
 BALANCE SHEETS 2003 & 2004 AND CURRENT RATIO 2004 EXHIBIT NMW-5

Sure-Way Systems, Inc.	2003	2004	Change in cash
ASSETS			
Current Assets			
Florida Checking	\$ -	\$ 2,000	\$ (2,000)
Checking-PEOPLES BANK	24	-	24
First Security Checking	(15,424)	(39,960)	24,536
Checking-FARMERS & MERCHANTS	388	3,683	(3,295)
Regions Bank-Alabama	9,488	1,813	7,674
Holding	180,569	180,569	-
Accounts Receivable	297,635	361,231	(63,596)
Employee Advances	29,629	24,831	4,797
Deposits	1,225	1,006	219
Total Current Assets	503,532	535,173	(31,641)
Property and Equipment			
Equipment	1,178,627	1,234,815	(56,187)
A/D Equipment	(705,678)	(778,161)	72,484
Automobiles	586,809	607,725	(20,917)
A/D Automobiles & Trucks	(399,481)	(463,570)	64,088
Leased Vehicles	25,498	25,492	6
A/D Leased Vehicles	(25,498)	(25,498)	-
Tipper	4,726	4,726	-
A/D Tipper	(2,331)	(2,331)	-
Building	587,496	648,824	(61,328)
A/D Building	(99,720)	(121,068)	21,348
Building Improvements	57,339	63,954	(6,615)
A/D Building Improvements	(4,688)	(9,741)	5,053
Sharps Containers	173,700	313,792	(140,092)
A/D Containers	(34,530)	(72,661)	38,131
Sharps Equipment	190,649	190,649	-
A/D Sharps Equipment	(11,662)	(11,662)	-
Mold Modifications	5,500	30,200	(24,700)
A/D Mold Modifications	(3,117)	(25,903)	22,786
Tools	-	44,400	(44,400)
A/D Molds	-	(73,918)	73,918
AL Assets	-	359,029	(359,029)
A/D AL Assets	-	(3,001)	3,001
GE Assets	109,253	109,253	-
A/D GE Assets	(32,464)	(32,464)	-
Land	29,973	29,973	-
AL Start Up Costs	308,853	-	308,853
Land Held for Investment	107,363	107,363	-
Total Property and Equipment	2,046,619	2,150,219	(103,600)

REVISED SURE-WAY 2004 FINANCIAL STATEMENTS AND CASH FLOW ANALYSIS
 BALANCE SHEETS 2003 & 2004 AND CURRENT RATIO 2004 EXHIBIT NMW-5

Sure-Way Systems, Inc.	2003	2004	Change
Other Assets			
Escrow Receivable	2,500	2,500	-
Allowance for Doubtful Account	(6,598)	(6,598)	-
Prepaid Insurance	2,382	2,583	(202)
Loan Receiv-GDCD, LLC	-	6,328	(6,328)
Idle Equipment	27,408	-	27,408
Customer Accts	8,000	8,000	-
Customer Accts-Goodwill	(650)	(1,183)	533
Investment in Hawaii BioWaste	207,868	201,375	6,493
Stock Owned-Western States	500	500	-
Deferred Tax Asset	11,674	11,674	-
Total Other Assets	253,084	225,179	27,905
Total Assets	\$ 2,803,235	\$ 2,910,571	\$ (107,336)

LIABILITIES AND CAPITAL

Current Liabilities			
Accounts Payable	\$ 358,060	\$ 204,018	\$ 154,042
Commissions Payable	7,423	5,033	2,391
Customer Prepays	16,156	11,638	4,517
Payable to Gary (AL Plant)	4,348	-	4,348
Insurance Payable	-	9,189	(9,189)
First Citizens Credit Line MT	-	182,240	(182,240)
Escrow Payable (GE Capital)	86,527	-	86,527
Current Portion of Capital Lea	40,050	-	40,050
Sales Tax Payable	10,232	-	10,232
Wages Payable	25,467	24,170	1,297
Interest Payable	3,883	7,384	(3,500)
Other Taxes Payable	123	-	123
Current Portion Long-Term Debt	275,049	162,006	113,043
Accrued Vacation Payable	26,688	26,550	139
Loan Payable to Dudley Chilcot	9,598	7,948	1,650
Deferred Taxes Payable	158,686	158,686	-
Total Current Liabilities	1,022,289	798,862	223,428
Long-Term Liabilities			
Notes Payable-Noncurrent	1,013,046	1,260,529	(247,483)
Total Long-Term Liabilities	1,013,046	1,260,529	(247,483)

REVISED SURE-WAY 2004 FINANCIAL STATEMENTS AND CASH FLOW ANALYSIS
 BALANCE SHEETS 2003 & 2004 AND CURRENT RATIO 2004 EXHIBIT NMW-5

Sure-Way Systems, Inc.	2003	2004	Change
Total Liabilities			
Capital			
Beginning Balance Equity	(26,471)	(26,471)	-
Common Stock	997,903	997,903	-
Retained Earnings	(158,656)	52,018	(210,674)
Treasury Stock	(72,027)	(73,027)	1,000
Subscription/Treasury Stock	(183,523)	(183,523)	-
Net Income	210,674	84,281	126,394
Total Capital	767,899	851,180	(83,281)
Total Liabilities & Capital	\$ 2,803,235	\$ 2,910,571	\$ (107,336)

Current Ratio

Current Assets	\$ 503,532	\$ 535,173
Adjust for:		
Holding Account to be expenses		(180,569)
Reserve for Doubtful accounts receivable	(6,598)	(6,598)
Prepaid Insurance	2,382	2,583
Customer accounts	8,000	8,000
Customer accounts - goodwill	(650)	(1,183)
Net current assets	\$ 506,666	\$ 357,406
Current Liabilities	\$ 1,022,289	\$ 798,862
Payable to Gary	(4,348)	-
Loan payable to Dudley Chilcott	(9,598)	(7,948)
Deferred Taxes	(158,686)	(158,686)
Net Current Liabilities	\$ 849,658	\$ 632,228
Current Ratio - CA/CL	0.60	0.57

REVISED SURE-WAY 2004 FINANCIAL STATEMENTS AND CASH FLOW ANALY
 INCOME STATEMENT - 2004 EXHIBIT NMW-5

Sure-Way Systems, Inc. 2004

Revenues	
Service Fees	\$ 2,023,169
X-Ray Supplies	25
X-Ray Income	109,139
Sharps Fees	1,012,228
Lease Income	-
Interest Income	-
Other Income	38,689
Income from Sale of Division	-
Investment Gain (Loss)	(6,493)
Franchise Fee Income	-
Container Income	315,439
Equipment Sale Income	32
Sales/Fee Refunds	298
Sales/Fee Discounts	-
Total Revenues	<u>3,492,527</u>
Cost of Sales	
Cost of Sales	
Cost of Goods Sold	(775)
Cost of Sales-Salaries and Wag	146,191
Total Cost of Sales	<u>145,417</u>
Gross Profit	<u>3,347,110</u>
Expenses	
Advertising Expense	3,243
Amortization Expense	29,938
Bank Charges	18,161
Boxes and Bages Expense	4,205
Charitable Contributions Exp	397
Commissions and Fees Exp	17,880
Container Expense	78,289
Depreciation Expense	301,348
Disposal Costs	95,336
Dues and Subscriptions Exp	1,739
Employee Benefit Programs Exp	118,304
Finance/Late Charges Expense	23,119
Freight Expense	15,317
Fuel Expense	146,510
Hauling Expense	9,737
Income Tax Expense	2,206
Installation Supplies	152,109
Insurance-Key Man	89,521
Laundry and Cleaning Exp	91,444
Legal and Professional Expense	9,339
Licenses Expense	15,262
Lodging Expenses	

REVISED SURE-WAY 2004 FINANCIAL STATEMENTS AND CASH FLOW ANALY
 INCOME STATEMENT - 2004 EXHIBIT NMW-5

Sure-Way Systems, Inc.	2004
Loss on NSF Checks	32,780
Meals and Entertainment Exp	82,226
Mileage Reimbursement Exp	7,652
Moving Expenses	892
Payroll Tax Expense	450
Payroll Expense (Contract)	3,343
Penalties and Fines Exp	1,324,419
Other Taxes	135
Per Diem Expenses	28,011
Postage Expense	17,765
Rent or Lease Expense	15,716
Repairs Expense	114,821
Sharps Contractor	2,533
Sharps Supplies	79,444
Supplies Expense	12,183
Telephone Expense	105,418
Testing Expense	47,997
Travel Expense	(325)
Tax Expense	11,907
Salaries Expense	585
Wages Expense	279
Utilities Expense	5,566
X-Ray Customer Return	68,685
Waste Hauling Expense	565
Work Comp Expenses	10,903
Gain/Loss on Sale of Assets	65,475
	-
Total Expenses	<u>3,262,829</u>
Net Income	84,281
<u>(Additional information added by Steacycycle of WA)</u>	
Adjustment to income per David Sullivan	
Suspense (Holding) Account cleared to expense	<u>(180,569)</u>
Revised Net Loss	<u>\$ (96,288)</u>

REVISED SURE-WAY 2004 FINANCIAL STATEMENTS AND CASH FLOW ANALYSIS
CASH FLOW STATEMENT 2004 EXHIBIT NMW-5

Net income	\$ (96,288)
Increases / Decreases in current assets/liabilities	
Depreciation	301,348
Accounts receivable	(63,596)
Employee advances/deposits	5,016
Prepaid expenses	(202)
Accounts payable	(154,042)
Other payables	(6,010)
Cash provided by / (Used for) Operations	<u>(13,773)</u>
Purchase of fixed assets	(196,972)
Investment decrease - Hawaii	6,493
Debt payments	(57,379)
Increase in New debt	247,483
Related party activity	(12,325)
Purchase of Treasury Stock	(1,000)
Other changes	533
Cash provided by / (Used for) Financing / Investing	<u>(13,166)</u>
Reduction in cash - 2004	<u>\$ (26,939)</u>