# Expansion Decision Memo

**Harbor Service Co. | Proposed 90-day territory test**

Fictional portfolio demonstration | November 2026 | Version 1.0. All business records and financial inputs are invented. This is a sample of decision analysis, not a client recommendation or an investment offering.

## Recommendation and decision needed

Do not open the full branch now. Keep a 90-day contractor-based territory test as the preferred alternative, conditional on enough cash and verified demand. The full branch requires $120,000 up front, and its modeled cash need reaches $132,000 during the first month. The existing business is already forecasting a cash-floor breach.

Ask Morgan to approve the pilot design, with no spending authority until Riley confirms the release conditions on page 3. The test would use cancellable capacity and a limited service area. A stop decision must be practical before customers or contractors receive commitments.

| Option | First 90 days under base assumptions | Decision |
|---|---|---|
| Defer expansion | $0 incremental setup, contribution or cash use. Existing-business cash problem remains. | Continue current operations while the cash issue and service misses are resolved. |
| 90-day territory test | $180,000 billed; $24,000 contribution after $12,000 setup; $15,000 peak incremental funding need. | Preferred conditional test. Validate demand and delivery before a larger commitment. |
| Full branch | $360,000 billed; −$66,000 contribution after $120,000 setup; $132,000 peak funding need. | Hold. The additional commitment is disproportionate to present liquidity and evidence. |

Contribution here means incremental revenue less modeled delivery cost, overhead and setup expense. It excludes tax, financing, depreciation, central overhead allocations and any costs omitted from the planning record. It is not audited profit. Setup is treated as an immediate expense and cash payment for this comparison.

## Why the smaller test is worth considering

At the base volume it could generate $12,000 a month before setup. But the combined downside case loses money. The useful question is whether signed demand, service quality and collection timing can support the economics in practice. A forecast alone does not answer that.

# Assumptions and the cash model

| Input | Territory test | Full branch |
|---|---|---|
| Monthly incremental billings | $60,000 | $120,000 |
| Direct delivery cost | 65% of billings \| $39,000/month | 65% \| $78,000/month |
| Additional monthly overhead | $9,000 | $24,000 |
| One-time setup paid before launch | $12,000 | $120,000 |
| Collection timing | 75% in billing month; 25% next month | Same assumption |
| Payments and starting receivables | All modeled costs paid in month; no opening receivables | Same assumption |

Pilot inputs are analyst assumptions P1. Full-branch operating inputs are S5 from the companion review. Collection timing is P2 and is unverified. Billings, costs and collection ratios remain constant within each case; no ramp-up is modeled.

| Pilot cash bridge | Month 1 | Month 2 | Month 3 |
|---|---|---|---|
| Customer receipts | $45,000 | $60,000 | $60,000 |
| Delivery + overhead paid | −$48,000 | −$48,000 | −$48,000 |
| Setup paid before Month 1 | −$12,000 | $0 | $0 |
| Cumulative cash effect | −$15,000 | −$3,000 | +$9,000 |

The $9,000 cash gain differs from $24,000 contribution because $15,000 remains receivable after Month 3. No opening receivables or unmodeled financing are used to improve the result.

| Pilot case | Monthly billings / direct cost | 90-day contribution after setup | Peak funding need |
|---|---|---|---|
| Base | $60,000 / 65% | $24,000 | $15,000 |
| Lower volume | $40,000 / 65% | $3,000 | $17,000 |
| Lower volume + higher delivery cost | $40,000 / 75% | −$9,000 | $21,000 |

Overhead remains $9,000/month and setup $12,000 in all pilot cases. At 65% direct cost, recurring break-even billings are about $25,714/month; recovering setup over the first three months raises that to about $37,143/month. These thresholds change with price, cost and payment timing.

# Release conditions and review schedule

## Resolve cash before authorizing the test

Use a $25,000 ceiling for incremental funding exposure, including a $4,000 buffer above the combined downside case. To preserve the assumed $250,000 cash floor, the existing-business forecast must show at least $275,000 at its lowest point before the pilot. The supplied forecast ends at $195,000 and provides no daily minimum; Riley must produce a dated cash schedule. At least $80,000 of improvement is needed even against that ending balance, and more may be needed within the period.

The $90,000 customer receipt is already in that forecast. Confirming it does not close the $80,000 gap. Any funding, deferred spending or faster collections used to close the gap must be documented and achievable without failing existing obligations. If it cannot be resolved, defer the test.

| Before launch | Responsible person | Evidence |
|---|---|---|
| Demand and unit economics | Casey + Riley | Signed orders, agreed prices and actual delivery quotes. No extrapolation from expressions of interest. |
| Capacity and service readiness | Jordan | Confirmed crew capacity, service area and schedule; corrective actions for the late jobs and return visits. |
| Cancellable commitments and exposure | Taylor + Riley | Cancellation terms, dated receipts/payments and outstanding liabilities. The $25,000 ceiling limits cash exposure, not total billings or all supplier payments. |
| Launch authority | Morgan | Written release accepting the verified terms, forecast and stop rules. No approval is recorded in this fictional packet. |

## What would change the decision

Review collections and exposure weekly. Stop new commitments if exposure would exceed $25,000 or the combined cash schedule would breach $250,000. Honor or arrange an orderly handoff of existing obligations. At Day 30, compare realized billings and delivery cost with the lower-volume case; unresolved misses keep the pilot limited. At Days 60 and 90, Morgan reviews collected cash, actual contribution, service performance and the cost of continuing before approving any extension.

## AI assistance and source limitations

Prepared with AI assistance using invented inputs; the scenario calculations were checked separately. S1–S5 are reproduced in the companion Executive Operating Review. P1 is the pilot design; P2 is collection timing. Neither has supplier confirmation, signed demand or real payment history. This memo demonstrates a decision process and leaves launch approval with the CEO.