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# **Franchise Sample**

## **Business Plan**

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## Executive Summary

Founded in 2002 in Scottsdale, Arizona, Sample (Sample) is a national franchise providing personal fitness training for inactive, overweight and obese youth. It desires to become the leading youth fitness franchise with more than 500 establishments and approximately 450,000 members within the next ten years. In doing so, it hopes to reverse the trend of childhood obesity and build a healthy future for our children.

Since the company's inception, the program has helped children ages 8 to 19 to lose as much as 35 pounds or four to five pant sizes. Although the company is charging as much as \$30 per half an hour for a private personal training session, member retention rate is as high as 85%. Most importantly, a member stays with the program for an average of 2.9 years, taking an average of two sessions per week!!!

Accountability is the most critical factor why Sample has achieved its current success. Sample guarantees weight-loss success by ensuring that its members follow custom exercise and nutrition plan. Unlike other fitness clubs or weight-loss centers where most members work out by themselves or attend group classes with different coaches, Sample will assign a family personal fitness coach who would design the training and nutrition program and work out with the assigned member. As long as this member stays with the program, he/she will have the same family fitness coach. Additionally, a member can also choose a combination of private and group sessions where they will work out with the assigned coach. The company's success has been widely reported in Channel 5 & 12 TV, *Arizona Republic*, *Tatum Sun Times* and news media from as far as Pittsburgh, Pennsylvania.

### Business Model

Sample will generate sales from four sources:

- Member services: Sales generated by company-owned stores from private, semi-private and group sessions
- Merchandise sales: Sales generated from both company and franchise stores, selling youth fitness videos, books, nutrition, water, clothes and accessories
- Franchise fee: One-time set-up fee charged to franchisees
- Royalty fee: Ongoing royalty charges to franchisees

### Products & Services

Sample offers four categories of fitness classes: group, self-defense, box-fit and hiking. The company also offers leadership workshops conducted by Dr. Francis Mills Yerker, a nationally known speaker in leadership training. Other specialized classes include tutoring and professional counseling. All classes are available in several class formats including family personal training, non-family personal training and groups. Both family and non-family personal trainings have private (30 minutes) and semi-private (up to four clients) sessions. Group classes have no more than fifteen clients per class and are organized in three different levels.

Sample founder Mr. D is also writing a book on Bo, a success weight loss story and an inspirational figure for many overweight children and teenagers. The company will also create fitness video programs, featuring exercises and weight loss tips for this age group. During daytime when children and teenagers are in school, the gym is open to members of all ages seeking fitness training.

### Market Opportunities

Obesity has become epidemic in the United States, and no group has been hit harder than America's children. According to the National Center for Health Statistics, 15% of children between the ages of 6 and 11 are overweight. The percentage of teenagers (ages 12 to 17) who are overweight has also increased to 15%. According to the US Census Bureau, there are approximately 61.3 million children between 5 and 19 years. Assuming 15% of this

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population is overweight, the total number of overweight children is estimated at approximately 9.2 million. This is a huge market for Sample's innovative weight loss program.

### Competitions

Sample direct competitor is the Academy of the Sierras, a yearlong therapeutic boarding school for overweight adolescents. The school costs a hefty \$5,500 a month. The cost of the program can put the academy out of reach for many need it most. No other similar schools have been reported elsewhere. There are a total of 32 fitness franchises in the United States. In terms of focus, these franchise programs can be classified into five categories: general fitness, children's fitness, women's fitness, men's fitness and specialty fitness. None of these franchises focuses on overweight or obese youth.

### Marketing Strategy

Sample will deliver messages about its effective program while the targeted children and their parents are at home, at school, and in the community – through television, radio, print, the Internet, and out-of-home outlets such as movie theaters, billboards, seminars and city buses. The result will be an impressive level of brand awareness and recognition. Sample will be perceived as an inspirational and motivational source of fitness activities that help our children increase their energy, health and self-esteem.

### Management

John D is the founder and president of Sample. He has been a full-time active exercise specialist for twenty years. His training methodologies have been successfully applied to the full spectrum of the population, ages 5 to 89. He has been featured on Channel 5 & 12 for childhood obesity success stories. *Arizona Republic* and *Tatum Sun Times* have also reported his success. Mr. D is an accomplished athlete, winning five national and two world championships. He has written numerous articles on childhood obesity and currently writes youth fitness tips in a local newspaper. His success and enthusiasm for reversing this horrible epidemic of childhood obesity has made him a sought-after speaker on the subject. Mr. D is a member of many professional fitness associations and works on the boards of Youth Leadership Workshops.

### Financials

Sample is seeking \$220,000 to establish its first company-owned gym. The loan will be used to purchase equipment and cover operating expenses in the first six months. The company is expected to make profits of \$74,545, \$253,881 and \$795,796 in the first three years. The financial projections are based on the assumptions that the company will develop at least twenty-eight franchises in the first three years.

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## 1. Company Background

Founded in 2002 in Scottsdale, Arizona, Sample USA, Inc. (Sample) is a national franchise providing personal fitness training for inactive, overweight and obese youth. John D (JD), founder of Sample, realized that diabetes, hypertension, high cholesterol, lower back problems, depression and other obesity-related diseases prevalent among adults have now become common in children and teenagers. He decided to establish Sample to help these children and their families cope and fight against this deadly illness.

### Before and After Photo of Bo



Since the company's inception, the program has helped children ages 8 to 19 to lose as much as 35 pounds or four to five pant sizes. Although the company is charging as much as \$30 per half an hour for a private personal training session, member retention rate is as high as 85%. Most importantly, a member stays with the program for an average of 2.9 years, taking an average of two sessions per week!!!

Accountability is the most critical factor why Sample has achieved its current success. Unlike other fitness clubs or weight-loss centers where most members work out by themselves or attend group classes with different coaches, Sample will assign a personal fitness coach who would design the training and nutrition program and work out with the assigned member. As long as this member stays with the program, he/she will have the same fitness coach. Additionally, a member can also choose a combination of private and group sessions where they will work out with the assigned coach. The company's success has been widely reported in Channel 5 & 12 TV, *Arizona Republic*, *Tatum Sun Times* and news media from as far as Pittsburgh, Pennsylvania.

#### 1.1. Mission

Sample desires to become the leading national youth fitness franchise with more than 500 establishments within the next ten years. It is devoted to developing and

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teaching children lifestyle-changing tools that will increase their energy, health and self-confidence. In doing so, it hopes to reverse the trend of childhood obesity and ensure a healthy future for our children while creating opportunities for fitness professionals to achieve financial freedom and gain a strong sense of accomplishment.

## 1.2. Business Model

Sample will generate sales from four sources:

- Member services: Sales generated by company-owned stores from private, semi-private and group sessions
- Merchandise sales: Sales generated from both company and franchise stores selling youth fitness videos, books, nutrition, water, clothes and accessories
- Franchise fee: One-time setup fee charged to franchisees
- Royalty fee: Ongoing royalty charges to franchisees

This business model allows Sample to rapidly expand to other areas of the country without significant investment in real estate and equipment. Therefore, the company can free up scarce resources to build publicity, create the “buzz” and establish a strong brand.



## 1.3. Products & Services

### Services

Sample offers four categories of fitness classes: group, self-defense, box-fit and hiking.

- Group classes offer functional cross training. These classes blend in all components of fitness: strength, aerobic, agility, flexibility and FUN! Stations are set up to create a circuit workout.
- Self-defense classes teach about real everyday situations one gets into. It increases awareness of surroundings, improves body posture and eye contact. Hand-to-hand combat techniques will also be taught.
- Box-fit classes include all the components of fitness with boxing techniques. Heavy bags, speed bags and hand wraps are used.
- Hiking classes teach hiking and outdoor skills.

The company also offers leadership workshops conducted by Dr. Francis Mills Yerker, a nationally known speaker in leadership training. Other specialized classes include tutoring and professional counseling.

All classes are available in several class formats



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including family personal training, non-family personal training and groups. Both family and non-family personal trainings have private (30 minutes) and semi-private (up to four clients) sessions. Group classes typically have no more than fifteen clients per class and are organized in three different levels:

- Level 1: A 30-minute beginner class
- Level 2: A 30-minute intermediate class
- Level 3: A 60-minute advanced class

During the day when children and teenagers are at school, the gym will be open to public at all ages.

### Products

The company will develop and market “Sample USA” branded merchandise including videos, books, clothes and accessories.

Founder and president of the company, Mr. D, is also writing a book on Bo, a weight loss success story and inspirational figure for many overweight and obese children.

Other merchandise sold through its stores will also include fitness water, nutrition, and meal replacement bars.

## 1.4. Strategy

### Growth Strategies:

- Attract customers through value-added propositions: effective youth weight loss
- Develop partnerships with key industry associations to reduce advertising, infrastructure and promotion cost
- Use celebrity athletes and Bo as spokesperson to create public awareness
- Balance growth with expenditure by using franchise development structure

### Product & Services Strategies:

- Develop complementary products and services to increase cross-sell opportunities
- Create a product and services brand tier to meet the needs of various segments

### Finance Strategies:

- Create multiple income-generating opportunities through up-sell and cross-sell complementary products and services
- Secure financing from SBA, banks and angel investors
- Avoid venture capitalists

### Operation Strategies:

- Balance infrastructure investment with growth, thereby reducing unnecessary waste and redundant facilities
- Tighten account receivable collections
- Minimize franchisee support

## 1.5. Goals

The company plans to establish at least 500 franchise establishments with approximately 450,000 members within the next ten years. Compared to the 9.2 million overweight child populations, this is a small step forward.

Within the next three years, the company plans to achieve the following goals:

### Year 1:

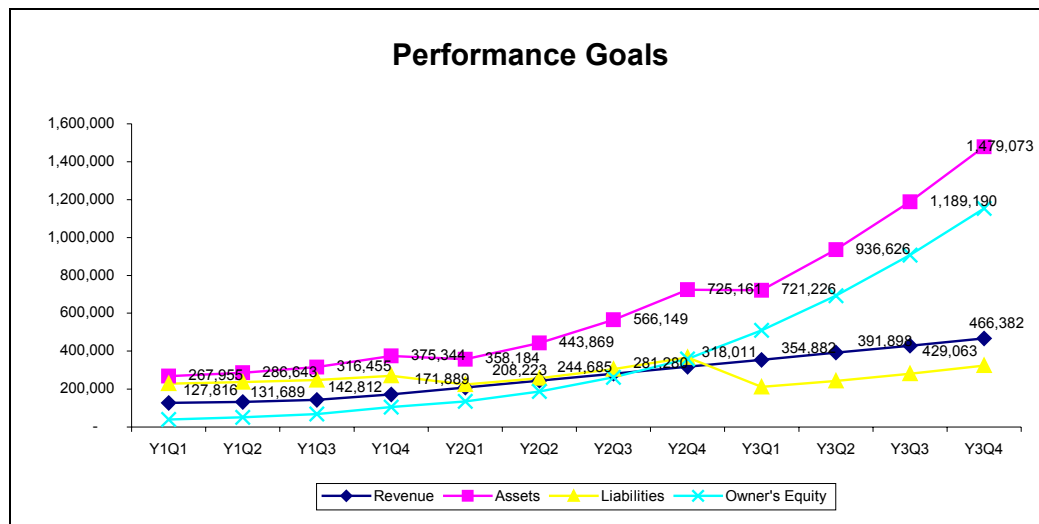
- Secure \$220,000 financing
- Establish the first company-owned gym
- Establish four franchise gyms in the second half of the year
- Profit: \$74,545

### Year 2:

- Pay back \$20,000 of loan
- Establish eight more franchise gyms
- Increase franchise revenue to 43% of the total revenue
- Profit: \$253,881

### Year 3:

- Pay back \$20,000 of loan
- Establish twelve more franchise gyms
- Increase franchise revenue to 59% of the total revenue
- Profit: \$795,796





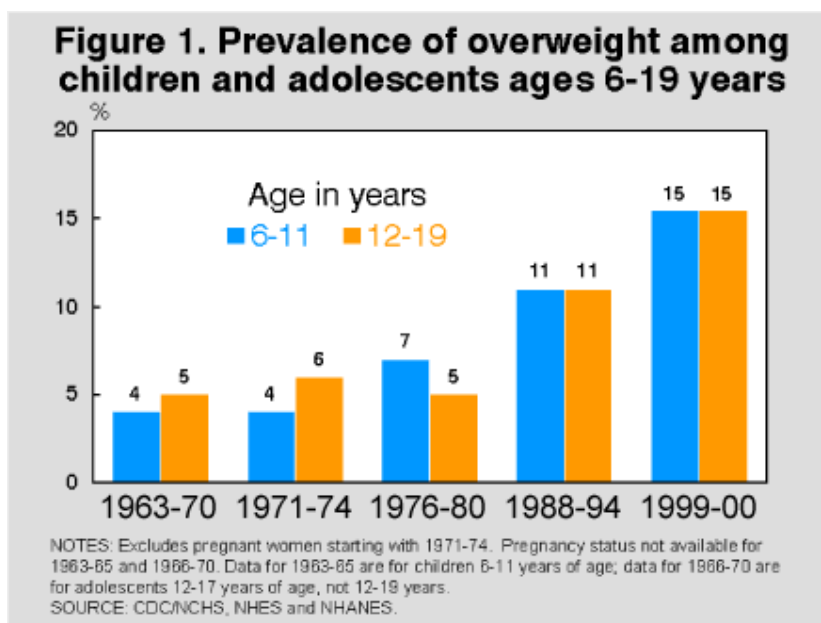
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## 2. Market Analysis

### 2.1. Customers

During the past 20 years there has been a dramatic increase in obesity in the United States. In 1985, only a few states were participating in CDC's Behavioral Risk Factor Surveillance Systems and providing obesity data. In 1991, four states were reporting obesity prevalence rates of 15–19%, and no states reported rates at or above 20%. In 2002, 18 states had obesity prevalence rates of 15-19%; 29 states had rates of 20-24%; and 3 states had rates over 25%.

Obesity has become epidemic in the United States, and no group has been hit harder than America's children. According to the National Center for Health Statistics (NCHS), 15% of children between the ages of 6 and 11 are overweight. The percentage of teenagers (ages 12 to 17) who are overweight has also increased to 15%.



According to the US Census Bureau, there are approximately 61.3 million children between 5 and 19 years. Assuming 15% of this population is overweight, the total number of overweight children is estimated at approximately 9.2 million. This is a huge market for Sample's innovative weight-loss program.

NCHS further determined that prevalence of overweight increased in boys and girls aged 6 to 11 years by approximately 110%, boys aged 12 to 17 years by approximately 150% and girls 12 to 17 years by approximately 70%. Recent data indicates that 15% of 6 through 19 years olds are overweight. This represents a three-fold increase since the 1960s.

A reduction in habitual physical activity or energy expenditure is a contributing cause for the current overweight epidemic for youths. There is a body of evidence strongly suggesting a link between TV-viewing and overweight in juveniles. For example, data from National Health and Nutrition Examination Surveys indicates a positive relationship between TV-viewing and those 8 to 16 year olds who are overweight.

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Individuals in this age range who watched four or more hours per day have a higher prevalence of overweight than those who watched one hour or less. Theoretically, TV viewing may cause an increased intake of calorie-dense foods because of advertising efforts. Alternatively, according to National Youth Risk Behavior Survey, there has been little or no change in reported physical activity among 9<sup>th</sup> through 12<sup>th</sup> grades in public and private schools in the U.S. Similar to dietary intake, limitations in assessment methods of physical activity, especially utilizing self-report, hinder our ability to ascertain the role that changes in energy expenditure contribute to the rise of overweight juveniles.

Psychological dysfunction is one of the most prevalent consequences of juvenile overweight. Many overweight children complain that they are ridiculed and teased about their weight by peers and family members. They often feel “ugly”, and they do not perform well in activities that require movement of the body through space such as team sports; therefore, they do not participate in physical education classes or active play with peers. These psychosocial implications are very important as they may be linked to a cycle of obesity-inactivity-obesity.

Overweight children and adolescents are now being diagnosed with impaired glucose tolerance and type 2 diabetes as well as abnormal metabolic states typically seen in overweight middle-aged and older individuals. Alarming, data suggests that 1 in 4 overweight juveniles have insulin resistance and 3% actually have undiagnosed type 2 diabetes. Specifically, increased cardiovascular disease risk in children is associated with insulin resistance, increased body fat and abdominal fat. From a public health perspective, there is a strong trend for overweight juveniles to become overweight adults. A data review suggests that one-third of overweight preschool children become overweight adults and almost one-half of overweight school-age children become obese adults. It is hypothetical that the longer the time spent in an overweight state, especially during adolescence, the higher the risk of becoming an overweight adult.

## 2.2. Unmet Needs

As the number of overweight children and teenagers continues to increase, measures to stop this trend seem to be few and far between. According to DataMonitor, Xenical is the only prescription drug that treats childhood obesity. In addition, public and private schools are reducing physical education classes. Parents, on the other hand, know their kids need physical exercise and eat more fruits and vegetables. But for many busy families, healthy eating and activities take the backseat to hectic schedules.

Treatment or prevention of obesity in the juvenile population also presents unusual challenges to fitness professionals. The number-one rule with this population is that physical activity must be fun and provide instant gratification. Juveniles will not voluntarily move for health benefits. Most fitness professionals focus on the specifics of a structured exercise program, but ignore the process of reducing sedentary activities such as TV viewing, computer games, etc. Logically, family activities for the entire family are essential for behavior change. For adolescents, peers become more influential and are a good source of motivation for being active if involved in a constructive manner.

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## 2.3. Competitions

### Direct Competitions

Sample direct competitor is the Academy of the Sierras, a yearlong therapeutic boarding school for overweight adolescents. The school costs a hefty \$5,500 a month, about twice the cost of typical prep boarding schools. According to University of California Center for Weight and Health, many overweight children are from low-income households and tend to be Latino girls and boys and African American girls. The cost of the program can put the academy out of reach for many need it most. The academy's parent company, Aspen Education Group, has invested \$5 million into renovating the campus. The school's current staff level can only handle 70 students. According to a spokeswoman with the National Association of Independent Schools, there is no similar program elsewhere in the United States.

### Indirect Competitions

There are 32 fitness franchises in the United States. In terms of focus, these franchise programs can be classified in five categories:

- General fitness
- Children's fitness
- Women's fitness
- Men's fitness
- Specialty fitness

None of these franchises focuses on overweight or obese youth. In terms of number of franchise establishments, the top franchises are:

1. Curves: 6,651
2. Jazzercise: 4,763
3. Gold's Gym: 537
4. Lady's America: 350
5. Contours Express: 200
6. Stretch & Grow: 135
7. My Gym's Children's Fitness Center: 102
8. Fitness Together: 100

The remaining franchises have less than 100 establishments.

These thirty-two franchises require \$9,950 to \$2 million of total investments depending on the scale of the establishment. Franchise fees also differ, ranging from \$2,000 to \$42,500.

There are two types of royalties: monthly flat rate and percentage rate. The monthly flat rate ranges from \$359 to \$1,000. The percentage royalty rate ranges from 5% to 20%.

Franchises also differ in the years of franchise agreement. There are basically three different terms: 5 years, 7 years and 10 years. All terms are renewable, and usually a renewable fee applies at the time of renewal.

Category	Name	Focuses	# of Franchises	Total Investment	Franchise Fee	Royalty Fee	Years of Agreement
General Fitness	Anytime Fitness	General fitness centers	47	\$22.1k - \$192.6k	19.9 k	\$359/month	5
	Gold's Gym	Health, racquet & sports club	537	\$300k-\$2million	\$20k	\$1,000/month	10
	Intrivah	Fitness & nutrition centers	-	\$133.8k-\$224.8k	30k	5%	5
Children's Fitness	Baby Power	Parent-child play programs	2	\$45k-\$65k	\$18.5k	5%	10
	Dancercise Kids	Dance instructions at children's centers	3	\$16.8k-\$33.3k	\$9.5k-\$19.5k	10%	10
	EncouraGym	Children's active learning class	-	\$87.5k-\$150.5k	\$19.5k	6-7%	5
	Gymboree	Parent-child play programs	318	\$76.7k-\$214.2k	\$35k	6%	10
	Head Over Heals	Children's gymnastics	2	\$40k	\$25k	8%	-
	J.W. Tumbles	Children's gymnastics	-	\$141.3k-\$191.6k	\$40k	\$500/month	-
	Jumpbunch Inc.	Preschool fitness & sports	6	\$14k-\$45k	\$7.5k-\$17.5k	8%	-
	Kinderdance	Children's movement & education	97	\$9.95k-\$27.1k	\$7k-\$21k	6-15%	10
	My Gym Children's Fitness Center	Children's fitness center	102	\$120k-\$200k	\$42.5k	6%	12
	Pee Wee Workout	Preschool fitness & sports	13	\$2.7k	\$2k	10%	5
	Pre-Fit Franchises	Mobile preschool fitness program	20	\$10.2k-\$118.2k	\$24.5k	8%	10
	The Little Gym	Children development & fitness	80	\$100k-\$150k	\$43.5k	8%	-
	Stretch & Grow Intl Inc.	Preschool fitness program	135	\$20k-\$25k	\$19.6k-\$24.6k	\$150/month	-
	Webby Dance Company	Onsite children dance program	4	\$22.7k-\$31k	\$15k	8%	10
	Women's Fitness	Lady of America	Women's fitness centers	350	\$21.4k-\$175.4k	\$12.5k-\$35k	10%
Liberty Fitness		30 minutes women's fitness program	65	\$70k-\$80k	\$29.7k	\$450/month	10
Butterfly Life		Women's health & fitness program	4	\$59.5k	\$29.5k	\$600/month	10
Contours Express		Women's fitness centers	200	\$31.2k-\$45.7k	\$10k	\$395/month	10
Curves		Women's fitness centers	6,651	\$36.4k-\$42.9k	\$29.9k	5%	5
Shapeup Sisters Inc.		Fitness boutique for women	1	\$40k-\$51k	\$24.9k	\$375/month	10
Slim & Tone		Women's fitness centers	95	\$40.2k-\$84.7k	\$11.9k	\$395/month	5
Men's Fitness	Cuts Fitness For Men	Circuit training for men	15	\$47.1k-\$70.9k	\$29.5k	\$400/month	10
	The Blitz	20 minutes men's fitness program	38	\$34k-\$55k	\$26k	\$395/month	7
Specialty Fitness	IM=X Pilates Studio	Pilates studio	-	\$17.2k-\$30.8k	\$6k	Varies	-
	Fitness Together	Personal trainers	100	\$75.6k-\$196.7k	\$15k-\$29k	5-6%	10
	Jazzercise	Dance exercise classes	4,763	\$2.6k-\$32.8k	\$325-\$650	20%	5
	Velocity Sports Performance	Sports performance training	15	\$256.8k-\$496k	\$30k	4-8%	10

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## 2.4. SWOT Analysis

<b><u>Strengths</u></b> <ul style="list-style-type: none"><li>• Established reputation</li><li>• No direct competition</li><li>• High gross margin</li><li>• High retention rate</li><li>• Customers stay an average of 2.9 years</li><li>• Multiple opportunities to add new services to existing clients</li><li>• Wide media coverage</li></ul>	<b><u>Opportunities</u></b> <ul style="list-style-type: none"><li>• Huge untapped market: 9.2 million overweight youth between 6 and 19 years</li><li>• Favorable government policies</li><li>• Public supports</li><li>• Easy access to media</li></ul>
<b><u>Weaknesses</u></b> <ul style="list-style-type: none"><li>• Lack of initial funding to kick off the program</li><li>• Lack of resources to capitalize on the market opportunity</li></ul>	<b><u>Threats</u></b> <ul style="list-style-type: none"><li>• Competition from established franchises branching out to the same market</li><li>• Control of program quality</li></ul>

## 2.5. Key Success Factors

While franchising will help Sample to grow rapidly, the company is keenly aware of policies and practices that would enhance long-term profitability.

- Rapid expansion: Establishing brand name is crucial to success. A slow-growing franchise system may not be able to promote its brand name cost-effectively.
- Minimize field support: Field support is costly. Sample is better off devoting scarce resources to growing the franchise system.
- Lean operation: A lean operation enhances growth and brand name development.
- Strong brand name: Build and maintain strong brand name through increased ranking in *Entrepreneur Magazine* and other publications.
- Professional affiliations: Secure membership in the International Franchise Association and state authorities. These associations provide quality check on the franchise system and signal the franchiser's reliability.

### 3. Marketing Strategy

#### 3.1. Positioning

Sample positions itself as a fitness training franchiser for overweight youth by using a positive, innovative exercise and nutrition program as well as lifestyle changing tools that will set the foundation for a fit and healthy future.

Unlike most weight-loss centers that focus on overweight or obese adults, Sample primarily provides fitness and nutrition training for children age 6 to 11 years and teenagers age 12 to 19 years.

The Sample program is designed around the basis of setting goals, working in one-on-one and group settings to teach consistency to children in achieving their goals. This appointment-based approach differentiates the company from other weight-loss or fitness centers where clients are locked in membership plans, yet receive limited personal training. Failure to follow exercise or diet disciplines is the major reason why most weight-loss programs are not successful. The Sample approach allows trainers to use a variety of exercises to keep clients motivated to reach dietary and exercise goals.

#### 3.2. Pricing Strategy

Sample prices are based on the following factors:

- Number of persons: Single, 2-person family, and 3-person family
- Age of the member: Youth and adult
- Types of training sessions: Private session, semi-private session (up to 4 people) and group session (up to 15 people)
- Number of private sessions per week
- Number of group sessions per week
- Personal training experience as compared to other trainers

This price structure is open-ended. It does not charge the setup fee or the monthly “maintenance” fee. The following table is an illustration of the sample rate card. Depending on their financial capability, members can choose a combination of private, semi-private and group classes.

Number of Clients	Private Rate	# of Sessions <sup>1</sup>	Group Rate	# of Sessions	Semi-Private Rate	# of Sessions	Weekly Charge	Monthly Charge
1 Youth	\$30	1	-	-	\$20	1	-	-
1 Adult	\$35	1	-	-	\$25	1	-	-
2 Family Members	\$35	2	\$10	1	-	-	\$90	\$360
	\$35	1	\$10	2	-	-	\$75	\$300
	\$35	1	\$10	1	-	-	\$55	\$220
	\$35	0	\$10	3	-	-	\$60	\$240
3 Family Members	\$40	2	\$8	1	-	-	\$104	\$416
	\$40	1	\$8	2	-	-	\$88	\$352
	\$40	1	\$8	1	-	-	\$64	\$256
	\$40	0	\$8	3	-	-	\$72	\$288
Group Only	-	-	-	3	-	-	-	\$199

<sup>1</sup> This refers to the number of sessions per week.

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Rates for other services have not been determined. These rates include

- Custom monthly nutrition plans
- Discount on merchandise
  - Supplements
  - Clothes
- Fitness assessment
  - Body fat check
  - Blood pressure reading
  - Heart rate reading
  - Body measurement
  - Nutritional checkup with assigned family fitness coach

Franchise fee and royalty rate are determined by comparing similar franchises in the fitness industry. According to the previous comparison, the franchise fee is determined to be between \$15,000 and \$25,000. The royalty rate is determined at 8% of the revenue.

### 3.3. Advertising & Promotions

Sample will deliver messages about its effective program while the targeted children and parents are at home, at school, and in the community – through television, radio, print, the Internet, and out-of-home outlets such as movie theaters, billboards, seminars/workshops and city buses. The result will be an impressive level of brand awareness. Sample will be perceived as an inspirational and motivational source of fitness activities that increases our children’s energy, health and self-confidence.

- Public relations: Sample will continue to pursue public relations tactics such as feature stories and TV interviews to create the buzz around its innovative and effective weight loss program. Since the company’s inception, *Arizona Republic, Channel 12 & 15 TV, Tatum Sun Times* and media from as far as Pittsburgh, Pennsylvania have reported its success. Public relations are usually free but are difficult to secure. Therefore, these tactics lend more credibility than other promotion techniques.
- Print advertising: Displays or classified advertisements will be placed in city newspapers, the Yellow Pages and community newsletters. Sample currently runs an ad in a local newspaper with 23,000 circulation. The response rate is as high as 1%. It plans to expand its advertising effort in the following years.
- Fundraising for nonprofit organizations: Sample will commit a percentage of sales to nonprofit organizations serving the youth population. These promotional tactics help create brand awareness and reduce marketing expenses. They also help cement an emotional connection with surrounding communities.
- Movie screen slides: Played before movies start, this type of advertising is less costly than radio and TV but more effective in reaching local residents.
- Libraries: There are 16,586 public libraries in the United States. Most libraries offer space for presentations of summer or



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student programs. Sample will display its posters and brochures in these libraries to engage more family and youth members.

- School events: These events are also critical in generating awareness and support. These events include on-campus sports events, student club activities and seminars. Sample will provide sponsorships in return for displaying its program presentations at these events to increase family and youth awareness.

- Partnerships: Sample has cultivated several strategic partnerships including an alliance with Dr. Francis Mills Yerker, a nationally known youth leadership mentor, Leadership Workshops of Arizona, Nona Lee and the Phoenix Women's Sports Association (PWSA). PWSA is a nonprofit organization dedicated to helping girls and women find their power through sports. PWSA reaches



out to underserved girls and women to give them opportunities to reach their greatest potential by building confidence and self-esteem through participation in sports and fitness activities.

- Seminars/Workshops: Sample success story Bo is an inspirational figure for many overweight children. The company will deliver speeches at leadership workshops and other seminars to inspire and engage more overweight children to participate the program.
- Celebrity Support: Sample has secured support from several sports celebrities including

**John D and Luis Gonzalez**

- Buddy Rice, 2004 Indianapolis 500 Champion
- Luis Gonzalez, Arizona Diamonbacks, baseball star
- Michael Cage: Former professional basketball player and current NBA analyst
- Adran Fernandez: Champion race car driver (Cart & Indy League)
- David Sloan: Former professional football player for the Detroit Lions and New Orleans Saints
- Arie Lyundicyk: 2-time 500 winner
- Chad Moeller, Milwaukee Brewer, baseball star



- Other Professional Support:
  - Dr. David Risak: leading cardiac doctor
  - Dr. Claussen, cardiovascular surgeon
  - Dr. Christopher Crowe, infectious disease, Scottsdale Healthcare
  - Pauline King, Head of Community Service, Scottsdale Healthcare



### 3.4. Sales Projections

Sample generates revenue from four sources:

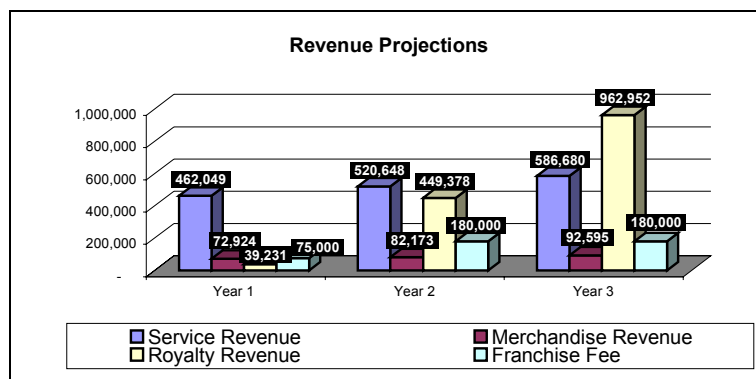
- Service revenue: Revenue generated from personal training sessions
- Merchandise revenue: Revenue generated from sales of supplements, clothing and accessories
- Royalty revenue: 8% of sales generated by franchisees that use the Sample operating concept and brand name
- Franchise revenue: \$15,000 one-time charge to franchisees

In projecting revenues for the next three years, Sample used the following assumptions:

- For each advertisement in a newspaper with a circulation of 23,000, there will be one-percent of readers who would respond to the ad. (This is the current print response rate by spending \$257/month in advertising. Sample believes it will increase with more advertising investment.)
- 49% of the respondents will sign up as single members.
- 51% of the respondents will sign up for group sessions.
- Single private session fee is \$30.
- Group fee is \$10/session.
- Each member will sign up for an average of two sessions per week or eight sessions per month.
- Each member will spend \$25/month on merchandise.
- Total number of members will increase by 1% per month.
- Each franchisee will be able to pay the royalty fee starting from the third month in operation.
- Royalty rate: 8%
- The company will have four franchise operations in year one and add twenty more in the following two years.

The sales projections do not include revenue sources that are difficult to anticipate at the time of writing this business plan. This revenue sources include custom monthly nutrition plans, discount on merchandise and fitness assessment

The following chart illustrates revenue projections for the next three years. While the company-owned stores continue to grow, the percentage of revenue generated from personal training services and merchandise sales will decrease as a result of growth in the number of franchise establishments. It is estimated that income from franchise fees will increase from 7% of the total revenue in year one to about 59% in year three.



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## 4. Operating Strategy

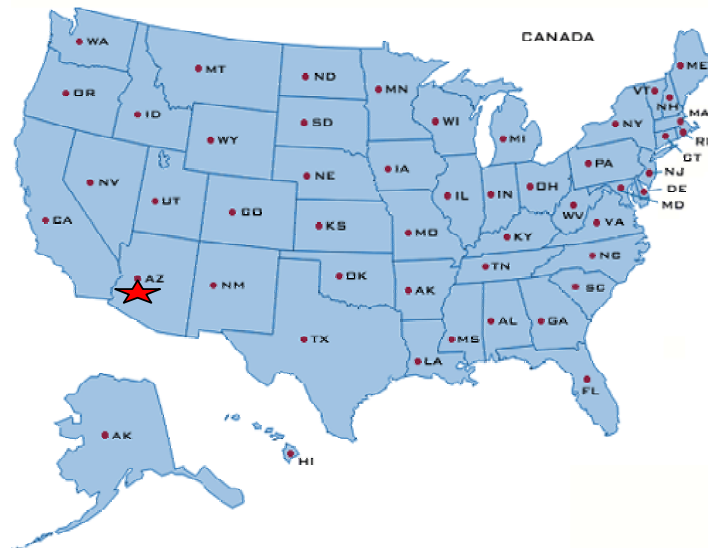
### 4.1. Headquarters

Sample will be headquartered in Scottsdale, AZ. The headquarters will be a company-owned gym with an area of 2,000 square feet. It will be open 5am-8pm from Monday to Friday, 7am-3pm on Saturday and closed on Sunday.



### 4.2. Branch/Franchises

Sample plans to develop at least 500 franchises within the next ten years. This equals to about two franchises in 250 major cities in the U.S. Each franchise establishment is estimated to be of the same size as the company-owned store.



### 4.3. Equipment & Facilities

Item	Amount	Price
FM Crossover	1	\$3995
FM Chest	1	\$3295
FM Row	1	\$2995
FM Cable Column	2	\$2990
FM Squat	1	\$4995
Gymnic 65 cm Stability	4	\$83.80
Gymnic 55 cm Stability	4	\$71.80
SB Rack	1	\$114.95
First place MB 1k	2	\$39.90
First place MB 2k	2	\$49.90
First place MB 3k	2	\$69.90
First place MB 4k	2	\$89.90
First place MB 5k	2	\$109.90
First place MB 6k	2	\$123.90
First place MB 7k	2	\$139.95
Medicine Ball Rack	1	\$219.95
JC Band Pink	2	\$49.90
JC Band Orange	2	\$49.90
JC Band Yellow	2	\$49.90
JC Band Green	2	\$49.90
JC Band Blue	2	\$49.90
JC Band Black	2	\$49.90
Prostar Power Rack	1	\$1095
300lb Olympic weight set	2	\$379.90
Climbing Rope	1	\$89.95
Prostar Bench	2	\$595.00
VTX Pro DB 5-50	10	.59/lb est. \$325
Economy DB Rack	1	\$119.95
Flooring 12mm	1500sq ft	\$2.29sq/ft \$3435.00
NordicTrack Trekker	1	\$2150.00
Elliptical Lifeline	1	\$2180.00
Indoor Hoops	1 dozen	\$24.95
ABC Ladder	1	\$89.95
First Place Economy Boxes	1	\$409.95
7' Jump rope	6	\$9.95
12" Cone	6	\$35.70
Hurdle Sets	2	\$83.00
Airx Pad	1	\$49.95
Balance Board Package	1	\$69.95
Biofoam ½ round	2	\$21.90
Slide Board	1	\$389.95
	Total	\$30527.35

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#### 4.4. Franchise Requirements

Franchisees are required to make the following investment:

Franchise fee	\$15,000 - \$25,000
Royalty charge	8%
Terms of agreement	7 years renewable
Equipment	\$30,600
Renovation	\$50,000 - \$100,000
Other expenses	\$20,000
Total investment	\$104,400 - \$134,400

Franchisees must also pass stringent security and background check. Additionally, Sample will create a Sample Certification Program, a two-week training that ensures quality control and child safety. All franchisees must pass the certification training before they go into operations.

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## 5. Management

### 5.1. Management Biography



John D (JD), an exercise specialist for twenty years, is the founder and president of Sample. His training methodologies have been successfully applied to the full spectrum of the population, ages 5 to 89. Children enrolled in his program can drop as much as 35 pounds and have increased their energy, health and self-esteem. Channel 5 & 12, *Arizona Republic*, *Tatum Sun Times* and media from as far as Pittsburgh, Pennsylvania have reported his success.

While starting Sample, JD has also been working as an Exercise Performance Specialist at Maximum Fitness from 1993, training clients 8 to 81 years with the most current strength and conditioning techniques. During this period of time, he produced fifteen national, ten world and numerous state and regional champions. Due to his phenomenal success, he acquired a large client base. He also designed and sold custom nutrition programs.

From 1990 to 1992, JD worked as Weight Room Manager and Personal Trainer at Aerobics of Scottsdale. During his tenure, he hired, trained and supervised trainers while teaching body sculpting and selling nutrition plans.

From 1987 to 1989, he worked as Weight Room Manager and Personal Trainer at La Camarilla where he organized strength events and supervised trainers in addition to weight-room management. He redesigned the weight room that helped increase membership by 300%.

JD is also an avid writer on childhood obesity. He currently writes youth fitness tips in a local newspaper. JD's success and enthusiasm for reversing this horrible epidemic has made him a sought-after speaker on the subject. He has delivered speeches at various leadership workshops for those who work with children aged 8 to 17 years old.

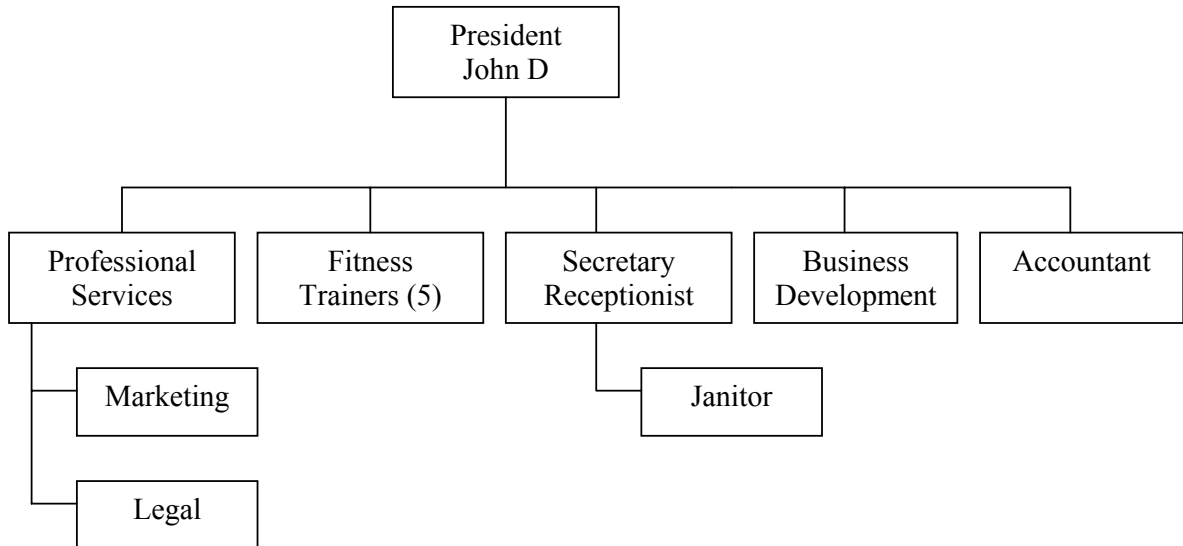
JD is an accomplished athlete, winning five national and two world championships.

He is also an active philanthropist, working as the "Relay for Life" Cancer Fundraising Captain in 2003 and 2004.

JD received his Bachelor of Science degree in Physical Education from Arizona State University. Additionally, he has an AA degree in Education from Phoenix Community College. He is a Certified Personal Trainer (CPT) and a Strength & Conditioning Specialist (CSCS). He also has pursued continuing education in the areas of functional training, exercise for special populations, medicine ball programs, exercise and core strength, exercise and the knee, childhood obesity & exercise programs, exercise and diabetic clients, rehabilitation techniques for injuries, and safe training techniques.

He is a member of numerous professional associations including the National Strength Conditioning Association, the International Sports Science Association, the AIFE, the National Association of Strength Athletes, the Athletics Congress, the US Junior Olympics, and the Amateur Athletic Union.

### 5.2. Organization Chart



### 5.3. Compensation

The company will hire three fitness trainers in the first year and five in the second year. Professional services such as marketing and legal will be outsourced to appropriate firms. The company will hire a full-time receptionist, accountant and business development professional. Compensations for these staff members are as follows:

	Year 1	Year 2	Year 3
Receptionist	36,000	36,000	36,000
Trainers	108,000	180,000	180,000
Accountant	18,000	36,000	48,000
Professional Services	18,000	36,000	48,000
Business Development	16,000	48,000	48,000
Janitor Services	6,000	6,000	6,000

### 5.4. Internship Program

Sample will develop an internship with area colleges and universities. Through this yearlong program, interns will develop critical skills in youth fitness training, fitness operation and financial management. The program intends to develop these interns into future franchisees. Through active participation in training future franchisees, Sample will develop a thorough understanding of its potential franchisees' character and potential.

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## 6. Financial Projections

### 6.1. Assumptions

- For each advertisement in a newspaper with a circulation of 23,000, there will be one-percent respondents. (This is the current response rate to the ad in the newspaper. With increasing advertising expenditure, the company will generate more responds.)
- 49% of the respondents will sign up as single members.
- 51% of the respondents will sign up for group sessions.
- Single private session fee is \$30.
- Group fee is \$10.
- Each member will sign up for an average of two sessions per week or eight sessions per month.
- Each member will spend \$25/month on merchandise.
- Total number of members will increase by 1% per month.
- Each franchisee will be able to pay the royalty fee starting from the third month in operation.
- Royalty rate: 8%
- The company will have four franchise operations in year one and add twelve more in the following two years.
- Loan amount: \$220,000 in year one and reduced to \$200,000 in year two and \$180,000 in year three
- Accounts receivable turnover days are estimated at 15 days. Therefore, the amount of accounts receivable on the balance sheet equals 4% of the total revenue.
- Accounts payable turnover days are estimated at 30 days. Therefore, the amount of accounts payable on the balance sheet equals 8% of the total expenses and COGS.
- Inventory turnover days are estimated at 30 days. Therefore, the amount of inventory on the balance sheet equals 8% of COGS.
- The life of company assets is expected to be five years. Therefore, all assets are depreciated 20% per year.

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## 6.2. Projected Profit & Loss

Year 1	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Service Revenue	36,432	36,796	37,164	37,536	37,911	38,290	38,673	39,060	39,451	39,845	40,244	40,646
Merchandise Revenue	5,750	5,808	5,866	5,924	5,983	6,043	6,104	6,165	6,226	6,289	6,352	6,415
Royalty Revenue	-	-	-	-	-	-	-	3,566	3,566	7,133	10,699	14,266
Franchise Fee	-	-	-	-	-	15,000	-	-	15,000	15,000	15,000	15,000
Total Revenue	42,182	42,604	43,030	43,460	43,895	44,334	44,777	48,791	49,244	53,267	57,295	61,327
Merchandise Cost	3,163	3,194	3,226	3,258	3,291	3,324	3,357	3,391	3,425	3,459	3,493	3,528
Gross Margin	39,020	39,410	39,804	40,202	40,604	41,010	41,420	45,401	45,819	49,808	53,801	57,799
Operating Expenses												
Rent	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Receptionist	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Trainers (3)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Accountant	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Professional Services	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Business Development	-	-	-	-	-	-	-	-	4,000	4,000	4,000	4,000
Janitor Services	500	500	500	500	500	500	500	500	500	500	500	500
Utility	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Advertising	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Owner's Compensation	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Depreciation Expenses	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333
Interest Expenses	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833
Total Operating Expenses	37,667	37,667	37,667	37,667	37,667	37,667	37,667	37,667	37,667	37,667	37,667	37,667
Total Operating Income	4,515	4,937	5,363	5,793	6,228	6,667	7,110	11,125	11,577	15,600	19,628	23,660
Income Tax	1,761	1,925	2,092	2,259	2,429	2,600	2,773	4,339	4,515	6,084	7,655	9,228
Net Income	2,754	3,012	3,272	3,534	3,799	4,067	4,337	6,786	7,062	9,516	11,973	14,433

Projected Profit & Loss	Y1Q1	Y1Q2	Y1Q3	Y1Q4	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4
Service Revenue	110,393	113,738	117,184	120,735	124,393	128,162	132,046	136,047	140,169	144,417	148,793	153,301
Merchandise Revenue	17,423	17,951	18,495	19,055	19,633	20,228	20,841	21,472	22,123	22,793	23,484	24,195
Royalty Revenue	-	-	7,133	32,098	64,197	96,295	128,394	160,492	192,590	224,689	256,787	288,886
Franchise Fee	-	15,000	15,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Total Revenue	127,816	131,689	142,812	171,889	208,223	244,685	281,280	318,011	354,882	391,898	429,063	466,382
Merchandise Cost	9,583	9,873	10,172	10,480	10,798	11,125	11,462	11,810	12,167	12,536	12,916	13,307
Gross Margin	118,233	121,816	132,640	161,408	197,425	233,560	269,818	306,201	342,715	379,362	416,147	453,075
Operating Expenses												
Rent	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Receptionist	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Accountant	27,000	27,000	27,000	27,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Trainers	27,000	27,000	27,000	27,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Professional Services	4,500	4,500	4,500	4,500	9,000	9,000	9,000	9,000	12,000	12,000	12,000	12,000
Business Development	6,000	6,000	6,000	6,000	9,000	9,000	9,000	9,000	18,000	18,000	18,000	18,000
Janitor Services	-	-	4,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Utility	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Advertising	6,000	6,000	6,000	6,000	12,000	12,000	12,000	12,000	18,000	18,000	18,000	18,000
Owner's Compensation	24,000	24,000	24,000	24,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Depreciation Expenses	10,000	10,000	10,000	10,000	9,999	9,999	9,999	9,999	9,999	9,999	9,999	9,999
Interest Expenses	5,500	5,500	5,500	5,500	5,001	5,001	5,001	5,001	4,500	4,500	4,500	4,500
Total Operating Expenses	113,000	113,000	113,000	113,000	159,000	159,000	159,000	159,000	176,499	176,499	176,499	176,499
Total Operating Income	14,816	18,689	29,812	58,889	49,223	85,685	122,280	159,011	178,383	215,399	252,564	289,883
Income Tax	5,778	7,289	11,627	22,967	19,197	33,417	47,689	62,014	26,758	32,310	37,885	43,482
Net Income	9,038	11,400	18,185	35,922	30,026	52,268	74,591	96,997	151,626	183,089	214,680	246,401

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Projected Profit & Loss	Year 1	Year 2	Year 3
Service Revenue	462,049	520,648	586,680
Merchandise Revenue	72,924	82,173	92,595
Royalty Revenue	39,231	449,378	962,952
Franchise Fee	75,000	180,000	180,000
Total Revenue	574,205	1,052,199	1,642,226
Merchandise Cost	40,108	45,195	50,927
Gross Margin	534,096	1,007,004	1,591,299
Operating Expenses			
Rent	60,000	60,000	60,000
Receptionist	36,000	36,000	36,000
Trainers	108,000	180,000	180,000
Accountant	18,000	36,000	48,000
Professional Services	24,000	36,000	72,000
Business Development	16,000	48,000	48,000
Janitor Services	6,000	6,000	6,000
Utility	18,000	18,000	18,000
Advertising	24,000	48,000	72,000
Owner's Compensation	96,000	108,000	108,000
Depreciation Expenses	40,000	39,996	39,996
Interest Expenses	22,000	20,004	18,000
Total Operating Expenses	452,000	636,000	705,996
Total Operating Income	122,205	416,199	936,230
Income Tax	47,660	162,318	140,435
Net Income	74,545	253,881	795,796

### 6.3. Projected Balance Sheet

Year 1	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<b>Assets</b>												
<b>Current Assets</b>												
Cash	58,966	67,217	75,893	84,999	94,540	104,519	114,941	129,229	144,118	162,881	185,671	212,494
Accounts Receivable	1,758	1,775	1,793	1,811	1,829	1,847	1,866	2,033	2,052	2,219	2,387	2,555
Inventory	264	266	269	272	274	277	280	283	285	288	291	294
<b>Total Current Assets</b>	<b>60,988</b>	<b>69,258</b>	<b>77,955</b>	<b>87,081</b>	<b>96,643</b>	<b>106,643</b>	<b>117,087</b>	<b>131,545</b>	<b>146,455</b>	<b>165,389</b>	<b>188,350</b>	<b>215,344</b>
<b>Long-Term Assets</b>												
Equipment & Fixtures	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Accumulated Depreciation	3,333	6,667	10,000	13,333	16,667	20,000	23,333	26,667	30,000	33,333	36,667	40,000
<b>Total Long-Term Assets</b>	<b>196,667</b>	<b>193,333</b>	<b>190,000</b>	<b>186,667</b>	<b>183,333</b>	<b>180,000</b>	<b>176,667</b>	<b>173,333</b>	<b>170,000</b>	<b>166,667</b>	<b>163,333</b>	<b>160,000</b>
<b>Total Assets</b>	<b>257,654</b>	<b>262,591</b>	<b>267,955</b>	<b>273,748</b>	<b>279,976</b>	<b>286,643</b>	<b>293,754</b>	<b>304,878</b>	<b>316,455</b>	<b>332,055</b>	<b>351,683</b>	<b>375,344</b>
<b>Liabilities</b>												
<b>Current Liabilities</b>												
Accounts Payable	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139	3,139
Tax Payable	1,761	3,686	5,778	8,038	10,467	13,067	15,840	20,178	24,693	30,777	38,432	47,660
<b>Total Current Liabilities</b>	<b>4,900</b>	<b>6,825</b>	<b>8,917</b>	<b>11,176</b>	<b>13,605</b>	<b>16,206</b>	<b>18,979</b>	<b>23,317</b>	<b>27,832</b>	<b>33,916</b>	<b>41,571</b>	<b>50,799</b>
<b>Long-Term Liabilities</b>												
Bank Loan	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000
<b>Total Long-Term Liabilities</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>
<b>Total Liabilities</b>	<b>224,900</b>	<b>226,825</b>	<b>228,917</b>	<b>231,176</b>	<b>233,605</b>	<b>236,206</b>	<b>238,979</b>	<b>243,317</b>	<b>247,832</b>	<b>253,916</b>	<b>261,571</b>	<b>270,799</b>
<b>Owner's Equity</b>												
Net Income	2,754	5,766	9,038	12,572	16,371	20,438	24,775	31,561	38,623	48,139	60,112	74,545
Capital, D	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
<b>Total Owner's Equity</b>	<b>32,754</b>	<b>35,766</b>	<b>39,038</b>	<b>42,572</b>	<b>46,371</b>	<b>50,438</b>	<b>54,775</b>	<b>61,561</b>	<b>68,623</b>	<b>78,139</b>	<b>90,112</b>	<b>104,545</b>
<b>Total Liabilities and Owner's Equity</b>	<b>257,654</b>	<b>262,591</b>	<b>267,955</b>	<b>273,748</b>	<b>279,976</b>	<b>286,643</b>	<b>293,754</b>	<b>304,878</b>	<b>316,455</b>	<b>332,055</b>	<b>351,683</b>	<b>375,344</b>

Projected Balance Sheet	Y1Q1	Y1Q2	Y1Q3	Y1Q4	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4
<b>Assets</b>												
<b>Current Assets</b>												
Cash	75,893	104,519	144,118	212,494	204,910	299,990	431,751	600,242	605,784	830,657	1,092,693	1,392,045
Accounts Receivable	1,793	1,847	2,052	2,555	2,724	3,568	4,076	4,587	5,100	5,615	6,132	6,651
Inventory	269	277	285	294	551	312	322	331	341	352	362	373
<b>Total Current Assets</b>	<b>77,955</b>	<b>106,643</b>	<b>146,455</b>	<b>215,344</b>	<b>208,184</b>	<b>303,869</b>	<b>436,149</b>	<b>605,161</b>	<b>611,225</b>	<b>836,624</b>	<b>1,099,187</b>	<b>1,399,069</b>
<b>Long-Term Assets</b>												
Equipment & Fixtures	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Accumulated Depreciation	10,000	20,000	30,000	40,000	50,000	60,000	70,000	80,000	89,999	99,998	109,997	119,996
<b>Total Long-Term Assets</b>	<b>190,000</b>	<b>180,000</b>	<b>170,000</b>	<b>160,000</b>	<b>150,000</b>	<b>140,000</b>	<b>130,000</b>	<b>120,000</b>	<b>110,001</b>	<b>100,002</b>	<b>90,003</b>	<b>80,004</b>
<b>Total Assets</b>	<b>267,955</b>	<b>286,643</b>	<b>316,455</b>	<b>375,344</b>	<b>358,184</b>	<b>443,869</b>	<b>566,149</b>	<b>725,161</b>	<b>721,226</b>	<b>936,626</b>	<b>1,189,190</b>	<b>1,479,073</b>
<b>Liabilities</b>												
<b>Current Liabilities</b>												
Accounts Payable	3,139	3,139	3,139	3,139	4,417	4,417	4,417	4,417	4,417	4,417	4,417	4,417
Tax Payable	5,778	13,067	24,693	47,660	19,197	52,614	100,303	162,318	26,758	59,067	96,952	140,435
<b>Total Current Liabilities</b>	<b>8,917</b>	<b>16,206</b>	<b>27,832</b>	<b>50,799</b>	<b>23,614</b>	<b>57,031</b>	<b>104,720</b>	<b>166,734</b>	<b>31,174</b>	<b>63,484</b>	<b>101,369</b>	<b>144,851</b>
<b>Long-Term Liabilities</b>												
Bank Loan	220,000	220,000	220,000	220,000	200,000	200,000	200,000	200,000	180,000	180,000	180,000	180,000
<b>Total Long-Term Liabilities</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>220,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>
<b>Total Liabilities</b>	<b>228,917</b>	<b>236,206</b>	<b>247,832</b>	<b>270,799</b>	<b>223,614</b>	<b>257,031</b>	<b>304,720</b>	<b>366,734</b>	<b>211,174</b>	<b>243,484</b>	<b>281,369</b>	<b>324,851</b>
<b>Owner's Equity</b>												
Net Income	9,038	20,438	38,623	74,545	104,571	156,839	231,430	328,426	480,052	663,142	877,821	1,124,222
Capital, D	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
<b>Total Owner's Equity</b>	<b>39,038</b>	<b>50,438</b>	<b>68,623</b>	<b>104,545</b>	<b>134,571</b>	<b>186,839</b>	<b>261,430</b>	<b>358,426</b>	<b>510,052</b>	<b>693,142</b>	<b>907,821</b>	<b>1,154,222</b>
<b>Total Liabilities and Owner's Equity</b>	<b>267,955</b>	<b>286,643</b>	<b>316,455</b>	<b>375,344</b>	<b>358,184</b>	<b>443,869</b>	<b>566,149</b>	<b>725,161</b>	<b>721,226</b>	<b>936,626</b>	<b>1,189,190</b>	<b>1,479,073</b>

#### 6.4. Projected Cash Flows

Year 1	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Net Income	2,754	3,012	3,272	3,534	3,799	4,067	4,337	6,786	7,062	9,516	11,973	14,433
Cash From Operations Activities												
(+) Accounts Payable	3,139	-	-	-	-	-	-	-	-	-	-	-
(+) Tax Payable	1,761	1,925	2,092	2,259	2,429	2,600	2,773	4,339	4,515	6,084	7,655	9,228
(+) Depreciations	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333
(-) Accounts Receivable	1,758	18	18	18	18	18	18	167	19	168	168	168
(-) Inventory	264	3	3	3	3	3	3	3	3	3	3	3
Total Cash From Operations	6,212	5,239	5,405	5,572	5,741	5,912	6,085	7,502	7,827	9,247	10,818	12,390
Cash From Investing Activities												
Equipment & Fixtures	200,000	-	-	-	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	200,000	-	-	-	-	-	-	-	-	-	-	-
Cash From Financing Activities												
Bank Loan	220,000	-	-	-	-	-	-	-	-	-	-	-
Capital, D	30,000	-	-	-	-	-	-	-	-	-	-	-
Total Cash From Financing Activities	250,000	-	-	-	-	-	-	-	-	-	-	-
Change in Cash	58,966	8,250	8,676	9,106	9,541	9,979	10,422	14,288	14,889	18,763	22,791	26,823
Cash Beginning of the Month	-	58,966	67,217	75,893	84,999	94,540	104,519	114,941	129,229	144,118	162,881	185,671
Cash End of the Month	58,966	67,217	75,893	84,999	94,540	104,519	114,941	129,229	144,118	162,881	185,671	212,494

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Projected Cash Flow	Y1Q1	Y1Q2	Y1Q3	Y1Q4	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4
Net Income	9,038	11,400	18,185	35,922	30,026	52,268	74,591	96,997	151,626	183,089	214,680	246,401
Cash From Operations Activities												
(+) Accounts Payable	3,139	-	-	-	1,278	-	-	-	-	-	-	-
(+) Tax Payable	5,778	7,289	11,627	22,967	(28,463)	33,417	47,689	62,014	(135,560)	32,310	37,885	43,482
(+) Depreciations	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	9,999	9,999	9,999	9,999
(-) Accounts Receivable	1,793	54	205	503	168	844	509	511	513	515	517	519
(-) Inventory	269	8	8	9	257	(239)	9	10	10	10	11	11
Total Cash From Operations	16,855	17,226	21,414	32,454	(17,610)	42,812	57,171	71,494	(126,084)	41,784	47,356	52,951
Cash From Investing Activities												
Equipment & Fixtures	200,000	-	-	-	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	200,000	-	-	-	-	-	-	-	-	-	-	-
Cash From Financing Activities												
Bank Loan	220,000	-	-	-	(20,000)	-	-	-	(20,000)	-	-	-
Capital, D	30,000	-	-	-	-	-	-	-	-	-	-	-
Total Cash From Financing Activities	250,000	-	-	-	(20,000)	-	-	-	(20,000)	-	-	-
Change in Cash	75,893	28,626	39,599	68,376	(7,584)	95,080	131,762	168,490	5,542	224,873	262,036	299,352
Cash Beginning of the Month	-	75,893	104,519	144,118	212,494	204,910	299,990	431,751	600,242	605,784	830,657	1,092,693
Cash End of the Month	75,893	104,519	144,118	212,494	204,910	299,990	431,751	600,242	605,784	830,657	1,092,693	1,392,045