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Start Up Gym Business Plan

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Start Up Gym Business Plan

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This reports goes conducts a situational and financial analysis in order to strategically position a gym within the competitive landscape of Santa Clara, California. This report includes an executive summary, description of products, marketing & an operational plan as well as financial forecasts for the first year. It is the purpose of this report to consider as many relevant factors as possible to compile and more complete and accurate business plan.

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EXECUTIVE SUMMARY

The following document is a plan for the operation and marketing of a start-up gym located in Santa Clara, California. This gym is geared towards the fitness apprehensive market: people that have the will to workout but lack the confidence. It's an opportunity to serve a market that is often forgotten about by making fitness an enjoyable experience. The new gym will offer access to fitness equipment, personal training, and fitness assessments in a comfortable and welcoming environment. Sharp design and a comforting environment will set the gym apart from the competition. It will be a place where people *want* to be rather than *have* to be.

The 5,000 square foot gym will require heavy startup capital for renovations and equipment purchases. Investment in cardio machines and weights is estimated at \$100,000; while overall build out and decorating costs are projected to be ~\$107,000, which brings total capital required before launch to \$207,000. When the renovations are combined with the first year operating expenses the total required capital is \$400,000. With modest demand projections this figure can be paid off in less than four years with a breakeven point in less than a year.

In an effort to increase awareness of the gym prior to launch, a direct mail and grass roots advertising campaign will be employed. Strong community outright initiatives will follow, including but not limited to: little league sponsorships, participation in and sponsorship of philanthropic events and high school sports teams. The goal is to

integrate the gym into the community, to have customer service drive business and to innovate and differentiate whenever possible.

GENERAL COMPANY DESCRIPTION

The goal of this business plan is to address relevant aspects of the fitness center industry and how my proposed fitness center will fit within it.

Mission Statement

“Helping the shy, reluctant, and discouraged achieve their fitness Goals”. The goal is to create an environment where the non-athlete will feel comfortable. The gym will be an extension of the home: safety and familiarity are the most important elements.

Company Vision

Four main components will characterize and drive the business: People, Service, Partnerships, and Productivity.

- **People:** Create an environment where people want to work out rather than need to.
- **Service:** Customer service leads success. Transactions make them come in. People make them come back.
- **Partnerships:** Always push for a situation where all parties are happy.
- **Productivity:** Stay current and stay lean.

Business goals and objectives

- Break-even within the first year of operations
- Keep margins high by offering value and reducing costs
- Maintain a year to year ROI of 15% within 3 years

- Maintain a 60/40 debt to equity ratio
- Offer a diverse product offering (classes, personal training, equipment, etc.)

Business Philosophy

Many businesses are driven purely by profit and have a myopic perspective on financial performance. This new gym will start with the customer and their respective needs. The adage of the 'customer is always right' is what will drive business. Clients are more likely to return and give referrals if treated properly, increasing their lifetime value to the business.

Maximizing customer lifetime value will be an important core philosophy. Rather than focus on transactions, the focus will be on customer connections. For a small, independently owned business, personal connections produce customer loyalty and repeat business. Perhaps more importantly, personal connections have the ability to produce satisfied customers, which in turn reflects the product and generates referrals.

In addition to personal connections, the business will emphasize innovation. Innovation will not only pertain to product/program offerings, but to creative business solutions. Creative solutions to business issues (strategic partnerships, creative marketing/advertising, database and payment management, etc.) help establish a tone to the day-to-day operations as well as helping to establish a brand identity.

The life-blood of any operation is its employees. The fitness center will need to employ people with complimentary personalities and demeanors. This does not mean that the employees should be homogeneous in disposition, but instead they must have a core understanding and drive. This core element will unite them and create a consist atmosphere.

List of key company principals

- The Customer leads business
- Form connections don't just produce transactions
- Innovate whenever possible
- Enjoyment through work

Target Market

The overweight to obese population, ages 30-55, upper middle class, at a turning point in their health/fitness routine, within a 10 min travel distance of the fitness center. A more detailed explanation is found in the Marketing Plan section.

Company Strengths and Core Competencies

The primary strength is differentiation through impeccable customer service and unique ambiance. In addition, the fitness center will offer quality products (equipment, facilities, etc) and quality services (personal training, classes, etc.). Over the years, fitness centers have become a commodity in that there are not many differentiating factors. This is why differentiation is key. For the chosen

demographic, a large volume of product offerings is not an important factor. As a result our fitness center will not focus on product offering as a differentiating factor. Instead the service and “feel” of the gym will set this fitness center apart.

Legal Form of Ownership

The fitness center will be a Limited Liability Company in order to reduce the ownerships personal liability and for tax purposes.

PRODUCTS AND SERVICES

Memberships

Most gyms run by the membership model whereby customers purchase a membership for a given period of time, allowing them access and use of the facilities. Memberships will be available at different price points corresponding to the specified time period. Group rates will be offered to couples and organizations. Please see membership table below for a comprehensive listing of membership types and pricing. Overall, our memberships will be flexible in order to accommodate the client as much as possible.

Table 1

| Membership | Duration | Rate | Notes |
|------------|-----------|------------|--------------------------------------------------------------------|
| Single | Day Pass | \$10 | 15% off with the purchase of day “bundles” (3/5/7/14 day packages) |
| Single | 1 month | \$70 | |
| Single | 12 months | \$60/month | |
| Single (2) | 24 months | \$50/month | |
| Single (3) | 36 months | \$40 | |
| Group – 2+ | 12 months | \$55 | 10% off for each additional person |
| Group – 2+ | 24 months | \$50 | 10% off for each additional person |
| Group – 2+ | 36 months | \$45 | 10% off for each additional person |

Personal Training

In addition to memberships, Personal Training is a major source of revenue for the gym. Trainers will be paid hourly and given a 20% commission for any client they sign up for a membership. A variety of trainers will be available so each client can be paired with the most conducive trainer in terms of style, personality, experience and their fitness goals. Personal training prices will range from \$50-\$100 an hour, depending on the trainer’s experience and specialty.

Personal training can be a very intimate service. The trainer must act as a teacher and motivator, but also as a therapist. The gym is an intimidating place for many people because they are afraid of judgment. Furthermore, many people who are either new to the gym environment or are overweight need emotional support because their eating and exercise habits are often tied to psychological/emotional aspects. A trainer must be able to help the client identify these issues and provide them with new strategies for how to eat and exercise to promote a healthy lifestyle. For this reason, the trainers hired must not only be personable, but must be sensitive.

Fitness Assessments

The gym will offer various fitness assessments to the fitness enthusiast, beginner, or to those who have been long removed from fitness. These assessments will help establish a baseline for clients, provide numerical feedback about their health and allow them to benchmark their health against the average. Assessments will be offered to both members and non-members (non-members will incur an additional fee).

Table 2

| Assessment | Cost (Member) | Cost (Non-member) |
|------------------------------|----------------------|--------------------------|
| Baseline Fitness Test | \$20 | \$35 |
| VO2 max test | \$50 | \$80 |
| Body Composition Analysis | \$15 | \$30 |

Nutritional Supplements and Food

Due to the high concentration of athletic and health-oriented clientele, the gym is a great place to offer nutritional supplements such as protein powders and shakes, creatine, and other amino acids. In addition to supplements, health snacks such as nuts, trail mix, and meal replacement bars will be offered. Sports drinks (Powerade, Gatorade, etc.) will be available from a vending machine located in the foyer by the front desk.

Cost: \$150 per month

MARKETING PLAN

Industry Overview

Although dipping slightly during the onset of the recession, the health and fitness industry is poised to grow as unemployment decreases. In 2009 the industry was valued at approximately \$23.5 billion, with 33,000 establishments, and 540,000 employees. “Big Box” gyms like 24 hour Fitness, Lifetime Fitness, Bally Total Fitness hold 14.1% of the market as of 2008, although preference has been moving towards gyms with a “smaller footprint” (snap fitness, anytime fitness, etc.). These gyms provide a smaller environment, (3,000-5,000), in contrast to Big Box gyms (~20,000sf up to 100,000sf).

The industry has a variety of potent market drivers. Every physician, health educator, health insurer, health journalist, school, university, indeed, every major institution concerned with health, including the American Medical Association, the American Heart Association, and countless others, all advise their readers, patients, students, and clients that regular exercise is vital to a healthy and productive life. Whether managing stress, avoiding long-term health problems, to simply looking and feeling one’s best, health and fitness is a growing concern to Americans, a concern that will continue to grow sharply in the years ahead, despite general economic conditions.

Overall, the health and fitness industry is expected to grow as obesity becomes a more recognized issue within the US. According to the Journal of the American

Medical Association (JAMA) approximately 34% of US citizens, age 20 or older, are considered obese (have a BMI¹ over 30) and approximately 69% of the same population is considered overweight (BMI over 25). Currently the obesity epidemic does

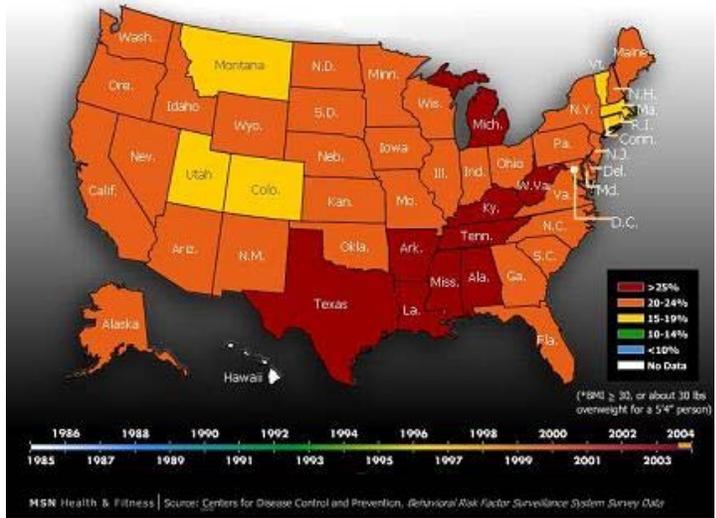


Figure 1

not show signs of slowing. Each year for the past ten years the overall obesity percentage has increased at a rate of ~.5%.

As the obesity numbers continue to bloat, corporations are looking for ways to reduce healthcare costs: enter Corporate Health and Wellness programs. These programs are designed as ‘preventative’ care or they incentivize certain behaviors like smoking abstinence, gym memberships, nutrition tips, etc. According to the CDC, corporations save anywhere from \$1 to \$6 for every dollar they invest in employee health and productivity. Furthermore, the National Corporate Wellness Foundation found that companies who participate in a corporate wellness program have a 30% decrease in worker’s compensation and disability claims, and more than a 25% reduction in sick leave and health related costs.

¹ BMI stands for Body Mass Index and is a widely accepted measure of obesity. BMI = weight (kg)/height (meters)²

For most consumers, convenience trumps price. Health club members, according to the IHRSA's statistics, are willing to pay \$10 to \$50 more per month for gym convenience as opposed to one that might be less expensive but out of the way. Convenience, however, is more than just proximity. A club must be accessible, as well as close. The lack of parking and traffic jams in downtown areas, for example, are barriers to some clubs' growth.

Industry and Exercise Trends

Statistics published by the US Center for Disease Control (CDC) indicate that the percentage of Americans who exercise has remained steady at ~37% since 1988. However, exercise estimates vary widely. Mintel conducted its own research and found that 74% of their respondents "exercise" but only 12% of respondents exercise for the CDC recommended 150 minutes/week. Some of the disparity in statistics may be due to different definitions of key terms and respondents overestimating their actual exercise expenditure (i.e. most people are reluctant to admit that they do not spend nearly enough time at the gym. Consequently they tell people they exercise more than they do).

Some recent drivers of exercise are found in popular media. Shows like "The Biggest Loser" (CBS), "Thintervention" (Bravo), and "So You Think You Can Dance" (FOX) has spurred new interest in physical fitness and exercise. According to an American Council on Exercise (ACE) survey, those that exercise to music have increased from 21.8 million in 2007 to 22 million in 2009. Dance classes like "Zumba" and pole

dancing have come on the scene in recent years in order to capitalize on the growth of the dance/fitness industry.

When you combine the recent fitness attention by the media and declining leisure time due to the poor economy, the result is an increase in 'power workout' interest. Power workouts are shorter (~30min) but more intense than traditional workouts or classes. These workouts focus on muscle growth and fat burning through an increased heart rate. This 'hybrid' type of workout combines strength-training techniques with aerobic activity.

Another interesting fitness trend is something Mintel dubs, "exergames". As the name indicates, exergames are the amalgamation of exercise and entertainment. Things like the advent of Wii Fit®, Bodybugg® (works with iphone), and Espresso Fitness' interactive stationary bikes have helped revive an exercise interest among consumers (exhibit 1). Survey findings show that three in ten fitness consumers have an interest in video games, heart rate monitors, and other technologies that can track expended calories, offer alternative workouts, and track fitness progress over time.

According to Club Industry, IHRSA (International Health, Raquet and Sportsclub Association), and Hoovers corporate partnerships are increasing in large part due to an increase in health concerns/awareness. These partnerships usually come in two forms: fitness clubs are contracted to run corporate health facilities or fitness clubs

offer discounts to the corporate staff. Long gone are the days where corporations milk every ounce of productivity from their employees. The new paradigm is employee life-time value, which can be maximized by keeping them healthy.

Although private club membership penetration has only increased 1 percentage point since 2007 (from 10 to 11%) the largest growth by age was amongst under 45-year-olds. Under 45-year-olds represent the main market for gym membership despite the large numbers of baby boomers. Those aged 18-34 remain fickle: they are the most likely group to become gym members but they are also the most likely to switch establishments. Wariness must come when targeting this demographic.

Not surprisingly income level is the biggest indicator of club membership. Only 8% of the \$25k and under income segment have gym memberships as compared to the \$150k+ segment at 39%. Additionally, whites are more likely to exercise than blacks or Hispanics. This trend could partially explain why obesity rates are higher amongst blacks and Hispanics as compared to whites.

Prevailing Exercise Attitudes

It may come as no shock that some people view exercise as a dull, painful chore and would prefer to do many other things (see exhibit 2 for Mintel's survey results).

Women are more likely than men to view exercise as a chore or something that they think they should do but do not really want to do. Overall, only about one out of three people consider exercise as something 'fun'. Gyms have tried to overcome the

'chore' perspective by assigning coaches to clients who are lapsing on fitness. Additionally, the 'buddy system' premise has been shown to increase motivation and consistency.

Although some people view exercise as a chore, there is variation among ages. For example, more than half of those surveyed ages 18-24 say that exercising makes them happy. Furthermore, Singles are more likely to work out because it makes them happy and so they can indulge in 'unhealthy' lifestyle activities. However, after a person's 25th birthday the heart rate happiness begins to dwindle in a linear fashion. By the time a person reaches 55 years old only 23% of survey respondents said they work out because it makes them happy. The predominant reason that older demographics exercise is due to associated health benefits. The data indicates that health concerns and a healthy lifestyle are large drivers as people get older. This implies that the baby boomer market is ripe for targeting and customization of programs specific to their needs, interests, and attitudes.

Barriers to Entry

Equipment

One of the largest barriers to entry for a fitness center is its equipment costs. These costs are substantial and will comprise at least 50% of the start-up budget. However, these capital costs can be depreciated over time reducing tax implications. Cost estimates were compiled from various sources including industry buying guides and manufacturer invoices.

Competition

A lot of competition exists within the fitness center industry. The major players (Balley's, 24 Hour Fitness, etc.) have a large presence but leave room for niche gyms, tailored to a particular target market and demographic. The majority of competition comes from individually owned gyms, either franchise or startup. For a more detailed competitive analysis please see the "Competition" section within the Marketing Plan.

Economy

Unemployment persists in the US, as the economy is slow to recover from the recent recession. Those who are employed have decreased spending in order to bolster themselves against unpredictable financial times. Despite the languishing economy, spending on gym memberships remains constant. Industry analysts expect the rate of growth to increase as the economy turns around.

Location/Traffic

It is no surprise that location is a key factor when it comes to business but especially business centers. Most gym consumers are not willing to travel away from their day-to-day 'path' (which includes to and from work, grocery store, and home). This means that success of the fitness center is largely determined by its location. If a bad location is chosen, almost no amount of clever marketing will be able to overcome this pitfall. Furthermore, even with a prime location the fitness center must be

convenient to get to. Therefore, concerns such as traffic and its corresponding flow should be addressed before committing to a specific location.

Relevant Market Size and Location

Location: Lawrence Expressway and Homestead Road, Santa Clara, CA

Population: ~112,000 (51% male, 49% Female)

Market Size: ~39,200²

Median Income: \$92,619 (33% growth since 2000)

Other Demographics:

- High school or higher: 86.9%
- Bachelor's degree or higher: 42.4%
- Graduate or professional degree: 16.6%
- Unemployed: 3.4%
- Mean travel time to work: 21.8 minutes
- Never married: 33.8%
- Now married: 50.9%
- Separated: 1.3%
- Widowed: 5.2%
- Divorced: 8.8%

² Estimation based on the CDC's number of people who engage in physical exercise (35%) x Population of Santa Clara California (35% x 112,000 = 39,200)

Location Justification

The actual location is flexible, but the specified location is within minutes from corporate offices, hospitals, grocery stores and high schools. The close proximity to these highly frequented destinations makes the location convenient when dropping off the kids, going shopping, or to/from work.

The surrounding area is full of educated, well-paid citizens. 19% of the population is considered obese; however, this is well below the national average. This may indicate an increased awareness in health and fitness. Also, the most prevalent type of job in the area is desk jobs (computer and electronic industries). Those who have an inactive job are more likely to look for additional types of exercise.

Relevant Competition

According to Google Maps, there are seven gyms within a 3.0 mile radius of the designated location. The competition includes:

- ❖ 24 hour fitness (2)
- ❖ Xfit
- ❖ Nautilus Health Club
- ❖ Snap Fitness
- ❖ Decathlon Club
- ❖ Accessible Fitness

Figure 2



However, there are only three gyms located within 1 mile of the selected location
Please see Figure 2 above.

24 Hour Fitness: There are two different locations within the designated location radius. At first glance this may seem to be a problem. However, 24 Hour Fitness is a big box gym that serves a large amount of members but does not cater to the individual. Its business strategy is to push memberships and personal training services with a 'high-pressure' selling method. This approach alienates members who want a simple, yet refined fitness solution as well as those who are looking for a small fitness community where they can feel like they belong to something.

Address #1: 150 East Fremont Avenue, Sunnyvale, CA 94087

Address #2: 1211 E. Arques Avenue, Sunnyvale, CA 94087

Xfit: This gym is a smaller offering but specializes in kickboxing and cross fit. Its location is far enough away that they should not eat away at our membership base. Furthermore, the design of the gym is similar to a 'boxing' gym, which has an open warehouse floor filled with nothing more than punching bags, boxing rings, mats, and a selection of free weights. This type of gym is primarily attractive to athletes and those who deem themselves as 'weekend warriors'.

Address: 168 E. Fremont Ave. Sunnyvale, CA 94087

Nautilus Health Club: A generic big box gym with little differentiation to speak of. Nautilus is known for its namesake fitness equipment but has lost brand equity in

recent years as Lifetime Fitness and Precor have surpassed them in terms of sales and brand recognition. This particular gym offers generic fitness equipment and services but primarily uses its name as its major point of differentiation (i.e. people associate 'Nautilus' with fitness and therefore think the gym will also offer quality fitness solutions).

Address: 150 East Fremont Avenue, Sunnyvale, CA 94087

Snap Fitness: Snap Fitness will be the major form of competition out of the gyms nearby. Snap Fitness is a franchised gym with hundreds of locations across the country. A member has access to their 'home' gym as well as any other location, which reduces the need for a gym close to the consumers' residence or place of employment. Another overlapping product attribute is the 24/7/365 hours of operation. These gyms tend to be smaller in size (compared to a big box gym) and offer basic fitness products/equipment and services. The major points of differentiation between the new start-up gym and Snap Fitness will be customer service, involvement in the community, and ambiance. Furthermore, Snap Fitness targets a 'no frills' clientele who simply want to get in and get out with little interaction or assistance. The start-up gym will target a more involved client who wishes to become knowledgeable about health and fitness and who are willing to pay slightly more to gain that information.

Address: 60 North Winchester Boulevard, Santa Clara, CA 95050

Decathlon Club: Located on the outer perimeter of the targeted area, the Decathlon Club is an upscale full service 'country club' establishment. It is more of an athletic center than simply a gym. The Club touts racquetball, squash and tennis courts; a fitness center; a pool, saunas, and hot tubs; and spa services (massages, facial peels, etc.). However, all of this comes at a premium price, assuming you are next on the waiting list. The Decathlon Club has a lot to offer, but it will not be a direct form of competition, as their members want a vastly different product than what the start-up gym will offer.

Address: 3250 Central Expressway, Santa Clara, CA 95051

Accessible Fitness: Accessible Fitness caters to those who are interested in mixed martial arts (MMA) training. However, they offer extensive personal training and classes and will be a major point of competition as the start up expands into those product offerings. Accessible Fitness is located on the outskirts of the 3-mile target area, which should help reduce competitive influence.

Address: 2450 Scott Boulevard, Suite 302, Santa Clara, CA 95050

Advertising and Promotional Plan

Opening Day

Date: January 5, 20XX

Justification: The fitness industry experiences seasonality effects like any other business. The peak season occurs after New Years. During the preceding months, people tend to forget about their health and fitness and focus on family, food, and

alcohol. They promise themselves they will make up for their indulgences starting after the New Year, which explains the spike in memberships during the following quarter. The intention is to take advantage of this new found interest in health and fitness by offering them a valued solution.

Direct Mail

Six weeks prior to launch, a direct mail campaign targeting nearby neighborhoods will launch. This campaign's purpose is to increase awareness among the most geographically relevant population. It will also invite them to a grand opening event slated for January 5th of the following year. Since they live within the target radius of 3.0 miles, the gym will be convenient going to or from home. According to the 2000 census, Santa Clara has a population density of 1,306 people per square mile. This works out to approximately 9,200 people within the target area. The cost is estimated at \$.70 per piece.

Cost: \$6,450

Opening Day Event

On January 5th of the New Year an Opening Day party will kick off the new business and welcome interested patrons. The event will have promotional items (t-shirts, water bottles, stress balls, etc.), a catered, health conscious menu, in addition to "healthier" drink options (shakes, vitamin water, tea, etc.) and alcoholic beverages (vodka and wine). This event will be the initial attempt to reach out to the community and establish an identity. Since this gym will set itself apart by customer

service and forming connections, an event where people are fed and offered free items will serve to endear the gym in the hearts and minds of the consumer.

Catering and decorations: \$500

Promotional Items: \$1,000

Partnerships

Figure 3

Kaiser Permanente Medical Center:

- ❖ Employs approximately 5,000 people (500 Doctors and 4,500 staff)
- ❖ Serves over 289,000 members
- ❖ Has an established physical rehab clinic



Kaiser is an attractive partner as there is a natural alignment between the Healthcare industry and the Health and Fitness Industry. Doctors frequently mention the benefits of exercise and if an established relationship exists between the gym and the hospital, Doctors and staff could easily refer patients. Additionally, the hospital has an extensive physical rehabilitation clinic. However, insurance only covers so much and patients will eventually need to continue their treatment on their own. Again, once a relationship is established with the hospital, gym referrals would seem like a natural extension to physical rehab.

Figure 4

Agilent Technologies

- ❖ The headquarters is less than half a mile from the site location
- ❖ HQ has 3,700 employees
- ❖ People with desk jobs are less likely to get physical exercise



Located just half a mile from the designated location, Agilent Technologies is a major business in the immediate area. The high concentration of sedentary workers makes for an efficient promotional outlet. Although some corporations have on-site exercise facilities there are many individuals who prefer to work out off-site because they do not feel comfortable exercising in front of coworkers.

Figure 5

Cupertino Square Mall

- ❖ 34 stores
- ❖ 20 restaurants
- ❖ Movie Theatre
- ❖ Ice-Skating Rink
- ❖ Bowling Alley



Cupertino Square is a major center for commerce and attracts thousands of people every day. This constant flow of patrons and workers will naturally spill over into the surrounding area creating awareness through forced exposure (traffic routes

will funnel people past the location). In addition, the mall will house numerous health-inspired stores (GNC, Jamba Juice, etc.) which would be great places for partnership and promotions. There is shared demographic but the businesses would not compete for disposable income due to ostensibly different product offerings.

Cost: \$500

Sponsorships

Teams: Although not incredibly unique, sponsorship of a team (little league, soccer, adult softball, etc.) is a great way to connect with the community. The sponsorship of two teams, one little league and one adult softball team, would cover the spectrum between those who are married with children and

those who are single. Furthermore, the dual sponsorship will hopefully have synergies and will be 'sold' as a sort of 'big/little brother' concept. This could also be achieved through the sponsorship of the local high school team. Where there are kids, there are parents. Where there are parents, there are usually out of shape people.

Cost: \$1,000 per team

Figure 6



Competitions

Health related competitions such as cycling events, CrossFit competitions, marathons, etc. have a shared demographic giving the gym access to qualified customers. Competitions are a great way to reach the 'fitness enthusiast' segment of the market. Although this segment is not the targeted demographic, it would be unwise to exclude them. It is beneficial for a gym to have members of varying fitness levels.

Cost: \$2,000 per year

Philanthropic Events

Figure 7

Any event (ex. Susan G Komen Race for the Cure) that donates proceeds to philanthropic causes is another way to 'give back to the community' while creating awareness for the gym (and



brand). Sponsorship is one form of exposure, but participation is another. Entering a team of people who all wear branded t-shirts will create interest among others participating in the event. When people in a group are all wearing the same shirt and walking together it creates more attention than one individual or a non-unified group.

Cost: \$3,000 per year

Table 3

| Sponsorship | Cost |
|----------------------|---------|
| Teams | \$1,000 |
| Competitions | \$2,000 |
| Philanthropic Events | \$3,000 |
| Total | \$6,000 |

Signage

Without a doubt, signage will be the main source of advertising as the business gets off the ground. According to a gym owner, over 80% of their clientele find out about the gym by passing by it. This means that signage will need to be attractive, prominent, and able to be seen and read from multiple angles to accommodate multiple directions of traffic. Two quotes were used to estimate the costs associated with signage. The numbers from the quotes were not used explicitly, but instead were slightly altered to accommodate for varying pricing depending on the vendor (Please see exhibit 3 for detailed price quotes).

Cost: \$5,000 (This cost will be absorbed into the initial remodeling costs)

Operational Plan

Production/Service

As previously indicated, customer service must be supreme. Special attention will be paid to getting to know each new member. This personal attention will allow me to get to know my initial members and their respective wants and needs. As I refine my understanding of the clientele I will be able to hire staff in line with their wants.

To begin, I will be the sole employee to minimize payroll costs and will be the unofficial 'spokesman' of the fitness center. However, a trainer will be employed on a temporary basis to accommodate the initial clientele's needs. For the first year, I will pay myself a salary of \$40,000. Staffing will be ramped up commensurately with the demand. Within three months an experienced trainer and class leader will be brought on in a full time capacity.

A possible solution to the staffing issue could be the use of interns. The surrounding area has two universities, San Jose State University and Santa Clara University, and a slew of high schools. Both universities offer degrees in Kinesiology making them good pools for personal training interns. The local high schools could be farmed for students who want volunteer opportunities like a walkathon or helping with a little league sponsorship.

Once a quarter, membership demand for products and services will be addressed. Informal surveys will help flush out interest in various classes and exercise routines. The goal will be to keep the patrons engaged and entertained, realizing better fitness results, and consequently renewed memberships. Those clients who are not stimulated will get bored and lose interest. As interest wanes, it will be more difficult for them to achieve their fitness goals. If they do not see progress, they will not come back.

In order to stay on top of current trends within the industry either an employed trainer, or myself, will go to trade shows. The information gathered at these shows will help to keep the gym positioned as a knowledgeable establishment. This positioning will help give credibility to the business amongst members/consumers and within the industry.

Location

The fitness center will be located in Santa Clara, California. Location requirements are listed below.

Physical requirements

- Amount of space – 5,000ft² (+/- 1,000ft²)
- Type of building – Warehouse or building with a large contiguous space (min 3,000ft²)

- Zoning – Commercial or Mixed Residential-Commercial
- Power and other utilities – Wired for up to 220 watts. Spacing and infrastructure for five showers.

Access

The location should be on a main road within close proximity to a highly frequented area (grocery store, corporate campuses, schools, etc.). If the location is within a strip mall or with a shopping center, there needs to be easy access from the gym to a main road and ample parking so the members can get in and out quickly.

Additionally, the location must be visible from the road, especially by passing drivers. Line of site is a key aspect in business communication and advertising.

People have a hard time finding what they cannot see. Also, the gym will account for those individuals who wish to bike to the location by providing covered bike racks.

Overall:

- On main road
- Ample Parking
- Security for bikers
- Visibility from road

Hours of Operation

24/7: Although being open all day everyday may seem like a drain on resources it must be weighed against the value added to the customer. Many consumers expect a fitness facility that they have access to twenty-four hours a day, seven days a week.

This is especially relevant for members who do not have a standard 9am to 5pm type of job. For instance, the targeted members who work at the hospital or mall will most likely have atypical hours of employment. A nurse may get off of work at 2am and decide that is her only chance to get some exercise. The gym will need to be open to accommodate her.

However, to reduce man-hour costs a security system will be installed to allow for twenty-four access. The system, which includes twelve security cameras, four DVRs to store the security footage, and key FOB entry, will be part of the initial construction costs.

Construction and Decorating Costs

Before a single member can join the gym, the location will need to be renovated and overhauled in order to convey the right impression in addition to having the necessary facilities desired by gym members.

General Build Out: This includes much of the basic construction including installation of five individual bathrooms (shower, sink, toilet, vanity, tile, drainage, etc.), removal of any non-load bearing walls, paint, doors, and air conditioning. Also, many mirrors and windows will be added to increase lighting.

Flooring: The chosen flooring costs \$4/sqft (mid level), and is standard industrial rubber flooring. This type of flooring is required due to the high amount of foot

traffic in addition to constant pressure and force applied by resting weight or when the weights are dropped. Other types of flooring (tile, wood, concrete, etc.) do not have the durability to handle the daily stresses of a gym.

Security: As previously mentioned the security system will include twelve cameras, DVRs for security footage storage, key FOB access (which includes the key FOBs in addition to the locking mechanisms that will need to be installed on all the doors. Also, each door will have a “people counter” which monitors if any unauthorized person(s) access the gym through “drafting” (when a member swipes in and before the door relocks a non-member enters)(exhibit 4).

Fans: Although the general build out includes air conditioning, having fans reduces the overall energy expenditure of a gym. According to Big Ass Fans, Inc. its fans can reduce needed energy output by an average of 30% per year. This is accomplished by its leading design and giant size (up to 24ft in diameter). Fans help to circulate the warm/cold air that is produced by the HVAC system thus reducing the amount of time the HVAC system needs to be running. The less the HVAC system is on, the more money the gym will save. In addition to a large central fan, four smaller fans (2-3ft in diameter) will be strategically placed on the floor to allow members a quick blast of cold air.

Signage: see Advertising and Promotional Plan

Art/Design Elements: Although artwork within a gym may seem like an irrelevant consideration, in this gym it will serve as a major source of differentiation. Many gyms tend to look the same, and there are few things that differentiate one gym from another in the mind of the consumer. Product offering, price, customer service, and design are major points of differentiation. By offering a unique ambiance and aesthetic it will help create and solidify a brand identity within the minds of consumers.

The gym will have a 'modern' aesthetic. Examples can be seen below in *Figure 8* and *9*. Key design elements are straight / 'clean' lines, copious amounts of windows to increase natural light, strategically placed colors to avoid feeling too sterile, and a



Figure 8



Figure 9

relatively open floor plan. The open space is especially

important because people dislike feeling crowded in any situation especially when an individual is sweaty, tired, and carrying heavy objects. The allotted funds are meant to cover foyer furniture, lighting, and artwork (exhibit 5).

Office Furniture: A basic but necessary start-up expense is establishing an office. This office will function as the business center for the gym and will be used to talk to current and prospective members. As a result, the office will need to feel inviting yet

professional. This means that an appropriate sized desk, office chair, couch, lamps, filing cabinets, and a table will need to be purchased. The budget allocation is slightly inflated to make sure enough financing is secured (exhibit 6).

Computer Equipment: Mid-level computer equipment

Table 4

will be purchased. Top of the line equipment is not needed to run payment processing programs, database management systems or the security software. However, a well-rounded computer system

| Item | Cost |
|----------|---------|
| Computer | \$1,800 |
| Monitor | \$600 |
| Printer | \$300 |
| Scanner | \$200 |
| Fax | \$200 |
| Misc. | \$900 |
| Total | \$4,000 |

(and peripherals) will be needed to cover the varying demands of a small business. The printer and scanner will need to double as a copy machine, and a sizable miscellaneous fund will be used to cover paper, toner, general office supplies (pens, notebooks, sticky notes, etc.), flash drives, DVDs, etc.

Electronics: In order to help establish a differentiated ambiance, high-grade electronics will be used. Four LCD Televisions, a Bose stereo system, and a four-line business phone in conjunction with the design and artwork will complete the look and feel of the gym.

Miscellaneous: This budget allocation (roughly 8% of the total remodeling and start-up costs) will cover any unforeseen costs associated with the remodel. For example, permits and licensing not covered by the general build out fund would be taken from the misc. fund. For other price quotes please see exhibits 7-12.

Table 5

| Renovation | Amount | Cost |
|---------------------|-----------------------------------------|-----------|
| General Build Out | \$40/60sqft | \$25,000 |
| Flooring | 5000sqft | \$20,000 |
| Security | 12 cameras, 4 DVRs, Key FOBs | \$15,000 |
| Fans | 1 large, 4 small | \$4,000 |
| Signage | Inside and Outside | \$5,000 |
| Art/Design Elements | Lighting and Artwork | \$7,000 |
| Office Furniture | Chair, desk, lamps | \$5,000 |
| Computer Equipment | Computer, server, printer, scanner, fax | \$4,000 |
| Electronics | TVs, Stereo Equipment, phone, etc | \$7,000 |
| Equipment | Cardio Machines, Free weights, etc. | 100,000 |
| Misc. | | \$10,000 |
| Total | | \$207,000 |

Operating Costs

Salaries and Wages: I will be the sole employee for the first year paying myself \$3,334 per month or \$40,000 annually. This is to reduce overhead as much as possible during the first year of operation and to lower the break-even point.

Rent: By far the biggest expense at \$8,750 per month or \$105,000 annually. This will vary depending on the exact location but the estimate is based on the square footage commercial lease price for the city (\$21/sqft).

Utilities: HVAC costs will run about \$1,000/month (depending on the season). This estimate is derived from current Santa Clara County energy rates (~\$0.20/kWh).

Phone, cable, water, sewage, and a cleaning service will cost ~\$500/month.

Insurance and Supplies: Rounding out the monthly expenses are insurance estimated at \$250/month (quoted from an agent) and supplies (cleaning wipes,

towels, paper, pens, etc.) at \$75/month. A summary of expenses can be seen below in *Table 6*.

Table 6

| Expense | Monthly Cost | Annual Cost |
|--------------------|---------------------|--------------------|
| Salaries and Wages | \$3,334 | \$40,000 |
| Rent | \$8,750 | \$105,000 |
| Utilities | \$1,500 | \$18,000 |
| Insurance | \$250 | \$3,000 |
| Depreciation | \$834 | \$10,000 |
| Supplies | \$75 | \$900 |
| Interest | \$1,000 | \$12,000 |
| Advertising | \$500 | \$6,000 |
| Total | \$16,242 | \$194,900 |

Financial Forecast

Demand:

Table 7

| Month | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | TOTAL |
|---------------|------------|------------|------------|------------|------------|-------------|-------------|------------|-------------|------------|------------|------------|--------------|
| Demand | 75 | 45 | 35 | 20 | 15 | 15 | 10 | 25 | 35 | 40 | 45 | 45 | 405 |

These demand estimates are based on interviews with current gym owners in conjunction with average monthly national demand compiled by IHRSA. These figures are preliminary estimates and will be adjusted as historical data becomes available.

Projected Income Statement

December 31st, 20xx

| Revenue | Year to Date | |
|----------------------------------------------|------------------|------------|
| | Amount | % of Sales |
| Gross sales | \$291,600 | |
| <i>Less sales returns and allowances</i> | | |
| Net sales | \$291,600 | 100% |
| Operating Expenses | Year to Date | |
| | Amount | % of Sales |
| Salaries and wages | \$40,000 | 14% |
| Commissions | \$0 | 0% |
| Advertising | \$6,000 | 2% |
| Depreciation | \$0 | 0% |
| Total selling expenses | \$46,000 | 16% |
| Salaries and wages | | 0% |
| Insurance | \$3,000 | 1% |
| Rent | \$105,000 | 36% |
| Utilities | \$18,000 | 6% |
| Depreciation and amortization | \$10,000 | 3% |
| Office supplies | \$900 | 0% |
| Travel and entertainment | | 0% |
| Postage | | 0% |
| Equipment maintenance and rental | | 0% |
| Interest | \$12,000 | 4% |
| Furniture and equipment | | 0% |
| Total General/Administrative expenses | \$148,900 | 51% |
| Total operating expenses | \$194,900 | 67% |
| Net income before taxes | \$96,700 | 33% |
| Taxes on income | \$24,175 | 8% |
| Net income after taxes | \$72,525 | 25% |
| Extraordinary gain or loss | | 0% |
| Income tax on extraordinary gain | | 0% |
| Net Income (Loss) | \$72,525 | 25% |

Based on these demand estimates the gym would be scheduled to earn \$291,600 (Table 7) in its first year with a break-even point of approximately 9 months (a month by month forecast can be found in exhibit 13). Net income is forecasted at \$72,500 for the first year, an 18% ROI. In order to forecast first year sales, an

average annual membership fee of \$60 was assumed. At this rate there is a break-even of 271 memberships, which is approximately 67% of the forecasted demand. Put another way, in order for the gym to break-even it will have to capture less than 1% of the active market in Santa Clara.

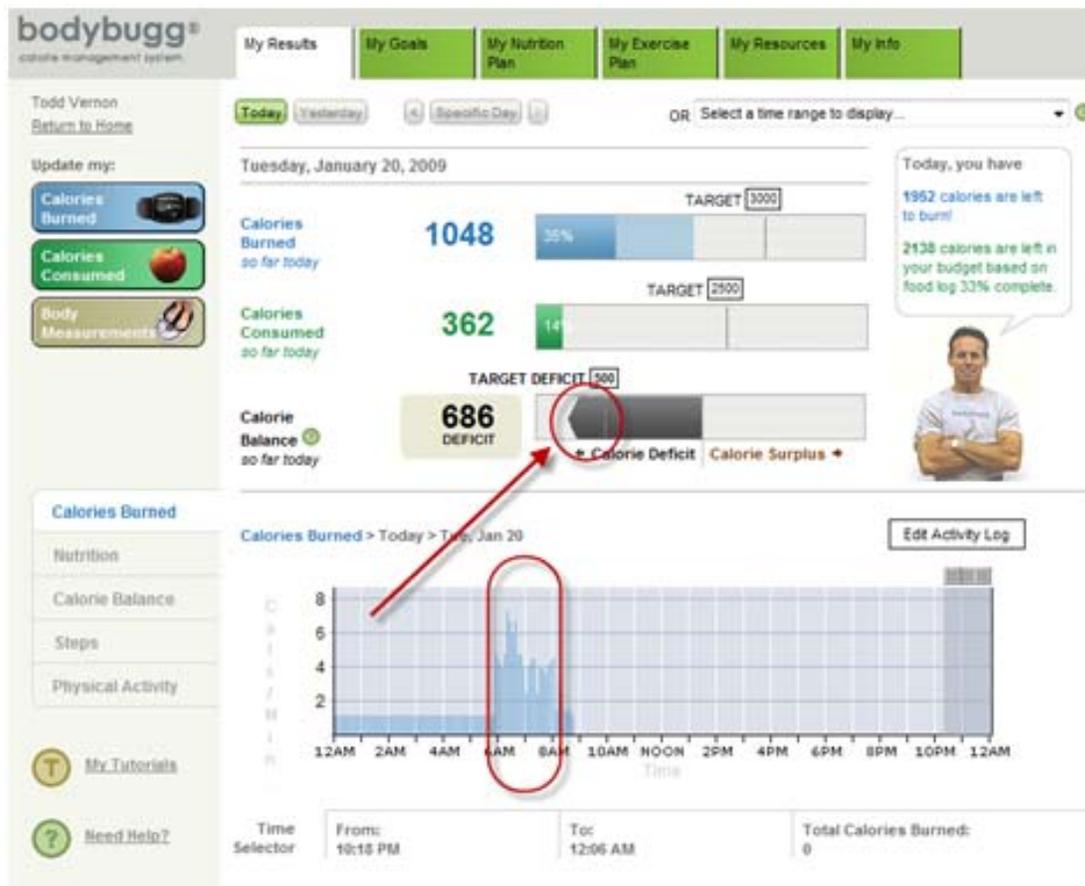
An important insight from the projected income statement is that due to the demand curve the middle of the year becomes barren. Special consideration will need to be paid to cash flow during the months of April – July when the company is losing approximately \$10,000 per month. Promotions may be needed in addition to clever marketing in order to drive up demand.

Between initial start up costs and first year expenses the total capital needed for launch is ~\$400,000. \$150,000 of this funding will come from equity while the remaining required capital, \$250,000, is needed from a lending institution. The interest expense listed in the income statement uses an interest rate of 6%.

Depending on the demand, the initial investment could be paid back in 3-5 years.

Exhibit 1

BodyBugg® Personal Calorie Management System



Source: Google Images

Exhibit 1 cont.

Wii Fit®



Source: Google Images

Exhibit 2

Mintel Survey Results

| Interest in exercising, by gender, February 2010 | | | |
|----------------------------------------------------------------------------------------------|------|------|--------|
| | All | Male | Female |
| | 1488 | 724 | 764 |
| | % | % | % |
| I don't enjoy working out, but I do it because I know it's good for me | 42 | 36 | 48 |
| Exercise is an important part of my life | 41 | 45 | 38 |
| Exercising makes me happy | 34 | 37 | 32 |
| I exercise so I can indulge in my favorite foods, smoking, and other less healthy activities | 15 | 16 | 14 |
| None of the above | 9 | 8 | 10 |
| Source: Mintel | | | |

| Interest in exercising, by age, February 2010 | | | | | | | |
|----------------------------------------------------------------------------------------------|------|-------|-------|-------|-------|-------|-----|
| % | All | 18-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
| I don't enjoy working out, but I do it because I know it's good for me | 42 | 38 | 38 | 40 | 44 | 49 | 45 |
| Exercise is an important part of my life | 42 | 41 | 39 | 40 | 43 | 44 | 43 |
| Exercising makes me happy | 34 | 51 | 41 | 37 | 31 | 23 | 22 |
| I exercise so I can indulge in my favorite foods, smoking, and other less healthy activities | 15 | 32 | 21 | 17 | 15 | 8 | 5 |
| None of the above | 9 | 4 | 9 | 8 | 9 | 8 | 15 |
| Total Surveys | 1488 | 209 | 296 | 277 | 268 | 197 | 241 |
| Source: Mintel | | | | | | | |

Exhibit 3

LIBERTY SIGNS, INC.

1300B West Industrial, Round Rock, TX 78681
 P.O. Box 1259, Liberty Hill, TX 78642
 Phone: 512-255-3887 / Fax: 512-388-7395

PROPOSAL / CONTRACT

THE FOLLOWING PRICING IS VALID FOR THIRTY DAYS ONLY

| Customer Billing Information | Job Location Information |
|--------------------------------|---------------------------|
| | |
| Proposal Date: 2/9/2007 | Job Number: 20327B |

| DESCRIPTION | COST |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Fabrication and installation of two (2) sets of routed letters for existing monument sign. Letters to be 1/4" sintra painted to match PMS 201C with white stripes. Reference Drawing #20327-SPEC1-B. | \$1,321.22 |
| | |
| Sales Tax, If Applicable | \$109.00 |
| Total Proposal / Contract (final invoice to be adjusted based on items listed) | \$1,430.22 |
| If required, permits for installation of signs listed above are an additional cost. Permit charges will be based on actual cost and will be billed on final invoice upon job completion. All acquisition fees are included in installation cost. | At Cost |
| If applicable, freight and delivery charges will be an additional cost to contract. These charges will be billed on final invoice upon job completion and may be subject to sales tax. | N/A |
| 50% Deposit (Due Upon Proposal / Contract Acceptance) | \$715.11 |

*****Invoice Will Be Sent Upon Job Completion And Final Balance Is Due Upon Receipt*****

WARRANTY: One year from manufacture date on internal electrical components, including neon, transformers and ballasts. This one year warranty also includes structural defects and all related labor. Warranty does not cover fluorescent lamps, nor any vandalism or acts of nature.
ELECTRICAL: Customer responsible for primary electrical service and final sign connection.
INSTALLATION ACCESS: This proposal is based on normal and adequate access to sign installation area. If conditions exist that require additional equipment and/or time, these items will be an additional cost on a T&M basis. Company agrees to inform customer of these items in a timely manner. Customer understands that Company may have to proceed with these items in order to complete installation without prior approval.

The above sign manufacturing and installation specifications, pricing, and terms are hereby accepted. I authorize Liberty Signs, Inc. to begin job and payments will be made as outlined above.

Customer Signature / Date

Liberty Signs, Inc. / Date

Customer Printed Name

Liberty Signs, Inc. Representative Name

Exhibit 3 cont.

LIBERTY SIGNS, INC.

1300B West Industrial, Round Rock, TX 78681
 P.O. Box 1259, Liberty Hill, TX 78642
 Phone: 512-255-3887 / Fax: 512-388-7395

PROPOSAL / CONTRACT

THE FOLLOWING PRICING IS VALID FOR THIRTY DAYS ONLY

| Customer Billing Information | Job Location Information |
|------------------------------|---------------------------|
| | |
| Proposal Date: | Job Number: 20327A |

| DESCRIPTION | COST |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Fabrication of one (1) raceway mounted reverse lit channel letter set on backing panel. Channel letters to be aluminum construction with aluminum faces painted black with white stripes, clear lexan backs, and illuminated with white neon. Backing panel to be painted white. Reference Drawing #20327-SPEC1-A. | \$3,443.92 |
| Installation of one (1) raceway mounted reverse lit channel letter set on backing panel per specifications listed above. | \$620.00 |
| Sales Tax, If Applicable | \$284.12 |
| Total Proposal / Contract (final invoice to be adjusted based on items listed below) | \$4,348.04 |
| If required, permits for installation of signs listed above are an additional cost. Permit charges will be based on actual cost and will be billed on final invoice upon job completion. All acquisition fees are included in installation cost. | At Cost |
| charges will be billed on final invoice upon job completion and may be subject to sales tax. | N/A |
| 50% Deposit (Due Upon Proposal / Contract Acceptance) | \$2,174.02 |

*****Invoice Will Be Sent Upon Job Completion And Final Balance Is Due Upon Receipt*****
WARRANTY: One year from manufacture date on internal electrical components, including neon, transformers and ballasts. This one year warranty also includes structural defects and all related labor. Warranty does not cover fluorescent lamps, nor any vandalism or acts of nature.
ELECTRICAL: Customer responsible for primary electrical service and final sign connection.
INSTALLATION ACCESS: This proposal is based on normal and adequate access to sign installation area. If conditions exist that require additional equipment and/or time, these items will be an additional cost on a T&M basis. Company agrees to inform customer of these items in a timely manner. Customer understands that Company may have to proceed with these items in order to complete installation without prior approval.

The above sign manufacturing and installation specifications, pricing, and terms are hereby accepted. I authorize Liberty Signs, Inc. to begin job and payments will be made as outlined above.

Customer Signature / Date

Liberty Signs, Inc. / Date

Customer Printed Name

Liberty Signs, Inc. Representative Name

Exhibit 4

Apex Technology Systems, Inc.
 12181 Margo Avenue South
 Hastings, MN 55033
 United States

Voice: 800-317-2739
 Fax: 651-306-0033

QUOTATION

Quote Number: 5984-01
 Quote Date: Feb 27, 2007
 Page: 1

| Quoted To: |
|------------|
| |

| Customer ID | Good Thru | Payment Terms | Sales Rep |
|----------------------|-----------|----------------------------------|-----------|
| 5984 Village Bee Cav | 3/29/07 | 50% Down and 50% Upon Completion | |

| Quantity | Item | Description | Unit Price | Amount |
|----------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------|
| 1.00 | CS | Computer System | | |
| | cs: E-4610D SB | Gateway Business Grade: XP Pro /SP/2; 17" Monitor; DL DVD-RW; 400 Watt PS; 1024 RAM; P-4 3.0 GHz; 80 G HD; WebCam; UPS; 2 Port Serial; NIS 2007; 3 yr Warranty | 1,768.00 | 1,768.00 |
| 1.00 | cs: WRT54G | Linksys Broadband Router with Wireless Access Point. | 79.99 | 79.99 |
| 1.00 | CS-HP 7310 | HP All In One Printer. Model 7310. | 399.99 | 399.99 |
| | FD | Front Door | | |
| 1.00 | fd-2/22 Cable DK GF | 2 Conductor 22 gauge Dark Gray Cable 500' | 30.95 | 30.95 |
| 1.00 | fd-4/22 Cable DK GF | 4 Conductor 22 Gauge Dark Gray Cable 1000' | 89.95 | 89.95 |
| 1.00 | fd-6/22 Cable DK GF | 6 Conductor 22 Gauge Dark Gray Cable 500'. PVC | 86.95 | 86.95 |
| 1.00 | FD-AL6062 | Altronix Timer | 23.19 | 23.19 |
| 1.00 | FD-BW108 | Mier All Purpose Electrical Box. 11.25x11.25.x3.5. | 19.95 | 19.95 |
| 1.00 | FD-DC2541 | Hardwired Door Contact | 3.44 | 3.44 |
| 1.00 | FD-DTK6F | Six Outlet Power Block Surge, 120v. | 19.45 | 19.45 |
| 1.00 | FD-ES520-R0 | DSI Tailgating System | 1,399.00 | 1,399.00 |
| 1.00 | FD-RS-232 Kit | RS-232 Kit for Front Door | 600.00 | 600.00 |
| 1.00 | FD-RTD12/5RT | Revere 500ma Plug-In Transformer | 11.19 | 11.19 |
| | TANNING ROOM | Tanning Room | | |
| 1.00 | TR-422PP9TB | RS-232 to RS-422 Converter | 93.69 | 93.69 |
| 1.00 | TR-AL6062 | Altronix Timer | 23.19 | 23.19 |
| 1.00 | TR-BW108 | Mier All Purpose Electrical Box. 11.25x11.25.x3.5 | 25.00 | 25.00 |
| 1.00 | TR-DC2541 | Wired Door Contact | 3.44 | 3.44 |
| 1.00 | TR-DTK6F | Six Outlet Power Block Surge, 120V | 19.45 | 19.45 |
| 1.00 | TR-RS-422 Kit | RS-422 for Tanning Rooms | 600.00 | 600.00 |
| 1.00 | TR-RTD12/5RT | Revere 12VDC Plug-In Transformer | 11.19 | 11.19 |
| | POS | POS | | |

| | |
|--------------|------------------|
| Subtotal | Continued |
| Sales Tax | Continued |
| TOTAL | Continued |

Exhibit 4 cont.

Apex Technology Systems, Inc.
 12181 Margo Avenue South
 Hastings, MN 55033
 United States

Voice: 800-317-2739
 Fax: 651-306-0033

QUOTATION

Quote Number: 5984-01
 Quote Date: Feb 27, 2007
 Page: 2

| Quoted To: |
|------------|
| |

| Customer ID | Good Thru | Payment Terms | Sales Rep |
|-------------|-----------|----------------------------------|-----------|
| | | 50% Down and 50% Upon Completion | |

| Quantity | Item | Description | Unit Price | Amount |
|----------|-------------------|-------------------------------------------------------------------|------------|----------|
| 1.00 | POS-CD | Cash Drawer Heritage 240, Black. MMF.\n 226-113151312-04 | 192.00 | 192.00 |
| 1.00 | POS-KC | Cable from drawer to printer. | 15.60 | 15.60 |
| 1.00 | POS-PCM-1970-06 | Serial cable for Printer. | 4.80 | 4.80 |
| 1.00 | POS-QS25-2100-01 | Scanner, Hand Held, Keyboard Wedge. PSC. Includes keyboard cable. | 154.00 | 154.00 |
| 1.00 | POS-SP212FD4212 | Receipt printer, serial, Star | 216.00 | 216.00 |
| | SECURITY | Security System | | |
| 1.00 | SC-1240 | Battery Backup 12V 5AH Sealed Lead Acid | 27.84 | 27.84 |
| 1.00 | SC-GEM-RP1CAE2 | Custom Alpha Keypad | 136.43 | 136.43 |
| 1.00 | SC-GEMP1632 | 16/32 ZONE CONTROL PANEL | 104.93 | 104.93 |
| 1.00 | SC-GEMRECV8 | Gemini Wireless Receiver | 77.93 | 77.93 |
| 3.00 | SC-GEMTRANS2 | Gemini Wireless Door Contact | 53.93 | 161.79 |
| 4.00 | SC-GEMWP | Gemini Wireless Panic Button | 45.94 | 183.76 |
| 1.00 | SC-PBM-1 | Hardwired Panic Button. Large 1.5" Red Mushroom Operator. | 57.95 | 57.95 |
| 1.00 | SC-PIR1500 | Motion Detector - Passive Infrared | 16.88 | 16.88 |
| 1.00 | SC-RTD12/5RT | 12VDC Plug-In Transformer | 13.43 | 13.43 |
| | CCTV | CCTV | | |
| 20.00 | CCTV:AIM27-9000 | RG-59 Male BNC Crimp | 1.10 | 22.00 |
| 1.00 | CCTV:ALTV2416 | Alronix 16 port 24VAC Power Supply | 144.00 | 144.00 |
| 1.00 | CCTV:DVR9e-1162 | 9 Channel DVR, 160GB, Bosch Divar | 2,554.00 | 2,554.00 |
| 7.00 | CCTV:ICS090CA3 | Pelco Indoor Camera, Smoke Dome, 2.9MM | 166.19 | 1,163.33 |
| 1.00 | CCTV:TLM1503 | 15" LCD Professional Security Monitor, BNC Input. | 577.00 | 577.00 |
| 1.00 | CCTV:VMPLCD1 | Wall Mount Kit for 15" LCD Security Monitor | 52.00 | 52.00 |
| 1.00 | CCTV:Simese Black | RG-59/2 conductor Siamese Cable. 1000', black, PVC. | 349.95 | 349.95 |
| 1.00 | CCTV:SIG 4638 | Surge Strip, 6 Outlet. | 11.50 | 11.50 |
| | SOUND SYSTEM | Sound System | | |

| | |
|--------------|------------------|
| Subtotal | Continued |
| Sales Tax | Continued |
| TOTAL | Continued |

Exhibit 4 cont.

Apex Technology Systems, Inc.
 12181 Margo Avenue South
 Hastings, MN 55033
 United States

Voice: 800-317-2739
 Fax: 651-306-0033

QUOTATION

Quote Number: 5984-01
 Quote Date: Feb 27, 2007
 Page: 3

Quoted To:

| Customer ID | Good Thru | Payment Terms | Sales Rep |
|-------------|-----------|----------------------------------|-----------|
| | | 50% Down and 50% Upon Completion | |

| Quantity | Item | Description | Unit Price | Amount |
|----------|--------------------|----------------------------------------------------------------------------|------------------|------------------|
| 1.00 | ss-16/2 SPKR Cable | 2 Conductor 16 gauge Speaker Cable, Dark Blue, 500' PVC. | 117.95 | 117.95 |
| 2.00 | ss- SM52T-Black | Atlas Speaker 5.25" 70V - Per Pair. | 323.75 | 647.50 |
| 1.00 | SS-RM350D | Bogen AM/FM Receiver 70V | 362.35 | 362.35 |
| 1.00 | INSTALL | Installation. | 3,350.00 | 3,350.00 |
| 1.00 | S&H -1 | Shipping and Handling Charge | 525.00 | 525.00 |
| | Signature | Customer Acceptance: _____ Date: _____ Please Fax to 651-306-0033 | | |
| | | | Subtotal | 16,547.93 |
| | | | Sales Tax | |
| | | | TOTAL | 16,547.93 |

Exhibit 5

EATON FINE ART

5555 North Lamar Boulevard, Suite D-113
 Austin, TX 78751 - 1034
 Tel: 512.323.2888
 Fax: 512.323.2885
 WWW.EATONFINEART.COM

INVOICE

| DATE | INVOICE NO. |
|----------|-------------|
| 3/6/2007 | 6387 |

| BILL TO | |
|---------|--|
| | |
| P.O. # | |
| | |

| SHIP TO | | |
|---------|-----------------|----------|
| | | |
| FOB | Payment Terms | Ship Via |
| Factory | 50% Deposit CBD | TBD |

| ITEM | DESCRIPTION | QTY | UNIT COST | TOTAL |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|-------------------|
| Travis Cty | Anytime Fitness | | | |
| Travis Cty | 1 Lot of Artwork | 1 | 2,500.00 | 2,500.00T |
| Travis Cty | Delivery | 1 | 100.00 | 100.00T |
| Travis Cty | Boxing | 1 | 100.00 | 100.00T |
| Travis Cty | Installation | 1 | 150.00 | 150.00 |
| EFA TERMS | EFA TERMS: | | | 0.00T |
| | 1. 50% Deposit with purchase order to start production, BALANCE PAID BEFORE DELIVERY. 2. All prices based on a full order, as framed art where noted in above quantities for pricing to remain valid. 3. *****FOLLOWING MUST GO ON PO: "Artist/s retains all copyrights, including the right to claim statutory copyright, and Eaton Fine Art, Inc. reserves all reproduction rights for above stated images".***** 4. Pricing valid for 60 days. 5. Production time is 4 - 5 weeks after receipt of 50% deposit. 6. Issuing of PO and/or deposit constitutes acceptance of all terms. 7. Cancellation fee of 25% applies to all orders when Eaton Fine Art, Inc. has been given written or verbal authorization to proceed. | | | |
| Subtotal | | | | \$2,850.00 |
| Sales Tax | | | | \$222.75 |
| TOTAL | | | | \$3,072.75 |
| Payments/Credits | | | | \$0.00 |
| BALANCE DUE | | | | \$3,072.75 |

Exhibit 6

WALLTECH * 10519 Boyer Boulevard * Austin, Texas 78758

Quote #: 3022A-2
Date: 5/14/2007

Price Quotation-- NEW Global Case Goods

| Part No | Description | Qty | Unit Net | Total Net |
|-------------------------------------------------|---------------------------------------------|-----|----------|----------------|
| A3060FI-TFW | "D" Island - Full End Panel & Post (T-Base) | 1 | 340.78 | 340.78 |
| A2048FB-TFW | 20" Deep Flush | 1 | 209.15 | 209.15 |
| A2066NFL-TFW | Left Extended Corner | 1 | 443.55 | 443.55 |
| A66HO�B-TFW | Open Hutch w/ Closed Back | 1 | 411.70 | 411.70 |
| ADOOR66-TFW | Four-Door Kit w/ Locks | 1 | 257.84 | 257.84 |
| ATB6416- | Tackboard | 1 | 130.42 | 130.42 |
| A20PTBBF-TFW | 20" Deep Personal Tower (Box/Box/File) | 2 | 938.79 | 1877.59 |
| AFPFF19-TFW | 19" Deep Freestanding Pedestal (File/File) | 1 | 424.32 | 424.32 |
| AMPBBF19-TFW | 19" Deep Mobile Pedestal (Box/File) | 2 | 360.01 | 720.02 |
| TSL48-TFW | Task Light | 1 | 52.00 | 52.00 |
| WT-SEHM | Hemran Miller Aeron - Teal | 1 | 625.00 | 625.00 |
| <hr/> | | | | |
| Total Materials | | | | 4867.37 |
| Delivery & Installation (Normal Business Hours) | | | | 250.00 |
| Sub Total | | | | 5117.37 |
| 8.25% Sales Tax | | | | 422.18 |
| TOTAL | | | | 5539.56 |

Plus applicable sales tax.

Terms: 65% Deposit with order, Balance net 10 upon installation

Subject to Credit Approval/Acceptance

Seller retains a Security Interest in all materials listed in this proposal until account is paid in full.

FOB our dock. Subject to prior sale.

Accounts over 15 days are subject to a finance charge of 1½% monthly.

Daviss King
WALLTECH
Sales Assistant

Accepted by: _____

Date: _____

Exhibit 7



Loading Dock Equipment
 High Performance & Industrial Doors
 In-Plant Equipment
 Solid Service & Parts Since 1956
 "A 3M Select Supplier"



1253 Connelly Avenue • Arden Hills, MN 55112 • Phone 651.636.6442 • Toll Free 800.279.6442 • Fax 651.636.0995

Reference Job:

Preferred Vendor
 Program Pricing

| Product Description | Qty | AF PVP Price |
|-----------------------------------------------------------------------------------------------------------------|-----|--------------|
| Rite Hite Revolution HVLS Fan-12' Diameter Air Flow: 149,522 CFM ELECTRICAL: 240V/1PH or 208-230-480V/3PH | 1 | \$4,190.00 |
| Rite Hite Revolution HVLS Fan-16' Diameter Air Flow: 194,793 CFM | 1 | \$4,460.00 |
| Rite Hite Revolution HVLS Fan-20' Diameter Air Flow: 290,394 CFM | 1 | \$4,730.00 |
| Rite Hite Revolution HVLS Fan-24' Diameter Air Flow: 363,724 CFM | 1 | \$4,999.00 |

Helps to increase customer comfort and reduce energy costs by delivering an air current over an area up to 7 times the diameter of the fan. In summer months, this air current has a cooling effect on employees by creating a breeze that can make the temperature feel significantly lower than actual. In winter months, hot air trapped at the ceiling is gently moved throughout the work area. This allows the thermostat to be set lower while the building will be more comfortable. The Revolution Fan provides **year-round potential for \$saving energy cost\$** and improving customer experience.

Revolutionary Performance:

- (4) Propell-Aire™ Blade Design aluminum blades designed for energy efficiency and optimum air delivery
- Moment balanced, jig-formed blades with complex contours for optimized aerodynamic efficiency
- Blade design delivers an air stream that is stronger and more uniform than any extruded blade design
- Eliminate "holes" in air delivery when compared to other less efficient fan blades
- Blades are designed with upward tilt at resting position. This increases the conical shape of the air flow below our fan in order to increase the height and reach of horizontal air movement at the floor.
- Vortex Technology tips on the end of the blades lower wind noise

Solid Structure:

- Extruded and milled aluminum hub for unparalleled strength and performance
- Blades are attached to the hub with a 3-way safety connection
- The angle of the blades as well as the resilient lined bushings allow the blades to flex up to 7" from hub to tip. At running speeds, the blades are in a balanced position increasing the life of the hub, motor, and blades (Inferior blade attachments transfer these forces directly, creating much greater stresses on the blade at the hub connection)

Includes:

- Anytime Fitness Custom Hub Logo is **INCLUDED** with every Fan!
- On/Off switch with adjustable speed dial on control box face
- 2 hp motor with Variable Frequency Drive motor controls
- All bracketing included with Stabilizing cables and grade 8 hardware included
- Motor to hub attachment with 3 separate safety features

| | |
|----------------|--------------------------|
| Freight | ADD |
| Installation | By Others! |
| Applicable Tax | ADD |
| Total | Per Choice Above! |

Options:

- Extension Tube Kit, Add \$175.00 Ceiling Truss Kit, Add \$95.00

Exhibit 8

Homes Made Ready
 8708 Silverhill Lane
 Austin, TX 78759

Invoice

| Date | Invoice # |
|-----------|-----------|
| 2/27/2007 | 2001 |

| |
|---------|
| Bill To |
| |

| P.O. No. | Terms | Project |
|----------|----------------|---------|
| | Due on receipt | |

| Item | Description | Est Amt | Prior Amt | Prior % | Qty | Rate | Curr % | Total % | Amount | |
|--------------|-----------------|----------|-----------|---------|-----|--------------|---------|---------|----------|------------|
| 23 Floor ... | Floor Coverings | 3,788.75 | | | 1 | 3,788.75 | 100.00% | 100.00% | 3,788.75 | |
| Tax Included | | | | | | Total | | | | \$3,788.75 |

| | |
|-------------------------|------------|
| Payments/Credits | \$0.00 |
| Balance Due | \$3,788.75 |

Exhibit 9

WALLTECH * 10519 Boyer Boulevard * Austin, Texas 78758

Quote #: 3022B-1
Date: 3/2/07

Price Quotation-- NEW Global Case Goods

| Part No | Description | Qty | Unit Net | Total Net |
|-------------------------------------------------|-----------------------------------------|-----|----------|-----------------------|
| 3361LM | Lounge Chair - Black Leather (Grade 7) | 1 | 945.88 | 945.88 |
| 3362LM | Two Seat Sofa - Black Leather (Grade 7) | 1 | 1,290.33 | 1,290.33 |
| <hr/> | | | | |
| Total Materials | | | | 2,236.21 |
| Delivery & Installation (Normal Business Hours) | | | | 125.00 |
| Sub Total | | | | <hr/> 2,361.21 |
| 8.25% Tax | | | | 194.80 |
| TOTAL | | | | <hr/> 2,556.01 |

Plus applicable sales tax.

Terms: 65% Deposit with order, Balance net 10 upon installation

Subject to Credit Approval/Acceptance

Seller retains a Security Interest in all materials listed in this proposal until account is paid in full.

FOB our dock. Subject to prior sale.

Accounts over 15 days are subject to a finance charge of 1½% monthly.

Daviss King
WALLTECH
Sales Assistant

Accepted by: _____

Date: _____

Exhibit 10



COMMERCIAL PRODUCTS PROPOSAL

Date Quote #
DYNSQ1744

Bill To:

Sold To/Install At:

Phone:
Fax:
E-Mail:

Precor Sales Representative:
Doug Snyder
Key Accounts Manager
(800) 856-0808
snyder@precor.com

Fax Signed Proposal to:
Catherine Potts
Inside Sales Representative
Tel: 425-482-5490
Fax: 425-398-3037
Email: schroeder@precor.com

| Product # | Description | Qty | List Price | Unit Price | Ext. Price |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------|------------|-------------|
| PHRCB1178010EN | C846i Recumbent Cycle Exp. Series with Integrated PVS | 1 | \$4,795.00 | \$2,945.00 | \$2,945.00 |
| PHRCB1168010EN | C846i Upright Cycle with Integrated PVS | 1 | \$4,595.00 | \$1,795.00 | \$1,795.00 |
| PHRCT1218011EN/OP | C954i Treadmill 120V Experience Series with Integrated PVS | 4 | \$7,895.00 | \$4,845.00 | \$19,380.00 |
| PHRCE1278010EN | EFX 556i Experience Series with Integrated PVS | 2 | \$7,195.00 | \$4,445.00 | \$8,890.00 |
| PHRCE1268010EN | EFX 546i Experience Series with Integrated PVS | 2 | \$7,495.00 | \$0.00 | \$0.00 |
| PW2265NN99**EN | Modular 6 Stack - 2265 with adjustable cable crossover and double chin bars and Hi-Lat and Lo Row and Tricep Pushdown and Seletorized Chin/Dip | 1 | \$12,805.00 | \$8,963.50 | \$8,963.50 |
| PW605KAR99**EN | Leg Extension w/Adjustable Start and Shroud, 250lbs | 1 | \$3,445.00 | \$2,411.50 | \$2,411.50 |
| PW619KAR99**EN | Seated Leg Curl w/Adjustable Start and Shroud, 250lbs | 1 | \$3,455.00 | \$2,418.50 | \$2,418.50 |
| PW404KNR99**EN | Vertical Press w/Shroud, 250lbs | 1 | \$3,335.00 | \$2,334.50 | \$2,334.50 |
| PW505KNR99**EN | Rear Delt/Pec Fly w/ Shroud, 250lbs | 1 | \$3,375.00 | \$2,362.50 | \$2,362.50 |
| PW618KNR99**EN | Glute w/Shroud, 100lbs | 1 | \$3,145.00 | \$2,201.50 | \$2,201.50 |
| PW0620NR99**EN | Adductor Ft. Stack w/Shroud, 150lbs | 1 | \$3,250.00 | \$2,275.00 | \$2,275.00 |
| PW0621NR99**EN | Abductor Ft. Stack w/Shroud, 150lbs | 1 | \$3,200.00 | \$2,240.00 | \$2,240.00 |
| PW204KNR99**EN | Camber Curl w/Shroud, 150lbs | 1 | \$3,025.00 | \$2,117.50 | \$2,117.50 |
| PW500KNR99**EN | Shoulder Press w/Shroud, 250lbs | 1 | \$3,260.00 | \$2,282.00 | \$2,282.00 |
| PWX100NN9912EN | ABX-100 Titanium Frame w/Black Upholstery (F.O.B. Maltby) | 1 | \$1,100.00 | \$770.00 | \$770.00 |
| PW0616NN99**EN | Seated Calf | 1 | \$845.00 | \$591.50 | \$591.50 |
| PW0802NN99**EN | Smith Machine | 1 | \$3,145.00 | \$2,201.50 | \$2,201.50 |
| PW0202NN99**EN | Seat Preacher Curl | 1 | \$645.00 | \$451.50 | \$451.50 |
| PW0113NN99**EN | Adjustable Decline Bench | 1 | \$645.00 | \$451.50 | \$451.50 |
| PW0119NN99**EN | Superbench | 2 | \$845.00 | \$591.50 | \$1,183.00 |
| PW0101NN99**EN | Flat Bench | 1 | \$395.00 | \$276.50 | \$276.50 |
| PW0702NN99**EN | Vertical Knee Up/Dip | 1 | \$995.00 | \$696.50 | \$696.50 |
| PW0812NN99**EN | Dumbbell Rack - 10 Pair | 2 | \$745.00 | \$521.50 | \$1,043.00 |
| PW0813NN99**EN | Beautybell Rack - 10 Pair | 1 | \$645.00 | \$451.50 | \$451.50 |



Exhibit 11

Order - Verify Basket

http://www.funfitpro.com/WEB/DesktopDefault.aspx?page_id=8&site_id=6



Your Basket

🛒 16 items in your basket

[View Detailed Basket](#)

Categories

- [Home](#)
- [Stability Balls](#)
- [Rubber Resistance & Slaxix](#)
- [Medicine Balls](#)
- [Foam Rollers](#)
- [Balance and Core Products](#)
- [Group Exercise](#)
- [Therapy Products](#)
- [Sports Performance](#)
- [Calipers and Evaluation Tools](#)
- [Exercise Mats and Flooring](#)
- [Yoga Products](#)
- [Pilates Products](#)
- [Books and Videos](#)
- [Fitness Charts](#)
- [Back Care Products](#)
- [Aqua Products](#)
- [Pedometers & Stopwatches](#)
- [Senior Fitness](#)
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- [Workout Music](#)
- [Workout Towels](#)
- [FFP Partners](#)
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- [Training Fans](#)

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- [Therapy Affiliate Program](#)
- [Dealer Program](#)
- [Promotional Program](#)

Step 1:
Verify Basket

Step 2:
Shipping & Billing Info

Step 3:
Order Confirmation

Your Basket:

| Product Details | Quantity | Item Price | Subtotal | Remove |
|-----------------------------------------------------------------|--------------------------------|------------|-----------------|--------|
| DUAL ACTION PUMP DUAL ACTION PUMP | <input type="text" value="1"/> | \$5.95 | \$5.95 | - |
| Training Fan Training Fan | <input type="text" value="1"/> | \$24.99 | \$24.99 | - |
| Armasport Mats 56"X23"X .6" W/TH LOOP | <input type="text" value="5"/> | \$59.95 | \$299.75 | - |
| Armasport Mats 20 MAT RACK | <input type="text" value="1"/> | \$19.95 | \$19.95 | - |
| The Fitness Ball Pro 55cm Fitness Ball Pro - Blue | <input type="text" value="2"/> | \$22.95 | \$45.90 | - |
| The Fitness Ball Pro 65cm Fitness Ball Pro - Charcoal | <input type="text" value="2"/> | \$24.95 | \$49.90 | - |
| The Fitness Ball Pro 75cm Fitness Ball Pro- Red | <input type="text" value="2"/> | \$27.95 | \$55.90 | - |
| Premium Medicine Balls Med Ball Set(2lb-12lb) w/stand | <input type="text" value="1"/> | \$199.95 | \$199.95 | - |
| Golf Fan Golf Fan | <input type="text" value="1"/> | \$9.95 | \$9.95 | - |
| Basket Subtotal: | | | \$712.24 | |
| Shipping: | | | \$68.00 | |
| Order Total: | | | \$780.24 | |

Promotional Code

Enter code and click Update:

Did you change a quantity or size? Click [Update](#)

[Continue Shopping](#) [Continue](#)

to Step 2

Exhibit 12

| Product # | Description | Qty | List Price | Unit Price | Ext. Price |
|-------------------|---------------------------------------------------------------|-----|------------|------------|------------|
| DETAIL | Additional Quote Detail | 1 | \$0.00 | \$0.00 | \$0.00 |
| 601XXX | Cardio and Strength Freight | 1 | \$0.00 | \$4,995.00 | \$4,995.00 |
| 601312 | Cardio and strength and Cardio Screen Installation | 1 | \$0.00 | \$4,100.00 | \$4,100.00 |
| TKO | fixed rubber curl bars 20-110 | 1 | \$800.00 | \$0.00 | \$0.00 |
| TKO | tribar rubber/chrome 1 piece dumbbells 20-75 and extra 20-35# | 1 | \$4,500.00 | \$0.00 | \$0.00 |
| TKO | chrome beauty bell set 3-15 pound | 1 | \$400.00 | \$0.00 | \$0.00 |
| TKO | oly curl bar with collars | 1 | \$125.00 | \$0.00 | \$0.00 |
| TKO | Rubber grip Oly plates 16-45,16-25,16-10,16-5 | 1 | \$1,750.00 | \$0.00 | \$0.00 |
| freight for above | freight for above | 1 | \$400.00 | \$0.00 | \$0.00 |
| Paint - 12EN | Silver, HG Titanium | 1 | \$0.00 | \$0.00 | \$0.00 |
| UP - 101XX | Black | 1 | \$0.00 | \$0.00 | \$0.00 |
| PW0808NN99**EN | Barbell Rack - 10 Bars | 1 | \$695.00 | \$486.50 | \$486.50 |

Notes:

Includes 2 free EFX 546 with personal viewing screen
 Includes all of the free weights-bars-dumbbells at the bottom for no charge.
 Includes full freight and installation of all-even the screens -cardio theater.

| | |
|--------------------|--------------------|
| SubTotal | \$80,314.50 |
| 8.250% Sales Tax | \$6,625.95 |
| Shipping | \$0.00 |
| Grand Total | \$86,940.45 |

No sales tax if leased as each payment has sales tax on it- otherwise applicable sales tax to be added....

Customer Type: _____ Customer PO: _____

Terms:

Shipping Via:

Cardio & Cardio Theater F.O.B. Woodinville, WA.
 Strength F.O.B. Valencia, CA. Other conditions may apply.

TERMS AND CONDITIONS OF SALE:

Customer is responsible for the following on Entertainment, Cardio & Strength products:
 TV's with audio output jack and speaker off functions.
 Live Cable and dedicated electrical to each TV/Personal Screen location prior to installation. Installation is not included unless specified.
 CSafe retrofit kits and installation of kits. (XTV Receivers require power from CSafe cardio equipment or 110V outlet.)
 Confirmation of Treadmill electrical requirements.
 Confirmation of Paint and Upholstery color specifications.
 Custom orders are non-returnable and non-refundable.
 No refunds after 30-days. Refunds after 30-days are subject to restocking fees. No refunds on shipping costs.

WARRANTY:

15" Personal Viewing Screens: 1 year (parts and labor at service center only).
 12" Personal Viewing Screens (Experience Series): 2 years (parts and labor at service center only).
 Receivers: 1 year (parts and labor at service center only).
 Transmitters: 3 years (parts and labor at service center only).
 Cardio: 5 yrs. Touch-Sensitive display housing, 2 yrs. parts, 1 yr. labor
 Strength: 5 yrs. Rotary Bearings, Weight Stacks, Pulleys, Guide Rods, Structural Moving Parts, 1 yr. Cable, Linear Bearings, Springs

Acceptance:

Customer Signature

Name (Please Print)

Date

I understand that my signature above constitutes acceptance of the terms and conditions of sale.

PAYMENT TERMS:

Payment due in full, unless otherwise specified on this contract.
 Authorized purchase orders required for: Leases, Hospitals, Military, School Systems, Municipalities and Corporate Facilities.
 Proof of tax-exempt status required if applicable.



Exhibit 13

| Projected Income Statement | | January 31st, 20xx | | February 28th, 20xx | | March 31st, 20xx | |
|----------------------------------------------|-----------------|--------------------|-----------------|---------------------|-----------------|------------------|--|
| | | January | | February | | March | |
| Revenue | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Gross sales | \$54,000 | | \$32,400 | | \$32,400 | | |
| <i>Less sales returns and allowances</i> | | | | | | | |
| Net sales | \$54,000 | 100% | \$32,400 | 100% | \$32,400 | 100% | |
| Operating Expenses | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Salaries and wages | \$3,333 | 6% | \$3,333 | 10% | \$3,333 | 10% | |
| Commissions | | 0% | | 0% | | 0% | |
| Advertising | \$500 | 1% | \$500 | 2% | \$500 | 2% | |
| Depreciation | | 0% | | 0% | | 0% | |
| Total selling expenses | \$3,833 | 7% | \$3,833 | 12% | \$3,833 | 12% | |
| Salaries and wages | | 0% | | 0% | | 0% | |
| Insurance | \$250 | 0% | \$250 | 1% | \$250 | 1% | |
| Rent | \$8,750 | 16% | \$8,750 | 27% | \$8,750 | 27% | |
| Utilities | \$1,500 | 3% | \$1,500 | 5% | \$1,500 | 5% | |
| Depreciation and amortization | \$833 | 2% | \$833 | 3% | \$833 | 3% | |
| Office supplies | \$75 | 0% | \$75 | 0% | \$75 | 0% | |
| Travel and entertainment | | 0% | | 0% | | 0% | |
| Postage | | 0% | | 0% | | 0% | |
| Equipment maintenance and rental | | 0% | | 0% | | 0% | |
| Interest | \$1,000 | 2% | \$1,000 | 3% | \$1,000 | 3% | |
| Furniture and equipment | | 0% | | 0% | | 0% | |
| Total General/Administrative expenses | \$12,408 | 23% | \$12,408 | 38% | \$12,408 | 38% | |
| Total operating expenses | \$16,242 | 30% | \$16,242 | 50% | \$16,242 | 50% | |
| Net income before taxes | \$37,758 | 70% | \$16,158 | 50% | \$16,158 | 50% | |
| Taxes on income | \$9,440 | 17% | \$4,040 | 12% | \$4,040 | 12% | |
| Net income after taxes | \$28,319 | 52% | \$12,119 | 37% | \$12,119 | 37% | |
| Extraordinary gain or loss | | 0% | | 0% | | 0% | |
| Income tax on extraordinary gain | | 0% | | 0% | | 0% | |
| Net Income (Loss) | \$28,319 | 52% | \$12,119 | 37% | \$12,119 | 37% | |

Exhibit 13 cont.

| Projected Income Statement | | April 30th, 20xx | | May 31st, 20xx | | June 30th, 20xx | |
|----------------------------------------------|------------------|------------------|------------------|----------------|------------------|-----------------|--|
| | | April | | May | | June | |
| Revenue | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Gross sales | \$14,400 | | \$10,800 | | \$10,800 | | |
| <i>Less sales returns and allowances</i> | | | | | | | |
| Net sales | \$14,400 | 100% | \$10,800 | 100% | \$10,800 | 100% | |
| Operating Expenses | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Salaries and wages | \$3,333 | 31% | \$3,333 | 31% | \$3,333 | 31% | |
| Commissions | | 0% | | 0% | | 0% | |
| Advertising | \$500 | 5% | \$500 | 5% | \$500 | 5% | |
| Depreciation | | 0% | | 0% | | 0% | |
| Total selling expenses | \$3,833 | 35% | \$3,833 | 35% | \$3,833 | 35% | |
| Salaries and wages | | 0% | | 0% | | 0% | |
| Insurance | \$250 | 2% | \$250 | 2% | \$250 | 2% | |
| Rent | \$8,750 | 81% | \$8,750 | 81% | \$8,750 | 81% | |
| Utilities | \$1,500 | 14% | \$1,500 | 14% | \$1,500 | 14% | |
| Depreciation and amortization | \$833 | 8% | \$833 | 8% | \$833 | 8% | |
| Office supplies | \$75 | 1% | \$75 | 1% | \$75 | 1% | |
| Travel and entertainment | | 0% | | 0% | | 0% | |
| Postage | | 0% | | 0% | | 0% | |
| Equipment maintenance and rental | | 0% | | 0% | | 0% | |
| Interest | \$1,000 | 9% | \$1,000 | 9% | \$1,000 | 9% | |
| Furniture and equipment | | 0% | | 0% | | 0% | |
| Total General/Administrative expenses | \$12,408 | 115% | \$12,408 | 115% | \$12,408 | 115% | |
| Total operating expenses | \$16,242 | 150% | \$16,242 | 150% | \$16,242 | 150% | |
| Net income before taxes | (\$1,842) | -17% | (\$5,442) | -50% | (\$5,442) | -50% | |
| Taxes on income | | 0% | | 0% | | 0% | |
| Net income after taxes | (\$1,842) | -17% | (\$5,442) | -50% | (\$5,442) | -50% | |
| Extraordinary gain or loss | | 0% | | 0% | | 0% | |
| Income tax on extraordinary gain | | 0% | | 0% | | 0% | |
| Net Income (Loss) | (\$1,842) | -17% | (\$5,442) | -50% | (\$5,442) | -50% | |

Exhibit 13 cont.

| Projected Income Statement | | July 31st, 20xx | | August 31st, 20xx | | September 30th, 20xx | |
|----------------------------------------------|------------------|-----------------|-----------------|-------------------|-----------------|----------------------|--|
| | | July | | August | | September | |
| Revenue | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Gross sales | \$7,200 | | \$18,000 | | \$25,200 | | |
| <i>Less sales returns and allowances</i> | | | | | | | |
| Net sales | \$7,200 | 100% | \$18,000 | 100% | \$25,200 | 100% | |
| Operating Expenses | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Salaries and wages | \$3,333 | 19% | \$3,333 | 19% | \$3,333 | 19% | |
| Commissions | | 0% | | 0% | | 0% | |
| Advertising | \$500 | 3% | \$500 | 3% | \$500 | 3% | |
| Depreciation | | 0% | | 0% | | 0% | |
| Total selling expenses | \$3,833 | 21% | \$3,833 | 21% | \$3,833 | 21% | |
| Salaries and wages | | 0% | | 0% | | 0% | |
| Insurance | \$250 | 1% | \$250 | 1% | \$250 | 1% | |
| Rent | \$8,750 | 49% | \$8,750 | 49% | \$8,750 | 49% | |
| Utilities | \$1,500 | 8% | \$1,500 | 8% | \$1,500 | 8% | |
| Depreciation and amortization | \$833 | 5% | \$833 | 5% | \$833 | 5% | |
| Office supplies | \$75 | 0% | \$75 | 0% | \$75 | 0% | |
| Travel and entertainment | | 0% | | 0% | | 0% | |
| Postage | | 0% | | 0% | | 0% | |
| Equipment maintenance and rental | | 0% | | 0% | | 0% | |
| Interest | \$1,000 | 6% | \$1,000 | 6% | \$1,000 | 6% | |
| Furniture and equipment | | 0% | | 0% | | 0% | |
| Total General/Administrative expenses | \$12,408 | 69% | \$12,408 | 69% | \$12,408 | 69% | |
| Total operating expenses | \$16,242 | 90% | \$16,242 | 90% | \$16,242 | 90% | |
| Net income before taxes | (\$9,042) | -50% | \$1,758 | 10% | \$8,958 | 50% | |
| Taxes on income | | 0% | | 0% | | 0% | |
| Net income after taxes | (\$9,042) | -50% | \$1,758 | 10% | \$8,958 | 50% | |
| Extraordinary gain or loss | | 0% | | 0% | | 0% | |
| Income tax on extraordinary gain | | 0% | | 0% | | 0% | |
| Net Income (Loss) | (\$9,042) | -50% | \$1,758 | 10% | \$8,958 | 50% | |

Exhibit 13 cont.

| Projected Income Statement | | October 31st, 20xx | | November 30th, 20xx | | December 31st, 20xx | |
|----------------------------------------------|-----------------|--------------------|-----------------|---------------------|-----------------|---------------------|--|
| | | October | | November | | December | |
| Revenue | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Gross sales | \$28,800 | | \$32,400 | | \$32,400 | | |
| <i>Less sales returns and allowances</i> | | | | | | | |
| Net sales | \$28,800 | 100% | \$32,400 | 100% | \$32,400 | 100% | |
| Operating Expenses | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | |
| Salaries and wages | \$3,333 | 10% | \$3,333 | 10% | \$3,333 | 10% | |
| Commissions | | 0% | | 0% | | 0% | |
| Advertising | \$500 | 2% | \$500 | 2% | \$500 | 2% | |
| Depreciation | | 0% | | 0% | | 0% | |
| Total selling expenses | \$3,833 | 12% | \$3,833 | 12% | \$3,833 | 12% | |
| Salaries and wages | | 0% | | 0% | | 0% | |
| Insurance | \$250 | 1% | \$250 | 1% | \$250 | 1% | |
| Rent | \$8,750 | 27% | \$8,750 | 27% | \$8,750 | 27% | |
| Utilities | \$1,500 | 5% | \$1,500 | 5% | \$1,500 | 5% | |
| Depreciation and amortization | \$833 | 3% | \$833 | 3% | \$833 | 3% | |
| Office supplies | \$75 | 0% | \$75 | 0% | \$75 | 0% | |
| Travel and entertainment | | 0% | | 0% | | 0% | |
| Postage | | 0% | | 0% | | 0% | |
| Equipment maintenance and rental | | 0% | | 0% | | 0% | |
| Interest | \$1,000 | 3% | \$1,000 | 3% | \$1,000 | 3% | |
| Furniture and equipment | | 0% | | 0% | | 0% | |
| Total General/Administrative expenses | \$12,408 | 38% | \$12,408 | 38% | \$12,408 | 38% | |
| Total operating expenses | \$16,242 | 50% | \$16,242 | 50% | \$16,242 | 50% | |
| Net income before taxes | \$12,558 | 39% | \$16,158 | 50% | \$16,158 | 50% | |
| Taxes on income | | 0% | | 0% | | 0% | |
| Net income after taxes | \$12,558 | 39% | \$16,158 | 50% | \$16,158 | 50% | |
| Extraordinary gain or loss | | 0% | | 0% | | 0% | |
| Income tax on extraordinary gain | | 0% | | 0% | | 0% | |
| Net Income (Loss) | \$12,558 | 39% | \$16,158 | 50% | \$16,158 | 50% | |

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