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Trinity Capital
business plan strategic development by Timothy J. Dineen
-consultant-
Norcross, Georgia
Phone: 770-935-0480 Fax: 770-935-1075
e-mail:
lepcap@mindspring.com

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Table of Contents

1.0	Executive Summary	1
1.1	Objectives	2
1.2	Mission	2
1.3	Keys to Success	2
2.0	Company Summary	3
2.1	Company Ownership	3
2.2	Start-up Summary	3
2.3	Company Locations and Facilities	5
3.0	Products	5
3.1	Product Description	5
3.2	Competitive Comparison	6
3.3	Sales Literature	7
3.4	Sourcing	7
3.5	Technology	7
3.6	Future Products	8
4.0	Market Analysis Summary	8
4.1	Market Segmentation	9
4.2	Industry Analysis	10
	4.2.1 Industry Participants	10
	4.2.2 Distribution Patterns	11
5.0	Strategy and Implementation Summary	11
5.1	Marketing Strategy	11
	5.1.1 Pricing Strategy	12
	5.1.2 Promotion Strategy	12
	5.1.3 Distribution Strategy	12
5.2	Sales Strategy	12
	5.2.1 Sales Forecast	12
6.0	Management Summary	14
6.1	Organizational Structure	14
6.2	Management Team	15
6.3	Management Team Gaps	15
6.4	Personnel Plan	16
7.0	Financial Plan	16
7.1	Important Assumptions	17
7.2	Key Financial Indicators	17
7.3	Break-even Analysis	18
7.4	Projected Profit and Loss	19
7.5	Projected Cash Flow	20
7.6	Projected Balance Sheet	22
7.7	Business Ratios	22

Tennis Master Pro Shops, Inc.

1.0 Executive Summary

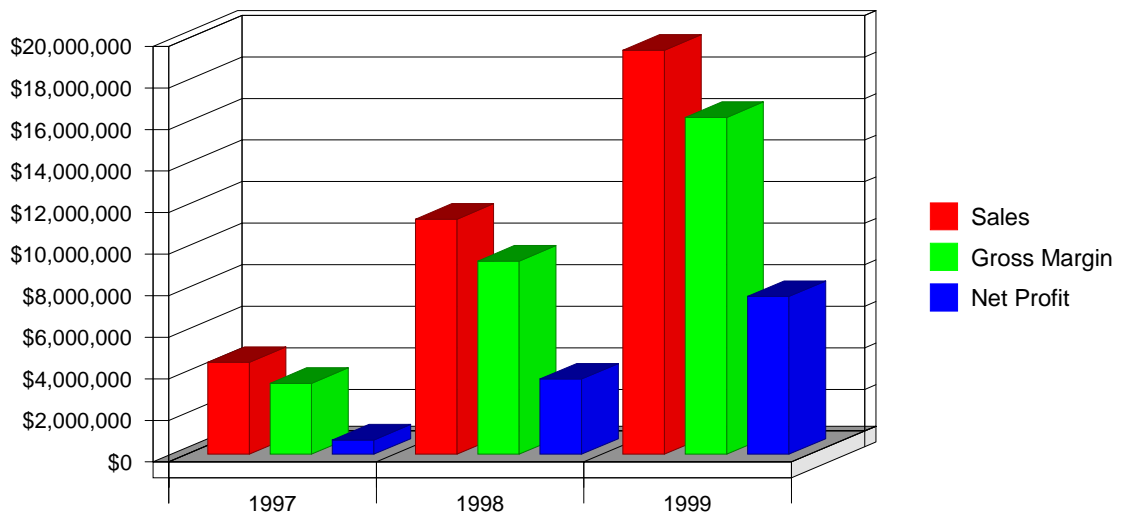
Tennis Master Pro Shops, Inc. operates retail tennis stores known as Tennis Master Pro Shops. Each retail location markets indoor tennis instruction and custom racket fitting. These two primary revenue streams are both high in profit margin and low in inventory requirements. Custom fitted rackets are made on site from components and are marketed under the "Tennis Master" brand name. Tennis instruction and training are conducted by in-store staff under the direction of a USTA professional at each store.

A Tennis Master Pro Shop is 5,000 square feet and includes two virtual reality tennis simulators, two computer swing analysis systems, a racket fitting analysis system, and four additional practice court and net combinations. Private label and brand name tennis merchandise are also included in the product mix.

Tennis Master forecasts growth from its current 15 stores to a cumulative total of 380 stores over the next three years. Ten stores will be company owned and the remainder will be franchised. Forty "Master Franchise" licenses will be sold to qualified regional marketers in order to achieve the high rate of growth targeted by this expansion plan.

Tennis Master franchise operations and company owned stores will all be included under the corporate umbrella of Tennis Master Pro Shops, Inc. Combined revenues are forecast to be \$6.8 million in 1997, \$14.3 million in 1998, and \$23 million in 1999. Profits are expected to be \$1.8 million in '97, increase to \$5 million in '98, and reach \$9.3 million in '99. Margins will also increase over the same time frame from 26.7% to 40.3%. These highlights of the over-all plan are illustrated in the chart below:

Highlights (Planned)



Tennis Master Pro Shops, Inc.

1.1 Objectives

Tennis Master has the objective of becoming the nation's largest retail indoor training facility. We are targeting 400 retail locations as our ultimate goal. Forty "Master Franchises" have been targeted, each with ten retail stores in a "Master Group." Roll-out by year is as follows:

- 1997--10 Master Franchises and 60 retail stores.
- 1998--20 Master Franchises and 120 retail stores (Cumulative: 30 Master Franchises and 180 retail stores).
- 1999--10 Master Franchises and 200 retail stores (Cumulative: 40 Master Franchises and 380 retail stores).

A table illustrating this expansion plan is in Appendix "D" (**Note:** this is a customer-included appendix; not part of a standard business plan).

The over-all retail objective for each store is to achieve 25% utilization of available training time. All the projections in this plan are based on timed growth up to the 25% utilization level. The attainment of this level of utilization will produce highly profitable retail stores. The combination of profitable stores and successful franchise sales will be essential to the success of the plan.

1.2 Mission

Tennis Master Pro Shops, Inc. strives to offer the finest indoor tennis training available. We seek to promote the enjoyment of the game of tennis by helping tennis enthusiasts of all levels play better tennis. We will deliver this product by individual instruction in tennis fundamentals and individual fitting of a tennis player's equipment. We offer all of our products and services at times and locations convenient to our customers.

Tennis Master Pro Shops, Inc. pledges to offer an outstanding business opportunity to our franchisees and to deliver at all times the training and ongoing support outlined in our franchise program.

1.3 Keys to Success

The keys to success in Tennis Master's business are:

1. Attainment of our store expansion goals (both company stores and franchise stores).
2. Attainment of 25% minimum utilization of training time in each retail location.
3. Obtaining initial capitalization.
4. Executing franchise marketing program.
5. Executing retail marketing program.
6. Converting existing stores to training/racket fitting format.
7. Careful attention to store locations by using economic and tennis playing demographics.
8. Management control of both company and franchise stores.
9. Management of cash flow--maintaining the pace of franchise sales--and obtaining additional investment in year one to maintain the pace of company owned store expansion.

Tennis Master Pro Shops, Inc.

2.0 Company Summary

Tennis Master Pro Shops are positioned to fill the growing need for tennis instruction demanded by both a growing number of new tennis enthusiasts and more than 20 million existing tennis enthusiasts in the U.S. The stores offer computerized swing analysis, indoor tennis practice and simulation on "real" tennis courts, and ongoing tennis lessons and instruction for tennis enthusiasts who desire to improve their game.

Custom racket fitting of "Tennis Master" tennis rackets and also top-selling national name brand rackets will offer the individual tennis player the equipment that is most suited to his/her game.

All Tennis Master stores will be open, clean, well-merchandised, and attractive. The Tennis Master store will be a tennis "center" where tennis enthusiasts of all abilities will feel welcome and comfortable. The patrons of the store will want to spend time there and will want to return again and again.

2.1 Company Ownership

Tennis Master Pro Shops, Inc. was founded in 1994 by John Jones. It is a privately held Cascade State "C" corporation. Other stockholders include Doug Smith, James Brown, and Jeff Clark.

The previous operating history of Tennis Master Pro Shops, Inc. includes the retail sales of the original "flagship" store located in Anytown, WA. and also the sale of approximately 15 franchise locations (not all of which have opened as of the date of this plan). Total revenues to date are approximately \$1 million and operations have produced a very minimal profit.

For the purpose of this plan the expansion of Tennis Master Pro Shops, Inc. is treated as a start-up as of January 1997 with all previous assets and operations "rolled in" to this plan.

At this time Tennis Master Pro Shops, Inc. seeks to extend its ownership via a Private Placement to a select few additional investors.

2.2 Start-up Summary

The next generation of computer training combines the "computer coach" concept with the simulator in one piece. It's now being developed and initial marketing is underway. The joint venture is between Tennis Training Systems, Inc. and [name omitted], the company that created lifelike human animation for Acclaim Entertainment's high end computer games. [Name omitted] also did the computer animation for the action scenes in [name omitted], [name omitted], and [name omitted]. This new simulation training system, called [name omitted] runs on a [name omitted] Platform and is currently being marketed at \$500,000 per system. This cost is beyond the scope of Tennis Master's retail concept at this time. However, these technologies tend to come down in price as they are further developed. Our management will maintain a working relationship with [name omitted] to stay abreast of product development and cost reduction. At the present time, the extra benefits of these systems to all but the most serious of tennis enthusiasts could amount to "overkill." There is a need in tennis training to "keep it simple." And it is debatable if the consumer is willing to spend the fare this system would require under its present cost structure. There can be no doubt that the system goes beyond anything currently available in its capabilities.

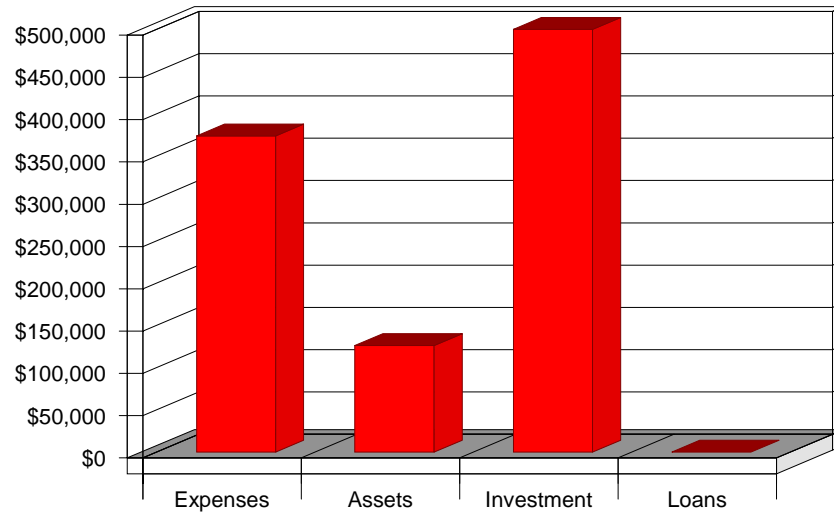
Tennis Master Pro Shops, Inc.

Table: Start-up

Start-up	
<u>Requirements</u>	
<u>Start-up Expenses</u>	
Legal	\$20,000
Franchise Marketing Materials	\$25,000
Investment Offering Costs	\$15,000
Consultants	\$12,500
Insurance	\$1,500
Rent & Deposits	\$15,000
Store Build-out	\$50,000
Expensed Equipment	\$5,000
Simulator (1)	\$40,000
Swing Analysis Systems (2)	\$30,000
Racket Fitting Analysis System	\$10,000
Existing Debt Retirement	\$150,000
<u>Total Start-up Expense</u>	<u>\$374,000</u>
<u>Start-up Assets Needed</u>	
Cash Balance on Starting Date	\$90,000
Start-up Inventory	\$36,000
Other Short-term Assets	\$0
<u>Total Short-term Assets</u>	<u>\$126,000</u>
<u>Long-term Assets</u>	<u>\$0</u>
<u>Total Assets</u>	<u>\$126,000</u>
<u>Total Requirements</u>	<u>\$500,000</u>
<u>Funding</u>	
<u>Investment</u>	
Private Placement	\$500,000
Other	\$0
<u>Total Investment</u>	<u>\$500,000</u>
<u>Short-term Liabilities</u>	
Accounts Payable	\$0
Current Borrowing	\$0
Other Short-term Liabilities	\$0
<u>Subtotal Short-term Liabilities</u>	<u>\$0</u>
<u>Long-term Liabilities</u>	<u>\$0</u>
<u>Total Liabilities</u>	<u>\$0</u>
<u>Loss at Start-up</u>	<u>(\$374,000)</u>
<u>Total Capital</u>	<u>\$126,000</u>
<u>Total Capital and Liabilities</u>	<u>\$126,000</u>

Tennis Master Pro Shops, Inc.

Start-up



2.3 Company Locations and Facilities

Tennis Master Pro Shops, Inc. is presently located at: 1234 Main Street, Anytown, WA. 98000. The phone # is

The new retail location planned at the launch of this expansion plan will be in one of several spots already investigated. Retail space is expected to lease at approx. \$12 per square foot in the most desirable Anytown locations. Build-out costs will be approx. \$50,000.

The warehouse and distribution facility (which will also house corporate offices) will be approx. \$6 per square foot with \$100,000 build-out costs.

3.0 Products

The following sub-sections describe our products and services.

3.1 Product Description

The products and services discussed in section 2.0 are all geared to the demands of today's active and busy tennis player. Many tennis enthusiasts would practice more or spend more on lessons if they had the available time to devote to them. With leisure time at a premium most tennis enthusiasts (all but the most avid) seldom take lessons and many don't practice at all. The primary obstacle is work and available daylight. This forces most tennis enthusiasts to the pursuit of tennis on weekends when courts and practice facilities are most crowded. In addition, inclement weather sometimes forces tennis enthusiasts to miss play or practice on the only days they have available. Tennis Master Pro Shops will be open seven days per week, rain or shine, and until 10 or 11 PM depending on market demand.

Tennis Master Pro Shops, Inc.

One fear sighted by new tennis enthusiasts as an obstacle to taking lessons is the fear of embarrassment. Most tennis courts and teaching facilities are out-of-doors and wide open to the view of many. A Tennis Master Pro Shop will offer these tennis enthusiasts a more private and secure atmosphere for their instruction. Our competent and courteous instructors, as well as our advertised concept of "In Tune with Your Game" will promise training that is both fun and effective.

Information on products and services in Tennis Master's mix are included in appendix "B" (**Note:** This is a customer-included appendix; not part of a standard plan).

3.2 Competitive Comparison

Tennis retailing is dominated by the "discount tennis" chain stores. Examples are [name omitted], [name omitted], and [name omitted]. These stores predominately sell tennis equipment. An individual store may carry as much as \$750,000 in inventory at any given time. No lessons or training are offered, and even though a partial swing analysis may be performed, rackets are not custom fitted. The rackets sold are always "off the shelf."

Our research identified scores of small businesses doing "custom racket fitting" from components. The Internet has thirty or forty companies that offer this service, some with proprietary equipment, others with "clones" of name brand rackets. The common denominator in all of these businesses is that they are local businesses, many with one retail outlet, that are attempting to do national "mail order" or "electronic marketing." They do not have the economic power or the media strength to build a national identity. Another common focus of these businesses is their focus on "price" as their marketing centerpiece. They seem to be saying "get rackets as good as these other ones for less than half the price." Certainly there is no focus on product quality, no brand loyalty, and no means of building a business identity.

Indoor tennis training, our other primary business segment, is not a new concept. Once again, there are many local businesses and some small multi-store sites in current operation. Once again, there is no national identity. Our management is aware of one previous franchising effort in indoor training. "Great Tennis Learning Centers" grew quickly to 18 stores but the franchise company was undercapitalized and, like so many franchisors, didn't really have a workable retail marketing program. Many of the stores continue in successful retail operation but the franchise is defunct.

There are currently several franchise or licensed operations in the custom fitted racket area. The two most noteworthy are [name omitted] Tennis which sells through court-side pro shops at tennis complex locations. [Name omitted] offers its own proprietary frames and the price point is high. Another new franchise is [name omitted]. [name omitted] has grown to about 40 stores mostly located in the Western U.S. at present. [Name omitted]'s marketing focus is on price. The stores are located in "outlet" retail or semi-industrial areas where rent is low. They offer ONLY custom fitted rackets (their proprietary racket frames) at low price. Because of their retail location philosophy they must be able to generate significant advertising monies in order to succeed.

More discussion is included later in this plan on competitive businesses.

Tennis Master intends to position itself as the only national chain that combines custom fitted rackets with indoor training. The training aspect is in constant demand by tennis enthusiasts. It doesn't demand inventory and the marketing task is not one of selling rackets to new tennis enthusiasts or replacement rackets to existing tennis enthusiasts. Hence, it becomes the marketing focus and the primary profit center of a Tennis Master store. Our management feels that racket sales will flow from building a training and practice base of customers, both new

Tennis Master Pro Shops, Inc.

tennis enthusiasts and experienced ones, who can then be converted to the concept of custom fitted rackets as they come to realize that using those rackets will enhance their enjoyment of the game of tennis.

Certainly the Tennis Master concept is an identifiable one. The name of Tennis Master is perhaps the single best name in tennis retailing. Brand identity and awareness is only a function of successfully marketing our identity. More discussion of our "marketing identity" follows later in this plan.

3.3 Sales Literature

Tennis Master is currently finalizing all new product literature. This includes brochures to be used as retail as well as franchise marketing materials. There are two primary retail brochures. One concentrates on training programs, facilities, and technology. The other concentrates on custom racket fitting, concept, explanation of fitting procedures, explanation of racket components and function, and the benefits of using rackets that are fitted to the player.

The franchise marketing materials will include our flagship store in Anytown as a model. The franchise marketing materials will stress the "fun" of being in the tennis business on a full-time basis.

3.4 Sourcing

The primary sources for Tennis Master are as follows:

- [details omitted].
- [details omitted].
- [details omitted].

Product literature from most of these companies is included in Appendix "B" (**Note:** This is a customer-included appendix; not part of a standard plan).

3.5 Technology

The technologies used by Tennis Master are not patented or owned by Tennis Master. They are readily available in the marketplace. Both computer swing analysis and tennis simulation experience have been proven by others to be profitable and marketable concepts. In addition, there are several manufacturers of competing products in each segment.

The key advantage of the Computer Coach is its association with the [details omitted] name--the premier name in tennis instruction today. Also, we can store and catalogue customer's swings--a repeat marketing tool.

The simulator experience fits with training (i.e., the swing and "net" time can be transferred to the simulator to actually see the ball flight). The simulator is highly accurate with respect to ball velocity, distance, and flight path.

Tennis Master Pro Shops, Inc.

3.6 Future Products

Each product or service in the Tennis Master mix fills a need or demand created by:

1. The growing number of tennis participants.
2. The overcrowded conditions at current tennis facilities.
3. The newly created demand for tennis experience in non-traditional hours (i.e., at night, in quick day-time breaks, or in inclement weather).
4. The shortage of teaching pros available to non-club members or at non-traditional times.
5. The availability of new technologies in training methods.
6. The desire for privacy in instruction.
7. A non-threatening teaching environment.

The [details omitted].

The tennis simulator [details omitted].

Lessons are geared for individual instruction. They [details omitted].

Tennis instruction may often lead to [details omitted].

National name brand rackets [details omitted].

Name brand tennis [details omitted].

Also, the [details omitted].

4.0 Market Analysis Summary

In order to effectively analyze our markets, it is necessary to look at both the consumer's needs and the retail and distribution environment in the tennis industry. Much data and information is available in both areas.

Most of the research and statistics included in this plan are from a survey conducted by the National Tennis Foundation called "Tennis Consumer Spending in the U.S." and additional information is from a database survey of tennis enthusiasts by market called "Tennis in America."

Over-all consumer spending on tennis equipment and tennis activities exceeds \$16 billion annually. \$2.3 billion is spent on equipment (primarily rackets), \$2.9 billion on other merchandise (court bags, balls, shoes, and apparel), \$947 million on accessories, and \$10.1 billion is spent in the largest segment of all, playing fees (reserved court time fees, club memberships, and misc. fees).

A gap in available data exists in the area of spending on tennis lessons and instruction. The National Tennis Foundation is in the process of conducting a survey to determine these expenditures. The problem with gathering this data is that much of the spending on tennis lessons with professionals, for example, is cash "off the books." While no one currently knows the exact level of spending on tennis instruction, everyone agrees that the actual figure may well be in the hundred million dollar range. With more than 20 million tennis enthusiasts that would amount to only \$5.00 per tennis player.

4.1 Market Segmentation

Tennis Master's market segment as a whole is the entire tennis playing population of the U.S., currently more than 20 million tennis enthusiasts and growing by approximately 10% a year. That is, there are two million new tennis enthusiasts in this country each year. This segment alone needs equipment and lessons. However, two million customers is not a sufficient number to sustain Tennis Master's national expansion plan. We must also be successful in marketing to existing tennis enthusiasts. That will extend our total segment to more than 20 million current potential customers.

The National Tennis Foundation has developed extensive demographic data on buying patterns by sub-dividing tennis related purchases by the segments of occasional, moderate, and avid tennis enthusiasts. The tennis enthusiasts in these three groups have distinctively different needs and buying patterns. This is discussed in more detail in the Market Analysis section 4.3 of this plan.

Market Analysis (Pie)

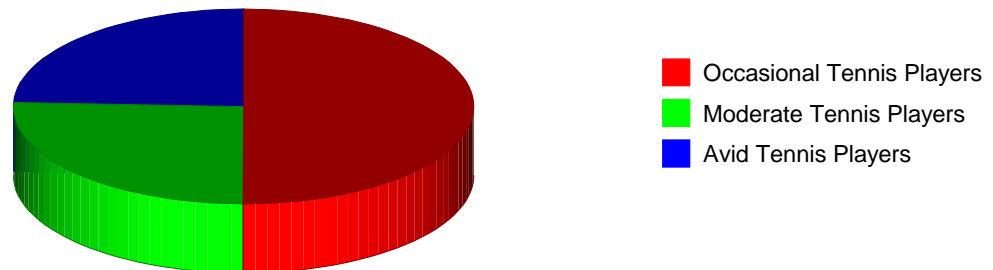


Table: Market Analysis

Market Analysis	Growth	1997	1998	1999	2000	2001	CAGR
Potential Customers							
Occasional Tennis Players	11%	11,341,000	12,588,510	13,973,246	15,510,303	17,216,436	11.00%
Moderate Tennis Players	10%	5,813,000	6,394,300	7,033,730	7,737,103	8,510,813	10.00%
Avid Tennis Players	6%	5,518,000	5,849,080	6,200,025	6,572,027	6,966,349	6.00%
Total	9.58%	22,672,000	24,831,890	27,207,001	29,819,433	32,693,598	9.58%

4.2 Industry Analysis

The tennis industry over-all may be broken down into the following segments of interest to Tennis Master:

1. Tennis Retailers.
2. Tennis Racket Manufacturers (National Brands).
3. Tennis Racket Assemblers (Components) and their suppliers.
4. Tennis Instruction & Training (Indoor).

4.2.1 Industry Participants

In tennis racket manufacturing the "Big 3" are [details omitted], [details omitted], and [details omitted]. These three companies have enjoyed rapid growth, increasing market share, and successful public offerings at the expense of former industry leaders such as Wilson Sporting Goods, [details omitted], and others. These three industry giants now dominate the market with media power and have made the majority of other tennis racket manufacturers only marginally profitable or not profitable at all. The tennis racket manufacturing business is not a good segment to enter--certainly not if the intention is to establish a new name brand racket line.

Thus, Tennis Master brand rackets will not be the center of our marketing focus. Rather, custom-fitting our training clientele will be an add-on or trade-up philosophy. We will also not endeavor to compete with component "discount" racket makers. Our focus will not be on price but on the quality of custom-fitted rackets. The "Tennis Master" name on these rackets will be consistent with our quality image that has already been embedded in our customer by the quality and enjoyment of his training experience.

In component racket assembly there are a multitude of small companies marketing primarily on price to a local customer. Several major suppliers of tennis racket components dominate this market at the wholesale level, the largest being [details omitted]. [Details omitted] also markets via catalogue and lately hasn't been able to resist the temptation to jump into the retail fray.

In tennis retailing we will not attempt to compete with the retail giants such as [name omitted] and [name omitted]. We cannot match their price on national brands, we cannot match their group purchasing power, and we cannot match their media exposure as it pertains to equipment purchasing. Also, we have no desire to be burdened by the high inventory levels that full line tennis retailing demands.

Tennis instruction and training is dispersed and not always available at the times that customers desire it.

In the training segment Tennis Master seeks to find its niche and to grow to dominate this newly defined market opportunity. There is currently no national indoor tennis training center. What better name than Tennis Master to step in and dominate market share?

4.2.2 Distribution Patterns

Distribution of all of Tennis Master's product offerings is secondary to our over-all success that will result from effective distribution of our training programs. Thorough data is available on the buying habits of our different classifications of tennis enthusiasts. Most tennis rackets are purchased from the major tennis retailers. Then follows sporting goods stores, courtside pro shops, mass merchants, and catalog/mail order/other as a group. We will not attempt to displace existing consumer buying patterns in these retail segments.

In order to effectively distribute our training programs we will utilize demographic data of tennis enthusiasts by market and sub-data locally to identify the best locations for our retail stores in any market based solely on tennis playing demographics that are readily available. "The Number of Tennis enthusiasts Ranked by [details omitted]" is included in Appendix "D." Effective distribution of our services will result when we attain a "critical" mass of stores in a given market to cover those areas populated by the proper tennis playing demographics coupled with sufficient media execution.

Finally, our distribution will extend all the way into the individual tennis player's home via their own copy of the Computer Coach that can be reviewed on an ongoing basis.

The Internet, direct mail, and catalog marketing also offer the means to reach tennis enthusiasts in areas where Tennis Master does not have stores.

Tennis Master has no plans, present or future, to extend the distribution of its rackets into other retail outlets.

International expansion is not discussed within the scope of this initial three year plan. However, tennis is growing faster overseas than it is in the U.S. and our management has long term plans to expand internationally. The name "Tennis Master" will have identifiable meaning to tennis enthusiasts worldwide. Anytown, Washington may truly be said to be one of only a few recognizable tennis capitals around the world.

5.0 Strategy and Implementation Summary

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5.1 Marketing Strategy

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5.1.1 Pricing Strategy

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5.1.2 Promotion Strategy

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5.1.3 Distribution Strategy

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5.2 Sales Strategy

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5.2.1 Sales Forecast

Tennis Master's sales forecasts are based upon certain assumptions:

1. A new store will attain the "pro forma" sales level indicated by the summary in Appendix "E" within one year of opening.
2. The timing of new stores added is in accordance with Tennis Master's expansion plan.
3. The projections are figured by taking only 50% of stores added during a given year and projecting revenue at 80% of target on those stores only. This allows for the staggered opening schedules of stores throughout the year. It also doesn't expect any store to reach its full retail potential until at least year two. These assumptions are used consistently throughout this plan for both multi-year and single year growth.

The following table shows the effect of staggered franchise sales and corresponding retail revenue growth and royalty growth. The chart that precedes the table illustrates our volume

Tennis Master Pro Shops, Inc.

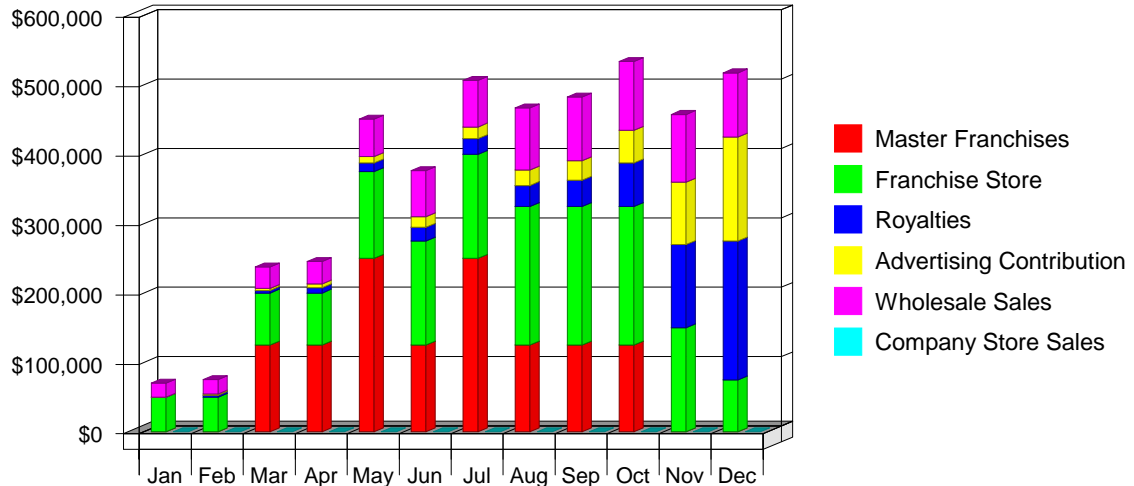
projections for year one on a month-by-month basis. All unit costs represent the corresponding margins in that product or service. Franchise sales commissions are included as unit costs of franchise sales and are deducted from revenue in all sales forecasts.

Table: Sales Forecast (Planned)

Sales Forecast			
Unit Sales	1997	1998	1999
Master Franchises	10	20	10
Franchise Store	60	120	200
Royalties	518,750	2,419,200	5,875,200
Advertising Contribution	389,062	1,814,400	4,406,400
Wholesale Sales	761,850	1,577,395	2,916,531
Company Store Sales	2,450,000	3,000,000	3,600,000
Total Unit Sales	4,119,732	8,811,135	16,798,341
Unit Prices			
	1997	1998	1999
Master Franchises	\$125,000.00	\$125,000.00	\$125,000.00
Franchise Store	\$25,000.00	\$25,000.00	\$25,000.00
Royalties	\$1.00	\$1.00	\$1.00
Advertising Contribution	\$1.00	\$1.00	\$1.00
Wholesale Sales	\$1.00	\$1.00	\$1.00
Company Store Sales	\$0.00	\$0.00	\$0.00
Sales			
Master Franchises	\$1,250,000	\$2,500,000	\$1,250,000
Franchise Store	\$1,500,000	\$3,000,000	\$5,000,000
Royalties	\$518,750	\$2,419,200	\$5,875,200
Advertising Contribution	\$389,062	\$1,814,400	\$4,406,400
Wholesale Sales	\$761,850	\$1,577,395	\$2,916,531
Company Store Sales	\$0	\$0	\$0
Total Sales	\$4,419,662	\$11,310,995	\$19,448,131
Direct Unit Costs			
	1997	1998	1999
Master Franchises	\$12,500.00	\$12,500.00	\$12,500.00
Franchise Store	\$5,000.00	\$5,000.00	\$5,000.00
Royalties	\$0.00	\$0.00	\$0.00
Advertising Contribution	\$0.00	\$0.00	\$0.00
Wholesale Sales	\$0.70	\$0.70	\$0.70
Company Store Sales	\$0.00	\$0.00	\$0.00
Direct Cost of Sales			
	1997	1998	1999
Master Franchises	\$125,000	\$250,000	\$125,000
Franchise Store	\$300,000	\$600,000	\$1,000,000
Royalties	\$0	\$0	\$0
Advertising Contribution	\$0	\$0	\$0
Wholesale Sales	\$533,295	\$1,104,177	\$2,041,572
Company Store Sales	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$958,295	\$1,954,177	\$3,166,572

Tennis Master Pro Shops, Inc.

Sales Monthly (Planned)



6.0 Management Summary

This section presents both the credentials and experience of Tennis Master's management team, the future personnel needs of the company, projections of personnel costs, and the gaps in management that will need to be filled.

6.1 Organizational Structure

Tennis Master's franchise and general management team will be headquartered in Anytown, Washington.

Company owned stores will report to the Corporate Store Operations Manager.

Each store will be staffed as follows:

1. General Manager (USTA Pro) and head instructor.
2. Sales Manager/Asst. General Mgr.
3. Two to four Trainers/Operators (in accordance with hourly demand).
4. Receptionist/Administrator/Scheduler.
5. Racket maker/repair.

The payroll of individual stores is included in Appendix "E" (**Note:** this is a customer-included appendix; not part of a standard plan).

Tennis Master Pro Shops, Inc.

6.2 Management Team

The key management personnel of Tennis Master Pro Shops, Inc. are the following:

John Jones, Jr. (34)--Chairman, CEO

John Jones is the founder of Tennis Master. Has been responsible for originating the concept, operating the Anytown retail store, and marketing the franchises to date. Previously Mr. Jones founded a Home Medical Equipment Company which he sold to a national firm. Prior to that he spent 11 years with [name omitted], Inc. a regional human resource company advancing to Vice President of Industrial Services. Mr. Jones is active in many numerous civic, church, and political organizations. He has a BBA in Marketing from Anytown College (1985).

Doug Smith (48)--Secretary, General Counsel, and Director

Mr. Smith is also a founder of Tennis Master. He is a partner of Smith, Doe, & Johnson, P.C. of Anytown, Washington. Mr. Smith is active in civic, business, and professional organizations. He is a member of the Forum on Health Law of the American Bar Association and the National Health Lawyers Association. Mr. Smith also serves on the board of governors of the State Bar of Washington and is a member of the National Association of Bond lawyers. Mr. Smith holds Bachelor of Business Administration (1970) and Juris Doctor (1973) degrees from the University of Washington.

James J. Clark (48)--Vice-President, Corporate Development

Mr. Clark is the principal and founder of [name omitted], an investment advisory firm in Anytown, Wa. He also serves as Chief Operating Officer of [name omitted], Inc. Mr. Clark's background includes middle management positions in Sales and Marketing with [name omitted] Company and the [name omitted], Inc. in both Chicago and New York. He has also held senior management positions with three different development stage companies with responsibility for P & L, Strategic Planning, and Capitalization. Mr. Clark has a BBA in Marketing from the [name omitted].

6.3 Management Team Gaps

The following management personnel will need to be added to our team to effectively grow at the rate projected. Some candidates have already been identified for these positions.

- Controller/Systems Administrator.
- Director of Marketing.
- Chief Financial Officer.
- Store Operations Manager.
- Training Manager.
- Warehouse/Distribution Manager.
- Franchise Sales Director.

Tennis Master Pro Shops, Inc.

6.4 Personnel Plan

The following table illustrates the personnel needs and salary projections for the next three years. Company owned store salaries are grouped together as one entry. All positions are phased in as needed. The personnel burden for taxes and benefits is 22%.

Table: Personnel (Planned)

Personnel Plan	1997	1998	1999
Production Personnel			
Whse. Dist. Mgr.	\$25,000	\$30,000	\$32,000
Distribution Asst.	\$7,500	\$15,000	\$16,500
Customer Service	\$15,000	\$18,000	\$19,500
Subtotal	\$47,500	\$63,000	\$68,000
Sales and Marketing Personnel			
Franchise Sales Dir.	\$44,000	\$48,000	\$48,000
Franchise Salesperson	\$22,500	\$30,000	\$0
Director of Marketing	\$30,000	\$36,000	\$40,000
Subtotal	\$96,500	\$114,000	\$88,000
General and Administrative Personnel			
CEO	\$72,000	\$84,000	\$90,000
VP Corp. Dev.	\$60,000	\$66,000	\$72,000
Chief Financial Officer	\$0	\$72,000	\$76,000
Controller/Systems Admin.	\$40,000	\$48,000	\$54,000
Store Operations Mgr.	\$33,000	\$42,000	\$48,000
Training Mgr.	\$25,000	\$33,000	\$36,000
Administrative Assistant	\$15,000	\$18,000	\$19,500
Subtotal	\$245,000	\$363,000	\$395,500
Other Personnel			
Salaries, Company Stores	\$518,400	\$1,296,000	\$1,620,000
Other	\$0	\$0	\$0
Subtotal	\$518,400	\$1,296,000	\$1,620,000
Total People	13	14	13
Total Payroll	\$907,400	\$1,836,000	\$2,171,500
Payroll Burden	\$199,628	\$403,920	\$477,730
Total Payroll Expenditures	\$1,107,028	\$2,239,920	\$2,649,230

7.0 Financial Plan

The growth of Tennis Master will be financed by its successful initial capitalization, followed by franchise fees and royalties.

Initially, a Private Placement of \$1 million will be sold, \$500,000 is required to start-up.

An additional \$500,000 is infused from a continuation of the same placement. This capital flows in from March to June of 1997 as indicated in the plan. The \$250,000 infusion in March will permit the corporate headquarters and warehouse to open on schedule.

If franchises are marketed successfully and on schedule that revenue will fuel growth to positive cash flow and profitability in year one.

Tennis Master Pro Shops, Inc.

7.1 Important Assumptions

The following assumptions are used in this plan.

- There is no projected borrowing.
- Retail sales and franchise fees are treated as cash when collected. There are no payment terms on these items.
- Royalties are also treated as cash even though they lag 30 days to collect from the time period incurred. They appear as collected.

Other assumptions appear in the table below:

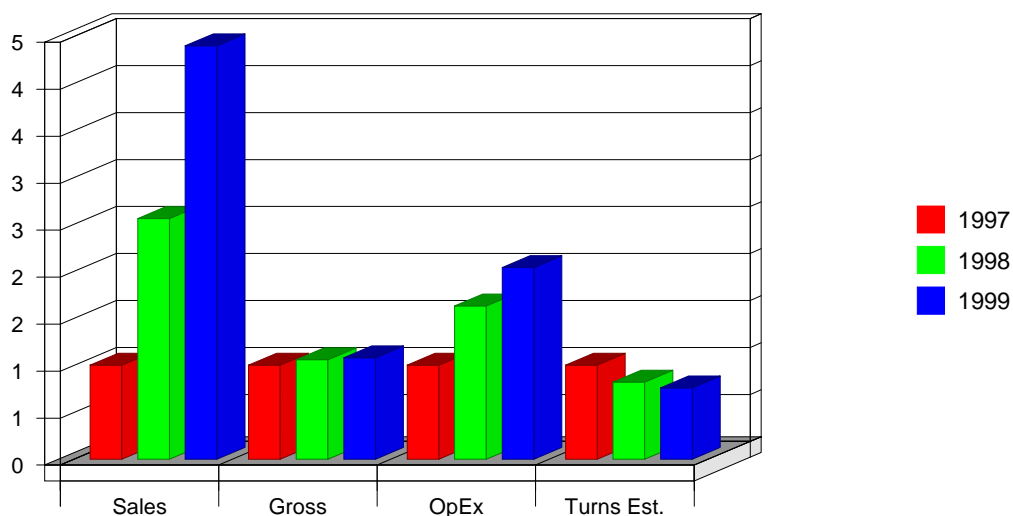
Table: General Assumptions

General Assumptions	1997	1998	1999
Short-term Interest Rate %	0.00%	0.00%	0.00%
Long-term Interest Rate %	0.00%	0.00%	0.00%
Tax Rate %	33.00%	33.00%	33.00%
Expenses in Cash %	100.00%	100.00%	100.00%
Personnel Burden %	22.00%	22.00%	22.00%

7.2 Key Financial Indicators

The key indicators in our plan illustrate increasing sales, control of costs, and increasing margins as market maturity is attained.

Benchmarks (Planned)



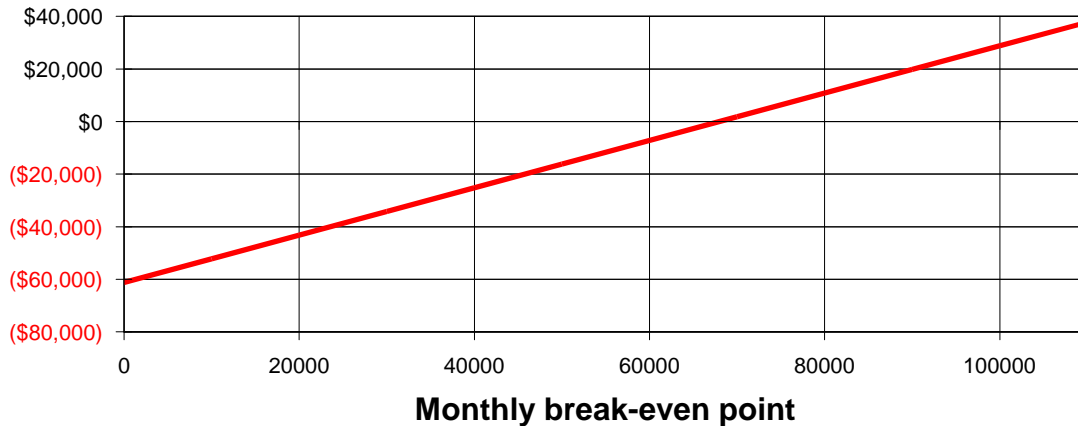
Tennis Master Pro Shops, Inc.

7.3 Break-even Analysis

The following assumptions are used for the purpose of this break-even analysis. If Tennis Master opens the Anytown flagship corporate retail store and also the new corporate headquarters and incurs the overheads and salaries associated with those two events, then the analysis shows how much monthly revenue in either franchise sales (from corporate) or retail training (from the store) would be required to sustain business until either more investment or more revenues could be developed. Training and franchise sales are figured at 90% gross margins for this purpose. Monthly overhead or "burn rate" is pegged at \$61,200 at that point in time.

The break-even sales required to stay in business is thus \$68,000 in either franchise fees or combined franchise fees and retail training revenue. Or, one master franchise sale, or three retail store franchise sales.

Break-even Analysis



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	68,000
Monthly Sales Break-even	\$68,000

Assumptions:	
Average Per-Unit Revenue	\$1.00
Average Per-Unit Variable Cost	\$0.10
Estimated Monthly Fixed Cost	\$61,200

Tennis Master Pro Shops, Inc.

7.4 Projected Profit and Loss

The following projected profit and loss table and chart derives from sales projections over operating expenses. Any variance in sales would have an immediate impact on these figures. Two important explanations are required:

1. Leased equipment consists of swing analysis systems and simulators needed for company stores. (The lease payments are projected at rates consistent with high-cost franchise lease rates. Term of leases is five years with a 10% residual buy-out or renewal option).
2. Depreciation is for leasehold improvements for company owned stores (\$50,000 depreciated) and corporate headquarters and warehouse (\$100,000 depreciated). All depreciation is straight-line five years.

Tennis Master projects bottom-line profits of \$1.8 million in 1997, \$5 million in 1998, and \$9.3 million in 1999. While it is unusual for a business to show such a substantial profit in its first year of operations, these figures are attainable in a franchise company primarily from the impact of franchise fees alone.

Table: Profit and Loss (Planned)

Pro Forma Profit and Loss	1997	1998	1999
Sales	\$4,419,662	\$11,310,995	\$19,448,131
Direct Cost of Sales	\$958,295	\$1,954,177	\$3,166,572
Production Payroll	\$47,500	\$63,000	\$68,000
Total Cost of Sales	\$1,005,795	\$2,017,177	\$3,234,572
Gross Margin	\$3,413,867	\$9,293,819	\$16,213,559
Gross Margin %	77.24%	82.17%	83.37%
Sales and Marketing Payroll	\$96,500	\$114,000	\$88,000
Advertising/Promotion	\$686,966	\$715,550	\$1,152,407
Travel/Entertainment	\$36,000	\$66,000	\$80,000
Marketing Materials	\$50,000	\$60,000	\$60,000
Total Sales and Marketing Expenses	\$869,466	\$955,550	\$1,380,407
Sales and Marketing %	19.67%	8.45%	7.10%
General and Administrative Payroll	\$245,000	\$363,000	\$395,500
Payroll Burden	\$199,628	\$403,920	\$477,730
Depreciation	\$43,316	\$99,960	\$119,952
Depreciation	\$87,360	\$105,200	\$126,240
Depreciation	\$47,000	\$62,000	\$68,000
Telephone/Fax	\$33,200	\$38,000	\$40,000
Insurance	\$38,800	\$44,000	\$48,000
Rent	\$178,000	\$468,000	\$540,000
Total General and Administrative Expenses	\$872,304	\$1,584,080	\$1,815,422
General and Administrative %	19.74%	14.00%	9.33%
Other Payroll	\$518,400	\$1,296,000	\$1,620,000
Contract/Consultants	\$75,000	\$0	\$0
Legal	\$55,000	\$60,000	\$60,000
Total Other Expenses	\$648,400	\$1,356,000	\$1,680,000
Other %	14.67%	11.99%	8.64%
Total Operating Expenses	\$2,390,170	\$3,895,630	\$4,875,829
Profit Before Interest and Taxes	\$1,023,697	\$5,398,189	\$11,337,731
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$0	\$0	\$0
Taxes Incurred	\$337,820	\$1,781,402	\$3,741,451
Extraordinary Items	\$0	\$0	\$0
Net Profit	\$685,877	\$3,616,786	\$7,596,280
Net Profit/Sales	15.52%	31.98%	39.06%

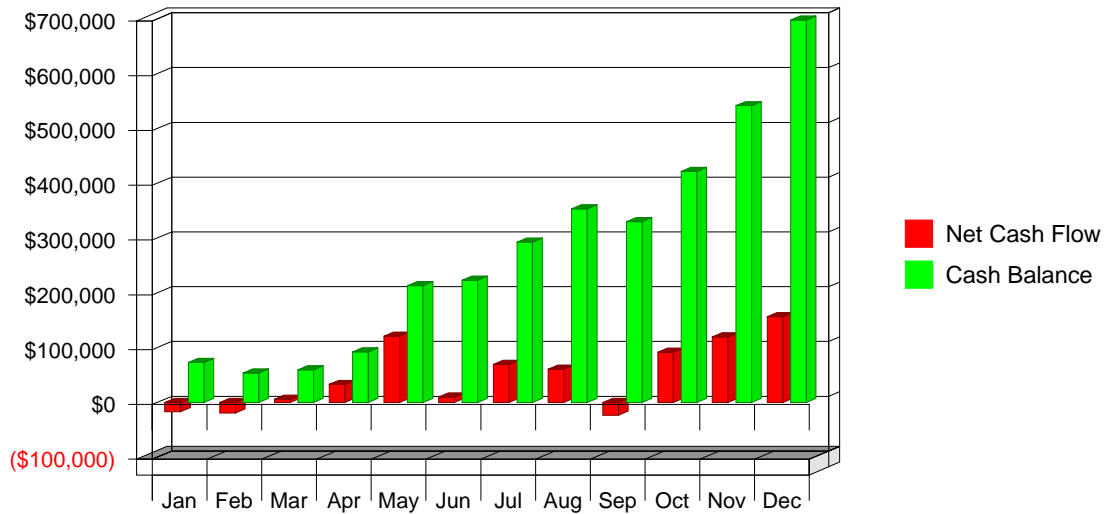
Tennis Master Pro Shops, Inc.

7.5 Projected Cash Flow

The critical time for cash flow for Tennis Master is the first half of 1997. During this time period substantial cash-out is needed to establish both the flagship Anytown store and the new corporate headquarters and warehouse. These cash expenditures are all hard cash out to be recouped by depreciation. Flow-in of investment funds are also critical. The only way to survive through this period is to curtail expansion if that becomes necessary. Additional capital (not planned for) would need to be raised later in 1997 if franchise sales fall far behind expectations.

Given the above assumptions, the following table and chart show that there will be sufficient cash to execute the plan. With successful execution the company would have a \$1.6 million cash balance at the end of 1997 and in excess of \$15 million at the end of 1999.

Cash (Planned)



Tennis Master Pro Shops, Inc.

Table: Cash Flow (Planned)

Pro Forma Cash Flow	1997	1998	1999
Cash Received			
Cash from Operations:			
Cash Sales	\$4,419,662	\$11,310,995	\$19,448,131
From Receivables	\$0	\$0	\$0
Subtotal Cash from Operations	\$4,419,662	\$11,310,995	\$19,448,131
Additional Cash Received			
Extraordinary Items	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$500,000	\$0	\$0
Subtotal Cash Received	\$4,919,662	\$11,310,995	\$19,448,131
Expenditures			
Expenditures from Operations:			
Cash Spent on Costs and Expenses	\$3,204,801	\$6,095,939	\$9,284,285
Wages, Salaries, Payroll Taxes, etc.	\$1,107,028	\$2,239,920	\$2,649,230
Payment of Accounts Payable	\$0	\$0	\$0
Subtotal Spent on Operations	\$4,311,829	\$8,335,859	\$11,933,515
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Short-term Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$498,000	\$576,000	\$0
Dividends	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	(\$498,000)	(\$576,000)	\$0
Subtotal Cash Spent	\$4,311,829	\$8,335,859	\$11,933,515
Net Cash Flow	\$607,833	\$2,975,136	\$7,514,616
Cash Balance	\$697,833	\$3,672,969	\$11,187,585

Tennis Master Pro Shops, Inc.

7.6 Projected Balance Sheet

The following table projects our balance sheet for the next three years:

Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets			
Short-term Assets	1997	1998	1999
Cash	\$697,833	\$3,672,969	\$11,187,585
Inventory	\$159,360	\$324,970	\$526,586
Other Short-term Assets	\$0	\$0	\$0
Total Short-term Assets	\$857,193	\$3,997,939	\$11,714,171
Long-term Assets			
Long-term Assets	\$498,000	\$1,074,000	\$1,074,000
Accumulated Depreciation	\$43,316	\$143,276	\$263,228
Total Long-term Assets	\$454,684	\$930,724	\$810,772
Total Assets	\$1,311,877	\$4,928,663	\$12,524,943
Liabilities and Capital			
	1997	1998	1999
Accounts Payable	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$0	\$0	\$0
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$0
Paid-in Capital	\$1,000,000	\$1,000,000	\$1,000,000
Retained Earnings	(\$374,000)	\$311,877	\$3,928,663
Earnings	\$685,877	\$3,616,786	\$7,596,280
Total Capital	\$1,311,877	\$4,928,663	\$12,524,943
Total Liabilities and Capital	\$1,311,877	\$4,928,663	\$12,524,943
Net Worth	\$1,311,877	\$4,928,663	\$12,524,943

7.7 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 5941, Sporting Goods and Bicycle Shops, are shown for comparison.

Tennis Master Pro Shops, Inc.

Table: Ratios (Planned)

Ratio Analysis	1997	1998	1999	Industry Profile
Sales Growth	0.00%	155.92%	71.94%	4.20%
Percent of Total Assets				
Accounts Receivable	0.00%	0.00%	0.00%	16.60%
Inventory	12.15%	6.59%	4.20%	40.20%
Other Short-term Assets	0.00%	0.00%	0.00%	24.30%
Total Short-term Assets	65.34%	81.12%	93.53%	81.10%
Long-term Assets	34.66%	18.88%	6.47%	18.90%
Total Assets	100.00%	100.00%	100.00%	100.00%
Other Short-term Liabilities	0.00%	0.00%	0.00%	44.70%
Subtotal Short-term Liabilities	0.00%	0.00%	0.00%	36.80%
Long-term Liabilities	0.00%	0.00%	0.00%	13.00%
Total Liabilities	0.00%	0.00%	0.00%	49.80%
Net Worth	100.00%	100.00%	100.00%	50.20%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	77.24%	82.17%	83.37%	31.80%
Selling, General & Administrative Expenses	61.72%	50.19%	44.31%	19.00%
Advertising Expenses	15.54%	6.33%	5.93%	1.90%
Profit Before Interest and Taxes	23.16%	47.73%	58.30%	1.40%
Main Ratios				
Current	0.00	0.00	0.00	1.97
Quick	0.00	0.00	0.00	0.75
Total Debt to Total Assets	0.00%	0.00%	0.00%	57.70%
Pre-tax Return on Net Worth	78.03%	109.53%	90.52%	3.40%
Pre-tax Return on Assets	78.03%	109.53%	90.52%	8.20%
Business Vitality Profile				
Sales per Employee	\$339,974	\$807,928	\$1,496,010	\$0
Survival Rate				0.00%
Additional Ratios				
Net Profit Margin	15.52%	31.98%	39.06%	n.a
Return on Equity	52.28%	73.38%	60.65%	n.a
Activity Ratios				
Accounts Receivable Turnover	0.00	0.00	0.00	n.a
Collection Days	0	0	0	n.a
Inventory Turnover	9.81	8.07	7.44	n.a
Accounts Payable Turnover	0.00	0.00	0.00	n.a
Total Asset Turnover	3.37	2.29	1.55	n.a
Debt Ratios				
Debt to Net Worth	0.00	0.00	0.00	n.a
Short-term Liab. to Liab.	0.00	0.00	0.00	n.a
Liquidity Ratios				
Net Working Capital	\$857,193	\$3,997,939	\$11,714,171	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.30	0.44	0.64	n.a
Current Debt/Total Assets	0%	0%	0%	n.a
Acid Test	0.00	0.00	0.00	n.a
Sales/Net Worth	3.37	2.29	1.55	n.a
Dividend Payout	\$0	0.00	0.00	n.a

Appendix

Appendix Table: Sales Forecast (Planned)

Sales Forecast												
Unit Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Master Franchises	0	0	1	1	2	1	2	1	1	1	0	0
Franchise Store	2	2	3	3	5	6	6	8	8	8	6	3
Royalties	0	2,500	3,750	7,500	12,500	20,000	22,500	30,000	37,500	62,500	120,000	200,000
Advertising Contribution	0	1,875	2,812	5,625	9,375	15,000	16,875	22,500	28,125	46,875	90,000	150,000
Wholesale Sales	20,000	20,780	31,170	32,340	53,900	66,240	67,020	89,360	91,700	99,500	97,440	92,400
Company Store Sales	10,000	40,000	60,000	80,000	150,000	200,000	260,000	300,000	320,000	330,000	340,000	360,000
Total Unit Sales	30,002	65,157	97,736	125,469	225,782	301,247	366,403	441,869	477,334	538,884	647,446	802,403
Unit Prices												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Master Franchises	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00
Franchise Store	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Royalties	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Advertising Contribution	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Wholesale Sales	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Company Store Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales												
Master Franchises	\$0	\$0	\$125,000	\$125,000	\$250,000	\$125,000	\$250,000	\$125,000	\$125,000	\$125,000	\$0	\$0
Franchise Store	\$50,000	\$50,000	\$75,000	\$75,000	\$125,000	\$150,000	\$150,000	\$200,000	\$200,000	\$200,000	\$150,000	\$75,000
Royalties	\$0	\$2,500	\$3,750	\$7,500	\$12,500	\$20,000	\$22,500	\$30,000	\$37,500	\$62,500	\$120,000	\$200,000
Advertising Contribution	\$0	\$1,875	\$2,812	\$5,625	\$9,375	\$15,000	\$16,875	\$22,500	\$28,125	\$46,875	\$90,000	\$150,000
Wholesale Sales	\$20,000	\$20,780	\$31,170	\$32,340	\$53,900	\$66,240	\$67,020	\$89,360	\$91,700	\$99,500	\$97,440	\$92,400
Company Store Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales	\$70,000	\$75,155	\$237,732	\$245,465	\$450,775	\$376,240	\$506,395	\$466,860	\$482,325	\$533,875	\$457,440	\$517,400
Direct Unit Costs												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Master Franchises	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00	\$12,500.00
Franchise Store	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
Royalties	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advertising Contribution	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Wholesale Sales	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70
Company Store Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Cost of Sales												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Master Franchises	\$0	\$0	\$12,500	\$12,500	\$25,000	\$12,500	\$25,000	\$12,500	\$12,500	\$12,500	\$0	\$0
Franchise Store	\$10,000	\$10,000	\$15,000	\$15,000	\$25,000	\$30,000	\$30,000	\$40,000	\$40,000	\$40,000	\$30,000	\$15,000
Royalties	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Advertising Contribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wholesale Sales	\$14,000	\$14,546	\$21,819	\$22,638	\$37,730	\$46,368	\$46,914	\$62,552	\$64,190	\$69,650	\$68,208	\$64,680
Company Store Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$24,000	\$24,546	\$49,319	\$50,138	\$87,730	\$88,868	\$101,914	\$115,052	\$116,690	\$122,150	\$98,208	\$79,680

Appendix

Appendix Table: Personnel (Planned)

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Production Personnel												
Whse. Dist. Mgr.	\$0	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Distribution Asst.	\$0	\$0	\$0	\$0	\$0	\$0	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250
Customer Service	\$0	\$0	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Subtotal	\$0	\$0	\$4,000	\$4,000	\$4,000	\$4,000	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250
Sales and Marketing Personnel												
Franchise Sales Dir.	\$0	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Franchise Salesperson	\$0	\$0	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Director of Marketing	\$0	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Subtotal	\$0	\$4,000	\$7,000	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500
General and Administrative Personnel												
CEO	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
VP Corp. Dev.	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Chief Financial Officer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Controller/Systems Admin.	\$0	\$0	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Store Operations Mgr.	\$0	\$0	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Training Mgr.	\$0	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Administrative Assistant	\$0	\$0	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Subtotal	\$11,000	\$11,000	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300
Other Personnel												
Salaries, Company Stores	\$16,200	\$16,200	\$16,200	\$32,400	\$32,400	\$48,600	\$48,600	\$48,600	\$64,800	\$64,800	\$64,800	\$64,800
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$16,200	\$16,200	\$16,200	\$32,400	\$32,400	\$48,600	\$48,600	\$48,600	\$64,800	\$64,800	\$64,800	\$64,800
Total People	3	4	11	12	12	12	13	13	13	13	13	13
Total Payroll	\$27,200	\$31,200	\$49,500	\$68,200	\$68,200	\$84,400	\$85,650	\$85,650	\$101,850	\$101,850	\$101,850	\$101,850
Payroll Burden	\$5,984	\$6,864	\$10,890	\$15,004	\$15,004	\$18,568	\$18,843	\$18,843	\$22,407	\$22,407	\$22,407	\$22,407
Total Payroll Expenditures	\$33,184	\$38,064	\$60,390	\$83,204	\$83,204	\$102,968	\$104,493	\$104,493	\$124,257	\$124,257	\$124,257	\$124,257

Appendix

Appendix Table: General Assumptions

General Assumptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Interest Rate %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-term Interest Rate %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate %	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%
Expenses in Cash %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Personnel Burden %	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%

Appendix

Appendix Table: Profit and Loss (Planned)

Pro Forma Profit and Loss	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$70,000	\$75,155	\$237,732	\$245,465	\$450,775	\$376,240	\$506,395	\$466,860	\$482,325	\$533,875	\$457,440	\$517,400
Direct Cost of Sales	\$24,000	\$24,546	\$49,319	\$50,138	\$87,730	\$88,868	\$101,914	\$115,052	\$116,690	\$122,150	\$98,208	\$79,680
Production Payroll	\$0	\$0	\$4,000	\$4,000	\$4,000	\$4,000	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250	\$5,250
Total Cost of Sales	\$24,000	\$24,546	\$53,319	\$54,138	\$91,730	\$92,868	\$107,164	\$120,302	\$121,940	\$127,400	\$103,458	\$84,930
Gross Margin	\$46,000	\$50,609	\$184,413	\$191,327	\$359,045	\$283,372	\$399,231	\$346,558	\$360,385	\$406,475	\$353,982	\$432,470
Gross Margin %	65.71%	67.34%	77.57%	77.94%	79.65%	75.32%	78.84%	74.23%	74.72%	76.14%	77.38%	83.59%
Sales and Marketing Payroll	\$0	\$4,000	\$7,000	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500
Advertising/Promotion	\$8,000	\$11,516	\$29,773	\$32,547	\$60,078	\$57,624	\$76,640	\$76,686	\$80,233	\$86,388	\$79,744	\$87,740
Travel/Entertainment	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Marketing Materials	\$0	\$15,000	\$10,000	\$5,000	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Total Sales and Marketing Expenses	\$10,000	\$32,516	\$48,773	\$50,047	\$75,078	\$72,624	\$92,140	\$92,186	\$95,733	\$101,888	\$95,244	\$103,240
Sales and Marketing %	14.29%	43.26%	20.52%	20.39%	16.66%	19.30%	18.20%	19.75%	19.85%	19.08%	20.82%	19.95%
General and Administrative Payroll	\$11,000	\$11,000	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300	\$22,300
Payroll Burden	\$5,984	\$6,864	\$10,890	\$15,004	\$15,004	\$18,568	\$18,843	\$18,843	\$22,407	\$22,407	\$22,407	\$22,407
Depreciation	\$833	\$833	\$2,499	\$3,332	\$3,332	\$4,165	\$4,165	\$4,165	\$4,998	\$4,998	\$4,998	\$4,998
Depreciation	\$2,830	\$2,830	\$2,830	\$5,660	\$5,660	\$8,490	\$8,490	\$8,490	\$10,520	\$10,520	\$10,520	\$10,520
Depreciation	\$1,000	\$1,000	\$2,500	\$3,500	\$3,500	\$4,500	\$4,500	\$4,500	\$5,500	\$5,500	\$5,500	\$5,500
Telephone/Fax	\$1,500	\$2,000	\$2,500	\$2,500	\$2,500	\$3,000	\$3,000	\$3,000	\$3,300	\$3,300	\$3,300	\$3,300
Insurance	\$1,500	\$1,500	\$3,000	\$3,000	\$3,000	\$3,600	\$3,600	\$3,600	\$4,000	\$4,000	\$4,000	\$4,000
Rent	\$4,000	\$4,000	\$9,000	\$13,000	\$13,000	\$17,000	\$17,000	\$17,000	\$21,000	\$21,000	\$21,000	\$21,000
Total General and Administrative Expenses	\$28,647	\$30,027	\$55,519	\$68,296	\$68,296	\$81,623	\$81,898	\$81,898	\$94,025	\$94,025	\$94,025	\$94,025
General and Administrative %	40.92%	39.95%	23.35%	27.82%	15.15%	21.69%	16.17%	17.54%	19.49%	17.61%	20.55%	18.17%
Other Payroll	\$16,200	\$16,200	\$16,200	\$32,400	\$32,400	\$48,600	\$48,600	\$48,600	\$64,800	\$64,800	\$64,800	\$64,800
Contract/Consultants	\$0	\$0	\$25,000	\$0	\$25,000	\$0	\$25,000	\$0	\$0	\$0	\$0	\$0
Legal	\$0	\$0	\$20,000	\$0	\$20,000	\$0	\$15,000	\$0	\$0	\$0	\$0	\$0
Total Other Expenses	\$16,200	\$16,200	\$61,200	\$32,400	\$77,400	\$48,600	\$88,600	\$48,600	\$64,800	\$64,800	\$64,800	\$64,800
Other %	23.14%	21.56%	25.74%	13.20%	17.17%	12.92%	17.50%	10.41%	13.43%	12.14%	14.17%	12.52%
Total Operating Expenses	\$54,847	\$78,743	\$165,492	\$150,743	\$220,774	\$202,847	\$262,638	\$222,684	\$254,558	\$260,713	\$254,069	\$262,065
Profit Before Interest and Taxes	(\$8,847)	(\$28,134)	\$18,921	\$40,585	\$138,272	\$80,525	\$136,594	\$123,874	\$105,828	\$145,763	\$99,913	\$170,405
Interest Expense Short-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Expense Long-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	(\$2,920)	(\$9,284)	\$6,244	\$13,393	\$45,630	\$26,573	\$45,076	\$40,878	\$34,923	\$48,102	\$32,971	\$56,234
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$5,927)	(\$18,849)	\$12,677	\$27,192	\$92,642	\$53,952	\$91,518	\$82,996	\$70,904	\$97,661	\$66,942	\$114,171
Net Profit/Sales	-8.47%	-25.08%	5.33%	11.08%	20.55%	14.34%	18.07%	17.78%	14.70%	18.29%	14.63%	22.07%

Appendix

Appendix Table: Cash Flow (Planned)

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	\$70,000	\$75,155	\$237,732	\$245,465	\$450,775	\$376,240	\$506,395	\$466,860	\$482,325	\$533,875	\$457,440	\$517,400
From Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash from Operations	\$70,000	\$75,155	\$237,732	\$245,465	\$450,775	\$376,240	\$506,395	\$466,860	\$482,325	\$533,875	\$457,440	\$517,400
Additional Cash Received												
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$250,000	\$100,000	\$100,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$70,000	\$75,155	\$487,732	\$345,465	\$550,775	\$426,240	\$506,395	\$466,860	\$482,325	\$533,875	\$457,440	\$517,400
Expenditures												
Expenditures from Operations:												
Cash Spent on Costs and Expenses	\$53,910	\$56,199	\$421,712	\$229,375	\$346,781	\$313,431	\$332,311	\$301,482	\$381,442	\$317,879	\$213,359	\$236,918
Wages, Salaries, Payroll Taxes, etc.	\$33,184	\$38,064	\$60,390	\$83,204	\$83,204	\$102,968	\$104,493	\$104,493	\$124,257	\$124,257	\$124,257	\$124,257
Payment of Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Spent on Operations	\$87,094	\$94,263	\$482,102	\$312,579	\$429,985	\$416,399	\$436,804	\$405,975	\$505,699	\$442,136	\$337,616	\$361,175
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$210,000	\$96,000	\$0	\$96,000	\$0	\$0	\$96,000	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment for Assets Purchased on Credit	\$0	\$0	(\$210,000)	(\$96,000)	\$0	(\$96,000)	\$0	\$0	(\$96,000)	\$0	\$0	\$0
Subtotal Cash Spent	\$87,094	\$94,263	\$482,102	\$312,579	\$429,985	\$416,399	\$436,804	\$405,975	\$505,699	\$442,136	\$337,616	\$361,175
Net Cash Flow	(\$17,094)	(\$19,108)	\$5,630	\$32,886	\$120,790	\$9,841	\$69,591	\$60,885	(\$23,374)	\$91,739	\$119,824	\$156,225
Cash Balance	\$72,906	\$53,797	\$59,427	\$92,313	\$213,103	\$222,943	\$292,534	\$353,418	\$330,045	\$421,784	\$541,608	\$697,833

Appendix

Appendix Table: Balance Sheet (Planned)

Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Assets													
Cash	\$90,000	\$72,906	\$53,797	\$59,427	\$92,313	\$213,103	\$222,943	\$292,534	\$353,418	\$330,045	\$421,784	\$541,608	\$697,833
Inventory	\$36,000	\$48,000	\$49,092	\$98,638	\$100,276	\$175,460	\$177,736	\$203,828	\$230,104	\$233,380	\$244,300	\$196,416	\$159,360
Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Short-term Assets	\$126,000	\$120,906	\$102,889	\$158,065	\$192,589	\$388,563	\$400,679	\$496,362	\$583,522	\$563,425	\$666,084	\$738,024	\$857,193
Long-term Assets													
Long-term Assets	\$0	\$0	\$0	\$210,000	\$306,000	\$306,000	\$402,000	\$402,000	\$402,000	\$498,000	\$498,000	\$498,000	\$498,000
Accumulated Depreciation	\$0	\$833	\$1,666	\$4,165	\$7,497	\$10,829	\$14,994	\$19,159	\$23,324	\$28,322	\$33,320	\$38,318	\$43,316
Total Long-term Assets	\$0	(\$833)	(\$1,666)	\$205,835	\$298,503	\$295,171	\$387,006	\$382,841	\$378,676	\$469,678	\$464,680	\$459,682	\$454,684
Total Assets	\$126,000	\$120,073	\$101,223	\$363,900	\$491,092	\$683,734	\$787,685	\$879,203	\$962,198	\$1,033,103	\$1,130,764	\$1,197,706	\$1,311,877
Liabilities and Capital													
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid-in Capital	\$500,000	\$500,000	\$500,000	\$750,000	\$850,000	\$950,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Retained Earnings	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)	(\$374,000)
Earnings	\$0	(\$5,927)	(\$24,777)	(\$12,100)	\$15,092	\$107,734	\$161,685	\$253,203	\$336,198	\$407,103	\$504,764	\$571,706	\$685,877
Total Capital	\$126,000	\$120,073	\$101,223	\$363,900	\$491,092	\$683,734	\$787,685	\$879,203	\$962,198	\$1,033,103	\$1,130,764	\$1,197,706	\$1,311,877
Total Liabilities and Capital	\$126,000	\$120,073	\$101,223	\$363,900	\$491,092	\$683,734	\$787,685	\$879,203	\$962,198	\$1,033,103	\$1,130,764	\$1,197,706	\$1,311,877
Net Worth	\$126,000	\$120,073	\$101,223	\$363,900	\$491,092	\$683,734	\$787,685	\$879,203	\$962,198	\$1,033,103	\$1,130,764	\$1,197,706	\$1,311,877