

# Tranquility Day Spa

A Comprehensive Business Plan



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This is a business plan. It does not imply an offering of securities.

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## 1.0 Executive Summary

### Introduction

This business plan provides detailed financial information; it includes the basic strategic information necessary for initial establishment and operation of Tranquility Day Spa. This document outlines the tactics for business growth, methods, procedures for operation, and infrastructure management.

Tranquility Day Spa aims to be the premier spa/salon in the Any Town, FL area. Through a unique combination of offered services and products, they will quickly gain market share. Tranquility Day Spa will provide customers with a relaxing, rejuvenating atmosphere where all of their mind and body needs can be met.

### The Company

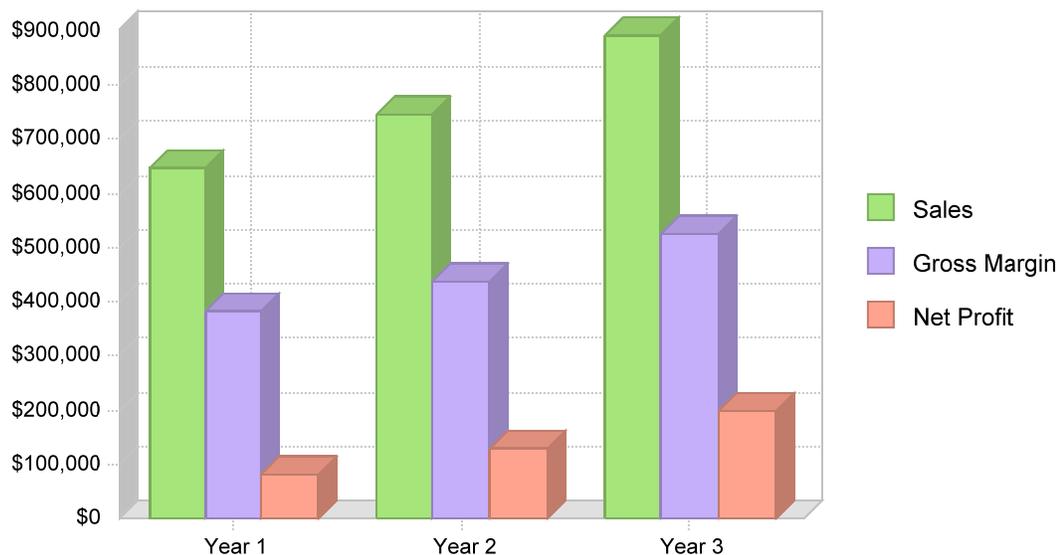
Tranquility Day Spa offers a wide variety of mind and body healing services and products. The salon aspect of the business will provide both males and females with any type of hair styling services. The spa business is devoted to providing various services including massages, body works, and energy works. This is all done in a relaxing, serene setting. Tranquility Day Spa is a start-up, up-scale beauty salon and spa located in Any Town, Florida. We offer a full range of hair care, skin care and spa treatments for the whole family. Our professional and personable staff strives to offer you nothing but the best customer service, products and treatments available. We focus on making each customers visit with us enjoyable, fun, and relaxing.

### Financials

Tranquility Day Spa has forecasted substantial sales revenues by year two. Also by year two the business will reach profitability and have achieved a healthy profit before taxes. Tranquility Day Spa is an exciting business that provides a combination of sought after services that are not currently offered by a direct competitor. Tranquility Day Spa will provide a relaxing, serene setting for a variety of mind and body rejuvenation services for the booming Any Town population.

The marketing research and tailored marketing strategy described in this business plan will result in after-tax profits of \$81,120 in year one, increasing to nearly \$197,767 in after-tax profits within three years. It is estimated that by year three, revenues will reflect a 1% market share in this local industry. Monthly break-even stands at \$42,064. Average Percent Variable Cost is estimated to be around 41%.

### Highlights



# Tranquility Day Spa

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## 1.1 Objectives

The objectives for Tranquility Day Spa are outlined below:

1. Earn sales of at least \$647,348 in year one and \$893,340 by the third year
2. Achieve a net income of more than 17% of sales by the second year
3. Become an established community destination by the end of year one
4. Obtain a gross margin higher than 58%

## 1.2 Mission

Tranquility Day Spa will provide a comforting, yet stimulating, atmosphere in which customers will be able to relax both their body and mind, reconnecting their daily lives to their true purpose through a wide range of services including massage, body works, energy works, and hair styling. Tranquility Day Spa will establish itself as a dependable destination to which they can always come to escape the stresses of life, and rejuvenate their energies, their souls, and their lives. We look forward to making you look and feel fantastic!

## 1.3 Keys to Success

1. Quality and skilled employees familiar with energy work and oriented to a soothing spiritual disposition.
2. Establish trust within the community that each customer's needs will be taken care of during every visit.
3. Easily accessible location.
4. Effective advertising.

## 2.0 Company Summary

Tranquility Day Spa is an established up-scale beauty salon and spa located in Any Town, Florida. We offer a full range of hair care, skin care and spa treatments for the whole family. Our professional and personable staff strives to offer you nothing but the best customer service, products and treatments available. We focus on making each customer's visit with us enjoyable, fun, and relaxing. The company will target women in the metro Any Town area between the ages of 25 and 64. It is important to us to make sure our clients get a unique experience that cannot be duplicated anywhere else.

Customers can choose from a wide selection of services including Highlights, Color, Cuts, Permanent Waves, Thermal Straightening, Special Occasion Styles, Waxing, and Mineral Make-Up Applications. We have several Master Specialists on hand to ensure satisfaction with any hair service customers choose. In addition, we offer many spa services include a Relaxing Massage, Reflexology, or Warm Stone Therapy. Customers can enjoy a Pedicure and/or a Manicure. We also carry a variety of facials tailored for different skin types. Our body treatments revitalize, detoxify, and smooth. Spa Packages are also available so customers can enjoy a variety of services together without emptying their wallet.

Tranquility Day Spa will provide a one of a kind experience to its customers. The business wants to be known as the premiere salon in the area. Tranquility Day Spa's goal is to obtain 1 percent market share in the local salon industry for Any Town in the next five years. To achieve this we must meet our customer's needs including experienced professionals, exceptional customer service, and by creating a detailed easy to use website. Our growth strategy combines moderate prices and experienced staff.

Tranquility Day Spa's hours of operation are Sunday through Saturday 9:00 a.m. to 7:30 p.m. We will process all online appointment requests within 24 hours. No personal information will be sold to any third party under any circumstances. We are centrally located near businesses and residential neighborhoods in our target market. We believe that this is critical to our initial success and long-term growth.

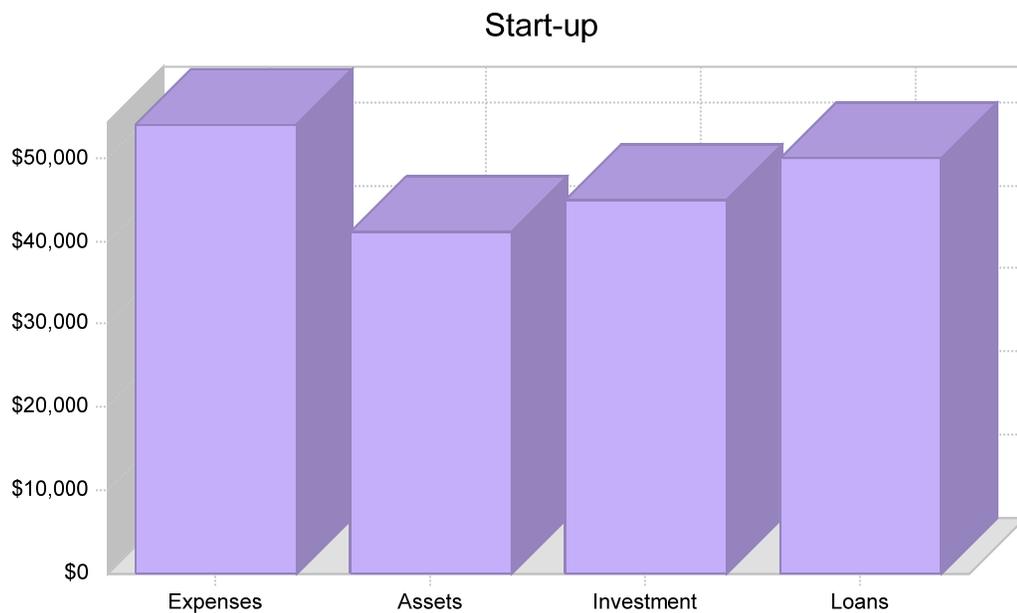


# Tranquility Day Spa

## 2.1 Start-up Summary

Tranquility Day Spa's total costs for start-up are \$95,000. Start-up expenses will account for about \$54,000 and include legal fees, rent, and insurance deposit. The remaining \$41,000 of costs will be attributed to establishing assets.

| <i>Start-up</i>                |                 |
|--------------------------------|-----------------|
| Requirements                   |                 |
| Start-up Expenses              |                 |
| Legal                          | \$4,000         |
| Stationery etc.                | \$2,000         |
| Brochures                      | \$3,000         |
| Insurance                      | \$3,000         |
| Rent                           | \$20,000        |
| Website                        | \$2,000         |
| Expensed Equipment             | \$15,000        |
| Other                          | \$5,000         |
| <b>Total Start-up Expenses</b> | <b>\$54,000</b> |
| Start-up Assets                |                 |
| Cash Required                  | \$35,000        |
| Start-up Inventory             | \$6,000         |
| Other Current Assets           | \$0             |
| Long-term Assets               | \$0             |
| <b>Total Assets</b>            | <b>\$41,000</b> |
| <b>Total Requirements</b>      | <b>\$95,000</b> |



## 3.0 Products and Services

Tranquility Day Spa will provide customers with personal beautifying and relaxation services and complimenting products, as well as training in specific forms of energy work. Explanations and/or consultations will be provided on all services and products if needed. The following is a current overview of our services:



## Spa Services

### Facials

#### **Quick Results Facial**

This is a great introduction to facials! It includes a skin assessment to determine which customized treatments are right for you. It includes a deep cleansing, relaxing facial massage and mask.

#### **Customized Facial**

Designed for your exact complexion, this facial is personalized for you. Experience a custom blended treatment designed for your specific needs.

#### **Stress Relieving Spa Facial**

A luxurious facial designed to soothe and soften your complexion while it deeply de-stresses your entire body. Relaxing, calming and therapeutic.



## **Oxygenation Facial**

Breathe new life into your complexion with this high-performance cosmeceutical treatment. This is perfect for skin that is sluggish, clogged or prematurely aging.

## **Powerful Surface Peeling Facial**

This treatment uses extra-strength exfoliation to peel away dulling surface layers, minimize the appearance of pores and smooth the skin.

## **Pumice Peel Manual Micro-dermabrasion Facial**

The ultra-fine pumice crystals in the machine-less micro-dermabrasion treatment peels away dull, dreary cells, visibly reduces the appearance of fine lines and wrinkles and resurfaces the skin.

## **Acne-clearing Treatment Facial**

An absolute must if you are breakout prone, have clogged pores, or blackheads. Receive deep pore cleansing, exfoliation, and medicated mask that reduces inflammation.

## **Body Treatments**

### **Aroma Therapy Oil Wrap**

Embark on a sensory journey that incorporates healing touch and aromatherapy to promote deep relaxation and soft, silky skin. When you emerge you will be completely de-stressed with unbelievably smooth, soft skin.

### **Herbology Body Polish**

Experience therapeutic body exfoliation that uses medicinal Chinese herbs to smooth and retextures your skin from neck to toes. The result will be silky smooth, revitalized skin that will feel comfortable for days

### **Mud Therapy Body Mask**

Detoxify and stimulate your skin metabolism with therapeutic mud, energizing peppermint, and red raspberry extracts. It rids your body of toxins leaving you refreshed and energized.

### **Trissage Body Smoothing**

This two-part aromatherapy treatment exfoliates the body, smoothing away dead rough skin, while the second part hydrates, lubricates, and softens

## **Micro Treatments**

### **Kerafole Elbow Rescue**

Rid yourself of dry, rough, dark elbows and replace them with smooth, refined skin.

### **Herbology Hand Retexturizer**

This rejuvenating treatment uses medicinal Chinese herbs and alpha hydroxy acids to exfoliate, smooth and de-age the skin on your hands.



## **Lip-Conditioning**

Rejuvenate your pucker with this smoothing, soothing lip treatment.

## **Multi-task Eye Mask**

This cooling and de-puffing mask helps to refine, brighten, and smooth away dry, crinkly skin around your eyes.

## **Massages**

### **Classic / Swedish Massage (1 Hour)**

A Relaxing experience that soothes the whole Body, Mind and Spirit.

### **Warm Stone (30 min)**

Warm Stones are used to relax muscles allowing a deeper massage, from head to toe. You won't be disappointed.

Combination

Combine any Classic massage with a Specialty massage for an hour and a half of total pampering.

### **Express (30 min)**

A great way to work that one area that's giving you trouble. 30 min on the area of your choice

## **Reflexology**

Starts with a relaxing soak in our pedicure chair, and then you move to the tranquility of our massage room where the therapist uses pressure points on your feet to release your body's natural healing energy, achieving full body relaxation.

## **Spa Packages**

Various packages will be assembled in order to meet the needs of our client's



## 4.0 Market Analysis Summary

In the past decade, the spa industry has experienced unprecedented growth. The number of locations has increased by an average of 20 percent annually over the last 8 years. The number of spa locations has tripled since 2001. Growth in new facilities peaked recently in 2005 when the number of facilities grew by 20.96%. In 2007, the growth rate dropped to only 13.11% where it stabilized due to the current macroeconomic environment and lower disposable income. There are about 12,000 spas in the U.S. and Canada, according to ISPA, and seven out of ten are day spas. Today, Spa Industry revenues total \$12 billion annually, with Day Spas accounting for over \$7 billion of this figure and growing at 25% per year.

In today's economy, consumers are continually searching for value in the product and services they buy. Sharp increases in price can have a dramatic impact on consumer behavior, as was illustrated by the unprecedented run-up in gas prices in 2008.

In recent years, salons have consistently provided their customers with value, even with their prices increasing at rates similar to the overall inflation rate. According to the Bureau of Labor Statistics, the Consumer Price Index for Haircuts and Other personal care services increased at rates below 4% in each of the last nine years. Traditionally salon prices increased at rates below the overall inflation rate. According to industry experts, 2007 marked the first year since 2003 in which prices for haircuts and other personal care services outpaced the overall inflation rate.

To be competitive most salons have provided outstanding value to their cash-strapped customers in today's economy. In the 12 months ending September 2008, prices for haircuts and other personal care services rose a relatively modest 3.2%, well below the overall inflation rate of 4.9% and significantly less than the 7.6% increase in grocery store prices and the 23.1% jump in energy prices.

There are no exact competitors, and few related competitors in the greater Any Town area. There are no related competitors in the downtown Any Town area. The space at 100 Any Place Road was recommended to us by the managing realtors because they had targeted that space for a spa type tenant. By nature of the service Tranquility Day Spa will provide, success will be readily achieved.

## 4.1 Market Segmentation

Market segmentation is the process in marketing of dividing a market into distinct subsets (segments) that behave in the same way or have similar needs. Tranquility Day Spa has identified and divided its customers into the following segments:

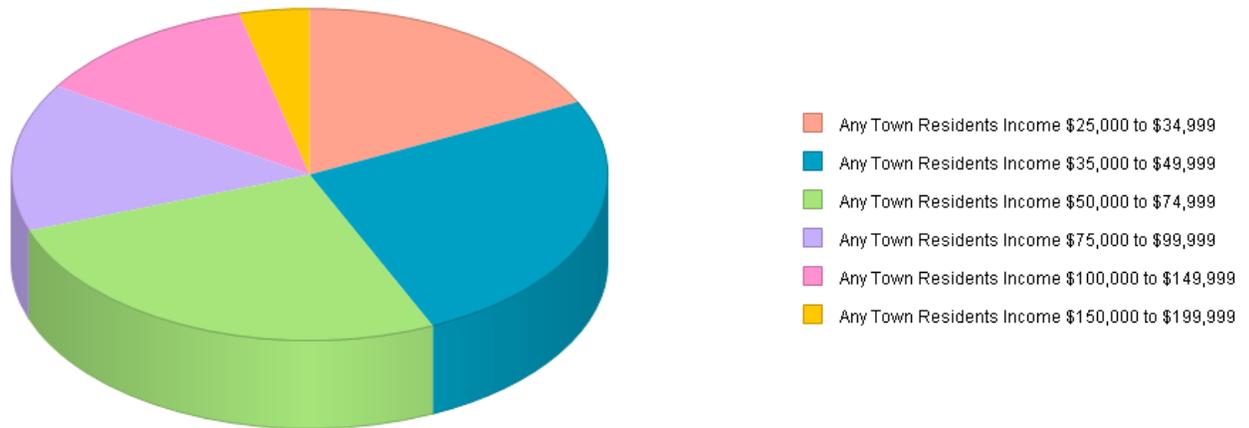
Our target market will be divided by salon customers and spa customers. Salon customers will be from every age and gender; however, since the salon and spa will be in direct association with each other, we expect that the spa market segment will greatly affect the salon market segment. Thusly, our target market segment will be male and female professionals and retirees, from the age of 25, with individual and household incomes greater than \$25,000.



## Tranquility Day Spa

| <i>Market Analysis</i>                           |              |               |               |               |               |               |              |
|--|--------------|---------------|---------------|---------------|---------------|---------------|--------------|
|  | Growth       | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | CAGR         |
| Potential Customers                              |              |               |               |               |               |               |              |
| Any Town Residents Income \$25,000 to \$34,999   | 2%           | 11,602        | 11,834        | 12,071        | 12,312        | 12,558        | 2.00%        |
| Any Town Residents Income \$35,000 to \$49,999   | 2%           | 16,604        | 16,936        | 17,275        | 17,621        | 17,973        | 2.00%        |
| Any Town Residents Income \$50,000 to \$74,999   | 2%           | 17,168        | 17,511        | 17,861        | 18,218        | 18,582        | 2.00%        |
| Any Town Residents Income \$75,000 to \$99,999   | 2%           | 9,394         | 9,582         | 9,774         | 9,969         | 10,168        | 2.00%        |
| Any Town Residents Income \$100,000 to \$149,999 | 2%           | 8,003         | 8,163         | 8,326         | 8,493         | 8,663         | 2.00%        |
| Any Town Residents Income \$150,000 to \$199,999 | 2%           | 2,484         | 2,534         | 2,585         | 2,637         | 2,690         | 2.01%        |
| <b>Total</b>                                     | <b>2.00%</b> | <b>65,255</b> | <b>66,560</b> | <b>67,892</b> | <b>69,250</b> | <b>70,634</b> | <b>2.00%</b> |

Market Analysis (Pie)



### 4.2 Service Business Analysis

We are part of the retail health and beauty industry which has four major types:

1. **Salons:** Stores with only hair styling services and products.
2. **Day Spas:** Stores specializing in body health maintenance through a variety of services and products.
3. **Day Spa & Salon:** Stores combining the services of the two aforementioned.
4. **Health & Beauty Products:** Stores selling only merchandise products covering the wide range of products available but not inclusive of those sold by salons and spas.

#### The U.S. Spa Industry - Fast Facts

- As of June 2008, there were 18,100 spas in United States
- In July 2007, there were 14,600 spas
- Growth from July 2007 to June 2008 was 24%
- The number of spa locations in the U.S. has grown at a robust annual average of 20% in the last eight years.



## Spa Visits

- 1 in 4 Americans has been to a spa
- There are more than 32 million active spa-goers
- In 2007, there were 138 million spa visits
- In 2006, there were 110 million spa visits

## Revenue

- In 2007, \$10.9 billion of revenue was generated by the U.S. spa industry
- In 2006, \$9.4 billion of revenue was generated by the U.S. spa industry
- Annual growth from 2006 to 2007 was 16%

## Employment

- In June 2008, there were 303,700 total employees. The total was comprised of 143,200 full-time employees, 112,000 part-time employees and 48,500 contract employees.
- In July 2007, there were 232,700 total employees. The total was comprised of 117,100 full-time employees, 73,100 part-time employees and 42,500 contract employees.
- In August 2006, there were 267,400 total employees. The total was comprised of 124,500 full-time employees, 101,300 part-time employees and 41,600 contract employees.

## Annual employment growth

Annual growth from July 2007 to June 2008 is 31% for total employees, 22% for full-time employees, 53% for part-time employees and 14% for contract employees

## 4.3 Demographics

While the majority of spa-goers are women, the incentives that spas have offered to male clients have worked: during the year 2007-2008, 34 percent of spa-goers were men. With an average age of 35, 18 percent of people choosing spas were 16-24 years old; 25 percent were 25-34 years old; 22 percent were 35-44 years old; 16 percent were 45-54 years old; 10 percent were 55-64 years old; and 9 percent were 65 or older.

A 2007-2008 Day Spa Association study found that 55 percent of spa-goers are college graduates, and the average income is \$72,200. White clients dominated the market at 80 percent, Latino consumers accounted for 7 percent, while black consumers accounted for 5 percent, and Asians and other groups each accounted for 4 percent.

The Day Spa Association's 2007-2008 study shows that 57 percent of all spa-goers (51 percent of men and 61 percent of women) went to spas alone. Of those who went to a spa accompanied, men were more likely to go with a significant other, while women more often were accompanied by a friend.

**(Information contained in this section is fictitious and used solely for the purpose of demonstrating demographic research)**



# Tranquility Day Spa

## 4.4 Competitive Edge

The company seeks to establish a competitive edge in its new target market segment by increasing the level of customer contact and service that other competitors seem to oftentimes lack. Our competitive edge is a combination of our unique services, outstanding location, and our interaction with customers. By providing our customers a holistic and integrative spa and salon, we build relationships of trust and satisfaction. Our customers will come to depend on our unique services and fulfilling environment. Additionally, Tranquility Day Spa possesses the necessary skills to produce the high quality products and services that are needed in this market. The establishment of the previously mentioned work processes that will ensure greater service will strengthen the contacts that promote word of mouth marketing and networking.

## 4.5 Marketing Strategy

Our marketing strategy is the key to our success:

1. Emphasize our name and unique services through advertising.
2. Focus on the convenience of our location.
3. Build community relationships through unique and quality service, friendly and caring atmosphere, and establishing absolute dependability of our services.

## 4.6 Sales Strategy

The sales strategy assists in the planning of all sales activities like methods of reaching clients, competitive differences and resources available. Tactics involves the day-to-day selling: prospecting, sales process, and follow-up.

1. Our umbrella sales strategy is to sell Tranquility Day Spa to public consumers as a uniquely desirable destination that will enhance their lives.
2. We will sell Tranquility Day Spa through each employee's skill, courtesy, and warmth, creating a trusting impression on all customers, in turn establishing loyalty and return.

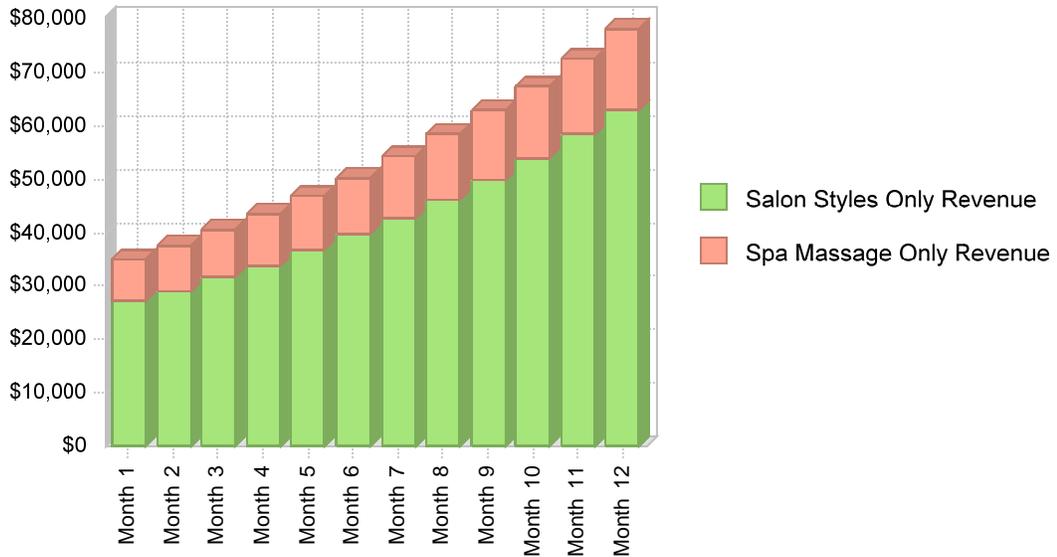
### 4.6.1 Sales Forecast

As the following table shows, the company plans to deliver sales of approximately \$647,348 in the first year, \$744,450 in the second year, and \$893,340 in the third year of plan implementation. The approximate cost of sales will be 41%. As indicated in the table, sales are forecasted to increase, with an annual growth rate of approximately 15%.

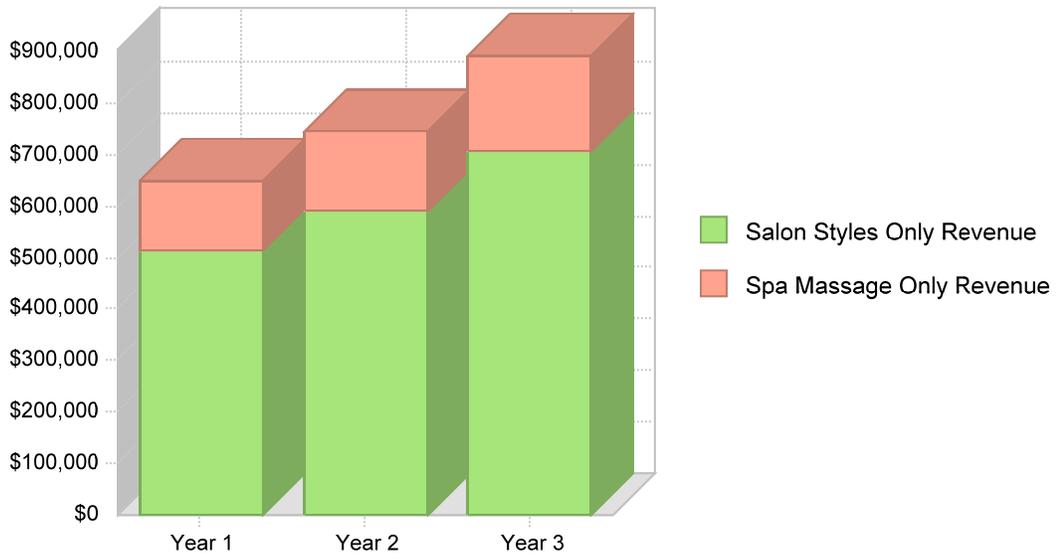
| <i>Sales Forecast</i>                |                  |                  |                  |
|--------------------------------------|------------------|------------------|------------------|
|                                      | Year 1           | Year 2           | Year 3           |
| Sales                                |                  |                  |                  |
| Salon Styles Only Revenue            | \$512,387        | \$589,245        | \$707,094        |
| Spa Massage Only Revenue             | \$134,961        | \$155,205        | \$186,246        |
| Total Sales                          | \$647,348        | \$744,450        | \$893,340        |
| Direct Cost of Sales                 |                  |                  |                  |
| Salon Styles Only Revenue            | \$204,955        | \$235,698        | \$282,838        |
| Spa Massage Only Revenue             | \$60,732         | \$69,842         | \$83,811         |
| <b>Subtotal Direct Cost of Sales</b> | <b>\$265,687</b> | <b>\$305,540</b> | <b>\$366,648</b> |



Sales Monthly



Sales by Year



5.0 Management Summary

The cornerstone of the personnel plan is to maximize productivity and minimize the labor burden on the company's operating expenses. As we grow, we expect to see steady increases in our personnel to match the increases in sales. The management philosophy of Tranquility Day Spa is based on respect for each of our fellow employees, respect for every customer, and individual responsibility. Tranquility Day Spa's success is dependent on the warmth and uniqueness of its atmosphere which is generated by a fun-loving and caring team of staff members. The management team will consist of the owner, general manager, and assistant manager (if deemed necessary). We will be hiring the ultimate "people persons" that are willing to not only meet but exceed the expectations of our customers.



## Tranquility Day Spa

### 5.1 Personnel Plan

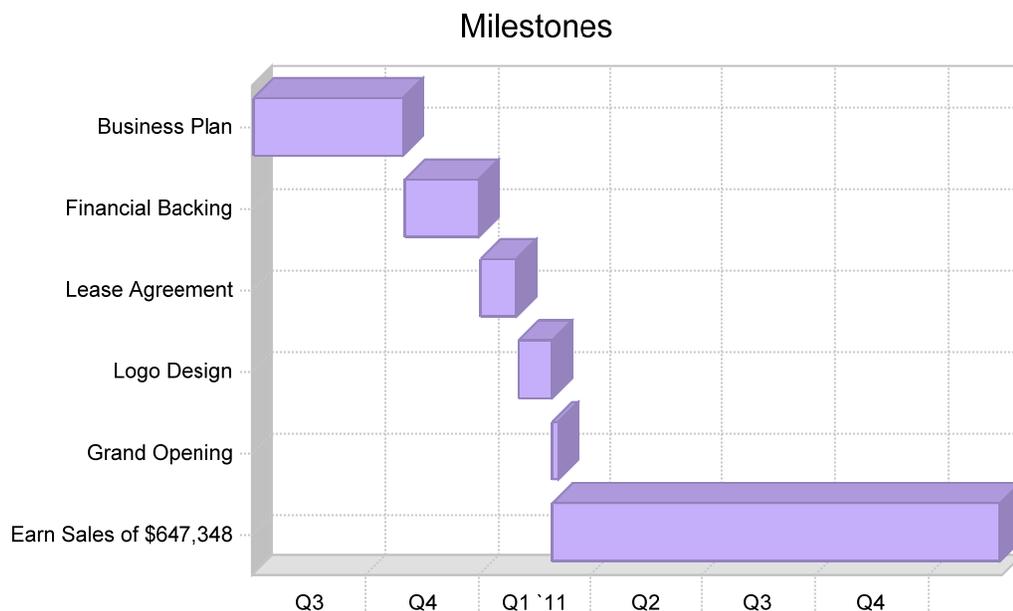
The cornerstone of the personnel plan is to maximize productivity and minimize the labor burden on the company's operating expenses. As we grow, we expect to see steady increases in our personnel to match the increases in sales.

| <i>Personnel Plan</i>             |  | Year 1           | Year 2           | Year 3           |
|-----------------------------------|--|------------------|------------------|------------------|
| Owner - Jane Smith                |  | \$54,000         | \$56,700         | \$59,535         |
| General Manager/Massage Therapist |  | \$45,000         | \$47,250         | \$49,613         |
| Massage Therapists                |  | \$36,000         | \$37,800         | \$39,690         |
| Cosmetologists                    |  | \$33,000         | \$34,650         | \$36,383         |
| Receptionist                      |  | \$18,000         | \$18,900         | \$19,845         |
| Total People                      |  | 7                | 9                | 11               |
| <b>Total Payroll</b>              |  | <b>\$186,000</b> | <b>\$195,300</b> | <b>\$205,065</b> |

### 6.0 Milestones

Our detailed milestones are shown in the following table and chart. The related budgets are included with the expenses shown in the projected Profit and Loss statement, which is in the financial analysis that comes in Chapter 7 of this plan.

| <i>Milestones</i>       |            |            |                  |            |                     |
|-------------------------|------------|------------|------------------|------------|---------------------|
| Milestone               | Start Date | End Date   | Budget           | Manager    | Department          |
| Business Plan           | 7/1/2010   | 10/30/2010 | \$750            | Jane Smith | Operations/Planning |
| Financial Backing       | 11/1/2010  | 12/31/2010 | \$95,000         | Jane Smith | Operations/Finance  |
| Lease Agreement         | 1/1/2011   | 1/31/2011  | \$20,000         | Jane Smith | Operations          |
| Logo Design             | 2/1/2011   | 2/28/2011  | \$1,000          | Jane Smith | Marketing           |
| Grand Opening           | 3/1/2011   | 3/6/2011   | \$750            | Jane Smith | Marketing           |
| Earn Sales of \$647,348 | 3/1/2011   | 2/28/2012  | \$265,687        | Jane Smith | Sales               |
| <b>Totals</b>           |            |            | <b>\$383,187</b> |            |                     |



# Tranquility Day Spa

## 7.0 Financial Plan

Tranquility Day Spa's financial plan projects the gross margin to be at approximately 58.96% percent. Net Profit for the company's first year of implementation will be \$81,120 increasing to \$127,548 in year two and \$197,767 in year three. Cash-flow analysis, balance sheet, business ratio, break-even analysis, and other financial details are shown in the appendix.

## 7.1 Start-up Funding

Tranquility Day Spa's funding requirements total \$95,000. These costs will be funded through a variety of sources, including a long-term loan, and a personal investment from the owner. The following charts and graphs provide additional information on the start-up funding and details of the start-up costs can be found in section 2.2 Start-up Summary.

| <i>Start-up Funding</i>                   |                 |
|---|-----------------|
| Start-up Expenses to Fund                 | \$54,000        |
| Start-up Assets to Fund                   | \$41,000        |
| Total Funding Required                    | \$95,000        |
| Assets                                    |                 |
| Non-cash Assets from Start-up             | \$6,000         |
| Cash Requirements from Start-up           | \$35,000        |
| Additional Cash Raised                    | \$0             |
| Cash Balance on Starting Date             | \$35,000        |
| Total Assets                              | \$41,000        |
| Liabilities and Capital                   |                 |
| Liabilities                               |                 |
| Current Borrowing                         | \$0             |
| Long-term Liabilities                     | \$50,000        |
| Accounts Payable (Outstanding Bills)      | \$0             |
| Other Current Liabilities (interest-free) | \$0             |
| Total Liabilities                         | \$50,000        |
| Capital                                   |                 |
| Planned Investment                        |                 |
| Owner                                     | \$10,000        |
| Investor 1                                | \$15,000        |
| Investor 2                                | \$20,000        |
| Additional Investment Requirement         | \$0             |
| Total Planned Investment                  | \$45,000        |
| Loss at Start-up (Start-up Expenses)      | (\$54,000)      |
| Total Capital                             | (\$9,000)       |
| Total Capital and Liabilities             | \$41,000        |
| <b>Total Funding</b>                      | <b>\$95,000</b> |

## 7.2 Important Assumptions

All financials are projections and estimates, which are based on the following assumptions:

1. The business will continue to grow and receive the same success if not more
2. This industry will maintain its popularity, especially in major cities
3. Through new marketing techniques, the business will develop higher sales

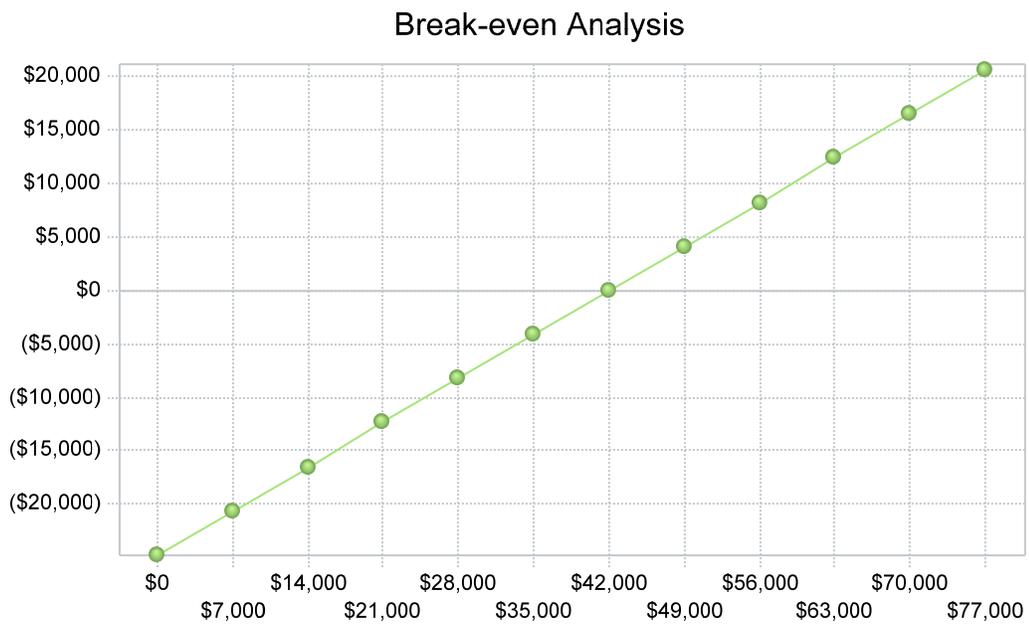


# Tranquility Day Spa

## 7.3 Break-even Analysis

The Break-even Analysis is based on the average of the first-year figures for total sales by values, and by operating expenses. These are presented as per-unit revenue, per-unit cost, and fixed costs. These conservative assumptions make for a more accurate estimate of real risk.

| <i>Break-even Analysis</i>          |                 |
|-------------------------------------|-----------------|
| Monthly Revenue Break-even          | \$42,064        |
| Assumptions:                        |                 |
| Average Percent Variable Cost       | 41%             |
| <b>Estimated Monthly Fixed Cost</b> | <b>\$24,800</b> |



## Tranquility Day Spa

### 7.4 Projected Profit and Loss

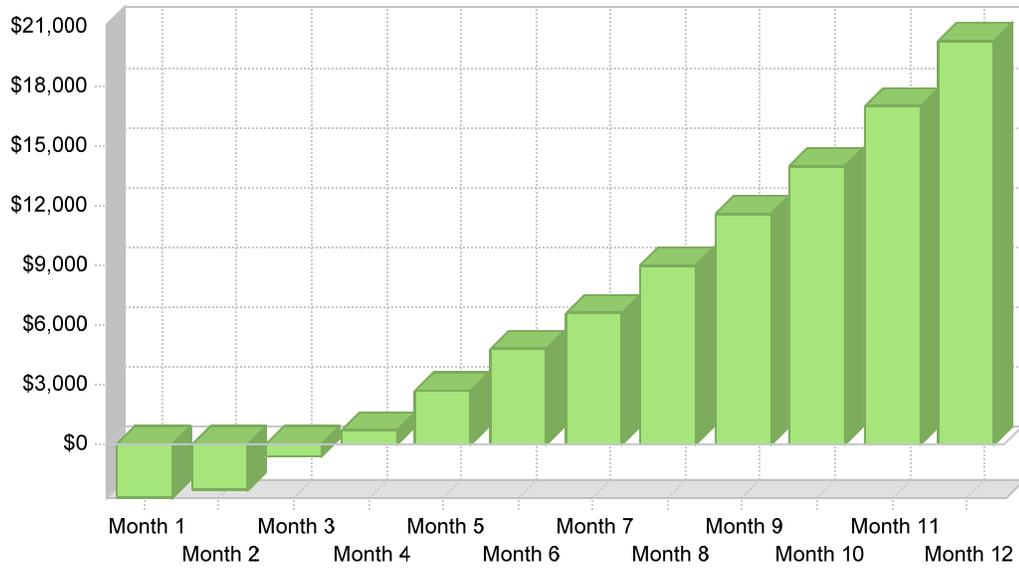
The following table shows that we expect to maintain gross margin but increase net profit margin during the next three years. The single most important factor in the improving profit margin is the economies of scale in our general and administrative expenses. The following table shows just the annual numbers. The detailed monthly projections for year one is included in the appendix.

| <i>Pro Forma Profit and Loss</i>       | Year 1        | Year 2        | Year 3        |
|--|---------------|---------------|---------------|
| Sales                                  | \$647,348     | \$744,450     | \$893,340     |
| Direct Cost of Sales                   | \$265,687     | \$305,540     | \$366,648     |
| Other                                  | \$0           | \$0           | \$0           |
| Total Cost of Sales                    | \$265,687     | \$305,540     | \$366,648     |
| Gross Margin                           | \$381,661     | \$438,910     | \$526,692     |
| Gross Margin %                         | 58.96%        | 58.96%        | 58.96%        |
| <br>                                   |               |               |               |
| Expenses                               |               |               |               |
| Payroll                                | \$186,000     | \$195,300     | \$205,065     |
| Sales and Marketing and Other Expenses | \$21,000      | \$22,050      | \$23,153      |
| Depreciation                           | \$0           | \$0           | \$0           |
| Rent                                   | \$36,000      | \$37,800      | \$39,690      |
| Cleaning Expenses                      | \$1,500       | \$1,575       | \$1,654       |
| Office Supplies                        | \$3,000       | \$3,150       | \$3,308       |
| Maintenance Expense                    | \$1,200       | \$1,260       | \$1,323       |
| Utilities                              | \$9,000       | \$9,450       | \$9,923       |
| Business Insurance                     | \$12,000      | \$12,600      | \$13,230      |
| Payroll Taxes                          | \$27,900      | \$25,676      | \$25,676      |
| Other                                  | \$0           | \$0           | \$0           |
| Total Operating Expenses               | \$297,600     | \$308,861     | \$323,021     |
| <br>                                   |               |               |               |
| Profit Before Interest and Taxes       | \$84,061      | \$130,048     | \$203,671     |
| EBITDA                                 | \$84,061      | \$130,048     | \$203,671     |
| Interest Expense                       | \$4,097       | \$2,500       | \$833         |
| Taxes Incurred                         | (\$1,157)     | \$0           | \$5,071       |
| <br>                                   |               |               |               |
| Net Profit                             | \$81,120      | \$127,548     | \$197,767     |
| <b>Net Profit/Sales</b>                | <b>12.53%</b> | <b>17.13%</b> | <b>22.14%</b> |

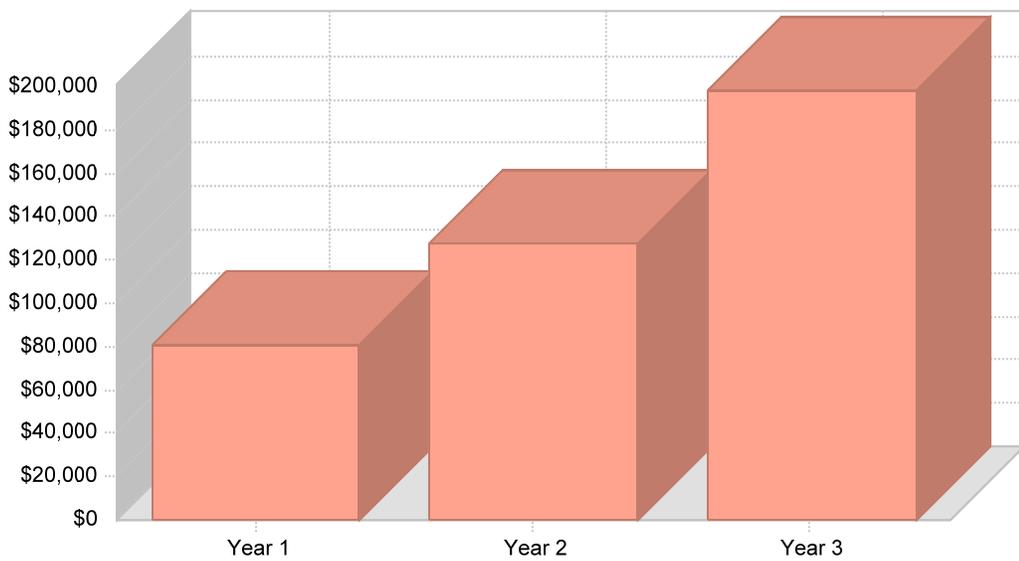


# Tranquility Day Spa

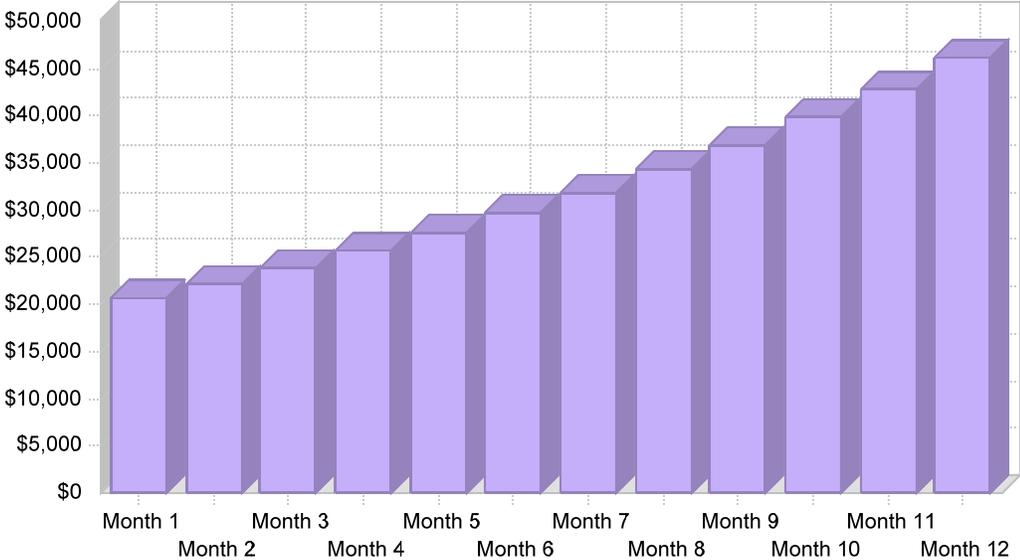
## Profit Monthly



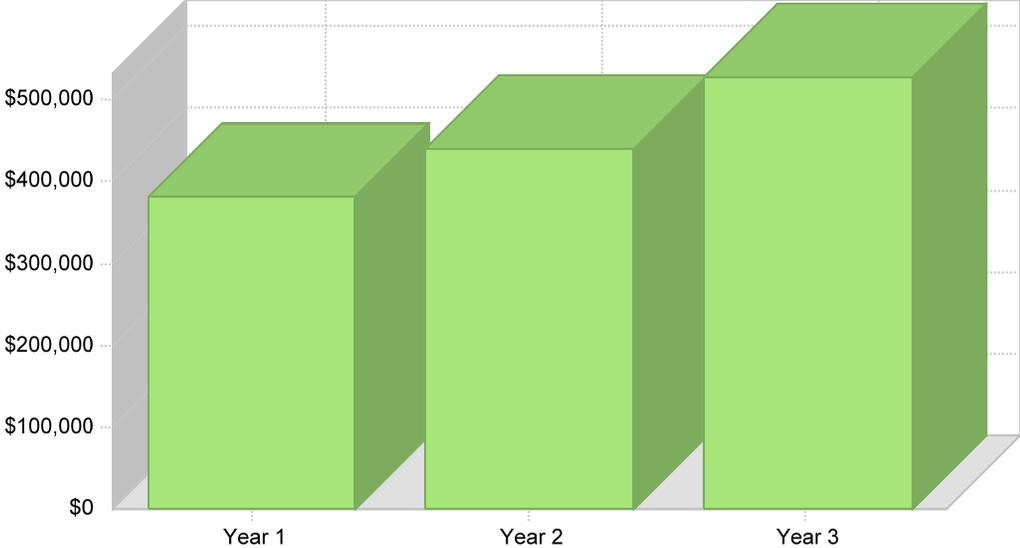
## Profit Yearly



Gross Margin Monthly



Gross Margin Yearly

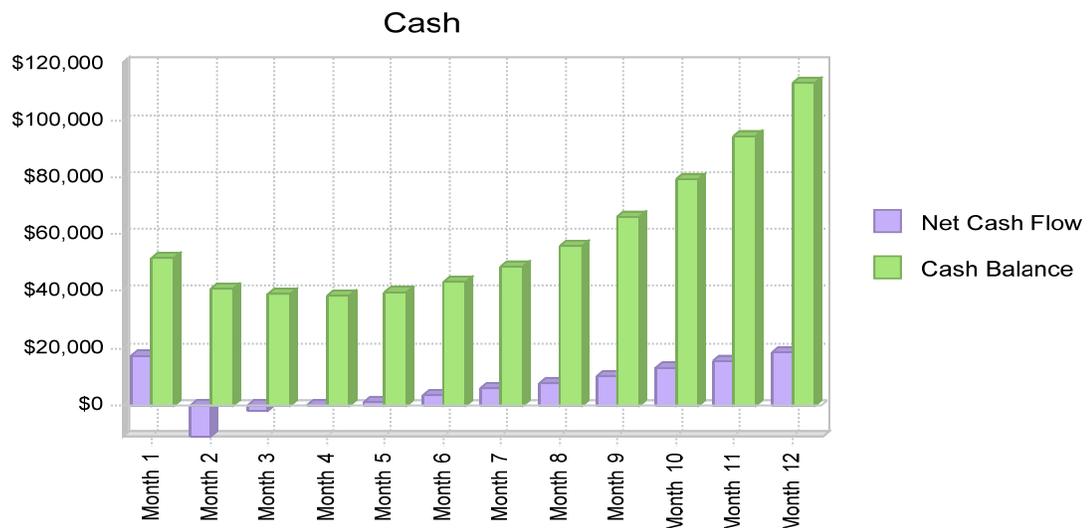


## Tranquility Day Spa

### 7.5 Projected Cash Flow

Cash flow projections are critical to our success. The monthly cash flow is shown in the illustration, with one bar representing the cash flow per month and the other representing the monthly balance. The annual cash flow figures are included here as Table 7.5. Detailed monthly numbers are included in the appendix.

| <i>Pro Forma Cash Flow</i>                | Year 1           | Year 2           | Year 3           |
|---|------------------|------------------|------------------|
| <b>Cash Received</b>                      |                  |                  |                  |
| Cash from Operations                      |                  |                  |                  |
| Cash Sales                                | \$647,348        | \$744,450        | \$893,340        |
| Subtotal Cash from Operations             | \$647,348        | \$744,450        | \$893,340        |
| Additional Cash Received                  |                  |                  |                  |
| 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 Current Assets             | \$0              | \$0              | \$0              |
| Sales of Long-term Assets                 | \$0              | \$0              | \$0              |
| New Investment Received                   | \$0              | \$0              | \$0              |
| Subtotal Cash Received                    | \$647,348        | \$744,450        | \$893,340        |
| <b>Expenditures</b>                       | Year 1           | Year 2           | Year 3           |
| Expenditures from Operations              |                  |                  |                  |
| Cash Spending                             | \$186,000        | \$195,300        | \$205,065        |
| Bill Payments                             | \$366,118        | \$427,515        | \$492,052        |
| Subtotal Spent on Operations              | \$552,118        | \$622,815        | \$697,117        |
| 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 | \$16,667         | \$16,667         | \$16,666         |
| Purchase Other Current Assets             | \$0              | \$0              | \$0              |
| Purchase Long-term Assets                 | \$0              | \$0              | \$0              |
| Dividends                                 | \$0              | \$0              | \$0              |
| Subtotal Cash Spent                       | \$568,785        | \$639,482        | \$713,783        |
| <b>Net Cash Flow</b>                      | <b>\$78,563</b>  | <b>\$104,968</b> | <b>\$179,557</b> |
| <b>Cash Balance</b>                       | <b>\$113,563</b> | <b>\$218,531</b> | <b>\$398,088</b> |



7.6 Projected Balance Sheet

All of Tranquility Day Spa's tables will be updated monthly to reflect past performance and future assumptions. Future assumptions will not be based on past performance but rather economic cycle activity, regional industry strength, and future cash flow possibilities. Tranquility Day Spa expects a solid growth in Net Worth beyond the second year.

| <i>Pro Forma Balance Sheet</i> |                 |                  |                  |
|--------------------------------|-----------------|------------------|------------------|
|                                | Year 1          | Year 2           | Year 3           |
| <b>Assets</b>                  |                 |                  |                  |
| Current Assets                 |                 |                  |                  |
| Cash                           | \$113,563       | \$218,531        | \$398,088        |
| Inventory                      | \$35,218        | \$32,209         | \$40,331         |
| Other Current Assets           | \$0             | \$0              | \$0              |
| Total Current Assets           | \$148,781       | \$250,740        | \$438,419        |
| Long-term Assets               |                 |                  |                  |
| Long-term Assets               | \$0             | \$0              | \$0              |
| Accumulated Depreciation       | \$0             | \$0              | \$0              |
| Total Long-term Assets         | \$0             | \$0              | \$0              |
| Total Assets                   | \$148,781       | \$250,740        | \$438,419        |
| <b>Liabilities and Capital</b> |                 |                  |                  |
| Current Liabilities            |                 |                  |                  |
| Accounts Payable               | \$43,327        | \$34,405         | \$40,983         |
| Current Borrowing              | \$0             | \$0              | \$0              |
| Other Current Liabilities      | \$0             | \$0              | \$0              |
| Subtotal Current Liabilities   | \$43,327        | \$34,405         | \$40,983         |
| Long-term Liabilities          |                 |                  |                  |
| Total Liabilities              | \$33,333        | \$16,666         | \$0              |
|                                | \$76,661        | \$51,071         | \$40,984         |
| Paid-in Capital                |                 |                  |                  |
| Retained Earnings              | \$45,000        | \$45,000         | \$45,000         |
| Earnings                       | (\$54,000)      | \$27,120         | \$154,669        |
| Total Capital                  | \$81,120        | \$127,548        | \$197,767        |
| Total Liabilities and Capital  | \$72,120        | \$199,669        | \$397,435        |
|                                | \$148,781       | \$250,740        | \$438,419        |
| <b>Net Worth</b>               | <b>\$72,120</b> | <b>\$199,669</b> | <b>\$397,435</b> |



# Tranquility Day Spa

## 7.7 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios are based on the NAME Industry listed under Standard Industrial Classification 7991 (SIC) code and 713940 (NAICS) code. Looking at the data it is clear that by 2010 Tranquility Day Spa will be exceeding industry standards.

| <i>Ratio Analysis</i>                      | Year 1    | Year 2    | Year 3    | Industry Profile |
|--|-----------|-----------|-----------|------------------|
| Sales Growth                               | n.a.      | 15.00%    | 20.00%    | 0.63%            |
| <b>Percent of Total Assets</b>             |           |           |           |                  |
| Inventory                                  | 23.67%    | 12.85%    | 9.20%     | 3.33%            |
| Other Current Assets                       | 0.00%     | 0.00%     | 0.00%     | 26.23%           |
| Total Current Assets                       | 100.00%   | 100.00%   | 100.00%   | 34.34%           |
| Long-term Assets                           | 0.00%     | 0.00%     | 0.00%     | 65.66%           |
| Total Assets                               | 100.00%   | 100.00%   | 100.00%   | 100.00%          |
| <b>Current Liabilities</b>                 |           |           |           |                  |
| Current Liabilities                        | 29.12%    | 13.72%    | 9.35%     | 19.87%           |
| Long-term Liabilities                      | 22.40%    | 6.65%     | 0.00%     | 58.90%           |
| Total Liabilities                          | 51.53%    | 20.37%    | 9.35%     | 78.78%           |
| Net Worth                                  | 48.47%    | 79.63%    | 90.65%    | 21.22%           |
| <b>Percent of Sales</b>                    |           |           |           |                  |
| Sales                                      | 100.00%   | 100.00%   | 100.00%   | 100.00%          |
| Gross Margin                               | 58.96%    | 58.96%    | 58.96%    | 73.81%           |
| Selling, General & Administrative Expenses | 39.37%    | 21.53%    | 18.94%    | 24.73%           |
| Advertising Expenses                       | 1.11%     | 0.86%     | 0.85%     | 1.77%            |
| Profit Before Interest and Taxes           | 12.99%    | 17.47%    | 22.80%    | 8.04%            |
| <b>Main Ratios</b>                         |           |           |           |                  |
| Current                                    | 3.43      | 7.29      | 10.70     | 1.09             |
| Quick                                      | 2.62      | 6.35      | 9.71      | 0.92             |
| Total Debt to Total Assets                 | 51.53%    | 20.37%    | 9.35%     | 78.78%           |
| Pre-tax Return on Net Worth                | 110.88%   | 63.88%    | 51.04%    | 32.83%           |
| Pre-tax Return on Assets                   | 53.75%    | 50.87%    | 46.27%    | 6.97%            |
| <b>Additional Ratios</b>                   |           |           |           |                  |
|  | Year 1    | Year 2    | Year 3    |                  |
| Net Profit Margin                          | 12.53%    | 17.13%    | 22.14%    | n.a              |
| Return on Equity                           | 112.48%   | 63.88%    | 49.76%    | n.a              |
| <b>Activity Ratios</b>                     |           |           |           |                  |
| Inventory Turnover                         | 10.91     | 9.06      | 10.11     | n.a              |
| Accounts Payable Turnover                  | 9.45      | 12.17     | 12.17     | n.a              |
| Payment Days                               | 27        | 34        | 28        | n.a              |
| Total Asset Turnover                       | 4.35      | 2.97      | 2.04      | n.a              |
| <b>Debt Ratios</b>                         |           |           |           |                  |
| Debt to Net Worth                          | 1.06      | 0.26      | 0.10      | n.a              |
| Current Liab. to Liab.                     | 0.57      | 0.67      | 1.00      | n.a              |
| <b>Liquidity Ratios</b>                    |           |           |           |                  |
| Net Working Capital                        | \$105,453 | \$216,335 | \$397,436 | n.a              |
| Interest Coverage                          | 20.52     | 52.02     | 244.40    | n.a              |
| <b>Additional Ratios</b>                   |           |           |           |                  |
| Assets to Sales                            | 0.23      | 0.34      | 0.49      | n.a              |
| Current Debt/Total Assets                  | 29%       | 14%       | 9%        | n.a              |
| Acid Test                                  | 2.62      | 6.35      | 9.71      | n.a              |
| Sales/Net Worth                            | 8.98      | 3.73      | 2.25      | n.a              |
| <b>Dividend Payout</b>                     | 0.00      | 0.00      | 0.00      | n.a              |



## Appendix

Table: Sales Forecast

| <i>Sales Forecast</i>                |    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|--------------------------------------|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                      |    | Month           |
|                                      |    | 1               | 2               | 3               | 4               | 5               | 6               | 7               | 8               | 9               | 10              | 11              | 12              |
| <b>Sales</b>                         |    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Salon Styles Only Revenue            | 0% | \$27,000        | \$29,160        | \$31,493        | \$34,012        | \$36,733        | \$39,672        | \$42,846        | \$46,274        | \$49,976        | \$53,974        | \$58,292        | \$62,955        |
| Spa Massage Only Revenue             | 0% | \$8,000         | \$8,480         | \$8,989         | \$9,528         | \$10,100        | \$10,706        | \$11,348        | \$12,029        | \$12,751        | \$13,516        | \$14,327        | \$15,187        |
| <b>Total Sales</b>                   |    | <b>\$35,000</b> | <b>\$37,640</b> | <b>\$40,482</b> | <b>\$43,540</b> | <b>\$46,833</b> | <b>\$50,378</b> | <b>\$54,194</b> | <b>\$58,303</b> | <b>\$62,727</b> | <b>\$67,490</b> | <b>\$72,619</b> | <b>\$78,142</b> |
| <b>Direct Cost of Sales</b>          |    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|                                      |    | Month           |
|                                      |    | 1               | 2               | 3               | 4               | 5               | 6               | 7               | 8               | 9               | 10              | 11              | 12              |
| Salon Styles Only Revenue            |    | \$10,800        | \$11,664        | \$12,597        | \$13,605        | \$14,693        | \$15,869        | \$17,138        | \$18,510        | \$19,990        | \$21,590        | \$23,317        | \$25,182        |
| Spa Massage Only Revenue             |    | \$3,600         | \$3,816         | \$4,045         | \$4,288         | \$4,545         | \$4,818         | \$5,107         | \$5,413         | \$5,738         | \$6,082         | \$6,447         | \$6,834         |
| <b>Subtotal Direct Cost of Sales</b> |    | <b>\$14,400</b> | <b>\$15,480</b> | <b>\$16,642</b> | <b>\$17,892</b> | <b>\$19,238</b> | <b>\$20,687</b> | <b>\$22,245</b> | <b>\$23,923</b> | <b>\$25,728</b> | <b>\$27,672</b> | <b>\$29,764</b> | <b>\$32,016</b> |

## Appendix

Table: Personnel

| <i>Personnel Plan</i>                   |    | Month<br>1 | Month<br>2 | Month<br>3 | Month<br>4 | Month<br>5 | Month<br>6 | Month<br>7 | Month<br>8 | Month<br>9 | Month<br>10 | Month<br>11 | Month<br>12 |
|---|----|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| Owner - Jane Smith                      | 0% | \$4,500    | \$4,500    | \$4,500    | \$4,500    | \$4,500    | \$4,500    | \$4,500    | \$4,500    | \$4,500    | \$4,500     | \$4,500     | \$4,500     |
| General<br>Manager/Massage<br>Therapist | 0% | \$3,750    | \$3,750    | \$3,750    | \$3,750    | \$3,750    | \$3,750    | \$3,750    | \$3,750    | \$3,750    | \$3,750     | \$3,750     | \$3,750     |
| Massage Therapists                      | 0% | \$3,000    | \$3,000    | \$3,000    | \$3,000    | \$3,000    | \$3,000    | \$3,000    | \$3,000    | \$3,000    | \$3,000     | \$3,000     | \$3,000     |
| Cosmetologists                          | 0% | \$2,750    | \$2,750    | \$2,750    | \$2,750    | \$2,750    | \$2,750    | \$2,750    | \$2,750    | \$2,750    | \$2,750     | \$2,750     | \$2,750     |
| Receptionist                            | 0% | \$1,500    | \$1,500    | \$1,500    | \$1,500    | \$1,500    | \$1,500    | \$1,500    | \$1,500    | \$1,500    | \$1,500     | \$1,500     | \$1,500     |
| Total People                            |    | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7           | 7           | 7           |
| <b>Total Payroll</b>                    |    | \$15,500   | \$15,500   | \$15,500   | \$15,500   | \$15,500   | \$15,500   | \$15,500   | \$15,500   | \$15,500   | \$15,500    | \$15,500    | \$15,500    |

## Appendix

Table: Profit and Loss

| <i>Pro Forma Profit and Loss</i>       | Month 1       | Month 2       | Month 3       | Month 4      | Month 5      | Month 6      | Month 7       | Month 8       | Month 9       | Month 10      | Month 11      | Month 12      |
|--|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sales                                  | \$35,000      | \$37,640      | \$40,482      | \$43,540     | \$46,833     | \$50,378     | \$54,194      | \$58,303      | \$62,727      | \$67,490      | \$72,619      | \$78,142      |
| Direct Cost of Sales                   | \$14,400      | \$15,480      | \$16,642      | \$17,892     | \$19,238     | \$20,687     | \$22,245      | \$23,923      | \$25,728      | \$27,672      | \$29,764      | \$32,016      |
| Other                                  | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           |
| Total Cost of Sales                    | \$14,400      | \$15,480      | \$16,642      | \$17,892     | \$19,238     | \$20,687     | \$22,245      | \$23,923      | \$25,728      | \$27,672      | \$29,764      | \$32,016      |
| Gross Margin                           | \$20,600      | \$22,160      | \$23,840      | \$25,648     | \$27,595     | \$29,692     | \$31,949      | \$34,380      | \$36,999      | \$39,818      | \$42,855      | \$46,126      |
| Gross Margin %                         | 58.86%        | 58.87%        | 58.89%        | 58.91%       | 58.92%       | 58.94%       | 58.95%        | 58.97%        | 58.98%        | 59.00%        | 59.01%        | 59.03%        |
| Expenses                               |               |               |               |              |              |              |               |               |               |               |               |               |
| Payroll                                | \$15,500      | \$15,500      | \$15,500      | \$15,500     | \$15,500     | \$15,500     | \$15,500      | \$15,500      | \$15,500      | \$15,500      | \$15,500      | \$15,500      |
| Sales and Marketing and Other Expenses | \$1,000       | \$1,000       | \$1,000       | \$1,500      | \$1,500      | \$1,500      | \$2,000       | \$2,000       | \$2,000       | \$2,500       | \$2,500       | \$2,500       |
| Depreciation                           | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           |
| Rent                                   | \$3,000       | \$3,000       | \$3,000       | \$3,000      | \$3,000      | \$3,000      | \$3,000       | \$3,000       | \$3,000       | \$3,000       | \$3,000       | \$3,000       |
| Cleaning Expenses                      | \$125         | \$125         | \$125         | \$125        | \$125        | \$125        | \$125         | \$125         | \$125         | \$125         | \$125         | \$125         |
| Office Supplies                        | \$250         | \$250         | \$250         | \$250        | \$250        | \$250        | \$250         | \$250         | \$250         | \$250         | \$250         | \$250         |
| Maintenance                            | \$100         | \$100         | \$100         | \$100        | \$100        | \$100        | \$100         | \$100         | \$100         | \$100         | \$100         | \$100         |
| Expense                                |               |               |               |              |              |              |               |               |               |               |               |               |
| Utilities                              | \$750         | \$750         | \$750         | \$750        | \$750        | \$750        | \$750         | \$750         | \$750         | \$750         | \$750         | \$750         |
| Business Insurance                     | \$1,000       | \$1,000       | \$1,000       | \$1,000      | \$1,000      | \$1,000      | \$1,000       | \$1,000       | \$1,000       | \$1,000       | \$1,000       | \$1,000       |
| Payroll Taxes                          | 15% \$2,325   | \$2,325       | \$2,325       | \$2,325      | \$2,325      | \$2,325      | \$2,325       | \$2,325       | \$2,325       | \$2,325       | \$2,325       | \$2,325       |
| Other                                  | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           |
| Total Operating Expenses               | \$24,050      | \$24,050      | \$24,050      | \$24,550     | \$24,550     | \$24,550     | \$25,050      | \$25,050      | \$25,050      | \$25,550      | \$25,550      | \$25,550      |
| Profit Before Interest and Taxes       | (\$3,450)     | (\$1,890)     | (\$210)       | \$1,098      | \$3,045      | \$5,142      | \$6,899       | \$9,330       | \$11,949      | \$14,268      | \$17,305      | \$20,576      |
| EBITDA                                 | (\$3,450)     | (\$1,890)     | (\$210)       | \$1,098      | \$3,045      | \$5,142      | \$6,899       | \$9,330       | \$11,949      | \$14,268      | \$17,305      | \$20,576      |
| Interest Expense                       | \$405         | \$394         | \$382         | \$370        | \$359        | \$347        | \$336         | \$324         | \$313         | \$301         | \$289         | \$278         |
| Taxes Incurred                         | (\$1,157)     | \$0           | \$0           | \$0          | \$0          | \$0          | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           |
| Net Profit                             | (\$2,699)     | (\$2,284)     | (\$592)       | \$727        | \$2,686      | \$4,794      | \$6,563       | \$9,006       | \$11,636      | \$13,967      | \$17,016      | \$20,298      |
| <b>Net Profit/Sales</b>                | <b>-7.71%</b> | <b>-6.07%</b> | <b>-1.46%</b> | <b>1.67%</b> | <b>5.74%</b> | <b>9.52%</b> | <b>12.11%</b> | <b>15.45%</b> | <b>18.55%</b> | <b>20.70%</b> | <b>23.43%</b> | <b>25.98%</b> |

## Appendix

Table: Cash Flow

| <i>Pro Forma Cash Flow</i>                | Month 1  | Month 2    | Month 3   | Month 4  | Month 5  | Month 6  | Month 7  | Month 8  | Month 9  | Month 10 | Month 11 | Month 12  |
|---|----------|------------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| <b>Cash Received</b>                      |          |            |           |          |          |          |          |          |          |          |          |           |
| Cash from Operations                      |          |            |           |          |          |          |          |          |          |          |          |           |
| Cash Sales                                | \$35,000 | \$37,640   | \$40,482  | \$43,540 | \$46,833 | \$50,378 | \$54,194 | \$58,303 | \$62,727 | \$67,490 | \$72,619 | \$78,142  |
| Subtotal Cash from Operations             | \$35,000 | \$37,640   | \$40,482  | \$43,540 | \$46,833 | \$50,378 | \$54,194 | \$58,303 | \$62,727 | \$67,490 | \$72,619 | \$78,142  |
| Additional Cash Received                  |          |            |           |          |          |          |          |          |          |          |          |           |
| 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 Current 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        | \$0       | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0       |
| Subtotal Cash Received                    | \$35,000 | \$37,640   | \$40,482  | \$43,540 | \$46,833 | \$50,378 | \$54,194 | \$58,303 | \$62,727 | \$67,490 | \$72,619 | \$78,142  |
| <b>Expenditures</b>                       | Month 1  | Month 2    | Month 3   | Month 4  | Month 5  | Month 6  | Month 7  | Month 8  | Month 9  | Month 10 | Month 11 | Month 12  |
| Expenditures from Operations              |          |            |           |          |          |          |          |          |          |          |          |           |
| Cash Spending                             | \$15,500 | \$15,500   | \$15,500  | \$15,500 | \$15,500 | \$15,500 | \$15,500 | \$15,500 | \$15,500 | \$15,500 | \$15,500 | \$15,500  |
| Bill Payments                             | \$1,068  | \$31,824   | \$25,653  | \$26,914 | \$28,736 | \$30,179 | \$31,749 | \$33,905 | \$35,707 | \$37,663 | \$40,235 | \$42,485  |
| Subtotal Spent on Operations              | \$16,568 | \$47,324   | \$41,153  | \$42,414 | \$44,236 | \$45,679 | \$47,249 | \$49,405 | \$51,207 | \$53,163 | \$55,735 | \$57,985  |
| 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 | \$1,389  | \$1,389    | \$1,389   | \$1,389  | \$1,389  | \$1,389  | \$1,389  | \$1,389  | \$1,389  | \$1,389  | \$1,389  | \$1,389   |
| Purchase Other Current Assets             | \$0      | \$0        | \$0       | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0       |
| Purchase Long-term Assets                 | \$0      | \$0        | \$0       | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0       |
| Dividends                                 | \$0      | \$0        | \$0       | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      | \$0       |
| Subtotal Cash Spent                       | \$17,957 | \$48,713   | \$42,542  | \$43,803 | \$45,625 | \$47,068 | \$48,638 | \$50,794 | \$52,596 | \$54,552 | \$57,124 | \$59,374  |
| <b>Net Cash Flow</b>                      | \$17,043 | (\$11,073) | (\$2,060) | (\$263)  | \$1,208  | \$3,310  | \$5,556  | \$7,509  | \$10,131 | \$12,938 | \$15,495 | \$18,768  |
| <b>Cash Balance</b>                       | \$52,043 | \$40,970   | \$38,910  | \$38,647 | \$39,856 | \$43,166 | \$48,722 | \$56,231 | \$66,362 | \$79,300 | \$94,795 | \$113,563 |

## Appendix

Table: Balance Sheet

| <i>Pro Forma Balance Sheet</i> |                   | Month 1    | Month 2    | Month 3    | Month 4    | Month 5    | Month 6    | Month 7    | Month 8    | Month 9    | Month 10   | Month 11   | Month 12   |
|--------------------------------|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Assets                         | Starting Balances |            |            |            |            |            |            |            |            |            |            |            |            |
| Current Assets                 |                   |            |            |            |            |            |            |            |            |            |            |            |            |
| Cash                           | \$35,000          | \$52,043   | \$40,970   | \$38,910   | \$38,647   | \$39,856   | \$43,166   | \$48,722   | \$56,231   | \$66,362   | \$79,300   | \$94,795   | \$113,563  |
| Inventory                      | \$6,000           | \$15,840   | \$17,028   | \$18,306   | \$19,682   | \$21,162   | \$22,755   | \$24,470   | \$26,315   | \$28,301   | \$30,439   | \$32,740   | \$35,218   |
| Other Current Assets           | \$0               | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Total Current Assets           | \$41,000          | \$67,883   | \$57,998   | \$57,217   | \$58,329   | \$61,018   | \$65,921   | \$73,191   | \$82,546   | \$94,664   | \$109,739  | \$127,535  | \$148,781  |
| Long-term Assets               |                   |            |            |            |            |            |            |            |            |            |            |            |            |
| Long-term Assets               | \$0               | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Accumulated Depreciation       | \$0               | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Total Long-term Assets         | \$0               | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Total Assets                   | \$41,000          | \$67,883   | \$57,998   | \$57,217   | \$58,329   | \$61,018   | \$65,921   | \$73,191   | \$82,546   | \$94,664   | \$109,739  | \$127,535  | \$148,781  |
| Liabilities and Capital        |                   |            |            |            |            |            |            |            |            |            |            |            |            |
| Current Liabilities            |                   |            |            |            |            |            |            |            |            |            |            |            |            |
| Accounts Payable               | \$0               | \$30,971   | \$24,758   | \$25,958   | \$27,732   | \$29,123   | \$30,621   | \$32,717   | \$34,454   | \$36,325   | \$38,822   | \$40,991   | \$43,327   |
| Current Borrowing              | \$0               | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Other Current Liabilities      | \$0               | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Subtotal Current Liabilities   | \$0               | \$30,971   | \$24,758   | \$25,958   | \$27,732   | \$29,123   | \$30,621   | \$32,717   | \$34,454   | \$36,325   | \$38,822   | \$40,991   | \$43,327   |
| Long-term Liabilities          | \$50,000          | \$48,611   | \$47,222   | \$45,833   | \$44,444   | \$43,056   | \$41,667   | \$40,278   | \$38,889   | \$37,500   | \$36,111   | \$34,722   | \$33,333   |
| Total Liabilities              | \$50,000          | \$79,582   | \$71,980   | \$71,791   | \$72,176   | \$72,179   | \$72,288   | \$72,995   | \$73,343   | \$73,825   | \$74,933   | \$75,713   | \$76,661   |
| Paid-in Capital                | \$45,000          | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   | \$45,000   |
| Retained Earnings              | (\$54,000)        | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) | (\$54,000) |
| Earnings                       | \$0               | (\$2,699)  | (\$4,982)  | (\$5,574)  | (\$4,847)  | (\$2,161)  | \$2,633    | \$9,197    | \$18,203   | \$29,839   | \$43,806   | \$60,822   | \$81,120   |
| Total Capital                  | (\$9,000)         | (\$11,699) | (\$13,982) | (\$14,574) | (\$13,847) | (\$11,161) | (\$6,367)  | \$197      | \$9,203    | \$20,839   | \$34,806   | \$51,822   | \$72,120   |
| Total Liabilities and Capital  | \$41,000          | \$67,883   | \$57,998   | \$57,217   | \$58,329   | \$61,018   | \$65,921   | \$73,191   | \$82,546   | \$94,664   | \$109,739  | \$127,535  | \$148,781  |
| <b>Net Worth</b>               | (\$9,000)         | (\$11,699) | (\$13,982) | (\$14,574) | (\$13,847) | (\$11,161) | (\$6,367)  | \$197      | \$9,203    | \$20,839   | \$34,806   | \$51,822   | \$72,120   |