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Igneous Rock Gym

1.0 Executive Summary

In recent years, rock climbing has gone from extreme to mainstream. Every year, more and more people are trying this fun, adventurous sport. Igneous Rock Gym plans to take advantage of this rapid growth by being the first and only climbing gym in Igneous.

According to census.gov, the greater Igneous metropolitan area has a population in excess of 350,000 people. People in nearly all demographics can and do climb; therefore, it is realistic to use this figure as a starting point for the potential climbing customer market. The key to Igneous Rock Gym's success will be to make indoor climbing appealing to the largest cross section of population. This will be achieved through the following means:

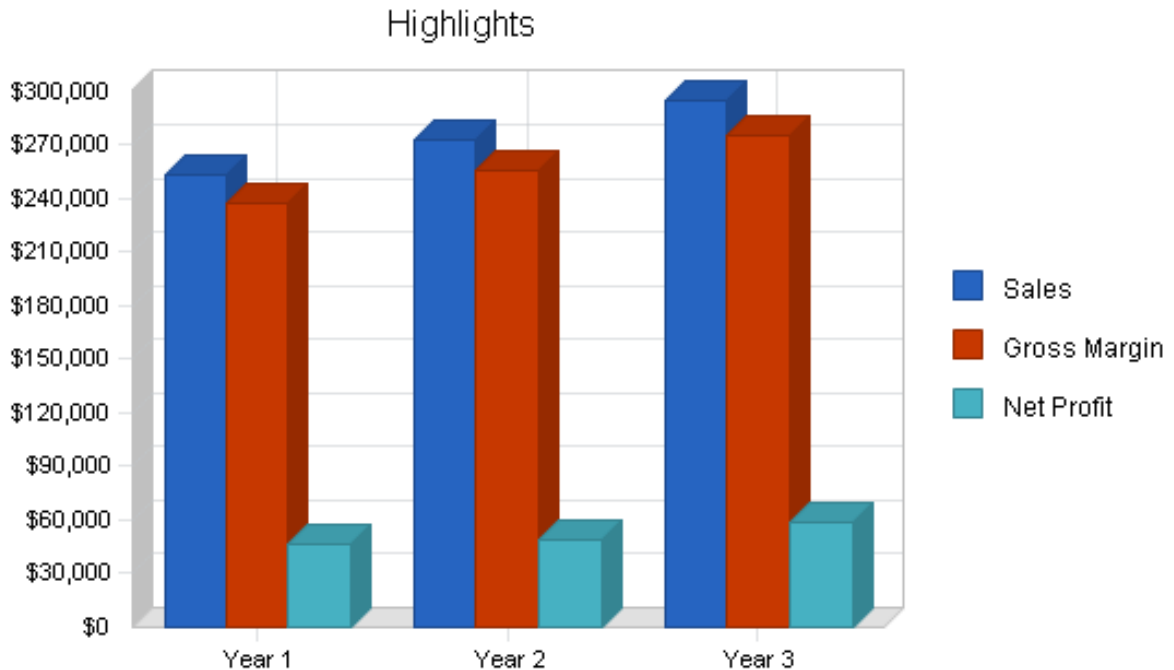
- Creating an ultra-safe environment with properly trained staff.
- Making the gym group friendly.
- Providing the new climber with instruction and encouragement.
- Ensuring that the 'fun factor' is high in order to generate strong word of mouth marketing.

More and more Americans are looking to pay for experiences rather than just products. Igneous Rock Gym will focus on providing each customer with an experience that will make them want to come back for more.

Igneous Rock Gym will be a Limited Liability Company, with start-up funding provided in its entirety by the owners, Micah Quartz and Cole Granite. Quartz and Granite bring unique skills to the company with expertise in building design and construction, and over ten years in the climbing gym industry.

Climbing gyms have high start-up costs; however, once built, they enjoy extremely low cost of sales. These high margins will allow Igneous Rock Gym to generate strong profits during its first 12 months of operation. Sales for the first year will be just over \$250,000, with a very solid net profit to sales ratio. During the next two fiscal years, profits are projected to increase. A modest yearly growth in sales is used for these projections. If the fitness gym industry's growth rate of 10% were used, the profits would be even higher.

Igneous Rock Gym



1.1 Mission

Igneous Rock Gym's mission is to provide patrons of all ages a fun, safe environment in which to exercise, socialize, and gain new climbing skills. By focusing on these fundamental qualities, the friendly and knowledgeable staff will create an environment that is welcoming to wanting to try climbing for the first time as well as the experienced climber.

1.2 Objectives

Igneous Rock Gym plans on achieving three objectives:

1. Sales in the first 12 months of over \$250,000.
2. Sales growth of at least 8% in the second and third years of operation.
3. Become the primary center for indoor climbing in the greater Igneous metropolitan area.

1.3 Keys to Success

The success of any climbing gym depends on four key factors:

1. A happy, friendly staff who create an inclusive environment.
2. Skilled route setters that take pride in their creations.
3. Positive word of mouth.
4. Ability to draw in groups.

Igneous Rock Gym

2.0 Company Summary

Igneous Rock Gym is an indoor climbing gym located in Igneous, Oregon. As the only gym of its kind in the greater Igneous metropolitan area, Igneous Rock Gym will offer bouldering, top-rope, and lead climbing. In addition, Igneous Rock Gym will have trained staff to provide instruction to climbers of every ability level. A major feature of Igneous Rock Gym will be its ability to draw in different groups by providing a unique environment in which to have a party, meeting, or team-building exercise.

2.1 Company Ownership

Igneous Rock Gym is a privately held Limited Liability Corporation. Cole Granite and Micah Quartz share equal ownership in this corporation. Cole Granite has over ten years of experience in the climbing gym industry. Micah Quartz has experience and connections in the fields of design and construction.

2.2 Start-up Summary

Start-up expenses for Igneous Rock Gym will be \$25,000 (see table for details). The largest expense will be from rent during the three-month construction period.

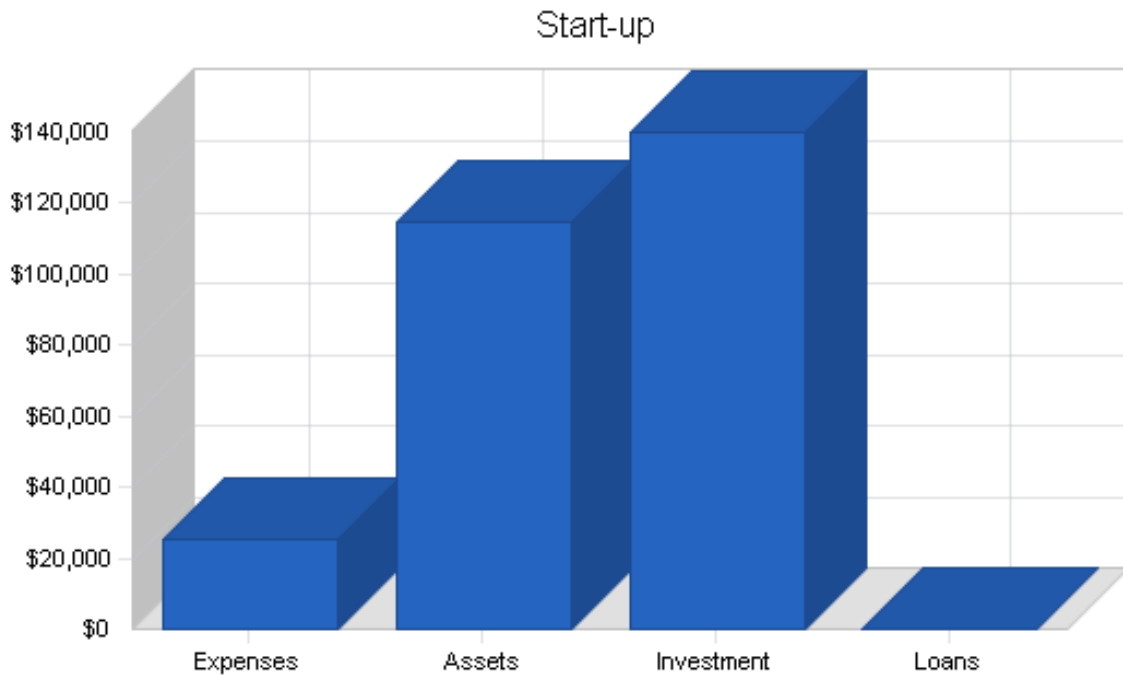
The climbing gym's long-term assets will be the key to future business success. Total long-term assets equal \$90,000 and include the climbing walls, climbing holds, safety equipment, and floor coverings. Current assets of \$2,000 will consist of furniture.

Initial cash on hand will be \$23,000. This figure reflects what is needed to run the business for a minimum of two months with no income.

Igneous Rock Gym

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	\$3,000
Stationery etc.	\$500
Insurance	\$3,300
Rent	\$13,200
Computer	\$1,000
Construction Equipment Rental	\$3,000
Other	\$1,000
Total Start-up Expenses	\$25,000
Start-up Assets	
Cash Required	\$23,000
Other Current Assets	\$2,000
Long-term Assets	\$90,000
Total Assets	\$115,000
Total Requirements	\$140,000



2.3 Company Locations and Facilities

Igneous Rock Gym is housed in a 5,500 sq. ft. warehouse with 35' high ceilings. The building is broken down into three zones: 600 sq. ft. of locker rooms, 500 sq. ft. of front desk/common area, and the remaining 4,400 sq. ft. is dedicated as the climbing zone. The climbing zone will include two platforms, at 400 sq. ft. each. One will be used for fitness equipment and the second used for group meeting areas. The building has twenty available parking spaces with

Igneous Rock Gym

additional free parking on the street.

This site was chosen due to its location near the University, city center, and easy access from the growing residential area. In addition, the warehouse has an open floor plan with no need for demolition. Other nearby tenants are long-term leaseholders, and their operations will provide added exposure to Igneous Rock Gym.

3.0 Services

Igneous Rock Gym is a full-service climbing gym offering open climbing, lessons, kids' programs, availability to groups, equipment rentals, and competitions.

In addition, Igneous Rock Gym will continue to look for fresh ways of drawing in new customers and providing new services to existing members. These services may include outdoor guiding, trip planning, yoga, pilates, and equipment sales.

4.0 Market Analysis Summary

Across the country, indoor climbing gyms have become a popular location for adults and children to exercise and socialize. One of the key attributes of a climbing gym is that a person does not need to have previous climbing experience in order to be a customer. This allows climbing gyms to draw customers from nearly every demographic.

Igneous Rock Gym recognizes the need for a climbing gym in the greater Igneous, Oregon area. A climbing gym is a destination business, therefore it is realistic to include the greater metropolitan area when looking at potential customers. According to the U.S. Census report found on www.census.gov the greater Igneous area has a population of 354,669.

When looking at the potential market for a climbing gym in Igneous, it is important to analyze the number of children in the total population. Climbing gyms make a large portion of their profits from running children's programs and hosting birthday parties. 27% of the town's population is under the age of 18, which compares favorably to other current climbing gym locations.

4.1 Market Segmentation

Igneous Rock Gym will service the recreation and climbing needs for individuals and families in the greater Igneous area. Customers will be broken into three focused segments consisting of children, college students, and adults 18-44. It is important to note that experienced outdoor climbers will not be the focus of marketing for Igneous Rock Gym. This is for two primary reasons. First, as the only indoor climbing gym in the area, any outdoor climbers wanting to climb inside will naturally gravitate to Igneous Rock Gym. The second reason is that the total population of outdoor climbers is quite small compared to the total population of the area.

Children between the ages of five and 18 represent the greatest potential for revenue. The Igneous area has approximately 70,000 children in this age range. This compares favorably to the nearby metropolitan areas which are currently able to maintain a successful rock climbing

Igneous Rock Gym

gym. The metro area has a total of 52,000 children between the ages of five and 18.

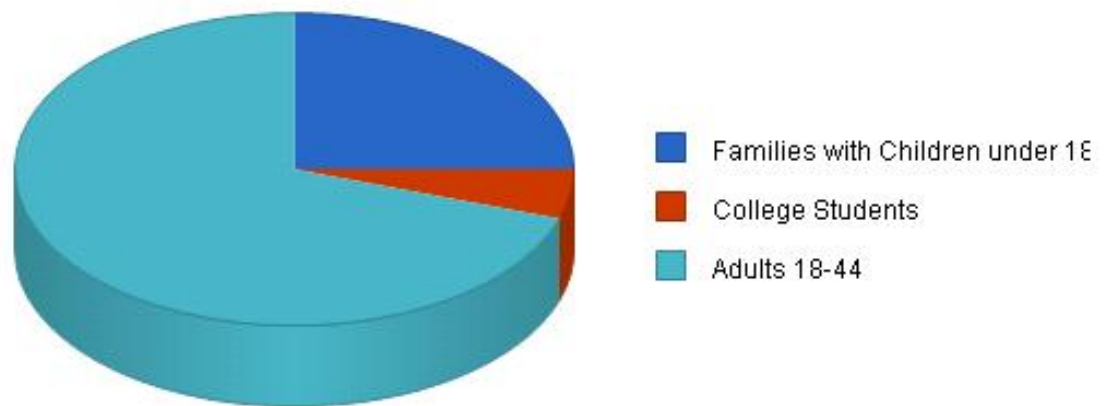
College students are another focus group for Igneous Rock Gym. This is because they tend to do activities in social groups. By drawing in one college student, he or she will often return with one or more friends on the next visit. Igneous has two colleges. Combined, the college population is at least 15,000.

college segment, in that they are all adults between the ages of 18-44. These are the main patrons of any climbing gym. In Igneous, there are 134,774 people that fit within this age group. This compares very favorably to the metro area, which has an 18-44 population of 119,550.

Table: Market Analysis

Market Analysis							
Potential Customers	Growth	Year 1	Year 2	Year 3	Year 4	Year 5	CAGR
Families with Children under 18	3%	48,131	49,575	51,062	52,594	54,172	3.00%
College Students	1%	10,000	10,100	10,201	10,303	10,406	1.00%
Adults 18-44	3%	134,700	138,741	142,903	147,190	151,606	3.00%
Total	2.90%	192,831	198,416	204,166	210,087	216,184	2.90%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

Capital Climbing will focus on providing a fun, safe environment for both new and experienced climbers to improve their climbing skills. All ages will be welcome to climb at the gym; however, children will be the major focus of the business.

In a traditional climbing gym the majority of members are between the ages of 18-44. Many of

Igneous Rock Gym

these members pay a monthly or annual membership. These memberships allow them to have unlimited visits to the climbing gym. This lowers the price down to five dollars or less per visit. In contrast, children's programs typically bring in a minimum of \$12 per child per two hour visit.

Igneous Rock Gym will offer several different children's programs. These will include a group for climbers ages 7-10 who are new to climbing. Another group will be for those 9-13 who are more mature and are able to learn advanced climbing skills. A competitive climbing team will be offered for children 10-18. In addition, Igneous Rock Gym will offer summer climbing camps for children age seven and up. Most importantly, children will be encouraged to host their birthday parties at Igneous Rock Gym.

By focusing on bringing children into the gym, Capital Climbing, will not only increase current income streams, but will also establish a strong future customer base. Climbing is often a life-long sport, and the earlier Igneous Rock Gym can bring in a potential climber, the longer they will have him or her as a customer.

4.2.1 Market Trends

Climbing has gone from something done by only a select few to an activity enjoyed by tens of thousands across the country. Climbing walls are finding their way into public schools and universities, parks, and even on cruise ships. Advertisements featuring climbers have become more and more prevalent. All of this has led to climbing becoming more of a mainstream activity. Igneous Rock Gym will be uniquely positioned to take advantage of this recent increase in climbing awareness among the general population.

Igneous Rock Gym plans to take advantage of this increase in climbing awareness by offering introductory classes to all ages of climbers. In particular, Igneous Rock Gym will offer the gym as a place for groups to host both team-building activities and social gatherings. Igneous Rock Gym will position itself as a viable alternative to recreational activities such as bowling and miniature golf, while at the same time, taking people away from traditional fitness gyms.

The climbing industry continues to mature. This maturing has tended to be along the lines of making the sport more accessible to the general population. For example, equipment has improved over the decades to allow a much greater degree of climbing safety. The appeal of climbing is that it is considered an 'extreme sport;' however, most people want to limit the extreme part as much as possible. Sport climbing became popular in the 1990s because its pre placed bolts afforded the climber more protection. The climbing gym is the next logical step in this progression. With padded floors, closely-spaced bolts, and a trained staff responsible for everyone's safety, patrons have little to fear from their climbing experience.

The number of climbing gyms in the United States will continue to grow as more and more people seek the thrill of climbing in a safe environment. The popularity of indoor climbing has far from peaked. This can be seen in part by the increase in both the number and organization of climbing competitions. There is even an international movement to make climbing an Olympic sport.

4.2.2 Market Needs

The Igneous area is in desperate need of a business that can provide a solution to three primary needs. The first is the need for adult recreation and socializing, the second is the need to increase climbing fitness, and the third is the need of parents to find interesting activities

Igneous Rock Gym

for their children. Igneous Rock Gym is set up to fill all three of these needs.

5.0 Strategy and Implementation Summary

Our strategy depends on our position as the only climbing gym in the area. Although this gives us an advantage, with fewer direct competitors, it also means we are introducing a new sport to the area and will have a high PR/marketing burden to promote the concept.

We will offer a variety of membership levels and short-term passes, so potential customers can try out the services without having to make an immediate commitment. We will also give special deals to churches, schools, and other groups with children, to create a demand for the climbing experience among young people.

5.1 Marketing Strategy

Igneous Rock Gym plans on leveraging its unique position as the only climbing gym in Igneous to gain early positive PR. In addition, Igneous Rock Gym will capitalize on word of mouth to gain new clients. Occasionally a print ad will be bought in the local paper.

Literature will be passed out at local schools emphasizing the ability to host birthday parties at the gym. Staff members will volunteer at local charities, in order to build strong relationships in the community. Igneous Rock Gym will also build community awareness by being present at local events, such as street fairs.

5.1.1 Pricing Strategy

Igneous Rock Gym's initial pricing strategy will be based on climbing gyms in other similar markets. This makes the most sense, because after the initial start-up costs climbing gyms have extremely low cost of sales. By using other gyms as benchmarks for pricing, Igneous Rock Gym can benefit from the the learning curve of others.

Group pricing will begin at \$100 for up to six people and \$15 for each additional person. This will include all equipment, and belay instruction for the designated belayers. In addition, each group will have the option of paying \$30 to have an employee spend the entire two hours rental session with them.

Individuals will pay an entrance fee with an additional fee to rent equipment. The following are prices with the total price with equipment rental in parentheses:

- Day Pass- \$12 (\$16)
- 10-Visit Punch card- \$89 (\$120)
- One-Month Membership- \$55 (\$70)
- One-Month College Membership- \$39 (\$55)
- Three-Month Membership- \$135 (\$165)
- Annual Membership- \$385 (\$435)
- College Annual Membership- \$325 (\$385)
- Annual Pay Plan- \$39/month (\$49) 12 month minimum contract
- Family Annual- \$625 first two \$150 each additional (\$725 and \$180)

Igneous Rock Gym

- Family Annual Pay Plan- \$70 first two \$15 each additional (\$80 and \$20)

Introductory classes will be \$45 and include a week's membership with equipment rental. Advanced classes will be offered for \$45, but will not include the free week. Those only wanting a quick belay lesson will be charged \$12.

Children's classes will be offered Monday through Friday. One class a week for children 7-10 years old will be \$60 for four consecutive weeks. One class a week for children 11-15 will be \$225 for three months, and the price will include equipment rental as well as a three month pass to come into the gym during normal business hours.

5.1.2 Promotion Strategy

A climbing gym's membership growth depends on good word of mouth. This is why groups are vital to the success of a gym, because they bring in people that would not normally try climbing.

The key to the success of a climbing gym lies in the fact that climbing is both addictive and more fun when done with others. This creates a situation where one member will bring in many other people to try the sport. This leads to new members who in turn bring more people in to try it.

In addition to word of mouth, Igneous Rock Gym will take advantage of its position as the only climbing gym in the Igneous area to gain access to free press. Television, radio, and print media are constantly looking for new and exciting subjects to bring to their customers. The climbing gym's uniqueness can be leveraged to create opportunities for press events.

It is also important to approach schools, churches, and scouting groups to educate them on the possibilities of bringing groups to the gym. By showing them the advantages of having field trips and group outings at the climbing gym, many children will be given the opportunity to try climbing. This will lead to more birthday parties and individual memberships.

5.2 Sales Strategy

Igneous Rock Gym will pursue three types of revenue streams: Groups, individual members, and classes.

Groups will include birthday parties, boy scouts, church youth groups, and corporate team building. By being the only climbing gym in the area, Igneous Rock Gym offers each one of these groups a unique venue in which to meet. Trained staff will ensure that groups are properly outfitted and trained in order to fully enjoy their time at the climbing gym. By providing a safe and fun time to customers, Igneous Rock Gym will be able to grow business exponentially as individual group members decide to bring other groups to the gym. This is also an excellent way of driving individual membership sales.

Not every person has the same financial resources. In order to accommodate the most people, different forms of memberships will be offered. These will include day passes, punch cards, one month, three month, annual, family, and college memberships. In addition, annual memberships will be sold on a monthly installment plan with a signed Electronic Funds Transfer (EFT) agreement.

Igneous Rock Gym

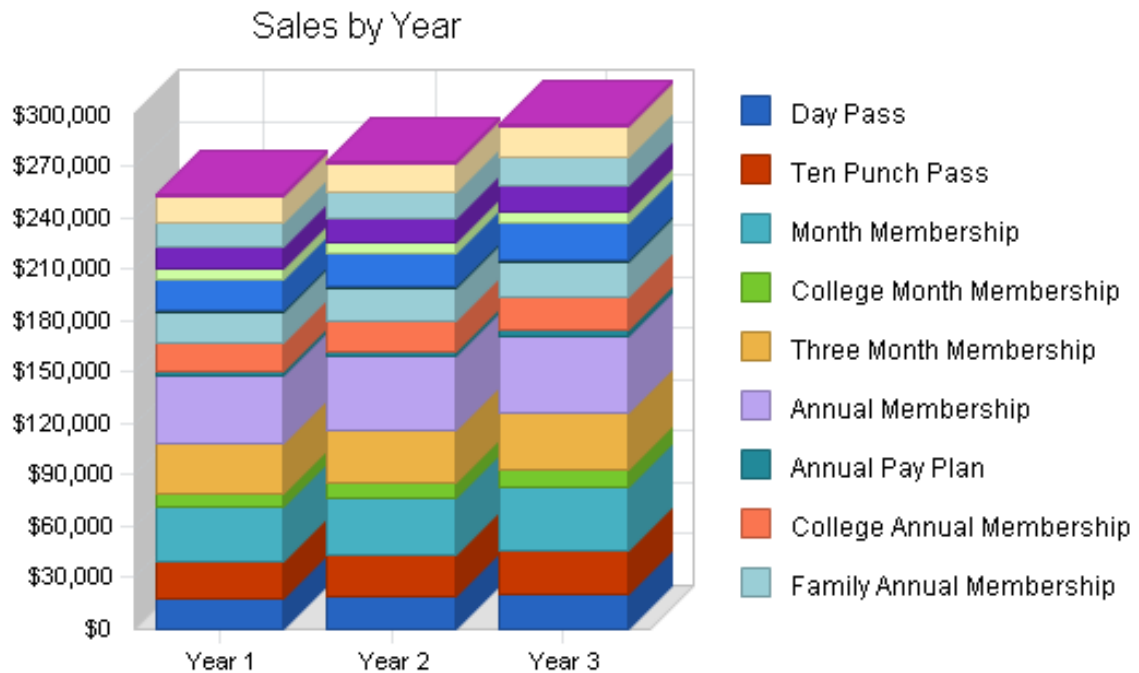
Classes will be offered to those wanting to gain new skills and, more importantly, for children wanting to be part of a weekly climbing group.

Customer service and providing a unique experience will be the hallmarks of Igneous Rock Gym.

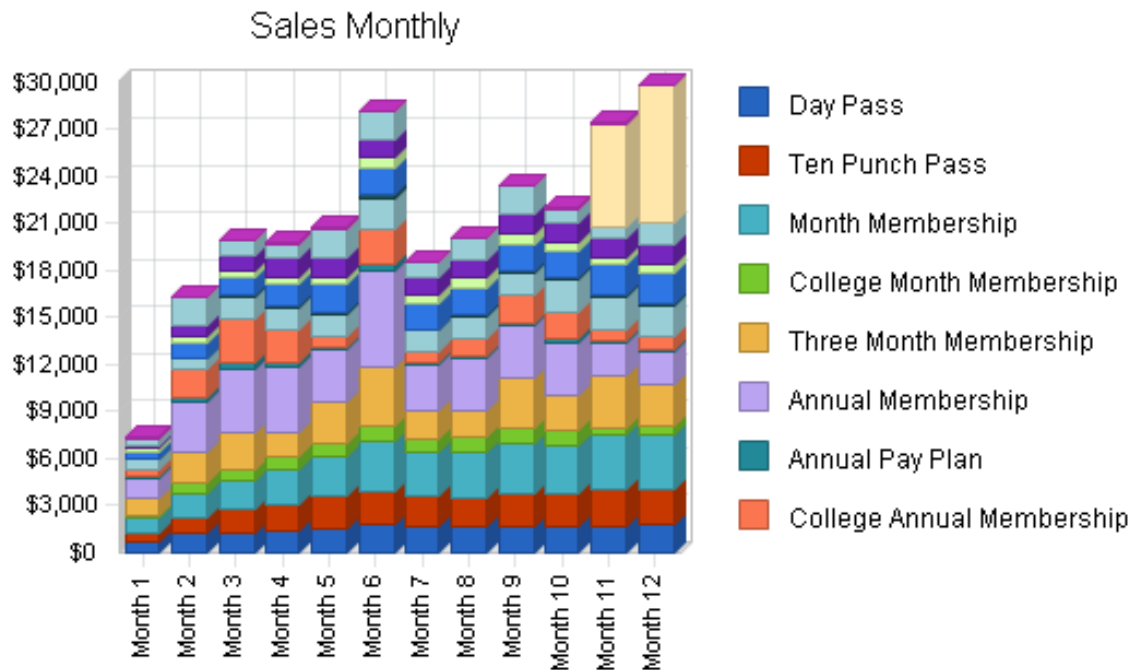
5.2.1 Sales Forecast

Sales are based on climbing gyms in similar markets. We expect that numbers will continue to grow significantly in the second and third years of business. Dollar amounts in each category reflect an average of the fee with and without gear.

The first month of business is expected to be slow. The novelty of the climbing gym will cause word to spread quickly and sales to increase rapidly the first couple of months. However, November and December are often slow months, as people try to save money for Christmas. January is typically one of the busier months with people looking for ways to exercise.



Igneous Rock Gym



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Table: Sales Forecast

Sales Forecast			
	Year 1	Year 2	Year 3
Unit Sales			
Day Pass	1,280	1,382	1,492
Ten Punch Pass	205	221	239
Month Membership	495	534	577
College Month Membership	181	195	210
Three Month Membership	190	205	221
Annual Membership	95	102	110
Annual Pay Plan	61	65	71
College Annual Membership	47	50	54
Family Annual Membership	26	28	30
Family Annual Pay Plan	20	21	23
Groups	157	169	183
Lessons	133	143	155
Climb Time	211	227	246
Junior Program	65	70	75
Summer Camps	105	113	122
Misc.	44	47	51
Total Unit Sales	3,315	3,572	3,859
Unit Prices			
	Year 1	Year 2	Year 3
Day Pass	\$14.00	\$14.00	\$14.00
Ten Punch Pass	\$107.00	\$107.00	\$107.00
Month Membership	\$63.00	\$63.00	\$63.00
College Month Membership	\$48.00	\$48.00	\$48.00
Three Month Membership	\$150.00	\$150.00	\$150.00
Annual Membership	\$415.00	\$415.00	\$415.00
Annual Pay Plan	\$44.00	\$44.00	\$44.00
College Annual Membership	\$355.00	\$355.00	\$355.00
Family Annual Membership	\$685.00	\$685.00	\$685.00
Family Annual Pay Plan	\$78.00	\$78.00	\$78.00
Groups	\$115.00	\$115.00	\$115.00
Lessons	\$45.00	\$45.00	\$45.00
Climb Time	\$60.00	\$60.00	\$60.00
Junior Program	\$225.00	\$225.00	\$225.00
Summer Camps	\$147.00	\$147.00	\$147.00
Misc.	\$20.00	\$20.00	\$20.00
Sales			
Day Pass	\$17,920	\$19,348	\$20,888
Ten Punch Pass	\$21,935	\$23,647	\$25,573
Month Membership	\$31,185	\$33,642	\$36,351
College Month Membership	\$8,688	\$9,360	\$10,080
Three Month Membership	\$28,500	\$30,750	\$33,150
Annual Membership	\$39,425	\$42,330	\$45,650
Annual Pay Plan	\$2,684	\$2,860	\$3,124
College Annual Membership	\$16,685	\$17,750	\$19,170
Family Annual Membership	\$17,810	\$19,180	\$20,550
Family Annual Pay Plan	\$1,560	\$1,638	\$1,794
Groups	\$18,055	\$19,435	\$21,045
Lessons	\$5,985	\$6,435	\$6,975
Climb Time	\$12,660	\$13,620	\$14,760
Junior Program	\$14,625	\$15,750	\$16,875
Summer Camps	\$15,435	\$16,611	\$17,934
Misc.	\$880	\$940	\$1,020

Igneous Rock Gym

Total Sales	\$254,032	\$273,296	\$294,939
Direct Unit Costs	Year 1	Year 2	Year 3
Day Pass	\$0.42	\$0.42	\$0.42
Ten Punch Pass	\$3.21	\$3.21	\$3.21
Month Membership	\$1.89	\$1.89	\$1.89
College Month Membership	\$1.44	\$1.44	\$1.44
Three Month Membership	\$4.50	\$4.50	\$4.50
Annual Membership	\$12.45	\$12.45	\$12.45
Annual Pay Plan	\$1.32	\$1.32	\$1.32
College Annual Membership	\$10.65	\$10.65	\$10.65
Family Annual Membership	\$20.55	\$20.55	\$20.55
Family Annual Pay Plan	\$2.34	\$2.34	\$2.34
Groups	\$6.90	\$6.90	\$6.90
Lessons	\$1.35	\$1.35	\$1.35
Climb Time	\$1.80	\$1.80	\$1.80
Junior Program	\$6.75	\$6.75	\$6.75
Summer Camps	\$44.10	\$44.10	\$44.10
Misc.	\$10.00	\$10.00	\$10.00
Direct Cost of Sales			
Day Pass	\$538	\$580	\$627
Ten Punch Pass	\$658	\$709	\$767
Month Membership	\$936	\$1,009	\$1,091
College Month Membership	\$261	\$281	\$302
Three Month Membership	\$855	\$923	\$995
Annual Membership	\$1,183	\$1,270	\$1,370
Annual Pay Plan	\$81	\$86	\$94
College Annual Membership	\$501	\$533	\$575
Family Annual Membership	\$534	\$575	\$617
Family Annual Pay Plan	\$47	\$49	\$54
Groups	\$1,083	\$1,166	\$1,263
Lessons	\$180	\$193	\$209
Climb Time	\$380	\$409	\$443
Junior Program	\$439	\$473	\$506
Summer Camps	\$4,631	\$4,983	\$5,380
Misc.	\$440	\$470	\$510
Subtotal Direct Cost of Sales	\$12,744	\$13,709	\$14,801

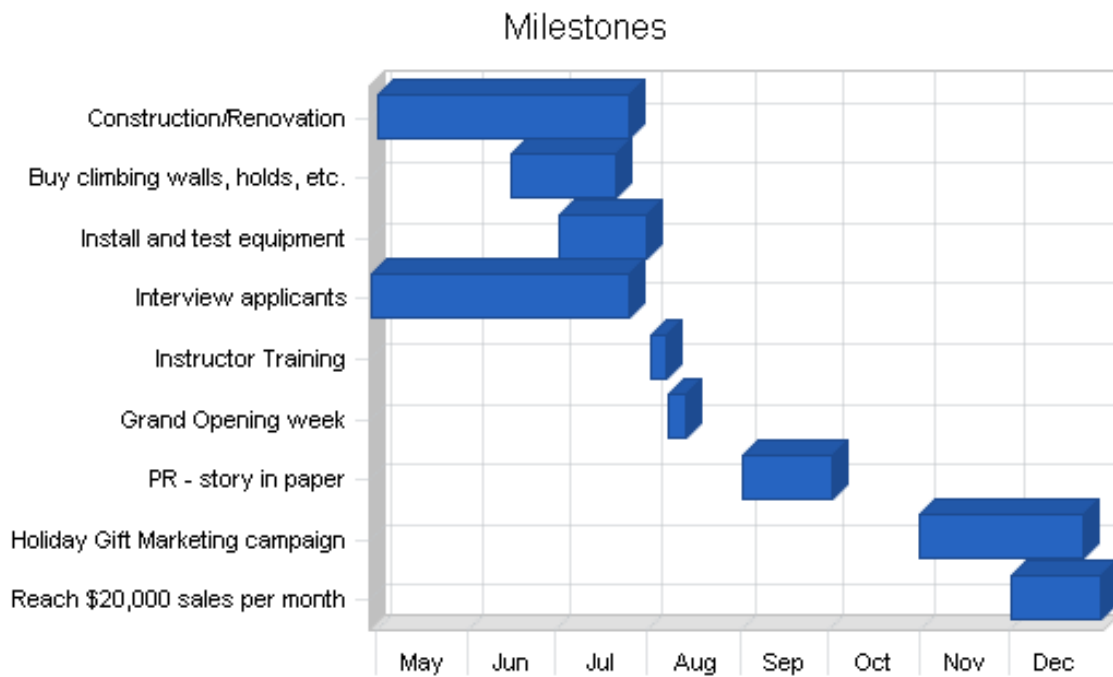
Igneous Rock Gym

5.3 Milestones

The most important goals and deadlines are shown below in the Milestones table and chart.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Construction/Renovation	5/1/2005	7/25/2005	\$16,200	Micah	Department
Buy climbing walls, holds, etc.	6/15/2005	7/20/2005	\$90,000	Micah and Cole	Department
Install and test equipment	7/1/2005	7/31/2005	\$0	Micah and Cole	Department
Interview applicants	4/29/2005	7/25/2005	\$0	Cole	Department
Instructor Training	8/1/2005	8/6/2005	\$960	Cole	Department
Grand Opening week	8/7/2005	8/13/2005	\$0	Cole	Department
PR - story in paper	9/1/2005	10/1/2005	\$0	Micah	Department
Holiday Gift Marketing campaign	10/31/2005	12/25/2005	\$450	Cole	Department
Reach \$20,000 sales per month	12/1/2005	12/31/2005	\$1,550	Micah and Cole	Department
Totals			\$109,160		



Igneous Rock Gym

6.0 Management Summary

Igneous Rock Gym will use a combination of paid hourly staff and volunteers. Cole Granite will use his extensive experience in the climbing gym industry to manage the day to day affairs of Igneous Rock Gym. In addition, we will hire four part-time, hourly staff members. Volunteers will be used to offset needs in route setting, kids programs, and groups.

The climbing gym industry enjoys a high rate of qualified applicants and volunteers. Potential employees are drawn by the lifestyle and atmosphere of climbing gyms. They also enjoy the added bonus of being able to pro deal equipment at a significant discount. This allows gyms to keep employees happy without having to pay high wages.

6.1 Personnel Plan

Forecasted personnel expenditures are based on the total hours worked each month by the manager and the front desk/instructor employees. Salaries for Igneous Rock Gym employees will be \$15/hr for the manager, and \$10/hr for the instructor/instructors.

Business hours for Igneous Rock Gym will be noon-10 PM Monday-Friday, and noon-6 PM on Saturday and Sunday. In addition, employees will work during non-operating hours in order to route set, clean, do general maintenance, and supervise group rentals.

During a normal business week, a total of 40 hrs will be scheduled for the manager and 91.5 hours combined for the front desk/instructors.

Table: Personnel

Personnel Plan			
	Year 1	Year 2	Year 3
Manager	\$31,450	\$34,320	\$36,610
Front Desk/Instructors	\$47,600	\$52,300	\$53,000
Total People	5	5	5
Total Payroll	\$79,050	\$86,620	\$89,610

7.0 Financial Plan

Igneous Rock Gym sales are projected to grow at a conservative rate of 8% per year. The current gym's size can sustain this rate for at least 10 years.

After start-up, Igneous Rock Gym may look to create more opportunities for growth by opening a climbing gear retail shop or small coffee shop within its premises. Funding for this and other possible expansions will be done through loans to the owners.

7.1 Start-up Funding

Igneous Rock Gym

Cole Granite and Micah Quartz plan on personally funding the entire start-up cost. Their initial investments of \$70,000 each will come from taking out second mortgages on their houses and supplementing this amount from personal saving accounts.

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	\$25,000
Start-up Assets to Fund	\$115,000
Total Funding Required	\$140,000
Assets	
Non-cash Assets from Start-up	\$92,000
Cash Requirements from Start-up	\$23,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$23,000
Total Assets	\$115,000
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0
Capital	
Planned Investment	
Micah Quartz	\$70,000
Cole Granite	\$70,000
Additional Investment Requirement	\$0
Total Planned Investment	\$140,000
Loss at Start-up (Start-up Expenses)	(\$25,000)
Total Capital	\$115,000
Total Capital and Liabilities	\$115,000
Total Funding	\$140,000

Igneous Rock Gym

7.2 Break-even Analysis

Our monthly Break-even point is shown below. With extremely low variable costs, the primary monthly expense comes from fixed costs.

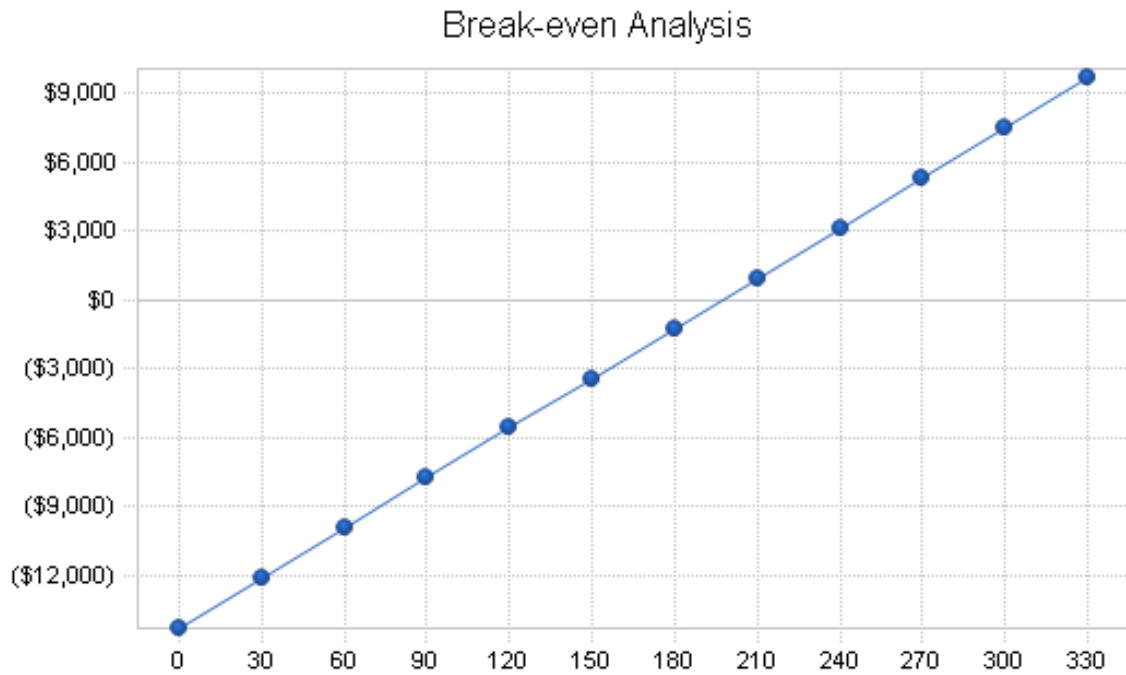


Table: Break-even Analysis

Break-even Analysis	
Monthly Units Break-even	197
Monthly Revenue Break-even	\$15,095
Assumptions:	
Average Per-Unit Revenue	\$76.63
Average Per-Unit Variable Cost	\$3.84
Estimated Monthly Fixed Cost	\$14,338

Igneous Rock Gym

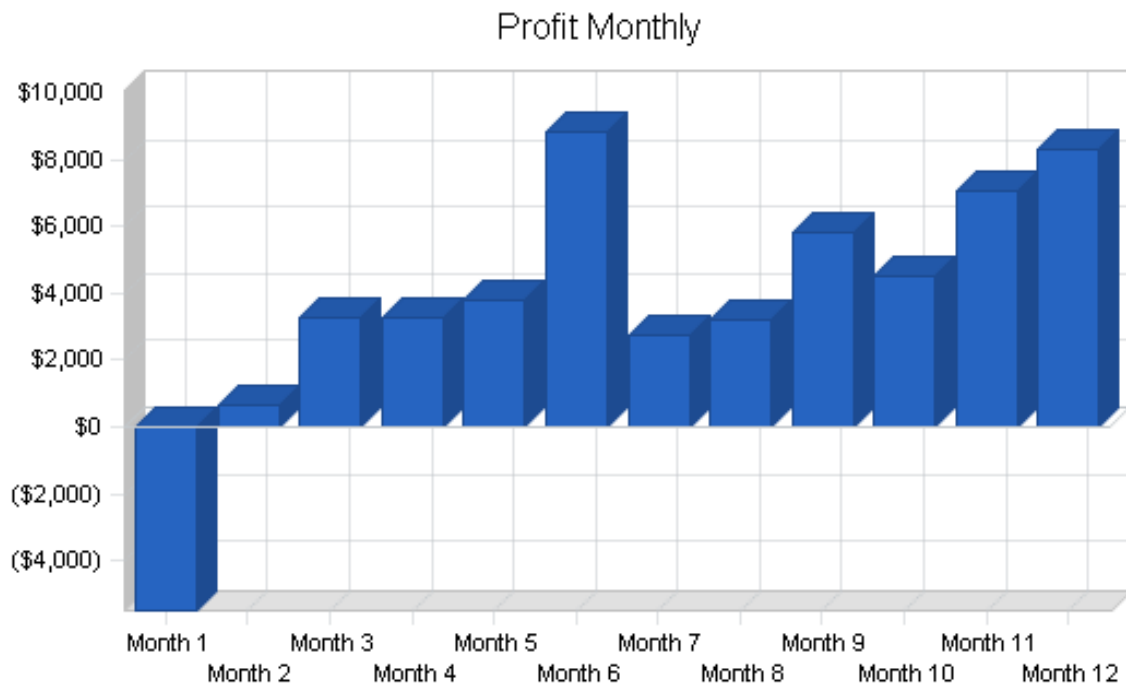
7.3 Projected Profit and Loss

In the first year of business, Igneous Rock Gym will see an initial strong growth in sales followed by a slow, steady growth. The sales spike in January is due to the increased focus on fitness that traditionally happens during this month. Summers tend to be slower months for memberships; however, summer camps and an increase in birthday parties will make up for this loss in revenue.

Climbing gyms are expensive to start, but the cost of sales is very low. Due to the following reasons general operating expenses for a climbing gym are also low:

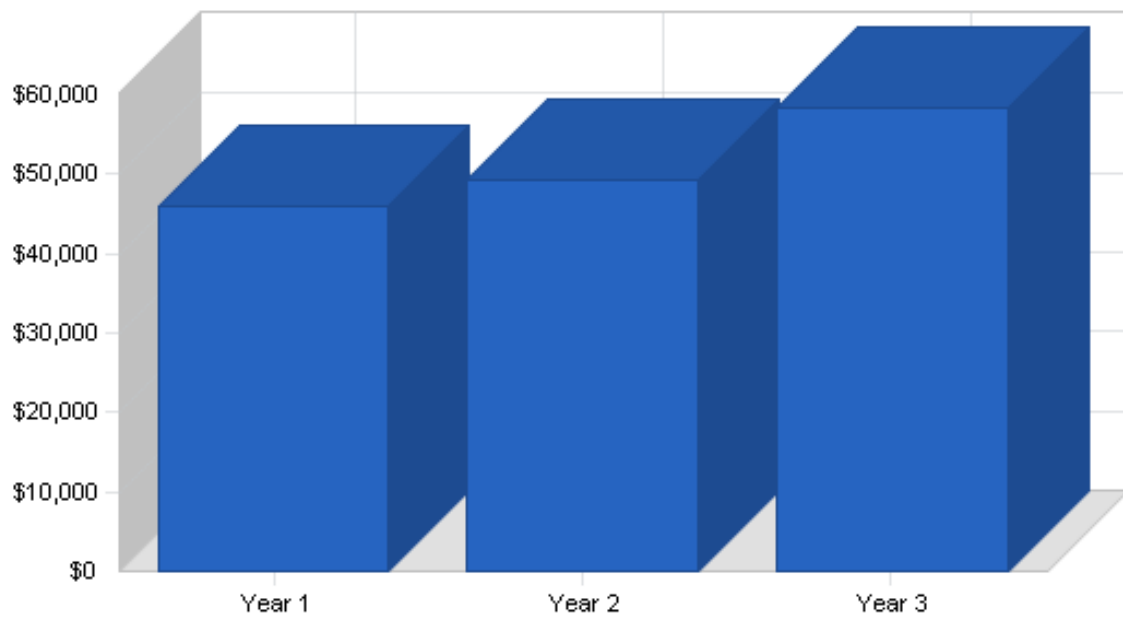
- Less than prime real estate is needed for site
- Staffing needs per customer are very low and volunteers are readily available
- High word-of-mouth marketing leads to less paid marketing
- Equipment and climbing walls have long lifespans

All of these factors combine to make it realistic that Igneous Rock Gym will be profitable in its first year of business.

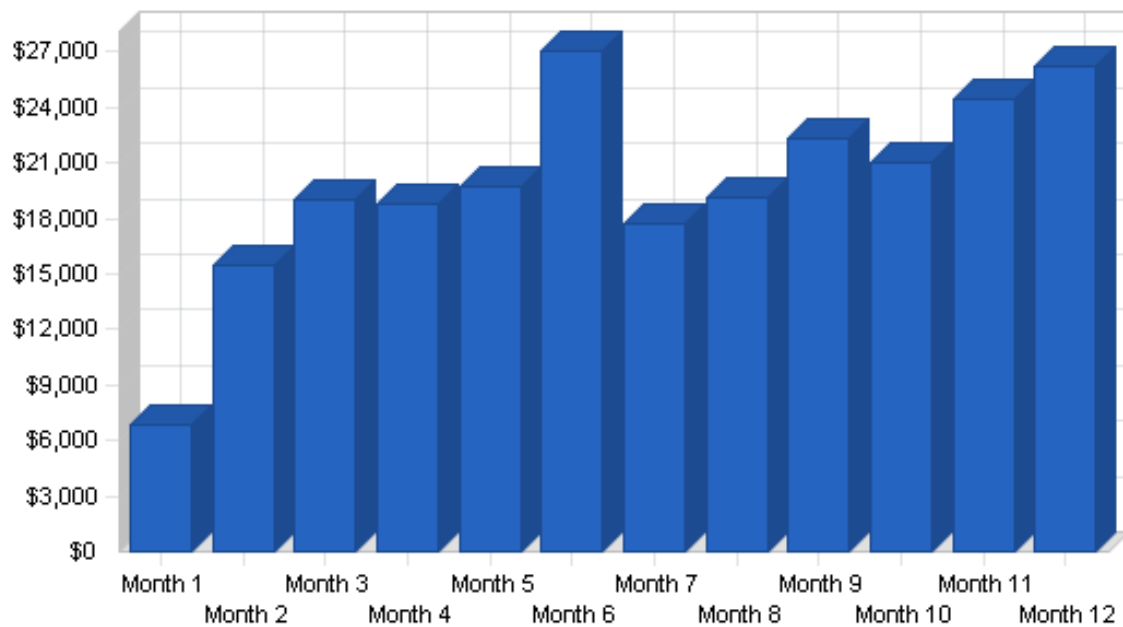


Igneous Rock Gym

Profit Yearly



Gross Margin Monthly



Igneous Rock Gym

Gross Margin Yearly

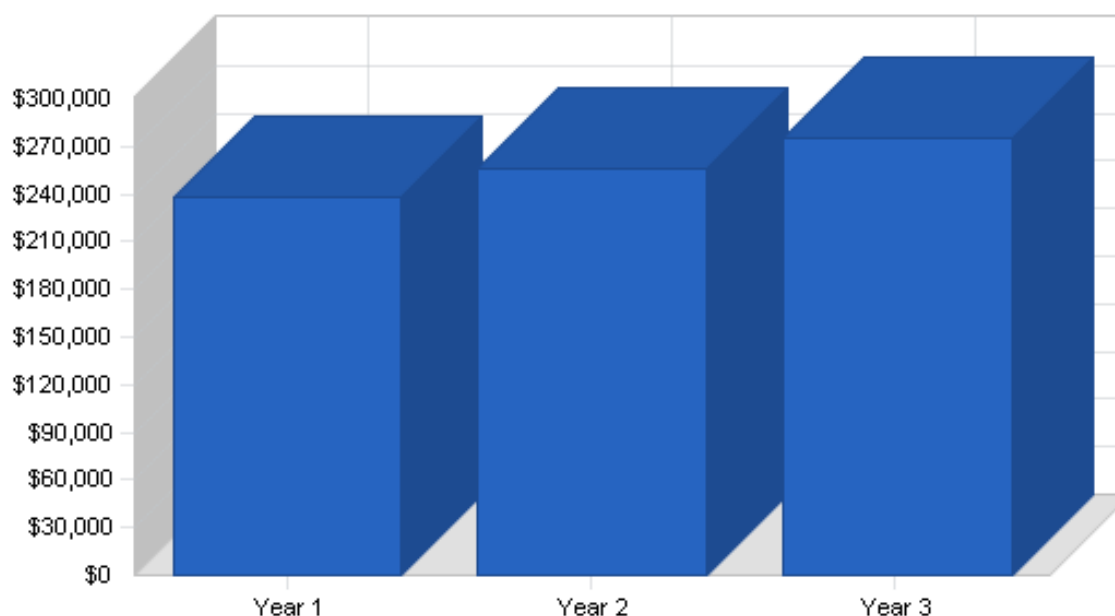


Table: Profit and Loss

Pro Forma Profit and Loss			
	Year 1	Year 2	Year 3
Sales	\$254,032	\$273,296	\$294,939
Direct Cost of Sales	\$12,744	\$13,709	\$14,801
Other Costs of Sales	\$3,600	\$4,200	\$4,800
Total Cost of Sales	\$16,344	\$17,909	\$19,601
Gross Margin	\$237,688	\$255,387	\$275,338
Gross Margin %	93.57%	93.45%	93.35%
Expenses			
Payroll	\$79,050	\$86,620	\$89,610
Marketing/Promotion	\$3,150	\$4,000	\$5,000
Depreciation	\$3,600	\$3,600	\$3,600
Rent	\$52,800	\$52,800	\$52,800
Utilities	\$4,800	\$5,200	\$6,000
Insurance	\$13,200	\$15,500	\$16,500
Payroll Taxes	\$11,858	\$13,000	\$13,500
Other	\$3,600	\$4,200	\$4,800
Total Operating Expenses	\$172,058	\$184,920	\$191,810
Profit Before Interest and Taxes	\$65,631	\$70,467	\$83,528
EBITDA	\$69,231	\$74,067	\$87,128
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$19,689	\$21,140	\$25,058
Net Profit	\$45,942	\$49,327	\$58,470
Net Profit/Sales	18.08%	18.05%	19.82%

Igneous Rock Gym

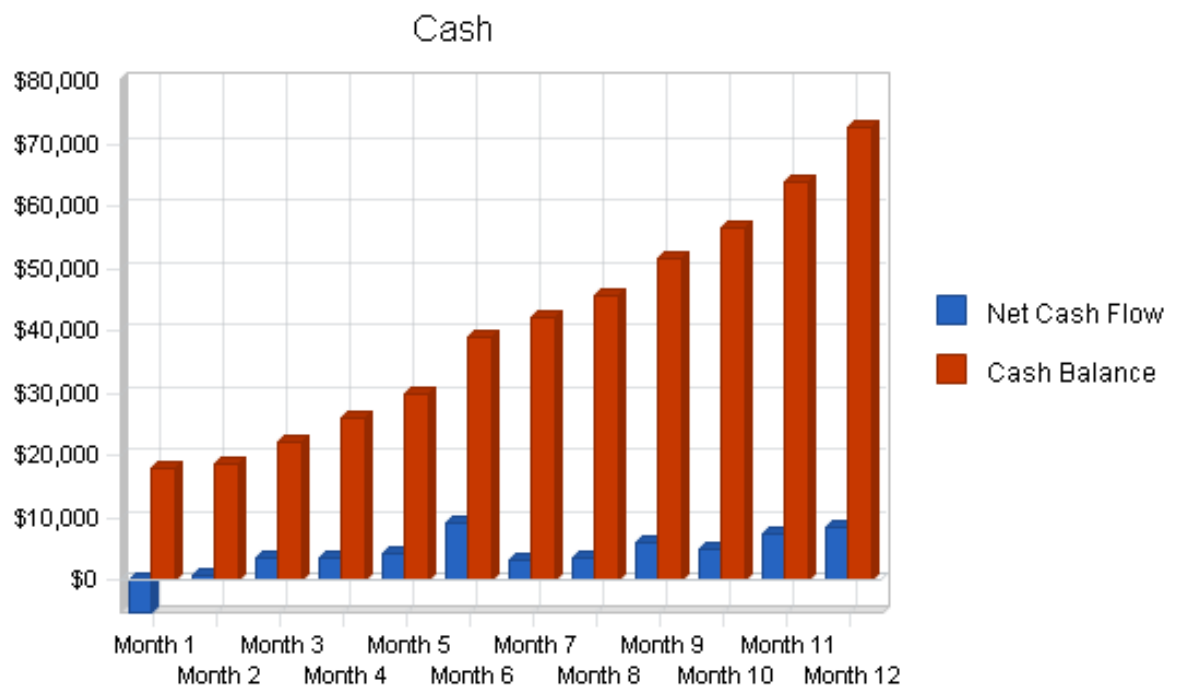
7.4 Projected Cash Flow

As seen in the following chart, Igneous Rock Gym will enjoy a strong positive cash flow following its first month of operation. This is due to the fact that there is no need to purchase goods. It is also important to note that Igneous Rock Gym will have no need to give its members terms, and therefore, all payments will be made by cash, check, credit card, or EFT.

Table: Cash Flow

Pro Forma Cash Flow			
	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$254,032	\$273,296	\$294,939
Subtotal Cash from Operations	\$254,032	\$273,296	\$294,939
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	\$254,032	\$273,296	\$294,939
Expenditures			
Expenditures from Operations			
Cash Spending	\$204,490	\$220,369	\$232,869
Subtotal Spent on Operations	\$204,490	\$220,369	\$232,869
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 Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$204,490	\$220,369	\$232,869
Net Cash Flow	\$49,542	\$52,927	\$62,070
Cash Balance	\$72,542	\$125,469	\$187,538

Igneous Rock Gym



Igneous Rock Gym

7.5 Projected Balance Sheet

The balance sheet shows the healthy growth of Igneous Rock Gym's net worth, and its strong financial position.

Table: Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$72,542	\$125,469	\$187,538
Other Current Assets	\$2,000	\$2,000	\$2,000
Total Current Assets	\$74,542	\$127,469	\$189,538
Long-term Assets			
Long-term Assets	\$90,000	\$90,000	\$90,000
Accumulated Depreciation	\$3,600	\$7,200	\$10,800
Total Long-term Assets	\$86,400	\$82,800	\$79,200
Total Assets	\$160,942	\$210,269	\$268,738
Liabilities and Capital			
Current Liabilities			
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$0	\$0
Long-term Liabilities			
Total Liabilities	\$0	\$0	\$0
Paid-in Capital			
Paid-in Capital	\$140,000	\$140,000	\$140,000
Retained Earnings	(\$25,000)	\$20,942	\$70,269
Earnings	\$45,942	\$49,327	\$58,470
Total Capital	\$160,942	\$210,269	\$268,738
Total Liabilities and Capital	\$160,942	\$210,269	\$268,738
Net Worth	\$160,942	\$210,269	\$268,738

7.6 Business Ratios

The following table outlines some of the more important ratios from the Athletic Clubs and Gymnasiums, Membership industry. The final column, Industry Profile, details specific ratios based on the industry as it is classified by the Standard Industry Classification (SIC) code, 7991.

Igneous Rock Gym

Table: Ratios

Ratio Analysis				
	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	7.58%	7.92%	10.91%
Percent of Total Assets				
Other Current Assets	1.24%	0.95%	0.74%	29.68%
Total Current Assets	46.32%	60.62%	70.53%	39.03%
Long-term Assets	53.68%	39.38%	29.47%	60.97%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.00%	0.00%	0.00%	24.30%
Long-term Liabilities	0.00%	0.00%	0.00%	23.97%
Total Liabilities	0.00%	0.00%	0.00%	48.27%
Net Worth	100.00%	100.00%	100.00%	51.73%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	93.57%	93.45%	93.35%	100.00%
Selling, General & Administrative Expenses	75.48%	75.40%	73.53%	71.17%
Advertising Expenses	0.00%	0.00%	0.00%	2.77%
Profit Before Interest and Taxes	25.84%	25.78%	28.32%	2.47%
Main Ratios				
Current	0.00	0.00	0.00	1.04
Quick	0.00	0.00	0.00	0.71
Total Debt to Total Assets	0.00%	0.00%	0.00%	62.60%
Pre-tax Return on Net Worth	40.78%	33.51%	31.08%	3.34%
Pre-tax Return on Assets	40.78%	33.51%	31.08%	8.94%
Additional Ratios				
	Year 1	Year 2	Year 3	
Net Profit Margin	18.08%	18.05%	19.82%	n.a
Return on Equity	28.55%	23.46%	21.76%	n.a
Activity Ratios				
Accounts Payable Turnover	8.87	12.17	12.17	n.a
Total Asset Turnover	1.58	1.30	1.10	n.a
Debt Ratios				
Debt to Net Worth	0.00	0.00	0.00	n.a
Current Liab. to Liab.	0.00	0.00	0.00	n.a
Liquidity Ratios				
Net Working Capital	\$74,542	\$127,469	\$189,538	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.63	0.77	0.91	n.a
Current Debt/Total Assets	0%	0%	0%	n.a
Acid Test	0.00	0.00	0.00	n.a
Sales/Net Worth	1.58	1.30	1.10	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Table: Sales Forecast

Sales Forecast													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Unit Sales													
Day Pass	0%	50	85	90	100	110	130	120	115	120	115	120	125
Ten Punch Pass	0%	5	10	14	16	20	20	18	18	20	20	22	22
Month Membership	0%	15	25	30	35	40	50	45	45	50	50	55	55
College Month Membership	0%	3	12	15	18	15	20	18	20	20	20	10	10
Three Month Membership	0%	8	13	15	10	18	25	12	12	22	15	22	18
Annual Membership	0%	3	8	10	10	8	15	7	8	8	8	5	5
Annual Pay Plan	0%	3	6	7	6	5	10	3	4	3	4	5	5
College Annual Membership	0%	1	5	8	6	2	6	2	3	5	5	2	2
Family Annual Membership	0%	1	1	2	2	2	3	2	2	2	3	3	3
Family Annual Pay Plan	0%	1	1	2	2	1	3	1	1	2	2	2	2
Groups	0%	4	8	10	12	16	14	14	15	15	15	17	17
Lessons	0%	4	8	10	10	10	15	12	15	15	12	10	12
Climb Time	0%	3	12	16	20	20	20	20	20	20	20	20	20
Junior Program	0%	2	8	4	4	8	8	4	6	8	4	3	6
Summer Camps	0%	0	0	0	0	0	0	0	0	0	0	45	60
Misc.	0%	4	3	4	4	8	3	3	3	3	3	3	3
Total Unit Sales		107	205	237	255	283	342	281	287	313	296	344	365
Unit Prices													
Day Pass		\$14.00	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00
Ten Punch Pass		\$107.00	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00
Month Membership		\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00
College Month Membership		\$48.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00
Three Month Membership		\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Annual Membership		\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00	\$415.00
Annual Pay Plan		\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00
College Annual Membership		\$355.00	\$355.00	\$355.00	\$355.00	\$355.00	\$355.00	\$355.00	\$355.00	\$355.00	\$355.00	\$355.00	\$355.00
Family Annual Membership		\$685.00	\$685.00	\$685.00	\$685.00	\$685.00	\$685.00	\$685.00	\$685.00	\$685.00	\$685.00	\$685.00	\$685.00
Family Annual Pay Plan		\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00
Groups		\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00
Lessons		\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00
Climb Time		\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
Junior Program		\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00
Summer Camps		\$147.00	\$147.00	\$147.00	\$147.00	\$147.00	\$147.00	\$147.00	\$147.00	\$147.00	\$147.00	\$147.00	\$147.00
Misc.		\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Sales													

Appendix

Day Pass		\$700	\$1,190	\$1,260	\$1,400	\$1,540	\$1,820	\$1,680	\$1,610	\$1,680	\$1,610	\$1,680	\$1,750
Ten Punch Pass		\$535	\$1,070	\$1,498	\$1,712	\$2,140	\$2,140	\$1,926	\$1,926	\$2,140	\$2,140	\$2,354	\$2,354
Month Membership		\$945	\$1,575	\$1,890	\$2,205	\$2,520	\$3,150	\$2,835	\$2,835	\$3,150	\$3,150	\$3,465	\$3,465
College Month Membership		\$144	\$576	\$720	\$864	\$720	\$960	\$864	\$960	\$960	\$960	\$480	\$480
Three Month Membership		\$1,200	\$1,950	\$2,250	\$1,500	\$2,700	\$3,750	\$1,800	\$1,800	\$3,300	\$2,250	\$3,300	\$2,700
Annual Membership		\$1,245	\$3,320	\$4,150	\$4,150	\$3,320	\$6,225	\$2,905	\$3,320	\$3,320	\$3,320	\$2,075	\$2,075
Annual Pay Plan		\$132	\$264	\$308	\$264	\$220	\$440	\$132	\$176	\$132	\$176	\$220	\$220
College Annual Membership		\$355	\$1,775	\$2,840	\$2,130	\$710	\$2,130	\$710	\$1,065	\$1,775	\$1,775	\$710	\$710
Family Annual Membership		\$685	\$685	\$1,370	\$1,370	\$1,370	\$2,055	\$1,370	\$1,370	\$1,370	\$2,055	\$2,055	\$2,055
Family Annual Pay Plan		\$78	\$78	\$156	\$156	\$78	\$234	\$78	\$78	\$156	\$156	\$156	\$156
Groups		\$460	\$920	\$1,150	\$1,380	\$1,840	\$1,610	\$1,610	\$1,725	\$1,725	\$1,725	\$1,955	\$1,955
Lessons		\$180	\$360	\$450	\$450	\$450	\$675	\$540	\$675	\$675	\$540	\$450	\$540
Climb Time		\$180	\$720	\$960	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Junior Program		\$450	\$1,800	\$900	\$900	\$1,800	\$1,800	\$900	\$1,350	\$1,800	\$900	\$675	\$1,350
Summer Camps		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,615	\$8,820
Misc.		\$80	\$60	\$80	\$80	\$160	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Total Sales		\$7,369	\$16,343	\$19,982	\$19,761	\$20,768	\$28,249	\$18,610	\$20,150	\$23,443	\$22,017	\$27,450	\$29,890
Direct Unit Costs		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Day Pass	3.00%	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42
Ten Punch Pass	3.00%	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21	\$3.21
Month Membership	3.00%	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89
College Month Membership	3.00%	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44
Three Month Membership	3.00%	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Annual Membership	3.00%	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45	\$12.45
Annual Pay Plan	3.00%	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32
College Annual Membership	3.00%	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65	\$10.65
Family Annual Membership	3.00%	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55	\$20.55
Family Annual Pay Plan	3.00%	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34	\$2.34
Groups	6.00%	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90
Lessons	3.00%	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
Climb Time	3.00%	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80
Junior Program	3.00%	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75	\$6.75
Summer Camps	30.00%	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10	\$44.10
Misc.	50.00%	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Direct Cost of Sales													
Day Pass		\$21	\$36	\$38	\$42	\$46	\$55	\$50	\$48	\$50	\$48	\$50	\$53
Ten Punch Pass		\$16	\$32	\$45	\$51	\$64	\$64	\$58	\$58	\$64	\$64	\$71	\$71
Month Membership		\$28	\$47	\$57	\$66	\$76	\$95	\$85	\$85	\$95	\$95	\$104	\$104
College Month Membership		\$4	\$17	\$22	\$26	\$22	\$29	\$26	\$29	\$29	\$29	\$14	\$14
Three Month Membership		\$36	\$59	\$68	\$45	\$81	\$113	\$54	\$54	\$99	\$68	\$99	\$81
Annual Membership		\$37	\$100	\$125	\$125	\$100	\$187	\$87	\$100	\$100	\$100	\$62	\$62

Appendix

Annual Pay Plan	\$4	\$8	\$9	\$8	\$7	\$13	\$4	\$5	\$4	\$5	\$7	\$7
College Annual Membership	\$11	\$53	\$85	\$64	\$21	\$64	\$21	\$32	\$53	\$53	\$21	\$21
Family Annual Membership	\$21	\$21	\$41	\$41	\$41	\$62	\$41	\$41	\$41	\$62	\$62	\$62
Family Annual Pay Plan	\$2	\$2	\$5	\$5	\$2	\$7	\$2	\$2	\$5	\$5	\$5	\$5
Groups	\$28	\$55	\$69	\$83	\$110	\$97	\$97	\$103	\$103	\$103	\$117	\$117
Lessons	\$5	\$11	\$13	\$13	\$13	\$20	\$16	\$20	\$20	\$16	\$13	\$16
Climb Time	\$5	\$22	\$29	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36
Junior Program	\$14	\$54	\$27	\$27	\$54	\$54	\$27	\$41	\$54	\$27	\$20	\$41
Summer Camps	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,985	\$2,646
Misc.	\$40	\$30	\$40	\$40	\$80	\$30	\$30	\$30	\$30	\$30	\$30	\$30
Subtotal Direct Cost of Sales	\$272	\$546	\$672	\$672	\$753	\$924	\$635	\$684	\$783	\$740	\$2,696	\$3,365

Appendix

Table: Personnel

Personnel Plan		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Manager	0%	\$2,800	\$2,700	\$2,550	\$2,650	\$2,650	\$2,650	\$2,400	\$2,800	\$2,400	\$2,650	\$2,650	\$2,550
Front Desk/Instructors	0%	\$3,850	\$4,000	\$4,100	\$3,800	\$3,900	\$4,000	\$3,700	\$4,100	\$3,950	\$4,100	\$4,000	\$4,100
Total People		5	5	5	5	5	5	5	5	5	5	5	5
Total Payroll		\$6,650	\$6,700	\$6,650	\$6,450	\$6,550	\$6,650	\$6,100	\$6,900	\$6,350	\$6,750	\$6,650	\$6,650

Appendix

Table: Profit and Loss

Pro Forma Profit and Loss												
	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	\$7,369	\$16,343	\$19,982	\$19,761	\$20,768	\$28,249	\$18,610	\$20,150	\$23,443	\$22,017	\$27,450	\$29,890
Direct Cost of Sales	\$272	\$546	\$672	\$672	\$753	\$924	\$635	\$684	\$783	\$740	\$2,696	\$3,365
Other Costs of Sales	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Total Cost of Sales	\$572	\$846	\$972	\$972	\$1,053	\$1,224	\$935	\$984	\$1,083	\$1,040	\$2,996	\$3,665
Gross Margin	\$6,797	\$15,497	\$19,010	\$18,789	\$19,715	\$27,025	\$17,675	\$19,166	\$22,360	\$20,977	\$24,454	\$26,225
Gross Margin %	92.23%	94.82%	95.14%	95.08%	94.93%	95.67%	94.98%	95.11%	95.38%	95.27%	89.08%	87.74%
Expenses												
Payroll	\$6,650	\$6,700	\$6,650	\$6,450	\$6,550	\$6,650	\$6,100	\$6,900	\$6,350	\$6,750	\$6,650	\$6,650
Marketing/Promotion	\$500	\$400	\$200	\$200	\$250	\$300	\$200	\$200	\$250	\$250	\$200	\$200
Depreciation	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Rent	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
Utilities	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Insurance	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
Payroll Taxes	15%	\$998	\$1,005	\$998	\$968	\$983	\$998	\$915	\$1,035	\$953	\$1,013	\$998
Other	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
Total Operating Expenses	\$14,648	\$14,605	\$14,348	\$14,118	\$14,283	\$14,448	\$13,715	\$14,635	\$14,053	\$14,513	\$14,348	\$14,348
Profit Before Interest and Taxes	(\$7,851)	\$892	\$4,663	\$4,672	\$5,432	\$12,578	\$3,960	\$4,531	\$8,307	\$6,464	\$10,106	\$11,878
EBITDA	(\$7,551)	\$1,192	\$4,963	\$4,972	\$5,732	\$12,878	\$4,260	\$4,831	\$8,607	\$6,764	\$10,406	\$12,178
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	(\$2,355)	\$268	\$1,399	\$1,402	\$1,630	\$3,773	\$1,188	\$1,359	\$2,492	\$1,939	\$3,032	\$3,563
Net Profit	(\$5,496)	\$624	\$3,264	\$3,270	\$3,802	\$8,804	\$2,772	\$3,171	\$5,815	\$4,525	\$7,074	\$8,314
Net Profit/Sales	-74.58%	3.82%	16.33%	16.55%	18.31%	31.17%	14.90%	15.74%	24.81%	20.55%	25.77%	27.82%

Appendix

Table: Cash Flow

Pro Forma Cash Flow												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	\$7,369	\$16,343	\$19,982	\$19,761	\$20,768	\$28,249	\$18,610	\$20,150	\$23,443	\$22,017	\$27,450	\$29,890
Subtotal Cash from Operations	\$7,369	\$16,343	\$19,982	\$19,761	\$20,768	\$28,249	\$18,610	\$20,150	\$23,443	\$22,017	\$27,450	\$29,890
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
New Other Liabilities (interest-free)		\$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
Sales of Other Current Assets		\$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
New Investment Received		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$7,369	\$16,343	\$19,982	\$19,761	\$20,768	\$28,249	\$18,610	\$20,150	\$23,443	\$22,017	\$27,450	\$29,890
Expenditures												
Expenditures from Operations												
Cash Spending	\$12,565	\$15,419	\$16,418	\$16,191	\$16,666	\$19,145	\$15,538	\$16,679	\$17,328	\$17,192	\$20,076	\$21,276
Subtotal Spent on Operations	\$12,565	\$15,419	\$16,418	\$16,191	\$16,666	\$19,145	\$15,538	\$16,679	\$17,328	\$17,192	\$20,076	\$21,276
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 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	\$12,565	\$15,419	\$16,418	\$16,191	\$16,666	\$19,145	\$15,538	\$16,679	\$17,328	\$17,192	\$20,076	\$21,276
Net Cash Flow	(\$5,196)	\$924	\$3,564	\$3,570	\$4,102	\$9,104	\$3,072	\$3,471	\$6,115	\$4,825	\$7,374	\$8,614
Cash Balance	\$17,804	\$18,729	\$22,293	\$25,863	\$29,965	\$39,070	\$42,142	\$45,613	\$51,728	\$56,553	\$63,927	\$72,542

Appendix

Table: Balance Sheet

Pro Forma Balance Sheet													
Assets	Starting Balances	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Assets													
Cash	\$23,000	\$17,804	\$18,729	\$22,293	\$25,863	\$29,965	\$39,070	\$42,142	\$45,613	\$51,728	\$56,553	\$63,927	\$72,542
Other Current Assets	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total Current Assets	\$25,000	\$19,804	\$20,729	\$24,293	\$27,863	\$31,965	\$41,070	\$44,142	\$47,613	\$53,728	\$58,553	\$65,927	\$74,542
Long-term Assets													
Long-term Assets	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
Accumulated Depreciation	\$0	\$300	\$600	\$900	\$1,200	\$1,500	\$1,800	\$2,100	\$2,400	\$2,700	\$3,000	\$3,300	\$3,600
Total Long-term Assets	\$90,000	\$89,700	\$89,400	\$89,100	\$88,800	\$88,500	\$88,200	\$87,900	\$87,600	\$87,300	\$87,000	\$86,700	\$86,400
Total Assets	\$115,000	\$109,504	\$110,129	\$113,393	\$116,663	\$120,465	\$129,270	\$132,042	\$135,213	\$141,028	\$145,553	\$152,627	\$160,942
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities													
Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid-in Capital													
Paid-in Capital	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
Retained Earnings	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)
Earnings	\$0	(\$5,496)	(\$4,871)	(\$1,607)	\$1,663	\$5,465	\$14,270	\$17,042	\$20,213	\$26,028	\$30,553	\$37,627	\$45,942
Total Capital	\$115,000	\$109,504	\$110,129	\$113,393	\$116,663	\$120,465	\$129,270	\$132,042	\$135,213	\$141,028	\$145,553	\$152,627	\$160,942
Total Liabilities and Capital	\$115,000	\$109,504	\$110,129	\$113,393	\$116,663	\$120,465	\$129,270	\$132,042	\$135,213	\$141,028	\$145,553	\$152,627	\$160,942
Net Worth	\$115,000	\$109,504	\$110,129	\$113,393	\$116,663	\$120,465	\$129,270	\$132,042	\$135,213	\$141,028	\$145,553	\$152,627	\$160,942

Appendix

Table: General Assumptions

General Assumptions												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0