



2015-2016

**Business Plan (North Springs Charter HS 2997):**

**24-Minute Gym**

887 Howell Mill Rd

Atlanta, GA 30318

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## 1. EXECUTIVE SUMMARY

The 24 Minute Fitness Gym is a unique alternative to pre-existing workout facilities that range from big box fitness centers to one-on-one personal training studios. We combine expert fitness research with innovative technology to create the first ever virtual personal training fitness center. Customers will receive a semi-customized 24-minute workout regimen using High Intensity Interval Training (HIIT). According to Men's Health Magazine, HIIT training produces a full body workout in as few as 20 minutes.

Our target customers are busy, young to mid-career professionals who embrace the mantra “Time is money.” Besides being time conscious, they are results orientated, self-directed, and embracers of technology. Our target customer may consider typical fitness options to be burdensome to their busy lives, but they have to find a way to make it work. Our tagline “Don’t waste HOUR time!” embraces the pragmatism, assertiveness, and time sensitivity of our target customers. We have a three-pronged customer acquisition strategy that: 1) incorporates using an outside representative to partner with local business organizations and businesses, 2) advertising on local radio stations frequented by our target customer (sports and news), and 3) traditional marketing mediums such as billboards, flyers (targeted locations), and industry periodicals.

***75% of gym members  
only know how to use  
15% of the equipment.***

Men’s Health, 2014

Every time a customer enters our facility, they scan their smartphone, and are directed to an ever-changing series of HIIT exercises, so their exercise routines never get mundane. According to Dr. Darr Treasure, a psychologist from Tulane University, 75% of gym members only know how to use 15% of the equipment. Our member’s smartphones will direct them to the equipment through a virtual personal trainer on a video monitor, which who demonstrates how to properly do the required exercise based on the fitness level of that customer. Customers will scan their phone at the monitor, so that the workout is customized. Individual results are tracked and progress is monitored. Our fitness director’s responsibilities include creating rigorous routine, based on their performance and ability.

By using technology in lieu of actual personal trainers, and by designing specific workout routines based on the

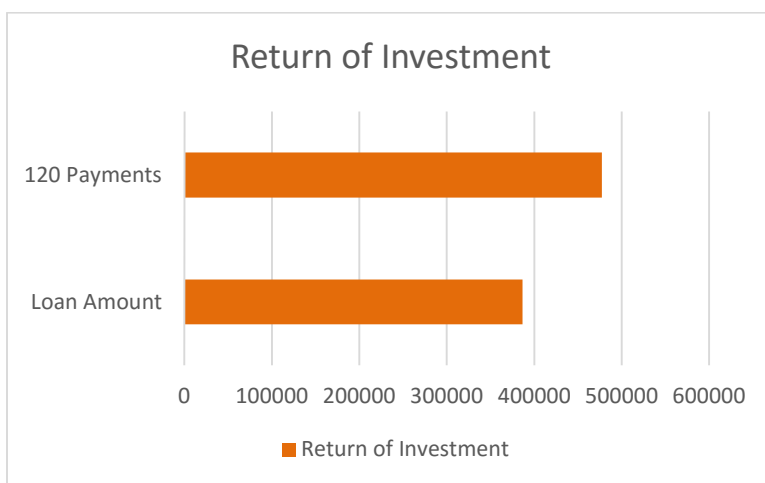
***Personal training whether it be  
one-on-one or video tutorial,  
increases workout  
effectiveness by 50%.***

Dr. Darr Treasure, 2011

abilities of our clientele, we are able to run an ultra-efficient operation with lower than average labor and facility overhead costs. We are also able to maximize the customer throughput by controlling the length of the workout; therefore, maximizing equipment usage and facility square footage. HIIT fitness requires intense recovery. This is as an up-sell opportunity. Two thousand square feet of our 10,000 square foot facility will be dedicated to creating two rooms for classes. One room will be a dedicated spin (cycle) room, while the other room will offer classes such as yoga (recovery), kickboxing, Zumba, Pilates and step classes. Other up-sell opportunities come in the form of apparel sales, DVD sales and non-perishable nutritious foods.

The monthly membership cost for the 24-minute experience will be \$99 a month. This price is about \$50 more than the big box fitness centers, but significantly less expensive than one-on-one training in our area that range in cost from \$75 to \$250 per session (See Appendix F for comparable rates). Our facility is located in the Atlantic Station section of Atlanta due to high concentration of our target customers.

We are requesting a loan of \$386,557. As our start up budget (see Appendix A) indicates, the loan will cover six months of operating expenses, as well our one-time expenses. Assuming an interest rate of 6.125%, we predict that the loan will be satisfied in 10 years. Interest payments over the 10 years equal \$128,540 (see Appendix E) or a return on investment (ROI) of 23%. The detailed breakdown of our business plan follows.



23% Return on Investment  
over the course of 10 years.

## **2. COMPANY PROFILE**

### **2.1 Legal Form of Ownership**

24 Minute Gym will be organized as a Limited Liability Company (LLC). The members of a LLC do not have personal liability. LLC's are not taxed on the profit that the business makes. Becoming an LLC allows avoidance of corporate double taxation. 24 Minute Gym will not identify as a sole proprietorship because there will not be a single owner of the business. 24 Minute Gym will not be organized as a Limited Liability Partnership (LLP) in order to avoid excessive liability for a general partner.

### **2.2 Effective Date of Business**

The effective date of the business will be January, 2017 because it is the time when the majority of people sign up for gym memberships due to the fact that it is right after Thanksgiving and Christmas.

### **2.3 Mission Statement**

At 24 Minute Fitness, our mission is to give our clients a speedy, yet effective workout that will give them the body of their dreams, while going on with their busy lives. Our gym will provide a personalized program that strives for excellence at each and every level.

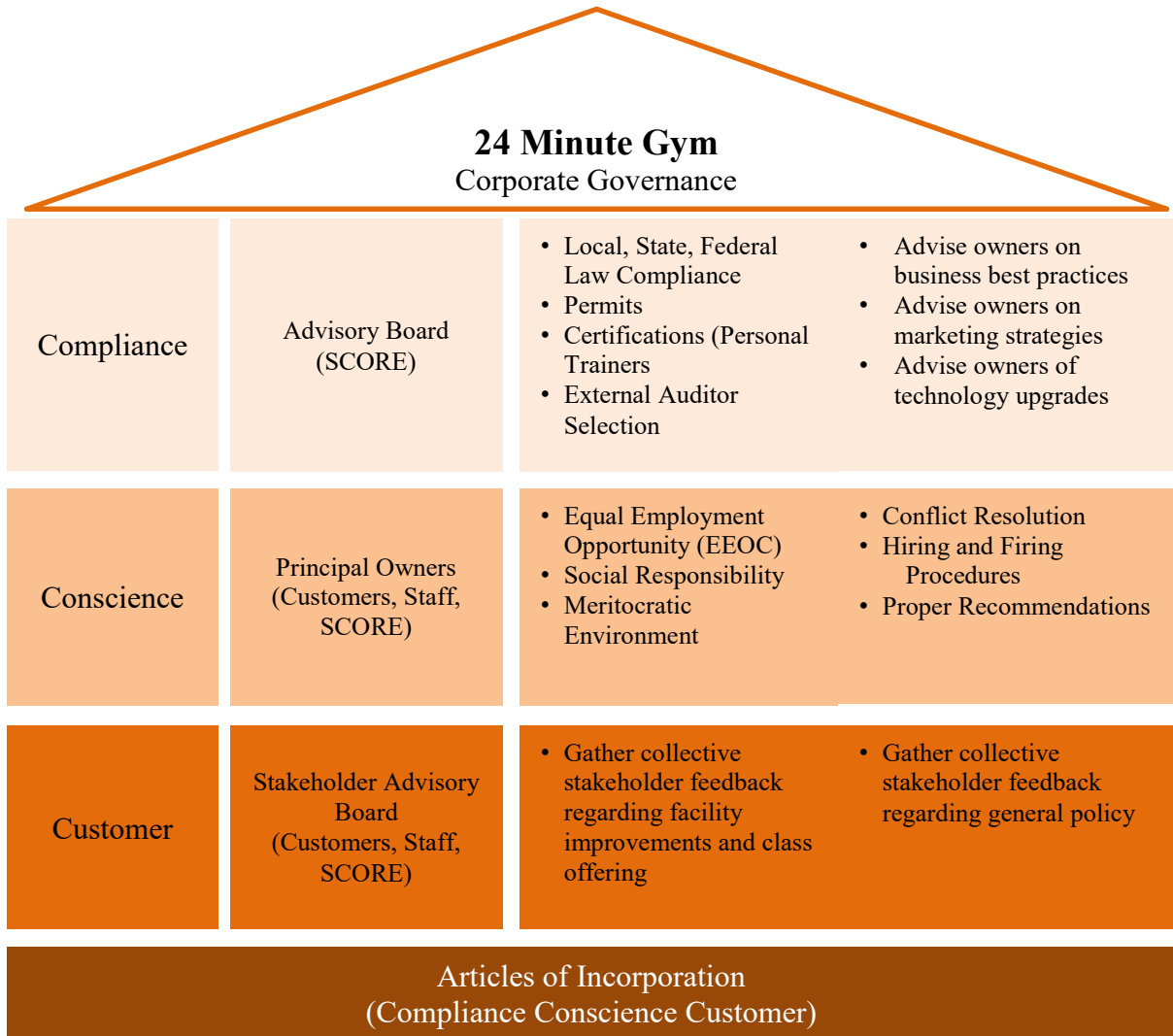
### **2.4 Vision Statement**

Our program will become recognized as an effective way to lose weight and look your best, through our personalized training that results in a better you.

### **2.5 Corporate Governance**

The 24 Minute Gym will be governed by our core 3 C's philosophy as outlined in our articles of incorporation. The 3 C's consist of Compliance, Conscious, and Customer focus. In lieu of a formal board of directors, members of SCORE will serve as our advisory board. They will ensure that we are compliant with local, state, and federal ordinances, permits and regulations. Additionally, they will help to select an external audit firm to ensure compliance with tax policy and provide financial transparencies. The three principal owners Frostbaum, Chitiyo, and Tatje will ensure that the 24 Minute Gym is operated with a conscience. To this extent, the three will ensure that an equal employment work environment exists; staff

promotion and bonuses will be awarded based on a meritocracy. Additionally, the 24 Minute Gym will be a good corporate and community citizen by supporting local non-profit entities that promote health and wellness. We recognize the customer is the heart of our business. A stakeholder advisory board will be used to gauge our performance, improve class offering, facility improvements, and adjust general policy. The stakeholder advisory board will consist of customers, staff, and SCORE members.



### ***Leadership of Company***

The Executive Board will exercise leadership through strong moral guidelines in order to keep the business running, while continuing to expand it. The Executive Board will meet for any issues or decisions that involve monetary amounts in excess of \$100,000 (this number could raise as business expands.) Each member of the board has one vote when making decisions.

### ***Composition of the Leadership Board***

The Leadership Board is made up of SCORE advisors, the President, Vice President of Marketing, Vice President of Fitness, and the Director of Operation.

### ***Role and Functions of the Leadership***

As President, Sophie Frostbaum will set the long term vision of 24 Minute Gym and ensure all decisions are linked to our core philosophy. The VP of Marketing, Morgan Tatje, will create and implement our marketing plan. As VP of Fitness, Tanaka Chitiyo's role is to ensure workout routines are safe and producing results. The yet to be hired Director of Operation, will serve as the front line customer service and client relations specialist. He or she will be responsible for new client acquisition and customer retention.

### ***Audit***

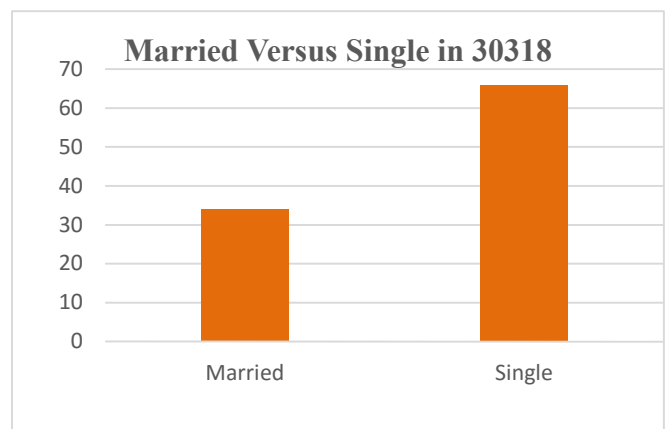
The 24 Minute Gym will use the external audit firm of Ernst & Young to perform an annual audit. The results of the audit will be available to all stakeholders.

## **2.6 Company Location**

We are located at 887 Howell Mill Road, Atlanta, GA 30318 in the affluent area of Atlantic Station.

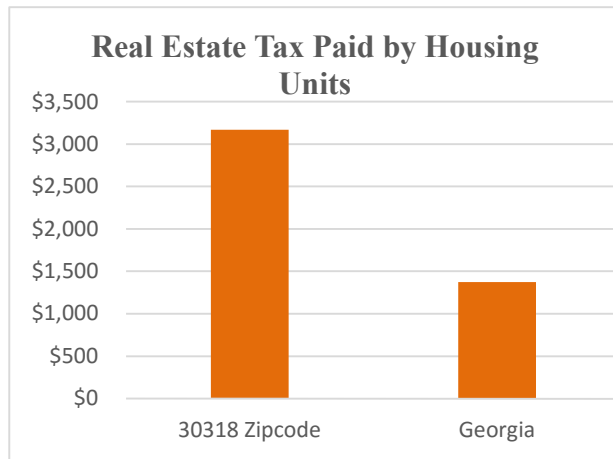
The building is approximately 10000 square feet, all on a single level. The facility has great visibility and located less than a mile away from a vitamin store, massage parlor, and several boutiques. Adjacent parking can accommodate up to 200 vehicles.

The demographic characteristics of the surrounding population vertically align with our target customer. The charts below indicate that residents in the 30318 are affluent, single, and young. According to Nomaguchi and Bianchi



(2004) in the *Journal of Marriage and Family*, single men exercise more than any demographic sub category. They are closely followed by divorced women, then single women. The report found that single people exercise over 3 times as much as married people.

Real estate data shows that the 30318 zip code residents pay almost 3 times as much property tax as the average Georgia homeowner, demonstrating the substantial income of the population surrounding our facility.



Seventy percent of the population in our location has above a high school education, indicating degrees which indicate professional-level jobs.

Additionally, 56% of the population is male, while 44% is female. This is significant because research indicates that males tend to have more of an interest in exercising than their female counterparts.

## 2.7 Immediate Development Goals

24 Minute Gym has three immediate short term goals:

- 1) Enroll 1500 new members by end of year one
- 2) Partner with 3 local radio stations for listener weight loss contests in the first 6 months
- 3) Be featured in 4 local publications or news stories

## 2.8 Overview of Company's Financial Status

The total amount of money needed to open 24 Minute Gym is \$451,557.84. This sum of money includes all one-time costs, as well as operational funds for the first six months of business. We estimate raising \$20,000 through a Kickstarter campaign where max donors receive lifetime membership. The owners will contribute fifteen thousand dollars each, which will make forty-five thousand dollars and the rest of the money will be taken out from the bank. The total bank loan will be three hundred forty-eight thousand six hundred and thirty-one dollars.

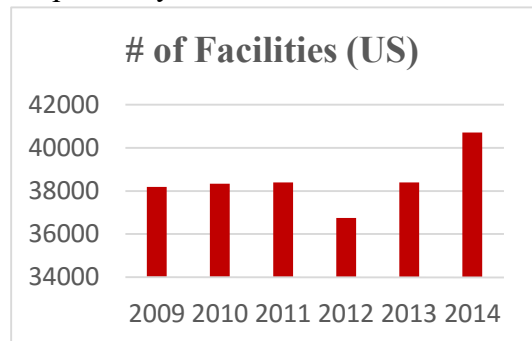
Sources of Funding	
Crowdfunding	<b>\$20,000</b>
Owner Contribution	<b>\$45,000</b>
Bank Loan	<b>\$386,557.84</b>



### 3. Industry Analysis

#### 3.1 Description of Industry

The fitness industry is constantly growing and expanding. There are 52.9 million gym members in the US, and there are 40,710 gyms. The United States leads the world with most gym members, approximately six times more than the second ranked, Germany. 24 Hour Fitness is the biggest fitness club chain in the world (by memberships) with almost a million members in 16 countries. It is also the most profitable gym globally, with 1.3 billion U.S. dollars in revenue in 2013. Gold's Gym International is the biggest chain in terms of number of clubs, with more than 700 locations around the globe. The fitness industry profited 97.6 billion dollars in 2008, employing almost 310,000 employees. The popularity of fitness centers is growing at a rapid pace (see Appendix I). The Aerobics and Fitness Association of America projects that the fitness center usage will increase by an average of 10% over the next 5 years and the usage of personal trainers will increase by an average of 15% over the next 3 years. Generally, fitness members can be broadly classified into 3 subgroups: Gym Rats, who are primarily concerned with muscular physique development, Passive consumers, mostly focused on weight loss and Fitness as lifestyle members, who are concerned more with health and wellness rather than muscle development. The latter group has decided that fitness is an integral part of their lives. These are our primary target customers.



Due to the continued popularity of fit lifestyles, there has been reason to expand and diversify the range of fitness programs to be offered, such as: yoga studios, water aerobics, personal training, spas and more.

#### ***Weight Loss Industry (Secondary Market)***

Approximately 73 million Americans are diagnosed as obese. The industry contains about 1,300 companies with combined annual revenue of about 2 billion dollars. We estimate that customers primarily concerned with weight loss will make up 20% of our customer base. Obesity rates show no sign of decreasing. There is promise for the continued growth and success of both the fitness and weight loss industries.

### 3.2 Trends and Strategic Opportunities

There is a change in demographics of those who use fitness centers. In the past, membership was highly concentrated to the age groups of 18-34 year olds, but lately popularity of gym use has spread to all age groups. Within the age groups of individuals 50 years old and higher, membership has increased by 13% over the last 3 years. The 24 Minute Gym will target more senior executives as an ancillary market.

#### Future of the Weight Loss Industry

Many Americans have the desire to lose weight. This creates an immense amount of room for the weight loss industry to grow, in turn allowing the fitness industry to grow; allowing the 24 Minute Gym business to grow. Although the value of the overall weight loss market declined 1.1% in 2014, this was largely a result of slumping diet soft drink sales. Individuals are working out harder and longer and projected to keep increasing for the next several years.

#### Virtual Personal Training

We define virtual personal trainers as customers using technology (i.e. fitness videos, YouTube videos, etc.). This latest trend is surging in the fitness industry/personal training industry. While overall DVD sales in the United States have been on the decline over the last 5 years, workout DVD have experienced an average 20 percent year over year increase. The industry leader is Beach Body Inc., who has produced the P90x and Insanity DVD sets. The combined sale of these two series has eclipsed 1 billion dollars in the last 3 years alone. This underpins the core philosophy of the 24 Minute Gym: virtual personal training can effectively train individuals.

#### 7 Trends According to the Experts

##### 1) Small facilities will open

"The majority of independent clubs in the future are probably going to be opening at 10,000 sq. ft. and less." - Robert Riches, president of ASF Intl

##### 2) Location will become more important

Fitness facilities will have to "take fitness closer to where the customer lives as opposed to waiting for them to come to the club." – John Aglialoro of Cybex Intl

##### 3) Entertainment options will be imperative

"I believe we will see a dramatic increase in virtual reality/interactive exercise products," predicts John Aglialoro of Cybex Intl. "The demand for exercise entertainment is growing, as is the influence of video games on fitness."

##### 4) Educated members will look for results

"We're going to see that the members are more educated," says Riches.

"Consumers are quickly becoming much more discerning when it comes to their own health." -Lindsay Merrithew, president and CEO of Stott Pilates.

##### 5) New ways to profit will be implemented

"More clubs will create additional revenue streams through typical pro-shop products, as well as unique, private-labeled apparel, supplements, water and even 'home-grown' workout CDs and DVDs." - Art Rothafel, president of MediCorp PNT

##### 6) Specialization will set fitness centers apart

"Clubs will continue to offer more and more specialized services and programs, such as weight-management, group programming, sport-specific training, yoga, Pilates, nutrition, etc., to accommodate their ever-diversifying memberships." -Ken Endelman, CEO of Balanced Body

##### 7) Technology will be less intimidating

"Member-centric services for workout tracking, personal training, diet/nutrition and other health advice will be expected by members."

"In the future, club owners will leverage technology to improve both their operating performance and their customer's satisfaction." -Sid Nelson, president of Affiliated Acceptance Corp

## 4. TARGET MARKET

### 4.1 Target Market Defined

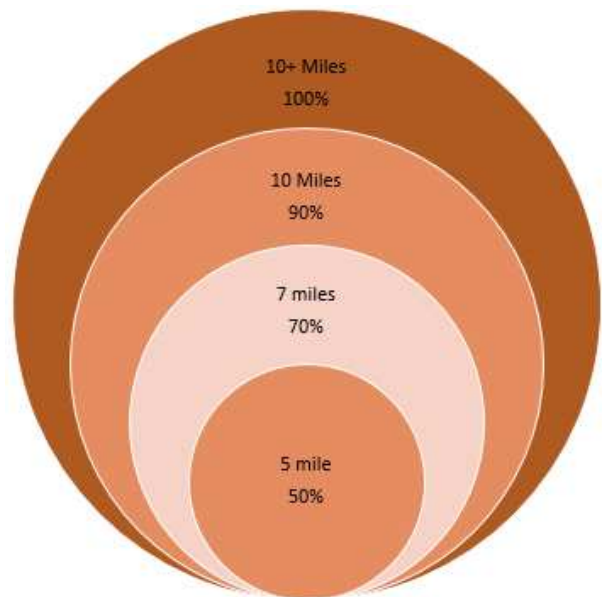
The 24 Minute Gym targets busy, urban young-to-established professionals, ranging in ages 20-45, who incorporate regular fitness routines into their busy urban lifestyles. We anticipate the bulk of our customers coming from a 10-mile radius of our facility, with higher concentration of clients coming from the area closest to the gym. The 30318 zip code is an affluent urban area, comprised of young and mid-career executives. We targeted this population for three reasons: 1) they appreciate time is money (24 minutes are better than an hour), 2) they possess initiative and are self-directed (our virtual personal motivated), and 3) fitness is part of their lifestyle (High Intensity Interval training is not for the faint of heart).

According to Olga Khazan of *The Atlantic*, affluent people are more apt to consistently exercise than the less affluent, who are more apt to attempt quick fixes. Compared to adults making \$75,000 or more, those making less than \$20,000 were 50 percent less likely to exercise, 42 percent less likely to drink a lot of water, and 25 percent less likely to eat less fat and sweets. In comparison, adults making between \$20,000 and \$75,000 were about 50 percent more likely to use over-the-counter diet pills, which aren't proven to work.

The majority of our clientele is single but our facility is comfortable for all. Research suggests that the population surrounding our gym is: Highly Educated, Affluent, Young, and Single

These characteristics align perfectly with our target customer profile.

**Radius Map of Target Customers**

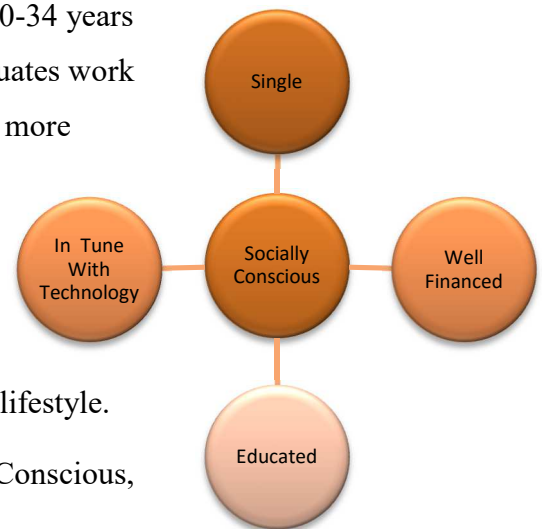


Customer Profile	
DEMOGRAPHICS	PSYCHOGRAPHICS
Single	“Foodie”
Age 20-45	Prefer Active over Passive Activities
White Collar Worker	Social Climber
College Graduated	Results Orientated

The sole purpose of the 24 Minute Gym is to get an effective full body workout in approximately 24 minutes, so busy professionals can maximize their time while achieving their fitness goals. We are located in a heavily populated city, where many of these types of people are living. The Young Professional Workforce resides closer to the city center versus surrounding suburbs.

The 24 Minute Gym targets young urban professionals who are 20-34 years old and mid-career professionals aging from 30-45. College graduates work in faster-growing, higher-paying occupations; therefore, they can more easily afford the \$99/per month membership with the 24 Minute Gym. These individuals are technology driven people who are very much invested in social media. They must maintain professional jobs while presenting themselves in their best form is imperative. Fitness for these individuals is not an option, but a lifestyle.

Our typical young professional is: Single, Goal Driven, Socially Conscious, in tune with technology, well financed and Educated.



#### 4.2 Potential Analysis and Strategic Opportunities

There are 53, 205 people living in zip code 30318. Slightly more than 50% fall in our target demographic range of 20-45. The maximum capacity for membership in our facility is approximately 3,750 members. We are able to breakeven with less than 1,000 members.

Because our model is based on virtual personal training and not actual personal training, we are able to grow seamlessly with our incurring correlating payroll expenditures. This allows for aggressive marketing and customer acquisition strategies.

Additional revenue stream can be earned by proving several ancillary services. Nutrition planning is a high profit margin add-on because it requires almost zero retail space and virtually zero cost of goods sold. Because many busy professionals travel, we can also offer DVD workouts or web-based subscription workout plans in the future. Besides upfront production cost, the cost of goods sold to produce DVD are extremely low. Finally, as we prove our model to be successful, we have the potential to franchise or add additional company owned units.

## 5. COMPETITION

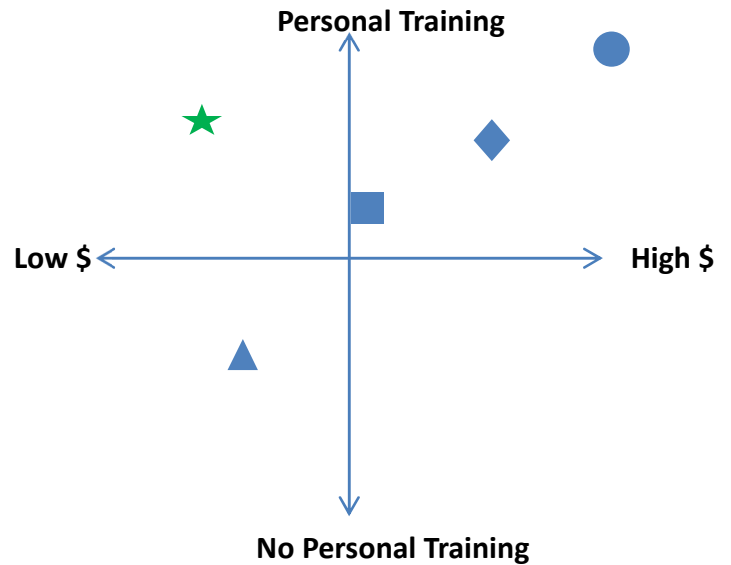
	Monthly Fee	Square Feet	Personal Training	Class Variety	Types of a Competitor
LA Fitness ▲	\$40	45000	30/session	Numerous	Indirect
Blueprint Fitness ●	\$249	5000	\$105/session	None	Direct
Formwell ◆	\$0	7000	98.50/session	Group Training	Direct
Lifetime ■	\$49	117000	\$69/session	Numerous	Indirect
24- Min GYM ★	\$100	10000	Virtual	Limited	

### 5.1 Key Competition Defined

The 24 Minute Gym has some key competitors in the area; however, on a large scale, it provides the best all-around gym experience for the greatest value. The above table indicates the leading direct and indirect competitors based on proximity to our facility. The leading competitors are LA Fitness, BluePrint Fitness, Formwell, and Lifetime Fitness. Although these gyms have established a strong clientele in the Atlanta area, the 24 Minute Gym will open up an entirely new niche in the market. Those gyms cater to cost-conscious fitness novices who attempt to work on their own; cost-consciousness fitness expert who require no instruction; people who can afford a one-on-one personal trainer, or; have the time for hour-long group training sessions. The 24 Minute Gym serves those who are willing to spend slightly more than an average gym, in order to get greater results in a shorter amount of time.

Most people who work long hours believe they have no time to work out, even though they would like to, but at the 24 Minute Gym, they are able to get a full body workout, while going on with their busy lives. Personal training gym such as Formwell and Blueprint charge between \$98.50 to \$105 per single session (see Appendix F). Professional training has the best proven results, but at 3 sessions per week, it is easy to see why most cannot afford to sustain the \$1000+ monthly investment. Most fitness seekers choose to go to a big box gym like our competitors Lifetime of La Fitness. These competitors offer endless equipment and a low monthly cost to

entice customers. Unfortunately, research shows that the majority of gym member do not know how to operate 70% of the gym equipment. This forces these customers to repeatedly go to the same pieces of equipment and do the same exercises they are comfortable with day-after-day. According to Dolvett Quince of the Biggest Loser, to maximize a workout you have to use muscle confusion: variety of exercises and levels of rigor. If the same exercises are done repeatedly, the muscle adjust and results eventually plateau. LA Fitness and Lifetime offer lower cost personal training options and a myriad of classes, but after paying for 2 sessions plus the monthly fee, their customers have already paid more than the monthly virtual personalized training sessions offered at the 24 Minute Gym. These factors give the 24 Minute Gym a great advantage over all other gyms in the area, by creating an entirely new niche fitness offering, as well as an intriguing gym experience for those presently enrolled at other gyms. This business provides the niche that is right in the middle of the two present workout options at most gyms.



### 5.2 Analysis of Competitors' Strengths and Weaknesses

Competitors	Strengths	Weaknesses
La Fitness	Cheaper, more classes, more equipment, greater name recognition, bigger facility	Personal training is more expensive
Blueprint	One-on-One personal training, greater name recognition	Smaller Facility
Formwell	One-on-One personal training, greater name recognition	Smaller Facility
Lifetime	Cheaper, more classes, more equipment, greater name recognition, bigger facility	Personal training is more expensive

### **5.3 Potential Future Competitors**

Future competitors can consist of copycat competitors who try to emulate our 24-minute philosophy as well as our technology based personal training systems. We intend to protect the algorithm behind the technology that tracks and personalizes workouts through by use of a US Patent. We are well aware that this will only provide limited protection until, copycats develop their own proprietary algorithms. Our best way to face competition is through brand development and by secure real estate in our target markets. Once our method is proven, our public relation strategy is to saturate our next potential markets with our story, and then acquiring the real estate before the copycats.

Future competition will still come, but may not be completely bad. As eventual competitor try to do 23-Minute, and 20-Minute Gym, they will also be providing unintentional support and advertising for our concept.

### **5.4 Barriers to Entry for New Competitors**

The biggest barrier to entry for competitor is the production of the various gym exercises and the technology needed to customize and track individual workouts and progress. A 24 Minute Gym consist of 134 pieces of athletics equipment. Each piece of equipment can be used 5 to 10 different ways. Each of the 670 to 1,340 exercises must be videotaped and uploaded into a system that can customize unlimited workout routines for individuals based on both fitness level and workout history. These customized workouts will then have to be integrated via cell phone app which allows different customers to scan the same piece of equipment and receive differentiated instruction. Most small gym owners will not have the computer science background to accomplish this nor the upfront capital for video production.



## 6. MARKETING PLAN AND STRATEGY

### 6.1 Key Message to be Communicated

#### *Logo/Colors*

The simple green and orange stopwatch logo is intentionally direct and simplistic in order to emphasize our result orientated approach. The color green symbolizes life, growth, energy, and success. These are all traits that appeal to our target customer. We want our customers leaving feeling rejuvenated, powerful, and ready to conquer all obstacles in life. The 24 Minute Gym also incorporated the color orange, because this symbolizes enthusiasm, happiness, success, and determination. As a business, we are determined to meet the needs of every customer, as well as keeping the determination alive in them to fulfill their goals, whether they are big or small.



Our slogan “Don’t waste HOUR time,” ties into the central purpose of the 24 Minute Gym a quick and effective workout in less than 30 minutes. The word “hour” ties into not wasting our customers’ time, by also explains that they will not have to partake in an hour long workout that just simply takes up too much valuable time. In business, we all know that time is money.

#### *Our Method: HIIT (High Intense Interval Training)*

HIIT ensures that all participants in the 24 Minute Gym program will experience an extremely effective workout by completing a different circuit workout (administered by their virtual personal trainer) each time they visit. Partaking in circuit training in under 30 minutes will allow for intense activity, with appropriate resting periods, in order to produce absolute effectiveness.

### 6.2 Options for Message Delivery Identified

We have a three-pronged customer acquisition strategy that: 1) incorporates using an outside representative to partner with local business organizations and businesses (see attached partnership meeting with Chamber of Commerce in Appendix B), 2) advertising on local radio stations frequented by our target customer (sports and news), and 3) traditional marketing mediums such as billboards, flyers (targeted locations), and industry periodicals. Below is a detailed breakdown of our traditional delivery options.

- Radio contests (Q100, WSB, 929TheFan) as well as regular radio commercials.

According to Business Week the most frequently listened to radio stations for executives



include talk, sports and classic rock. The three stations that we selected are industry leaders in these areas in metro Atlanta.

- Flyers inside of health stores (GNC, Whole Foods) frequented by our target customers.
- We will place advertisements inside of local periodical targeted towards busy executives such as Atlanta Journal, Atlanta Tribune and Georgia Trend.

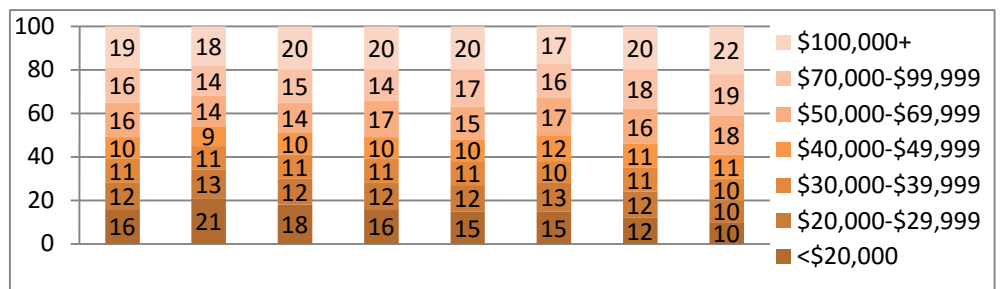
Medium	Amount
Radio	\$5,445.00
Periodical	\$1,600.00
Flyers	\$290.00

Additionally, we plan to use daily coupon companies during our first 6 months as part of our price penetration strategy, to allow customers to try our brand for a discounted price and also allow spreading the word to or targeted customers. The \$7,355 we plan to spend on monthly advertising comprised 5.3% of our total operational budget (See Appendix A). This figure does not include the salary of our outside sales rep which is broken is broken down in our operational plan and budget and Appendix A.

### 6.3 Sales Procedures and Methods

We are going to use a price penetration strategy. Using discount companies like Groupon and SweetJack we are going to allow customers to try our brand for a discounted price, this will also allow our brand awareness to spread to our target market. This is ideal for our business because study shows households with annual incomes of \$70,000+ account for about one third of all U.S. households, but more than 1/2 of total coupon spending. 25-44 year old adults are most likely to use coupons than any

other age group. In 2013, 2.8 billion coupons were redeemed in the United States. Our membership will be



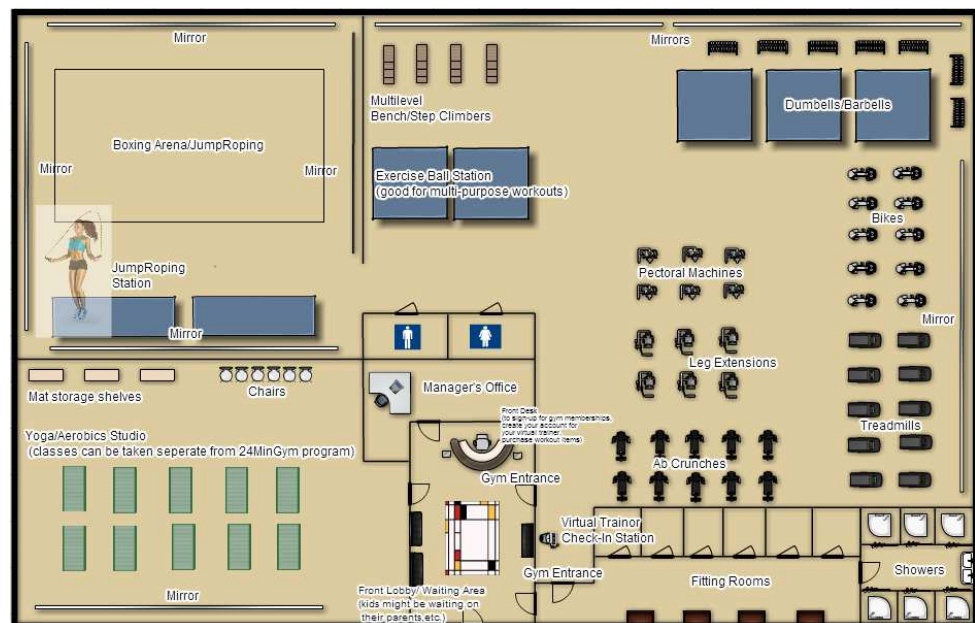
discounted if a member contracts for one year. They will pay a flat fee of \$1,188, which \$99 a month. If a member goes month to month, then they will pay \$120/mon. We want to encourage annual memberships, so we are able to predict our revenue stream. We are also trying to upsell classes. Memberships include 3 weekly workout sessions. This allows us to upsell our clients on recovery and other classes on days that they are not scheduled to workout.

## 7. OPERATIONS

### 7.1 Business Facilities

Below is the floor plan for 24 Minute Gym. Located at the bottom is the entrance to the gym, which leads into the main lobby/waiting area of the facility. This includes several benches, a front desk with racks of fitness products and perishable health bars on either side to sell. Also in the lobby includes an entrance to the manager's office, as well as entrances to the 24 Minute Gym itself, the yoga/aerobics studio, and to the fitting rooms and showers, for those who need to change before they proceed on to their workout. Near the gym entrances is a check-in station. Here you swipe your card or your phone for that days workout (members get a new circuit workout each day). This is the idea of having your own virtual personal trainer. The 24 Minute Gym has 134 individual pieces of gym equipment which can generate over 1300 different exercises at varying degrees of rigor. Over million 24-minute individualized exercise routines can be device in our 10000 sq ft facility. Along with all of the wonderful workout equipment, 24

Minute Gym has a yoga/aerobics studio and a boxing arena (with a jump roping station) to provide for further income and extra amenities. The gym is surrounded with mirrors and also has a male and female bathrooms placed in the middle of the gym for convenience.



### 7.2 Production Plan

A series of instructional videos will be professionally produced at a local Atlanta studio. The videos will feature out lead instructors as well as contributors to KickStarter campaign. Using proprietary technology individualized workout routines will be created by an algorithm which

factors in fitness level and previous workouts. Atlanta based technology company SOLTECH will product manage and design the software that tracks the result of our clients and disseminates the workout regimens. Each of the three owners, who will also be certified as personal trainers, will be responsible for monitoring the weekly workouts generated by the system, and making appropriate adjustments as we see fit.

Foods will be from Costco, purchased wholesale, and marked up 100%. Gym attire will be designed by Manring Masterpiece Designs and printed by Osborne Printing (see quotes in Appendix G).

### **7.3 Workforce Plan**

In order to ensure that 24 Minute Gym gets the most value out of their employees, all three owners/managers are certified personal trainers. This way, the workouts will be extremely effective and if any clients need assistance, there will always be a certified personal trainer to assist them with their needs. These three certified personal trainers will make an annual salary of \$50,000. Two staff employees will make an hourly salary of ten dollars. Our Outside Sales rep will earn a base salary of \$36,000 plus a potential commission of \$28,800 - \$50,400 (See salary schedule Appendix H).

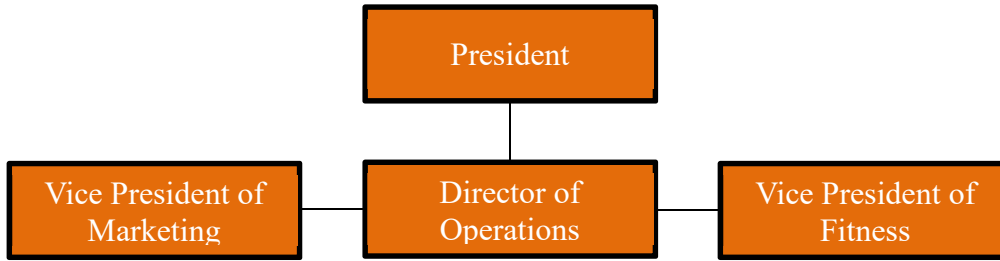
### **7.4 Impact of Technology**

It has been proven through research that virtual training (i.e. YouTube, fitness DVDs) can be effective training mechanisms. The 24 Minute Gym will have tutorial similar to those, but differentiate ourselves through customization and tracking of results using our proprietary technology. Technology has significantly improved the rate at which we learn things.

“Technology users in fundamental structural changes that can be integral to achieving significant improvements in productivity” (U.S. Department of Education). It is clear that through these technological advancements, 24 Minute Gym will become a workout experience of the future. Additionally, our advanced technology creates a barrier of entry to competitors. Even though consumers can virtual train at home, they will not have the equipment, customization, or communal aspect of the 24 Minute Gym.

## 8. MANAGEMENT AND ORGANIZATION

### 8.1 Key Employees/Principals



Position	Person	Duties/Responsibilities	Qualifications
President	Sophie Frostbaum	The driving force behind the company; executes all business operations in order to increase productivity.	Has business experience as well as an MBA and is knowledgeable about exercise science.
Vice President of Marketing	Morgan Tatje	Responsible for sales management, product development, distribution channel management, marketing communications, including advertising and promotions, pricing, market research, and customer service.	Bachelor's degree in marketing or business administration is the minimum but a Masters degree would be preferred. Extensive experience in marketing would also be required.
Vice President of Fitness	Tanaka Chipere-Chitiyo	Responsible for developing fitness routines daily that will be adjusted according to abilities of clientele.	Certified Personal Trainer; Technologically knowledgeable; AFAA (Aerobics and Fitness Association of America)
Director of Operations	TBA, (This position will be available in future non-company owned stores. Responsibilities will be assumed by owners for the flagship store)	Makes sure all operations run smoothly and in a timely manner; Responsible for hiring and firing of employees	Needs to have mastered knowledge of business operations; Must be willing able to manage employees structurally.

## **8.2 Board of Directors, Advisory Committee, Consultants, and other Human Resources**

Since we are an S corporation and we are not required to have a Board of Directors, we are going to outsource SCORE as the advisory committee in lieu of a Board of Directors. SCORE which is supported by the U.S Small Business Administration will also be used as our consultants.

### **Key Outsourced Personal:**

- Accounting: Ernst & Young
  - Provide auditing services
  - Examine statements to ensure accuracy
- Outside Sales Representative
  - Responsible for prospection business and civic organization (see Appendix B)

## **8.3 Plans for Identifying, Recruiting and Securing Key Participants**

We have to be on the constant look out for quality instructors, and we are going to look for young people with outstanding customer service. We might target young people who work at Chick-fil-A because they have a history of developing employees that are payed less than our \$10 an hour. These employees will still be able to exude outstanding customer service. The key personnel for our initial store will have equal ownership interest, so retention should not be a factor. Below is our strategy for maintaining our franchise and our key personnel from a long term business perspective.

- Franchise model (one person who owns it and a bunch of people underneath him) building intrinsic creating hard work and responsibility because the conversation will be tied into how successful the business is.
- Ownership or commission, besides financial, recognition such as company sponsored trips for top performers and a chance to rise in stock ownership and the opportunity to manage multiple locations.

## **8.4 Compensation and Incentives Plan**

Key employees will be compensated based on customer acquisition and customer retention. They will be compensated for acquiring a minimum number of 15 members a week, but they will be giving bonuses based on whether they exceed the 15 members a week minimum and on the retention of those members on a yearly basis.

## 9. LONG-TERM DEVELOPMENT

### 9.1 Goals for three-, five- or more years are identified and documented

The year one goal is to secure 1218 annual memberships. We project selling approximately 100 memberships per month and retaining approximately 90% of our base. We predict a sales surge at during the last month of the year due to the holiday season. We anticipate having a twenty-five percent increase in memberships every two years. This increase will give the business a steady influx of members at an extremely manageable rate. The first year being opened, our total net sales will be \$1,241,251.00 and by 2022, they will be \$1,917,793. By year three we hope to raise our membership from 1,218 to 1,523 members and by year five to 1,903 members at our flagship location. By year five we intend to open up two other locations in similar fluent urban markets. Also by year five, we plan to start marketing a DVD workout set for travelling business professionals and members. The average 24hr gym has 2500-3500 members, so our goals are quite conservative, but we factored in our higher price in our rationale

### 9.2 Risks and potential adverse results identified and analyzed

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Effective workout in less than 24 minutes</li> <li>• Virtual personal trainer, which includes the itinerary for that day’s workout</li> <li>• Stimulates local economy</li> <li>• High profit margins</li> <li>• MARTA accessibility because of location</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Lack of name recognition</li> <li>• Limited class offers</li> <li>• No pool</li> <li>• Customers might prefer hands on training with an individual to instruct them on what they are doing right and wrong</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Franchising and expansion to other target markets as well as other heavily populated areas that meet our desired criteria</li> <li>• Creating a popular brand name that has the potential to be advertised by celebrities</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Competition with other local gyms</li> <li>• Copycats</li> <li>• Lawsuit due to injury (discrediting)</li> </ul>

We face risks from copycats, traditional gyms and lawsuits due to injury. We address the threat of lawsuit by creating disclaimer language in our contracts and purchase general liability as well as umbrella insurance from AllState (See Appendix D). We address traditional gym by targeting our target customer through non-traditional measures (i.e. outside sales) and by provided better results in less time. We address copycats by patenting our proprietary technology which and being so technologically innovative that it will be harder for smaller competitors to enter the market.

### **9.3 Strategy in place to take business toward long term goals**

We have a 3 tiered strategy to go from inception to goal achievement. Our year 1 goal is to get the word out through daily coupon deals, free PR through radio contests, and sponsorships aligned to the lifestyle of our target market. Our goal for the first year is to get 1500 members. The average Fitness 19 gym is half the square footage of our gym yet averages 1579 members after year two. We think because of our increase size, our niche offering and our ability to exponential grow with limited staff due to our technology based model makes first year projections reasonable. In years 2 and 3, we plan to increase of marketing by including celebrity endorsements and personal testimonials from our members. We also plan to increase our social media presence by publicly rewarding members based on their fitness goals. This will increase customer loyalty and provide free marketing. By year five we plan to increase revenue streams by opening two additional locations in similar affluent urban markets and by selling DVDs and nutrition Plans which are both high margin items.

## 10. FINANCIALS

### Financial Overview

The 24 Minute Gym is a highly profitable low, risk investment. A 10-year loan of \$386, 557.84 at 6.125% interest, will yield investors a 23% return on investment. Our labor cost is significantly curbed due to our virtual training platform. The 24-min guided regimen allows us to maximize

<b>Financial Snapshot</b>	
1st Year Net Income	\$482,021
3rd Year Net Income	\$688,115
5th Year Net Income	\$962,900
Breakeven Point (Monthly Memberships)	515
Net Profit Margin	38.8%
Cash Ratio	5.86
Quick Ratio	5.86
Current Ratio	5.88
Current Liabilities to Net Worth	0.16
Fixed Assets to Total Assets	0.057
Return on Sale	21.7%

utilization of equipment and square footage. While labor and inefficiencies are the Achilles heel of most businesses, these are competitive advantages of 24 Minute Fitness from an investment perspective. Our liquidity ratios indicate that we can manage our short-terms debts obligations even with our conservative assumptions. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts (see Appendix C to find our pro forma balance sheet). Our profitability ratios show our ability to generate earnings as compared to our expenses and other relevant costs incurred during year one.

### 10.1 Type of accounting system to be used is identified

The 24 Minute Gym uses the accrual method of accounting. The accrual method records income when it is earned and records expenses when they are incurred.

### 10.2 Financial projections are included and reasonable

After an aggressive marketing blitz, we anticipate selling 100 memberships in January (at a discounted rate), along with 200 specialty classes and marginal apparel sales. January is the highest sales fitness participation month, due to attempts to shed holiday weight. We anticipate retaining 90% of members and growing at an average month-to-month rate of 10% for the first calendar year. See Appendix J for estimated revenue figures.

By end of year one we estimate have 1218 annual membership sold. By focusing on annual memberships, we will have better revenue predictability. We believe the 1218 member goal is an conservative estimate when you factor that the average 24 Hour fitness has between 2500-3500 members.



10.3 1st Year Monthly Cash Flow

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Totals
<b>Receipts</b>													
Monthly Membership	\$ 5,000.00	\$ 15,000.00	\$ 33,200.00	\$ 44,000.00	\$ 48,400.00	\$ 53,240.00	\$ 58,564.00	\$ 64,420.40	\$ 70,862.44	\$ 77,948.68	\$ 93,538.42	\$ 116,923.03	\$ 681,096.97
Gym Attire (Avg Purchase)	\$ 1,000.00	\$ 2,000.00	\$ 4,000.00	\$ 5,000.00	\$ 5,500.00	\$ 6,050.00	\$ 6,655.00	\$ 7,320.50	\$ 8,052.55	\$ 8,857.81	\$ 9,743.59	\$ 12,179.48	\$ 76,358.92
Specialty Classes	\$ 6,000.00	\$ 12,000.00	\$ 24,000.00	\$ 30,000.00	\$ 33,000.00	\$ 36,300.00	\$ 39,930.00	\$ 43,923.00	\$ 48,315.30	\$ 53,146.83	\$ 58,461.51	\$ 73,076.89	\$ 458,153.53
Snack Bar	\$ 500.00	\$ 1,000.00	\$ 2,000.00	\$ 2,500.00	\$ 2,750.00	\$ 3,025.00	\$ 3,327.50	\$ 3,660.25	\$ 4,026.28	\$ 4,428.90	\$ 4,871.79	\$ 6,089.74	\$ 38,179.46
Accounts Receivable													\$ -
Bank Loan	\$ 386,557.84												\$ 386,557.84
Cash from Owner	\$ 45,000.00												\$ 45,000.00
Crowd Funding	\$ 20,000.00												\$ 20,000.00
<b>Total Receipts</b>	<b>\$ 464,057.84</b>	<b>\$ 30,000.00</b>	<b>\$ 63,200.00</b>	<b>\$ 81,500.00</b>	<b>\$ 89,650.00</b>	<b>\$ 98,615.00</b>	<b>\$ 108,476.50</b>	<b>\$ 119,324.15</b>	<b>\$ 131,256.57</b>	<b>\$ 144,382.22</b>	<b>\$ 166,615.31</b>	<b>\$ 208,269.14</b>	<b>\$ 1,705,346.73</b>

<b>Disbursements</b>													
Costs of Goods Sold	\$ 187.50	\$ 375.00	\$ 750.00	\$ 937.50	\$ 1,031.25	\$ 1,134.38	\$ 1,247.81	\$ 1,372.59	\$ 1,509.85	\$ 1,660.84	\$ 1,826.92	\$ 2,283.65	\$ 14,317.30
Salary of owner-manager	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 150,000.00
All other salaries and wages	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 187,200.00
Comission	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 28,800.00
Equipment Lease	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 1,622.20	\$ 19,466.40
Rent	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 180,000.00
Advertising	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 7,335.00	\$ 88,020.00
Delivery expense	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
Supplies	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 1,200.00
Telephone	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 221.00	\$ 2,652.00
Other utilities	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 418.00	\$ 5,016.00
Insurance	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 441.67	\$ 5,300.00
Payroll Taxes	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 2,107.50	\$ 25,290.00
Loan Repayment	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 3,977.00	\$ 47,724.00
Maintenance	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 1,800.00
Legal/professional fees	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 1,200.00
Miscellaneous	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 202.00	\$ 2,424.00
<b>Total Disbursements</b>	<b>\$ 62,561.87</b>	<b>\$ 62,749.37</b>	<b>\$ 63,124.37</b>	<b>\$ 63,311.87</b>	<b>\$ 63,405.62</b>	<b>\$ 63,508.74</b>	<b>\$ 63,622.18</b>	<b>\$ 63,746.96</b>	<b>\$ 63,884.22</b>	<b>\$ 64,035.21</b>	<b>\$ 64,201.29</b>	<b>\$ 64,658.02</b>	<b>\$ 762,809.70</b>

Starting Cash	\$ -	\$ 401,495.97	\$ 368,746.61	\$ 368,822.24	\$ 387,010.37	\$ 413,254.76	\$ 448,361.02	\$ 493,215.34	\$ 548,792.53	\$ 616,164.87	\$ 696,511.89	\$ 798,925.91
Receipts	\$ 464,057.84	\$ 30,000.00	\$ 63,200.00	\$ 81,500.00	\$ 89,650.00	\$ 98,615.00	\$ 108,476.50	\$ 119,324.15	\$ 131,256.57	\$ 144,382.22	\$ 166,615.31	\$ 208,269.14
Disbursements	\$ 62,561.87	\$ 62,749.37	\$ 63,124.37	\$ 63,311.87	\$ 63,405.62	\$ 63,508.74	\$ 63,622.18	\$ 63,746.96	\$ 63,884.22	\$ 64,035.21	\$ 64,201.29	\$ 64,658.02
Ending Cash	\$ 401,495.97	\$ 368,746.61	\$ 368,822.24	\$ 387,010.37	\$ 413,254.76	\$ 448,361.02	\$ 493,215.34	\$ 548,792.53	\$ 616,164.87	\$ 696,511.89	\$ 798,925.91	\$ 942,537.03
Goal-30 Day Cash	\$ 62,749.37	\$ 63,124.37	\$ 63,311.87	\$ 63,405.62	\$ 63,508.74	\$ 63,622.18	\$ 63,746.96	\$ 63,884.22	\$ 64,035.21	\$ 64,201.29	\$ 64,658.02	\$ 64,658.02

10.4 1st Year Monthly Income Statement

Pro-Forma 1st Year Income Statement												
24 Minute Gym LLC												
Jan - Dec												
REVENUE	January	February	March	April	May	June	July	August	September	October	November	December
Gross sales	\$ 12,500.00	\$ 30,000.00	\$ 63,200.00	\$ 81,500.00	\$ 89,650.00	\$ 98,615.00	\$ 108,476.50	\$ 119,324.15	\$ 131,256.57	\$ 144,382.22	\$ 166,615.31	\$ 208,269.14
Less sales returns and allowances	125	300	632	815	897	986	1,085	1,193	1,313	1,444	1,666	2,083
<b>Net Sales</b>	<b>\$ 12,375.00</b>	<b>\$ 29,700.00</b>	<b>\$ 62,568.00</b>	<b>\$ 80,685.00</b>	<b>\$ 88,753.50</b>	<b>\$ 97,628.85</b>	<b>\$ 107,391.74</b>	<b>\$ 118,130.91</b>	<b>\$ 129,944.00</b>	<b>\$ 142,938.40</b>	<b>\$ 164,949.16</b>	<b>\$ 206,186.45</b>
<b>COST OF SALES</b>												
Beginning inventory	\$0	\$141	\$281	\$563	\$703	\$773	\$851	\$936	\$1,029	\$1,132	\$1,246	\$1,370
Plus goods purchased / manufactured	188	375	750	938	1,031	1,134	1,248	1,373	1,510	1,661	1,827	2,284
Total Goods Available	\$ 187.50	\$ 375.00	\$ 750.00	\$ 937.50	\$ 1,031.25	\$ 1,134.38	\$ 1,247.81	\$ 1,372.59	\$ 1,509.85	\$ 1,660.84	\$ 1,826.92	\$ 2,283.65
Less ending inventory	47	94	188	234	258	284	312	343	377	415	457	571
<b>Total Cost of Goods Sold</b>	<b>\$141</b>	<b>\$281</b>	<b>\$563</b>	<b>\$703</b>	<b>\$773</b>	<b>\$851</b>	<b>\$936</b>	<b>\$1,029</b>	<b>\$1,132</b>	<b>\$1,246</b>	<b>\$1,370</b>	<b>\$1,713</b>
<b>Gross Profit (Loss)</b>	<b>\$12,234</b>	<b>\$29,419</b>	<b>\$62,006</b>	<b>\$79,982</b>	<b>\$87,980</b>	<b>\$96,778</b>	<b>\$106,456</b>	<b>\$117,101</b>	<b>\$128,812</b>	<b>\$141,693</b>	<b>\$163,579</b>	<b>\$204,474</b>
<b>OPERATING EXPENSES</b>												
<b>Selling</b>												
Salaries and wages	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00
Commissions	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Advertising	7,335	7,335	7,335	7,335	7,335	7,335	7,335	7,335	7,335	7,335	7,335	7,335
Other	202	202	202	202	202	202	202	202	202	202	202	202
<b>Total Selling Expenses</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>	<b>\$22,437</b>
<b>General/Administrative</b>												
All other salaries and wages	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600
Equipment Lease	1,622	1,622	1,622	1,622	1,622	1,622	1,622	1,622	1,622	1,622	1,622	1,622
Rent	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Delivery expense	200	200	200	200	200	200	200	200	200	200	200	200
Supplies	100	100	100	100	100	100	100	100	100	100	100	100
Telephone	221	221	221	221	221	221	221	221	221	221	221	221
Other utilities	418	418	418	418	418	418	418	418	418	418	418	418
Insurance	442	442	442	442	442	442	442	442	442	442	442	442
Payroll Taxes	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108	2,108
Loan Repayment	3,977	3,977	3,977	3,977	3,977	3,977	3,977	3,977	3,977	3,977	3,977	3,977
Maintenance	150	150	150	150	150	150	150	150	150	150	150	150
Legal/professional fees	100	100	100	100	100	100	100	100	100	100	100	100
<b>Total General/Administrative Expenses</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>	<b>\$39,937</b>
<b>Total Operating Expenses</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>	<b>\$62,374</b>
Net Income Before Taxes	(\$50,140)	(\$32,956)	(\$369)	\$17,608	\$25,606	\$34,404	\$44,082	\$54,727	\$66,437	\$79,318	\$101,205	\$142,099
Taxes on income	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Income After Taxes</b>	<b>(\$50,140)</b>	<b>(\$32,956)</b>	<b>(\$369)</b>	<b>\$17,608</b>	<b>\$25,606</b>	<b>\$34,404</b>	<b>\$44,082</b>	<b>\$54,727</b>	<b>\$66,437</b>	<b>\$79,318</b>	<b>\$101,205</b>	<b>\$142,099</b>
Extraordinary gain or loss	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income tax on extraordinary gain	0	1	2	3	4	5	6	7	8	9	10	11
<b>NET INCOME (LOSS)</b>	<b>(\$50,140)</b>	<b>(\$32,957)</b>	<b>(\$371)</b>	<b>\$17,605</b>	<b>\$25,602</b>	<b>\$34,399</b>	<b>\$44,076</b>	<b>\$54,720</b>	<b>\$66,429</b>	<b>\$79,309</b>	<b>\$101,195</b>	<b>\$142,088</b>

Note: Since business is LLC, there will no business tax paid by business. Tax will be paid by owners determined by their individual tax rates.

## 10.5 Yearly income statements for years 1, 3 & 5

### Pro-Forma Income Statement

#### 24 Minute Gym LLC

For 2016 through 2020

REVENUE	Year 1	Year 3	Year 5
Gross sales	\$ 1,253,788.89	\$ 1,558,459.59	\$ 1,937,165.27
Less sales returns and allowances	12,538	15,585	19,372
<b>Net Sales</b>	<b>\$ 1,241,251.00</b>	<b>\$ 1,542,874.99</b>	<b>\$ 1,917,793.62</b>
<b>COST OF SALES</b>			
Beginning inventory	\$0	\$2,994	\$2,994
Plus goods purchased / manufactured	14,317	17,796	22,121
<b>Total Goods Available</b>	<b>\$ 14,317.30</b>	<b>\$20,790</b>	<b>\$25,115</b>
Less ending inventory	3,579	5,988	5,988
<b>Total Cost of Goods Sold</b>	<b>\$10,738</b>	<b>\$14,802</b>	<b>\$19,127</b>
<b>Gross Profit (Loss)</b>	<b>\$1,230,513</b>	<b>\$1,528,073</b>	<b>\$1,898,667</b>
<b>OPERATING EXPENSES</b>			
<b>Selling</b>			
Salaries and wages	\$ 150,000.00	\$157,500	\$165,375
Commissions	28,800	50,400	55,440
Advertising	88,020	88,020	88,020
Other	2,424	3,013	3,745
<b>Total Selling Expenses</b>	<b>\$269,244</b>	<b>\$298,933</b>	<b>\$312,580</b>
<b>General/Administrative</b>			
All other salaries and wages	187,200	248,976	331,138
Equipment Lease	19,466	19,466	19,466
Rent	180,000	180,000	180,000
Delivery expense	2,400	2,400	2,400
Supplies	1,200	1,200	1,200
Telephone	2,652	2,652	2,652
Other utilities	5,016	5,016	5,016
Insurance	5,300	5,300	5,300
Payroll Taxes	25,290	25,290	25,290
Loan Repayment	47,724	47,724	47,724
Maintenance	1,800	1,800	1,800
Legal/professional fees	1,200	1,200	1,200
<b>Total General/Administrative Expenses</b>	<b>\$479,248</b>	<b>\$541,024</b>	<b>\$623,186</b>

## 10.6 Financial assumptions clearly identified

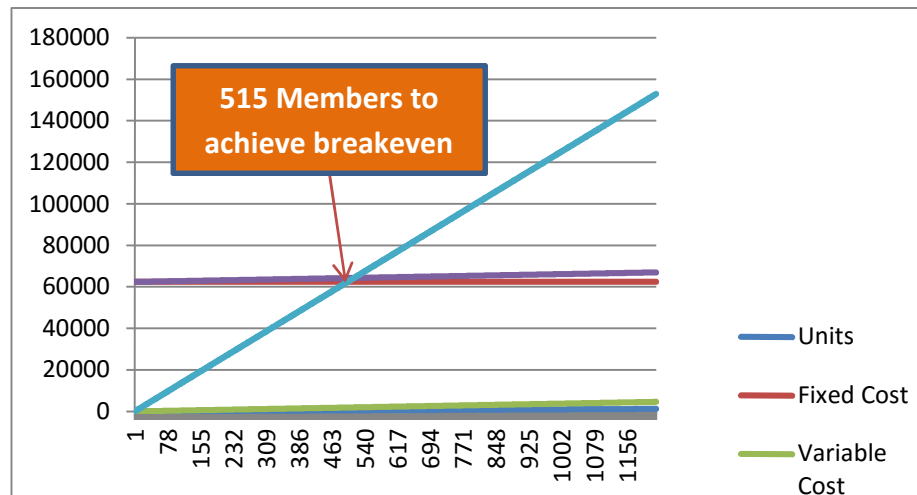
All of our financial assumptions are based on local market research and competitive comparisons. Our membership price is slightly above traditional big box fitness centers

<b>Financial Assumptions Overview</b>	
Member numbers	1218 first year
M-t-M Growth Rate	5-10%/month (1st year)
Membership Pricing	\$99/mn for annual membership
Inventory Markup	100% markup
Customer Retention	90%
Employee Salaries	\$10/hr (General staff)
<i>Note: A full list of our financial assumptions can be found in the monthly operational expense section in our start up budget in Appendix A.</i>	

where customers are on their own. However, we are significantly lower priced than personal training studios. Our price fits our target customer who wants the feeling of high end exclusivity, but is also self-motivated and driven by results. We assume that we acquire 100 in month 1, and 1218 by year end (Numbers based on 24 Hour Fitness membership). Our cash flow statement reflects heavy discounting during the first year due to our price penetration strategy. We plan to acquire up to 50% of new members through daily coupon providers Groupon and SweetJack. We assume that 20% of total revenue will be derived from upsells (classes, food, apparel). Salaries and commissions of our key employees account for the largest portion (48.8%) of our operating expenses. Rent and equipment leasing account for 26.6%, and monthly advertising accounts for 11.8%. These numbers are most aligned to typical service business; however, the rental expense is skewed to the need to occupy a 10,000 sq ft. facility in a prime location.

### Breakeven Analysis

According to our estimates, we will achieve breakeven at 515 membership where our monthly revenue of \$64,375 eclipses our expenses of \$64,305.62. At



1218 members, revenue hits \$152,250, while expenses hover at \$66,938.12.

# 11. Supporting Documents

## APPENDIX A: Startup Budget

Startup Budget  
24 Minute Gym

Monthly Operational Costs	Cash need to start	% of Subtotal	Notes
Salary of Owner(s)-Manager	\$ 12,500.00	8.9%	3 Owners @ \$50,000 annual salary
All other Salaries and Wages	\$ 15,600.00	11.2%	3 Employees at a time @ \$10/hour, open 15 hours a day/1 Outside Sales Rep
Commissions	\$ 2,400.00	1.7%	10% Commission for Outside Sales Rep (20 membership monthly Quota)
Equipment Lease	\$ 1,622.20	1.2%	Equipment value: \$180K, Term: 10 yrs, Rate 3.4%, Residual Value: \$20K
Rent	\$ 15,000.00	10.7%	10,000 square foot building at \$18 per square foot
Advertising	\$ 7,335.00	5.3%	25 Radio Advertisements, 10,000 flyers, and 1 Billboard
Delivery Expense	\$ 200.00	0.1%	Estimate for water system and office supplies/inventory
Supplies	\$ 100.00	0.1%	General Office Supplies
Telephone	\$ 221.00	0.2%	2 Voice Lines, 1 Fax Line, 1 Credit Card Line
Other Utilities	\$ 418.00	0.3%	
Insurance	\$ 441.67	0.3%	AllState Quote (Appendix E)
Taxes, Including Social Security	\$ 2,107.50	1.5%	7.5% of Manager/Other Employees Salaries for FICA and SSI
Loan Repayment	\$ 3,977.00	2.8%	\$386,557.84 Loan at 6.125% interest over 10 years
Maintenance	\$ 150.00	0.1%	Minor Equipment Repairs
Legal, other Professional Fees	\$ 100.00	0.1%	Minor Contracting
Miscellaneous	\$ 202.00	0.1%	Other things that may come up
<b>Subtotal</b>	<b>\$ 62,374.37</b>	<b>44.7%</b>	

### One-Time-Cost

Fixtures and Equipment	\$ 10,218.61	7.3%	Non-gym Equipment-Non-Exercise Equipment-See Appendix C
Decorating and Remodeling	\$ 51,093.04	36.6%	General Remodeling Expense
Installation Charges	\$ 1,000.00	0.7%	Equipment Installation
Starting Inventory	\$ 1,000.00	0.7%	Gym wear
Deposits with Public Utilities	\$ 500.00	0.4%	Water, Gas, and CAM
Legal, other Professional Fees	\$ 1,000.00	0.7%	Incorporation documentation
Licenses and Permits	\$ 500.00	0.4%	Sales and Usage License
Advertising and Promotion for Opening	\$ 10,000.00	7.2%	Grand opening advertising, radio, fliers, and billboards
Cash	\$ 1,500.00	1.1%	Petty Cash/Emergency Fund
Other	\$ 500.00	0.4%	Miscellaneous
<b>Subtotal</b>	<b>\$ 77,311.64</b>	<b>55.3%</b>	
<b>Grand Total</b>	<b>\$ 139,686.01</b>	<b>100.0%</b>	

6 Months Operational Funds	\$ 374,246.20
One Time Costs	\$ 77,311.64
Total Funds Need to Open	\$ 451,557.84
Owner Contributions	\$ 45,000.00
Crowd Funding	\$ 20,000.00
Total Needed to Borrow	\$ 386,557.84

## APPENDIX B: Testimonial

**Tom Mahaffey** | President/CEO | Sandy Springs Perimeter Chamber  
7000 Central Parkway | Suite 230 | Atlanta, GA 30328  
678.443.2990 | Cell 678.906.7948  
tom@sandysprings.org | www.sspcchamber.org

**From:** Tom Mahaffey <tmahaffey@sandysprings.org>  
**Sent:** Friday, January 22, 2016 10:35 AM  
**To:** Tatje, Morgan V  
**Subject:** RE: Small Favor

Morgan,  
This sounds like a terrific partnership. This would be a great benefit for me to offer to my Chamber members. Consider 24 Minute Gym our go-to fitness center! Let's talk. Would you be able to prepare a presentation and present this to my Chamber members and I? Our next meeting is on Wednesday, February 10 at 4:00 pm. Stay in touch.  
Thank you


**From:** Tatje, Morgan V [mailto:morganvtor@yahoo.com]  
**Sent:** Friday, January 22, 2016 10:33 AM  
**To:** Tom Mahaffey  
**Subject:** Small Favor

Good morning Mr. Mahaffey,

My name is Morgan Tatje, vice president of marketing for the 24 Minute Gym of Atlanta. I am writing to offer you an exciting opportunity for your Chamber members. The 24 Minute Gym is a complete workout. Our workout plans are never the same, because each client is given a personalized workout design each time they enter the facility. Using our propriety fitness software and on-site fitness experts, we offer exponential exercise routines that can accommodate any level of fitness user. The routines are based on High Intensity Interval Training (HIIT) which maximizes results in the smallest amount of time. As you and I both know, the most important resource in the world is time...even more so for busy executives. Our motto is "Don't Waste HOUR Time," because we know that your members are busy with their professional lives, but also appreciate a results-orientated approach in all aspects of life.

In interest of time, I'll get to the bottom line. We would like to be the Chamber's recommended fitness center of choice. In return we are willing to give any member a 1 month free membership and a 10% discount off of our standard rates if they choose to sign up. This is a win-win for both the Chamber (as an extra benefit), your members, and us.  
Let me know your thoughts. 24 Minute Gym would love having you all be a part of its family!

Morgan V. Tatje  
Vice President of Marketing  
(888) 555 1212



## APPENDIX C: Balance Sheet

Pro-Forma Balance Sheet	
24 Minute Fitness	
31-Dec-18	
<b>ASSETS</b>	<b>Year 1</b>
<b>Current Assets</b>	
Cash	\$ 942,537.03
Net accounts receivable	\$ 0
Inventory	\$ 3,579
Deposits	\$ 500.00
Prepaid expenses	\$ 0
<b>Total Current Assets</b>	<b>\$946,616</b>
<b>Fixed Assets</b>	
Long-term investments	\$ 0
Land	\$ 0
Buildings (net of depreciation)	\$47,687
Plant & equipment (net)	\$ 0
Furniture & fixtures (net)	\$9,616
<b>Total Net Fixed Assets</b>	<b>\$57,303</b>
<b>TOTAL ASSETS</b>	<b>\$1,003,920</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$133,727
Short-term notes	\$ 0
Current portion of long-term notes	\$27,202
Accruals & other payables	\$ 0
<b>Total Current Liabilities</b>	<b>\$160,929</b>
<b>Long-term Liabilities</b>	
Loan	\$295,970
Other long-term liabilities	\$ 0
<b>Total Long-term Liabilities</b>	<b>\$295,970</b>
<b>SHAREHOLDERS' EQUITY</b>	
Owner's Capital	\$ 65,000.00
Retained earnings	\$482,021
<b>Total Shareholders' Equity</b>	<b>\$547,021</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$1,003,920</b>

## APPENDIX D: Balance Sheet

Allstate		CERTIFICATE OF LIABILITIES INSURANCE		OP-ID-SK	DATE (MM/DD/YY)
				HURL0-1	02/02/2016
<b>Allstate Insurance</b> PHONE: (770) 727-4144 FAX: (770) 800-3144 EMAIL: webberagency@allstate.com ADDRESS: 8409 Dunwoody Pl Sandy Springs, GA 30350		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND OR EXTEND ALTER THE COVERAGE AFFORDED BY THE POLICY BELOW.			
<b>INSURED</b> 24 Minute Gym Address: 887 Howell Mill Rd Atlanta, GA 30318 Telephone: (770) 639 4819 Email: info@24mingym.com Contact Person: Sophie Frostbaum		<b>INSURERS AFFRODING COVERAGE</b>		<b>NA/C #</b> 14990	
<b>COVERAGE</b> THE POLICIES OR POLICIES DESCRIBED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. HOWEVER, ANY REQUIREMENT, TERM, OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. Aggregate limits shown may have been reduced by paid claims.		<b>INSURANCE A</b>		<b>AUTO OWNERS INSURANCE COMPANY</b>	
<b>INSUR LTR</b>		<b>ADUL INSU</b>		<b>TYPE OF INSURANCE</b>	
A		GENERAL LIABILITY		POLICY NUMBER: AW34391340	
X		COMMERCIAL GENERAL LIABILITY INSURANCE		POLICY EFFECTIVE DATE (MM/DD/YY): 2/2/2016	
X		CLAMS MODE OCCUR		POLICY EXPIRATION DATE (MM/DD/YY): 2/3/2016	
X		GENL AGGREGATE LIMIT APPLIES PER		LIMITS	
POLICY		PROJ-		EACH OCCURRENCE \$ 1,000,000	
LOC		LOC		DAMAGE TO RANTED PREMISES (Ea OCCURRENCE) \$ 100,000	
A		AUTOMOBILE LIABILITY		MED EXP (ANY ONE PERSON) \$ 5,000	
X		ANY AUTO		PERSONAL AND ADV INJURY \$ 1,000,000	
X		ALL OWNED AUTOS		GENERAL AGGREGATE \$ 2,000,000	
X		SHEDULE AUTOS		PRODUCTS-COMP/OP AGG \$ 2,000,000	
X		HIRED AUTOS		COMBINED SINGLE LIMIT (Ea ACCIDENT) \$ 1,000,000	
X		NON OWNED AUTOS		BODILY INJURY (PER PERSON)	
A		GARAGE LIABILITY		BODILY INJURY (PER ACCIDENT)	
X		ANY AUTO		PROPERTY DAMAGE (PER ACCIDENT)	
X		EXCESS/UMBRELLA LIABILITY		PROPERTY DAMAGE (PER ACCIDENT)	
X		OCCUR		CLIMES MADE	
X		DEDUCTIBLE		AUTO ONLY (Ea ACCIDENT)	
X		RETENTION		OTHER THAN AUTO EA ACC ONLY AGG	
A		WORKERS COMPENSTION AND EMPLOYEES LIABILITY		EACH OCCURRENCE \$ 1,000,000	
X		ANY PROPRIETOR/PARTNER/EXECUTIVE/OFFICER/MEMBER EXCLUDED		AGGREGATE \$ 1,000,000	
X		IF YES DESCRIBE UNDER SPECIAL PROVISION BELOW		WC STATU TORY LIMIT OTHER	
A		OTHER PROPERTY SECTION		EL EACH ACCIDENT	
X		PROPERTY SECTION		EL DISEASE EA EMPLOYEE	
X		PROPERTY SECTION		EL DISEASE EA PLYC LIMIT	
A		DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS		Limit \$457,868	
HOMEOWNERS &/OR MOBILE HOMEOWNERS ASSOCIATION		DED		1,000	
<b>CERTIFICATE HOLDER</b>		<b>INSURED</b>		<b>CANCELLATION</b>	
24 Minute Gym		Address: 887 Howell Mill Rd Atlanta, GA 30318		SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURANCE WILL END OVER TO MAIL 10 DAYS WRITTEN NOTICE OF THE CERTIFICATE HOLDER NAMED TO THE LEFT BUT	
Telephone: (770) 639 4819		Email: info@24mingym.com		<b>AUTHORISED REPRESENTATIVE</b>	
Contact Person: Sophie Frostbaum		SPECIAL ACCOUNT			

## Appendix E: Loan Amortization

### Loan Summary

**\$3,977** Monthly Payment  
**\$477,181** Total of 120 Payments  
**\$128,540** Total Interest Paid  
**Dec, 2025** Pay-off Date



### AMORIZATION SCHEDULE

Date	Interest	Principal	Balance
Jan, 2016	\$1,918	\$2,059	\$346,582
Feb, 2016	\$1,906	\$2,070	\$344,512
Mar, 2016	\$1,895	\$2,082	\$342,430
Apr, 2016	\$1,883	\$2,093	\$340,337
May, 2016	\$1,872	\$2,105	\$338,232
Jun, 2016	\$1,860	\$2,116	\$336,116
Jul, 2016	\$1,849	\$2,128	\$333,988
Aug, 2016	\$1,837	\$2,140	\$331,849
Sep, 2016	\$1,825	\$2,151	\$329,697
Oct, 2016	\$1,813	\$2,163	\$327,534
Nov, 2016	\$1,801	\$2,175	\$325,359
Dec, 2016	\$1,789	\$2,187	\$323,172
2016	\$22,249	\$25,469	\$323,172

## Appendix F: Comparable Rates



## Appendix G: Vendor Quotes

www.manringmasterpiece.com/printing.html

HOME ABOUT PORTFOLIO SEO PRICING POLICIES TESTIMONIALS

### Printing Prices

Prices do not include shipping. Shipping is based off your location and the weight of your product. Contact

Business Cards (3.5"x2")	Letterheads (8.5"x11")	Standard Postcards (4"x6")	Full Page Flyers (8.5"x11")
100.....\$20	100.....\$90	100.....\$65	100.....\$125
250.....\$35	250.....\$110	250.....\$100	250.....\$175
500.....\$65	500.....\$125	500.....\$125	500.....\$225
1,000.....\$80	1,000.....\$175	1,000.....\$150	1,000.....\$250
2,500.....\$90	2,000.....\$275	2,500.....\$175	2,500.....\$325
5,000.....\$110	5,000.....\$525	5,000.....\$225	5,000.....\$350

Jumbo Postcard (5.5"x8.5") Door Hangers (4.25"x11") Vinyl Banners & Signs Tri-fold Brochure (8.5"x11")

Unisex / Men's Ladies's Styles Kids Groups Athletics Accessories Embroidery

**For a Quick Quote:** Select a color, describe artwork & placement

Basic 100% Tee  
 Everyday Cotton t-shirt  
 5.4 oz

**\$3.23 each \***  
**SPECIAL - 20% OFF has been applied!**

\* NOTES:  
 Style: BD54  
 Through size XL  
 Printing 1 color front

BD54 / Best Deal 1 -

Select a color: White  
 Front number of colors: 1 Color

## Appendix H: Salary Schedule

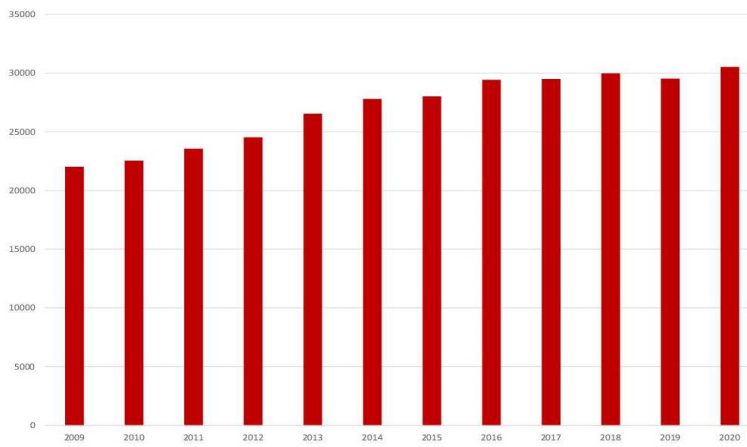
Non Mangerial Salaries				
	Employees	Rate	Hours	Total
Monday	3	\$ 10.00	15	\$ 450.00
Tuesday	3	\$ 10.00	15	\$ 450.00
Wednesday	3	\$ 10.00	15	\$ 450.00
Thursday	3	\$ 10.00	15	\$ 450.00
Friday	3	\$ 10.00	15	\$ 450.00
Saturday	3	\$ 10.00	15	\$ 450.00
Sunday	3	\$ 10.00	15	\$ 450.00
Weekly Expense				\$ 3,150.00
Monthly Expense				\$ 12,600.00

Outside Sales Rep	
Base Salary (\$36,000/year)	\$ 3,000.00
Commission (10% per contract/Quota 20/mn)	\$ 2,400.00
2nd Year Retention (5%)	\$ 1,200.00
3rd Year Retention (2.5)	\$ 600.00
Monthly Salary Potential Yr 1	\$ 5,400.00
Monthly Salary Potential Yr 2	\$ 6,600.00
Monthly Salary Potential Yr 3	\$ 7,200.00

	Salary	Commission	Total
Total Monthly Salaries Year 1	\$ 15,600.00	\$ 2,400.00	\$ 18,000.00
Total Monthly Salaries Year 2	\$ 15,600.00	\$ 3,600.00	\$ 19,200.00
Total Monthly Salaries Year 3	\$ 15,600.00	\$ 4,200.00	\$ 19,800.00

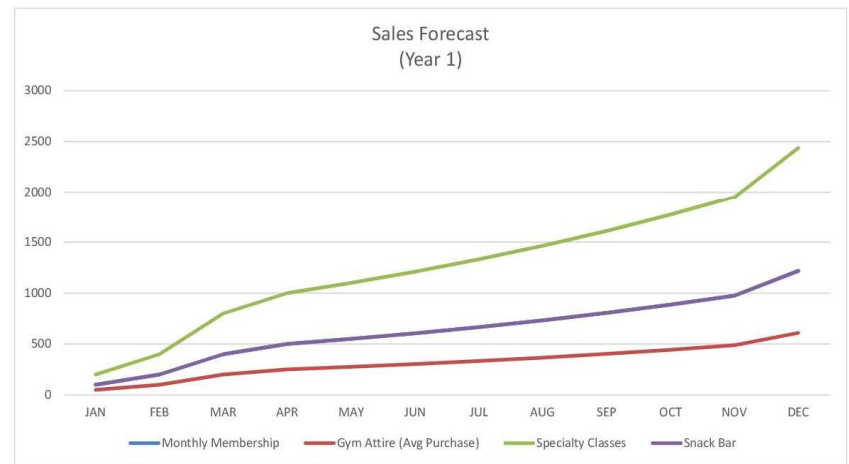
## Appendix I: Popularity of Fitness Centers

Revenue of fitness and recreational sports centers (NAICS 71394) in the United States from 2008 to 2020 (in million U.S. dollars)



## Appendix J: Sales Forecast

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Monthly Membership	100	200	400	500	550	605	666	732.05	805	886	974	1218
Gym Attire (Avg Purchase)	50	100	200	250	275	302.5	333	366.025	403	443	487	609
Specialty Classes	200	400	800	1000	1100	1210	1331	1464.1	1611	1772	1949	2436
Snack Bar	100	200	400	500	550	605	666	732.05	805	886	974	1218



## Appendix K: Works Cited

### Works Cited

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